

## OFFICIAL STATEMENT

### New Issue

This Official Statement provides information about the Bonds. Some of the information appears on this cover page for ready reference. A prospective investor should read the entire Official Statement to make an informed investment decision.

# \$20,000,000

## STATE OF WISCONSIN

### GENERAL OBLIGATION BONDS OF 2001, SERIES E (TAXABLE)

Dated: October 1, 2001

Due: November 1, as shown below

<b>Ratings</b>	AA Fitch Aa3 Moody's Investors Service, Inc. AA Standard & Poor's Ratings Services
<b>Taxable Bonds</b>	Interest on the Bonds is subject to federal income and State of Wisconsin income and franchise taxes— <i>See pages 12-15.</i>
<b>Redemption</b>	The Bonds maturing on or after November 1, 2012 are callable at par on or after November 1, 2011— <i>See page 2.</i> The Bonds maturing on November 1, 2017, 2021, and 2031 are subject to mandatory sinking fund redemption at par— <i>See pages 2-4.</i> The Bonds are subject to special redemption at par— <i>See pages 4-5.</i>
<b>Security</b>	General obligations of the State of Wisconsin.
<b>Purpose</b>	Proceeds from the Bonds are being used to fund veterans primary mortgage home loans— <i>See pages 1-2.</i>
<b>Interest Payment Dates</b>	May 1 and November 1
<b>First Interest Payment Date</b>	May 1, 2002
<b>Denominations</b>	\$5,000
<b>Closing/Settlement</b>	October 17, 2001
<b>Bond Counsel</b>	Foley & Lardner
<b>Registrar/Paying Agent</b>	State Treasurer
<b>Issuer Contact</b>	Wisconsin Capital Finance Office—(608) 266-2305; <a href="mailto:capfin@doa.state.wi.us">capfin@doa.state.wi.us</a>
<b>Book-Entry-Only Form</b>	The Depository Trust Company— <i>See pages 7-9.</i>
<b>Annual Report</b>	This Official Statement incorporates by reference <b>Parts I, II, and III</b> of the State of Wisconsin Continuing Disclosure Annual Report, dated December 22, 2000.

The prices and yields listed below were determined on September 27, 2001 at a negotiated sale. The Underwriter purchased the Bonds at a purchase price of \$19,895,600.00.

CUSIP	Year (November 1)	Principal Amount	Interest Rate	Yield at Issuance	Price at Issuance	First Optional Redemption Date	Call Price
977056 R69	2017 <sup>(a)</sup>	\$ 6,210,000	6.12%	6.12%	100.000%	11/1/2011	100%
977056 R77	2021 <sup>(a)</sup>	2,730,000	6.71	6.71	100.000	11/1/2011	100
977056 R85	2031 <sup>(a)</sup>	11,060,000	6.96	6.96	100.000	11/1/2011	100

(Accrued interest to be added)

<sup>(a)</sup> This maturity is a term bond. For a schedule of the installment payments, see "THE BONDS; Redemption Provisions; *Mandatory Sinking Fund Redemption*".

### UBS PaineWebber Inc.

September 28, 2001

This document is the “official” statement—that is, it contains the only authorized information about the offering of the Bonds. This document isn’t an offer or solicitation for the Bonds, and no unlawful offer, solicitation, or sale may occur through the use of this document or otherwise. This document isn’t a contract, and it provides no investment advice. Prospective investors should consult their advisors and legal counsel with questions about this document, the Bonds, and anything else related to the offering.

The purpose of this document is to provide prospective investors with information that may be important in making an investment decision. It may not be used for any other purpose without the State’s permission. The State is the author of this document and is responsible for its accuracy and completeness. The Underwriters are not the authors of this document. In accordance with their responsibilities under federal securities laws, the Underwriters are required to review the information in this document and must have a reasonable basis for their belief in the accuracy and completeness of its key representations.

The estimates, forecasts, projections, and opinions in this document aren’t hard facts, and no one guarantees them. Some of the people who prepared, compiled, or reviewed this information had specific functions that covered some aspects of the offering but not others. For example, financial staff focused on quantitative financial information, and legal counsel focused on specific documents or legal issues assigned to them.

No dealer, broker, sales representative, or other person has been authorized to give any information or to make any representations about the Bonds other than what is in this document. The information and expressions of opinion in this document may change without notice. The delivery of this document or any sale of the Bonds does not imply that there has been no change in the matters contained in this document since the date of this document. Material referred to in this document is not part of this document unless expressly included.

In connection with the offering of the Bonds, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of such Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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# STATE OFFICIALS PARTICIPATING IN THE ISSUANCE AND SALE OF THE BONDS

## BUILDING COMMISSION MEMBERS

<b>Voting Members</b>	<b>Term of Office Expires</b>
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 Timothy Hoven	January 6, 2003
Representative Jeffrey Plale	January 6, 2003
Representative Daniel Vrakas	January 6, 2003
Mr. Bryce Styza, Citizen Member	At the pleasure of the Governor
<b>Nonvoting, Advisory Members</b>	
Mr. George Lightbourn, Secretary Department of Administration	At the pleasure of the Governor
Mr. Adel Tabrizi, State Chief Engineer Department of Administration	—
Mr. Wilbert King, State Chief Architect Department of Administration	—
<b>Building Commission Secretary</b>	
Mr. Robert G. Cramer (also serves as Administrator, Division of Facilities Development of the 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

## DEBT MANAGEMENT AND DISCLOSURE

Department of Administration  
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(608) 267-0374  
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## SUMMARY DESCRIPTION OF THE BONDS

*Selected information is presented on this page for the convenience of the reader. To make an informed decision regarding the Bonds, a prospective investor should read the entire Official Statement.*

Description:	State of Wisconsin General Obligation Bonds of 2001, Series E (Taxable)
Principal Amount:	\$20,000,000
Denominations:	\$5,000 and integral multiples
Date of Issue:	October 1, 2001
Record Date:	April 15 or October 15
Interest Payment:	May 1 and November 1, commencing May 1, 2002
Maturities:	November 1, 2017, 2021, and 2031— <i>See front cover</i>
Redemption:	<i>Optional</i> —The Bonds maturing on or after November 1, 2012 are subject to optional redemption at par beginning November 1, 2011— <i>See page 2</i> <i>Mandatory Sinking Fund</i> —The Bonds maturing on November 1, 2017, 2021, and 2031 are subject to mandatory sinking fund redemption at par— <i>See page 2-4</i> <i>Special</i> —The Bonds are subject to special redemption at par— <i>See pages 4-5</i>
Form:	Book entry only— <i>See pages 7-9</i>
Paying Agent:	All payments of principal and interest on the Bonds will be paid by the State Treasurer. All payments will be made to The Depository Trust Company, which will distribute payments to Beneficial Owners as described herein.
Security:	The Bonds are general obligations. As of June 1, 2001, there were \$3,946,641,144 of outstanding general obligations of the State.
Authority for Issuance:	The Bonds are issued under Article VIII of the Wisconsin Constitution and Chapters 18, 20, and 45 of the Wisconsin Statutes.
Purpose:	Proceeds from the Bonds are being used to fund veterans primary mortgage home loans— <i>See pages 1-2</i>
Additional General Obligation Debt:	The State may issue additional general obligation debt.
Legality of Investment:	State law provides that the Bonds are legal investments for all banks, trust companies, savings banks and institutions, building and loan associations, savings and loan associations, credit unions, investment companies, and other persons or entities carrying on a banking business; for all executors, administrators, guardians, trustees, and other fiduciaries; for the State and all public officers, municipal corporations, political subdivisions, and public bodies.
Taxable Bonds:	<i>Federal income tax</i> —Interest on the Bonds is included in gross income for federal income tax purposes— <i>See pages 12-15</i> <i>Wisconsin state income and franchise taxes</i> —Interest on the Bonds is subject to State of Wisconsin income and franchise taxes— <i>See page 15</i>
Legal Opinion:	Validity opinion to be provided by Foley & Lardner— <i>See Appendix B</i>

**OFFICIAL STATEMENT**  
**\$20,000,000**  
**STATE OF WISCONSIN**  
**GENERAL OBLIGATION BONDS OF 2001, SERIES E (TAXABLE)**

**INTRODUCTION**

This Official Statement sets forth information concerning the \$20,000,000 General Obligation Bonds of 2001, Series E (Taxable) (**Bonds**) issued by the State of Wisconsin (**State**). This Official Statement includes by reference Parts I, II, and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 22, 2000 (**2000 Annual Report**).

The Bonds are authorized under the Wisconsin Constitution and the Wisconsin Statutes as well as an authorizing resolution that the State of Wisconsin Building Commission (**Commission**) adopted on August 8, 2001.

The Commission, an agency of the State, is empowered by law to authorize, issue, and sell all the State's general obligations. The Commission is assisted and staffed by the State of Wisconsin Department of Administration (**Department of Administration**).

The Commission has authorized the Department of Administration to prepare this Official Statement. This Official Statement contains information furnished by the State or obtained from the sources indicated.

**THE STATE**

The State is located in the Midwest among the northernmost tier of states. The State ranks 18th among the states in population and 26th in land area. Wisconsin attained statehood in 1848, its capital is Madison, and its largest city is Milwaukee.

Information concerning the State, its financial condition, and its general obligation debt is included as **APPENDIX A**, which includes by reference Part II and Part III of the 2000 Annual Report.

Requests for additional information about the State may be directed to.

*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](mailto:capfin@doa.state.wi.us)

**THE BONDS**

**Plan of Finance**

The Bonds are being used to fund primary mortgage home loans to veterans without regard to whether they are "qualified veterans" under federal tax law for the purpose of acquiring residences (**Taxable Veterans Mortgage Bonds**).

The State intends to provide a subsidy for veterans primary mortgage home loans funded with proceeds of the Bonds. The source of the subsidy will be excess proceeds of eligible mortgage

pools, including available equity of the veterans primary mortgage housing loan program, repayments of veterans primary mortgage home loans funded with tax-exempt general obligation bonds (**Tax-Exempt Veterans Mortgage Bonds**), or excess amounts in the Insurance Reserve Account. Under federal tax law, each of these sources is eligible for such use.

**General**

The **front cover of this Official Statement** sets forth the maturity dates, amounts, and interest rates for the Bonds.

The Bonds will be dated October 1, 2001 and will bear interest from that date payable on May 1 and November 1 of each year, beginning on May 1, 2002.

Interest on the Bonds will be computed on the basis of a 30-day month and a 360-day year. Payments of principal and interest for each Bond will be paid to the registered owner of the Bonds. The Bonds are being issued in book-entry-only form, so the registered owners will be a securities depository—initially, a nominee of The Depository Trust Company, New York, New York (**DTC**). See “THE BONDS; Book-Entry-Only Form”.

The Bonds are issued as fully registered bonds without coupons in principal denominations of \$5,000 or multiples of \$5,000.

**Security**

The Bonds are direct and general obligations of the State. The full faith, credit, and taxing power of the State are irrevocably pledged to make principal and interest payments on the Bonds. There has been irrevocably appropriated, as a first charge upon all revenues of the State, a sum sufficient for the payment of the principal of and interest on the Bonds as the Bonds mature and become due. The Bonds are secured equally with all other outstanding general obligations issued by the State.

**Redemption Provisions**

*Optional Redemption*

The Bonds are subject to optional redemption before their maturity date. The Bonds maturing on or after November 1, 2012 may be redeemed on November 1, 2011 or any date after that date, in whole or in part in multiples of \$5,000, at a redemption price equal to par (100%) plus accrued interest to the redemption date. The Commission may decide whether to redeem Bonds, and it may direct the amounts and maturities of the Bonds to be redeemed.

*Mandatory Sinking Fund Redemption*

The Bonds due on November 1, 2017 (**2017 Term Bonds**) are subject to redemption before their maturity date at a redemption price equal to par (100%) of the principal amount to be redeemed, plus accrued interest to the date of redemption, from mandatory sinking fund installments that are required to be made in amounts sufficient to redeem on November 1 of each year the respective amount of the 2017 Term Bonds specified below:

<b>Redemption Date ( <u>November 1</u> )</b>	<b>Principal <u>Amount</u></b>
2002	\$ 250,000
2003	255,000
2004	270,000
2005	285,000
2006	305,000
2007	320,000

<b>Redemption Date ( November 1 )</b>	<b>Principal Amount</b>
2008	340,000
2009	365,000
2010	380,000
2011	410,000
2012	435,000
2013	460,000
2014	485,000
2015	520,000
2016	545,000
2017 <sup>(a)</sup>	585,000

<sup>(a)</sup> Stated maturity

The Bonds due on November 1, 2021 (**2021 Term Bonds**) are subject to redemption before their maturity date at a redemption price equal to par (100%) of the principal amount to be redeemed, plus accrued interest to the date of redemption, from mandatory sinking fund installments that are required to be made in amounts sufficient to redeem on November 1 of each year the respective amount of the 2021 Term Bonds specified below:

<b>Redemption Date ( November 1 )</b>	<b>Principal Amount</b>
2018	\$ 620,000
2019	655,000
2020	705,000
2021 <sup>(a)</sup>	750,000

<sup>(a)</sup> Stated maturity

The Bonds due on November 1, 2031 (**2031 Term Bonds**) are subject to redemption before their maturity date at a redemption price equal to par (100%) of the principal amount to be redeemed, plus accrued interest to the date of redemption, from mandatory sinking fund installments that are required to be made in amounts sufficient to redeem on November 1 of each year the respective amount of the 2031 Term Bonds specified below:

<b>Redemption Date ( November 1 )</b>	<b>Principal Amount</b>
2022	\$ 805,000
2023	855,000
2024	920,000
2025	980,000
2026	1,050,000
2027	1,120,000
2028	1,200,000
2029	1,285,000
2030	1,375,000
2031 <sup>(a)</sup>	1,470,000

<sup>(a)</sup> Stated maturity

Optional redemption (or the purchase in lieu thereof) of the 2017 Term Bonds, 2021 Term Bonds, or 2031 Term Bonds for which sinking fund installments have been established shall be applied to reduce the sinking fund installments established for Term Bonds that are redeemed or purchased in such manner as the Commission shall direct.

*Special Redemption–Unexpended Proceeds*

The Bonds are subject to special redemption before maturity, on any date, in whole or in part in integral multiples of \$5,000, at a redemption price equal to par (100%) plus accrued interest to the redemption date, from unexpended Bond proceeds. This redemption is at the option of the Commission, and it may direct the amount and maturities of the Bonds to be redeemed; however, the Commission intends to apply amounts from this source as a pro rata redemption on all applicable outstanding maturities of the Bonds, subject to rounding.

*Special Redemption–Prepayments*

The Bonds are subject to special redemption before maturity, on any date, in whole or in part in integral multiples of \$5,000, at a redemption price equal to par (100%) plus accrued interest to the redemption date, from repayments of veterans primary mortgage home loans or interest or income on investments in certain accounts, funded from or attributed to the Bonds. This redemption is at the option of the Commission, and it may direct the amount and maturities of the Bonds to be redeemed; however, the Commission intends to apply amounts from this source as a pro rata redemption on all applicable outstanding maturities of the Bonds, subject to rounding.

Prepayments of mortgage loans or loans originated with or attributed to any other series of Taxable Veterans Mortgage Bonds shall not be used for special redemption of the Bonds. Prepayments of mortgage loans or loans originated with or attributed to any series Tax-Exempt Veterans Mortgage Bonds shall not be used for special redemption of Taxable Veterans Mortgage Bonds, and prepayments of mortgage loans or loans originated with or attributed to any series of Taxable Veterans Mortgage Bonds shall not be used for special redemption of Tax-Exempt Veterans Mortgage Bonds.

*Expected Average Life Table*

The following table summarizes the expected average life of the Bonds, based on various assumptions. The following table was prepared by cfX Incorporated, the firm the State has employed to review and provide quantitative analysis about the cash flow of the veterans primary mortgage housing loan program. In creating the following table, cfX Incorporated used the following assumptions:

- Average origination date of December 1, 2001.
- Level amortization of the primary mortgage home loans based on a 30-year term at a 6.80% mortgage loan rate.
- Principal amount due on the Bonds on a particular date is payment at maturity of a serial bond or a mandatory sinking fund payment of a term bond, as determined by the successful bidder.
- Special redemption available solely from unexpended proceeds of the Bonds or from prepayments of veterans primary mortgage home loans funded by or interest or income on investments in certain accounts attributed to the Bonds.
- Early special redemptions done on a semi-annual periodicity.
- Prepayment speed of 0% relative to the prepayment models prepared by Federal Housing Authority (FHA) and Public Securities Association (PSA and currently called The Bond Market Association) assumes that no prepayments will occur.



**Average Life Summary (In Years)**

**Prepayment Speed (FHA)**

	<u>0%</u>	<u>25%</u>	<u>50%</u>	<u>75%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>	<u>300%</u>	<u>400%</u>
2017 Term Bond	9.77	9.06	8.44	7.86	7.36	6.52	5.82	4.79	4.09
2021 Term Bond	18.62	16.41	14.49	12.85	11.50	9.35	7.85	5.82	4.70
2031 Term Bond	26.09	21.62	18.18	15.44	13.28	10.22	8.21	5.91	4.69

**Prepayment Speed (PSA)**

	<u>0%</u>	<u>25%</u>	<u>50%</u>	<u>75%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>	<u>300%</u>	<u>400%</u>
2017 Term Bond	9.77	9.14	8.58	8.10	7.64	6.83	6.18	5.16	4.44
2021 Term Bond	18.62	16.65	14.88	13.36	12.11	10.12	8.52	6.45	5.23
2031 Term Bond	26.09	22.00	18.70	16.18	14.07	11.03	9.01	6.56	5.23

Prepayments on mortgage loans are commonly measured relative to a prepayment standard or model. Information in the above table for the FHA prepayment speed was prepared using the June 30, 1991 table entitled “Survivor and Decrement Tables for HUD/FHA Home Mortgage Insurance Program”. The PSA prepayment model represents an assumed monthly rate of repayment of the then outstanding balance of a pool of new mortgage loans. The PSA prepayment model does not purport to be either a historical description of the prepayment experience of any pool of mortgage loans or a prediction on the anticipated rate of prepayment of any pool of mortgage loans. A prepayment speed of 100 percent PSA assumes prepayment rates of 0.2 percent per year of the then unpaid principal balance of mortgage loans in the first month of the life of the mortgage loans and an additional 0.2 percent per year in each month thereafter until the 30<sup>th</sup> month. Beginning in the 30<sup>th</sup> month and in each month thereafter during the life of the mortgage loans, 100 percent PSA assumes a constant prepayment rate of six percent per year. Multiples are calculated from this prepayment rate series; for example, 200 percent PSA assumes prepayment rates will be 0.4 percent per year in the first month, 0.8 percent in the second month, reaching 12 percent per year in the 30<sup>th</sup> month and remaining constant at 12 percent per year thereafter.

Information contained in the above table is based on data and assumptions obtained by cfX Incorporated from various sources, including the State, and cfX Incorporated has made no verification, independent investigation, or review of the truth or accuracy of such data and assumptions. The average life summary in the above table is also based on assumptions as to quantitative and other factors, including assumptions with respect to incomplete information, which are inherently subject to significant economic and other uncertainties and contingencies. Different assumptions could have a material effect upon the results in the above table. No representation, express or implied, is made by cfX Incorporated as to the accuracy, timeliness, or completeness of the data or the accuracy or reasonableness of any of the assumptions.

No assurance can be given that prepayments of principal on the primary mortgage home loans underlying the Bonds will conform to any prepayment projections or schedule, including the above table, or that prepayments will be available to be applied to redemption of the Bonds. The State has not undertaken to provide ongoing information to Bondholders with respect to the aforementioned assumptions or the extent that actual results have been consistent with such assumptions.

*Selection of Bonds*

If less than all the Bonds of a particular maturity are to be redeemed, the selection of Bonds to be redeemed depends on whether the Bonds are in book-entry-only form or are in certificated form. See “**THE BONDS; Book-Entry-Only Form**”. If the Bonds are in book-entry-only form, selection

of the beneficial owners affected by the redemption will be made by the securities depository and its participants in accordance with their rules. If the Bonds are not in book-entry-only form, selection will be by lot.

#### *Notice of Redemption*

If the Bonds are in book-entry-only form, any redemption notice will be sent to the securities depository between 30 and 45 days before the redemption date. A redemption notice may be revoked by sending notice to the securities depository at least 15 days before the proposed redemption date.

If the Bonds are not in book-entry-only form and registered in the names of multiple owners, any redemption notice will be published between 30 and 45 days before the date of redemption in a financial newspaper published or circulated in New York, New York. The notice will also be mailed, postage prepaid, between 30 and 45 days before the redemption date to the registered owners of any Bonds to be redeemed. The mailing, however, will not be a condition to the redemption; any proceedings to redeem the Bonds will still be effective even if the notice is not given. A redemption notice may be revoked by publication of a notice at least 15 days before the proposed redemption date in a financial newspaper published or circulated in New York, New York. The revocation notice will also be mailed, postage prepaid, at least 15 days before the proposed redemption date to the registered owners of any Bonds to have been redeemed. The mailing, however, will not be a condition to the revocation; the revocation will still be effective even if the notice is not given.

In the event the Bonds are not in book-entry-only form and registered in the name of a single owner, any redemption notice will be mailed, postage prepaid, between 30 and 45 days before the redemption date to the registered owner. The mailing, however, will not be a condition to the redemption; any proceedings to redeem the Bonds will still be effective even if the notice is not given. A redemption notice may be revoked by mailing a notice, postage prepaid, to the registered owner at least 15 days prior to the proposed date of redemption.

Interest on any Bond called for redemption will cease to accrue on the redemption date so long as the Bond is paid or money is provided for its payment.

#### **Registration and Payment of Bonds**

How the Bonds are paid depends on whether or not they are in book-entry-only form.

If the Bonds are in book-entry-only form, payment of principal will be made by wire transfer to the securities depository or its nominee upon the presentation and surrender of the Bonds at the principal office of the Paying Agent—which is the State Treasurer. Payment of interest will be made by wire transfer to the securities depository or its nominee on the payment date.

If the Bonds are not in book-entry-only form, payment of principal will be made by check or draft issued upon the presentation and surrender of the Bonds at the principal office of the Paying Agent, as designated by the Commission. Payment of interest due on the Bonds will be made by check or draft mailed to the registered owner shown in the registration book at the close of business on the 15<sup>th</sup> day (whether or not a business day) of the calendar month before the interest payment date (**Record Date**).

#### **Application of Bond Proceeds**

Bond proceeds are being used to fund veterans primary mortgage home loans. Bond proceeds will be deposited into the Capital Improvement Fund. Bond proceeds will be spent pursuant to rules and procedures adopted by the Wisconsin Department of Veterans Affairs (**DVA**) and

approved by the Commission. Until the money is spent, the State of Wisconsin Investment Board will invest the Bond proceeds.

### **Ratings**

At the State's request, several rating agencies have rated the Bonds:

<u>Rating</u>	<u>Rating Agency</u>
AA	Fitch
Aa3	Moody's Investors Service, Inc.
AA	Standard & Poor's Ratings Services

Any explanation of what a rating means may only be obtained from the rating service giving the rating. No one can offer any assurance that a rating given to the Bonds will be maintained for any period of time; a rating agency may lower or withdraw the rating it gives if in its judgment circumstances so warrant. Any downgrade or withdrawal of a rating may adversely affect the market price of the Bonds.

### **Book-Entry-Only Form**

DTC will act as securities depository for the Bonds. The State Treasurer will register all Bonds in the name of Cede & Co. (DTC's partnership nominee). DTC will receive one registered certificate for each maturity.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the same law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants (**Direct Participants**) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates.

Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants**). The rules applicable to DTC and its Direct and Indirect Participants—that is, Participants—are on file with the Securities and Exchange Commission.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (**Beneficial Owner**) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive

certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To make the system work more smoothly, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. This doesn't affect the beneficial ownership of any Bond. DTC has no idea who the Beneficial Owners of the Bonds are; its records show only the identity of the Direct Participants to whose accounts the Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

So long as Cede & Co. is the registered owner of the Bonds as nominee for DTC, references to the Bond owners means Cede & Co. and not the Beneficial Owners.

Notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any legal requirements.

The State will send redemption notices to Cede & Co. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants.

The State will make payments on the Bonds to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of the Participant and not of the State or DTC, subject to any legal requirements. The State is responsible for sending payments to DTC. DTC is responsible for disbursing those payments to Direct Participants. Both Direct and Indirect Participants are responsible for disbursing those payments to the Beneficial Owners.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered at the State's expense.

The State may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). If that happens, Bond certificates will be printed and delivered at the State's expense.

The information in this section about DTC and DTC's book-entry system has been obtained from DTC; the State takes no responsibility for its accuracy.

No one can give any assurance that DTC, Direct Participants, or Indirect Participants will promptly transfer payments or notices received with respect to the Bonds. The State is not responsible for the failure of DTC, Direct Participants, or Indirect Participants to transfer to the Beneficial Owner payments or notices received with respect to the Bonds.

Similarly, no one can give any assurance that DTC will abide by its procedures or that its procedures will not be changed. In the event that the State designates a successor securities depository, the successor may establish different procedures.

## **OTHER INFORMATION**

### **Veterans Housing Loan Program**

The veterans housing loan program, operated by the DVA, is the largest revenue-supported program of the State. Lending activities under the program began in 1974. Except for four revenue bond issues (which have all been redeemed), the program has been funded by State general obligation bond issues that have been either Tax-Exempt Veterans Mortgage Bonds or Taxable Veterans Mortgage Bonds. These bonds are collectively referred to as **Veterans Mortgage Bonds**.

#### *Primary Mortgage Housing Loan Program Requirements*

Veterans who wish to purchase, build, or purchase and rehabilitate homes that satisfy certain cost or value limitations in relation to the veteran's income may apply for a veterans primary mortgage home loan. The home loan may be for the purchase of an existing home, for a construction loan, for refinancing the balance due on a construction period loan, bridge loan, or other financing with a term of 24 months or less, or for a combined purchase and rehabilitation loan of up to 95% of the home's value for a term not exceeding 30 years. A loan application is reviewed first by a local lending institution and then by DVA. If the application is approved, the local lending institution originates the loan as agent for DVA and acts as loan servicer thereafter. There are numerous other standards required to be satisfied as part of underwriting, including a first, or primary mortgage, and a shelter-cost ratio of generally less than 25% of income. This ratio may go up to as much as 33% under certain favorable credit circumstances or must be reduced if certain credit risks are present. The originator of the home loan may charge the borrower an origination fee of one point (approximately two points in the case of construction loans and three points on the rehabilitation portion of purchase-rehabilitation loans).

#### *Mortgage Interest Rates*

It has been the policy of DVA to set the interest rate charged to a borrower at a level sufficient to pay the debt service on the Veterans Mortgage Bonds funding the loan, the cost of program administration and, if deemed necessary, a loan loss reserve (which since 1985 has been charged to fund the Insurance Reserve Account described below).

In setting the interest rate, DVA has chosen to provide a subsidy for veterans primary mortgage home loans funded with the Bonds. While the State intends to use the above practice for these Bonds, it has not determined if any subsidy or similar arrangement will be available for veterans primary mortgage home loans funded with future issues of Taxable Veterans Mortgage Bonds.

#### *Other*

Tax-Exempt Veterans Mortgage Bonds issued prior to 1985 assumed a certain level of prepayments in estimating program cash flow. No prepayments have been assumed in scheduling principal payments for Veterans Mortgage Bonds issued since 1985. Based on May 1, 2000 balances and existing DVA assumptions, the cash flow of the mortgages is sufficient to meet future debt service payments even if no mortgages are prepaid. Program loans may be assumed only by other qualifying veteran borrowers.

After deducting a servicing charge (.375% per annum), the participating lender deposits the veteran's monthly loan repayments and any prepayments into the Repayment Fund, a segregated statutory fund. An irrevocable appropriation is provided by law as a first charge on assets of the

Repayment Fund in a sum sufficient to provide for the repayment of principal of, premium, if any, and interest on State general obligation debt issued to fund the program.

Program loans financed with Veterans Mortgage Bonds are not required to be insured or guaranteed (casualty insurance coverage is, however, required). Instead, the default risk with respect to such loans is borne by the program. The ability of DVA to dispose of defaulted properties and realize the amount of the outstanding principal balances of the related loans has varied in recent years depending upon the location of such properties within the State and their physical condition upon foreclosure. Although DVA expects that it will continue to experience liquidation losses, it expects that such losses will not require recourse to the State's General Fund but rather will be covered by the Insurance Reserve Account within the Fund. The insurance reserve requirement (4% of outstanding loans) is currently satisfied in full.

### **Borrowing Plans for 2001**

#### *General Obligations*

The State has sold several issues of general obligations this calendar year:

- \$35 million of general obligation bonds for the veterans housing loan program.
- \$184 million of general obligation bonds for general governmental purposes. The State sold on September 24, 2001 and intends to deliver on October 10, 2001 an additional issue in the amount of \$187 million.
- \$247 million of general obligation refunding bonds that the State has sold and intends to deliver on October 17, 2001.
- \$50 million of a general obligation loan for general governmental purposes.
- \$5 million of general obligation subsidy bonds purchased by the Environmental Improvement Fund.

In addition, the Commission has also authorized the following general obligations that may be issued yet this calendar year:

- Approximately \$92 million of general obligation extendible municipal commercial paper in the fourth quarter for general governmental purposes.
- Not to exceed \$28 million of additional general obligations to refund general obligations previously issued for general governmental purposes. The amount and timing of any general obligation refunding bonds depend on market conditions.
- \$15 million of taxable general obligation bonds for the veterans housing loan program. The amount and timing of general obligation bonds for this purpose depend on activity of the veterans housing loan program.

The Commission may also authorize and issue additional general obligation subsidy bonds that will be purchased by the Environmental Improvement Fund for the Clean Water Fund Program.

#### *Other Obligations*

The Commission has authorized up to \$244 million of transportation revenue refunding bonds to refund previously issued transportation revenue bonds. The amount and timing of any transportation revenue refunding bonds depend on market conditions. The Commission has also authorized \$155 million of transportation revenue bonds for the refunding of outstanding transportation revenue commercial paper notes. This authorization is required pursuant to a credit agreement with the banks providing a letter of credit for security on the transportation

revenue commercial paper notes. At this time, the State does not intend to refund the currently outstanding transportation revenue commercial paper notes. The Commission has also authorized and may issue \$185 million of transportation revenue obligations in the fourth quarter to fund projects in the transportation revenue bond program.

The Commission has also authorized up to \$84 million of clean water revenue refunding bonds to refund previously issued clean water revenue bonds. The amount and timing of any clean water revenue refunding bonds depend on market conditions.

The Commission has authorized up to \$125 million of petroleum inspection fee revenue refunding bonds. The amount and timing of any such issue depend on market conditions. The Commission has also authorized and may issue \$94 million of petroleum inspection fee revenue obligations in the fourth quarter to fund claims under a soil remediation program.

The State expects to issue master lease certificates of participation in the fourth quarter of this calendar year.

### Underwriting

The Bonds are being purchased by UBS PaineWebber Inc. (**Underwriter**). The Underwriter has agreed, subject to certain conditions, to purchase from the State the Bonds at an aggregate purchase price, not including accrued interest, of \$19,895,600.00 (reflecting an underwriters' discount of \$104,400.00). The true interest cost rate to the State is 6.803591%.

The Underwriter has agreed to reoffer the Bonds at the public offering prices or yields set forth on the front cover of this Official Statement. The Bonds may be offered and sold to certain dealers (including dealers depositing the Bonds into investment trusts) at prices lower than such public offering prices, and such prices may be changed, from time to time, by the Underwriter. The Underwriter's obligation is subject to certain conditions precedent, and it will be obligated to purchase all the Bonds if any Bonds are purchased.

### Reference Information About the Bonds

The table below—as well as the table on the front cover—includes information about the Bonds and is provided for reference. The CUSIP number for each maturity has been obtained from sources the State believes to be reliable, but the State is not responsible for the correctness of the CUSIP numbers. The Underwriter has provided the reoffering yields and prices to allow the computation of yield for federal tax law compliance. The price at issuance is the lower of the price to maturity or the price to call.

**\$20,000,000**

**State of Wisconsin**

**General Obligation Bonds of 2001, Series E (Taxable)**

**Dated Date:** October 1, 2001

**First Interest Date:** May 1, 2002

**Closing/Settlement:** October 17, 2001

**Special Redemption:** The Bonds are subject to special redemption at par. See "THE BONDS; Redemption Provisions".

CUSIP	Year (November 1)	Principal Amount	Interest Rate	Yield at Issuance	Price at Issuance	First Optional	Call Price
						Redemption Date	
977056 R69	2017 <sup>(a)</sup>	\$ 6,210,000	6.12%	6.12%	100.00%	11/1/2011	100%
977056 R77	2021 <sup>(a)</sup>	2,730,000	6.71	6.71	100.00	11/1/2011	100
977056 R85	2031 <sup>(a)</sup>	11,060,000	6.96	6.96	100.00	11/1/2011	100

<sup>(a)</sup> This maturity is a term bond. For a schedule of the installment payments, see "THE BONDS; Redemption Provisions; Mandatory Sinking Fund Redemption".

## **Quantitative Analyst**

The State has employed cfX Incorporated to review, and provide quantitative analysis regarding, the cash flow of the veterans housing loan program to assure fulfillment of the legislative mandate that the program be self-amortizing.

## **Legal Investment**

State law provides that the Bonds are legal investments for the following:

- Banks, trust companies, savings banks and institutions, building and loan associations, savings and loan associations, credit unions, investment companies, and other persons or entities carrying on a banking business.
- Executors, administrators, guardians, trustees, and other fiduciaries.
- The State and all public officers, municipal corporations, political subdivisions, and public bodies.

## **Legal Opinion**

Legal matters relating to the authorization, issuance, and sale of the Bonds are subject to the approval of Foley & Lardner (**Bond Counsel**). Bond Counsel will deliver an approving opinion when the Bonds are delivered, in substantially the form shown in **APPENDIX B**. If certificated Bonds are issued, the opinion will be printed on the reverse side of each Bond.

As required by law, the Attorney General will examine a certified copy of all proceedings leading to issuance of the Bonds. The Attorney General will deliver an opinion on the regularity and validity of the proceedings. In the event certificated Bonds are issued, a certificate of the Attorney General will be printed on the reverse side of each Bond.

## **Tax Matters**

### *Federal Income Tax*

The following discussion is a summary of certain United States federal income tax considerations relevant to the purchase, ownership, and disposition of the Bonds by owners thereof, based upon current provisions of the Code, judicial decisions, and administrative interpretations. This summary does not purport to be a complete analysis of all the potential federal income tax effects relating to the purchase, ownership, and disposition of the Bonds, and without limiting the generality of the foregoing, it does not address the effect of any foreign, state, or local tax laws, or the special rules applicable to certain types of purchasers (including dealers in securities, insurance companies, financial institutions, and tax-exempt entities and persons who hold Bonds as part of a straddle, hedge, or conversion transaction). In addition, this discussion is limited to owners who hold Bonds as capital assets within the meaning of Section 1221 of the Code. Each prospective purchaser of the Bonds is strongly urged to consult its own tax advisor with respect to its particular tax situation and possible changes in the tax laws.

Except in the case of an owner who is a foreign person and who is not subject to federal income tax on income derived from a Bond (see discussion below regarding foreign persons), the interest paid on a Bond will be included in the owner's gross income for federal income tax purposes at the time that the interest is paid or accrued, in accordance with the owner's method of accounting for federal income tax purposes.

If an owner purchases a Bond at a cost that is greater than the stated redemption price at maturity of the Bond, the excess will be treated as "bond premium" under Section 171 of the Code, and the owner may elect to treat the portion of the excess that is allocable to each taxable year as being an offset to the interest income derived from the Bond in that taxable year. If such an



election is made, the amount of each such offset to interest income will result in a corresponding reduction in the owner's adjusted tax basis of the Bond.

A Bond will be deemed to have "market discount" in the hand of an owner if:

- The owner's tax basis in such Bond immediately after acquisition is less than the Bond's adjusted issue price, and
- The amount of this difference (**market discount**) exceeds a specified *de minimis* amount.

If a Bond has market discount in the hand of an owner, then unless an election is made to include such discount in gross income for federal income tax purposes on an accrual basis over the remaining life of the Bonds, any gain recognized by an owner upon the sale or other disposition (including payment at maturity) of this Bonds will be treated as ordinary income to the extent that this gain does not exceed the amount of "market discount" that has accrued on the Bonds while held by the owner. If interest is paid or accrued by the owner on indebtedness incurred or maintained to purchase or carry a Bond with market discount, the deduction for the portion of the owner's interest expense that is allocable to the accrued market discount may be deferred.

In the case of a sale or exchange (including a redemption) of a Bond, the owner will recognize gain or loss equal to the difference, if any, between the amount received and the owner's adjusted tax basis in the Bonds. Any such gain or loss will be treated as a capital gain or loss, except to the extent that any gain is treated as ordinary income under the "market discount" rules as described above.

The following is a general discussion of certain United States federal income and estate tax consequences of the ownership of Bonds by a nonresident alien (other than a former United States citizen described in Section 877(a) of the Code or a former resident of the United States described in Section 877(e) or 7701(b)(10) of the Code), a foreign corporation, a foreign partnership, a foreign trust, or a foreign estate (**foreign person**). Owners of Bonds who are foreign persons are urged to consult their own tax advisers regarding the specific tax consequences to them of owning Bonds.

Interest and any original issue discount earned on a Bond by an owner who is a foreign person will be considered "portfolio interest" and will not be subject to United States federal income tax or withholding if:

- such foreign person is neither a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code, nor a bank that is purchasing Bonds pursuant to an extension of credit made in the ordinary course of its trade or business,
- the certification requirements described below are satisfied, and
- the interest is not effectively connected with the conduct of a trade or business within the United States by the foreign person.

The certification requirements will be satisfied if either (1) the beneficial owner of the Bond timely certifies to the State, under penalties of perjury, that such owner is a foreign person and provides its name and address, or (2) a custodian, broker, nominee, or other intermediary acting as an agent for the beneficial owner (such as a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business) that holds the Bonds in such capacity timely certifies to the State, under penalties of perjury, that such statement has been received from the beneficial owner of the Bonds by such intermediary, or by any other financial institution between such intermediary and the beneficial

owner, and furnishes to the State a copy thereof. The foregoing certification may be provided on a properly completed IRS Form W-8BEN or W-8IMY, as applicable, or any successor forms, duly executed under penalties of perjury. With respect to the certification requirement for Bonds that are held by an entity that is classified for United States federal income tax purposes as a foreign partnership, the applicable Treasury Regulations provide that, unless the foreign partnership has entered into a withholding agreement with the Internal Revenue Service, the foreign partnership will be required, in addition to providing an intermediary Form W-8IMY, to attach an appropriate certification by each partner.

Any interest or original issue discount (other than "portfolio interest") earned on a Bond by a foreign person will be subject to United States federal income tax and withholding at a rate of 30% (or at a lower rate under an applicable tax treaty) if this interest or original issue discount is not effectively connected with the conduct of a trade or business within the United States by this foreign person.

All interest and original issue discount earned on a Bond, and any gain realized on a sale or exchange (including redemption) of a Bond, that is effectively connected with the conduct of a trade or business with the United States by a foreign person will be subject to United States federal income tax at regular graduated rates (and if the foreign person is a corporation, may also be subject to a United States branch profits tax). Such income will not be subject to United States income tax withholding, however, if the foreign person furnishes the proper certificate to the withholding agent.

Any gain realized by a foreign person on a sale or exchange (including a redemption) of a Bond will not be subject to United States federal income tax or withholding if (1) the gain is not effectively connected with the conduct of a trade or business within the United States, and (2) in the case of a foreign individual, such individual is not present in the United States for 183 days or more in the taxable year of the sale or exchange.

For United States estate tax purposes, the gross estate of a nonresident alien individual who holds a debt obligation of a United States person is not deemed to include such debt obligation if all of the interest on the obligation constitutes "portfolio interest".

A 31% backup withholding tax applies to certain payments of interest and principal on, and any proceeds of a sale or exchange (including a redemption) of the Bonds. In the case of an owner that is not a foreign person, backup withholding generally will apply only if such owner fails to furnish its correct taxpayer identification number, is notified by the Internal Revenue Service that such owner has failed to report properly payments of interest or dividends, or fails to provide a required certification under penalties of perjury.

In the case of an owner that is a foreign person, backup withholding generally will not apply to payments made on the Bonds if such owner has provided the required certification under penalties of perjury that it is a foreign person, as defined above, or has otherwise established an exemption, provided in each case that the State does not have actual knowledge that the payee is not a foreign person. The State must report annually to the Internal Revenue Service and to each owner who is a foreign person any interest, including original issue discount, on the Bonds that is subject to withholding or that is exempt from United States withholding tax pursuant to a tax treaty or the "portfolio interest" exemption. Copies of these information returns may also be made available to the tax authorities of the country in which the foreign person resides.

Any amounts withheld from payment under the backup withholding rules will be allowed as a credit against an owners United States federal income tax liability and may entitle such owner to a refund, provided that the required information is furnished to the Internal Revenue Service.

*State of Wisconsin Income and Franchise Taxes*

Interest on the Bonds is subject to State of Wisconsin income and franchise taxes. Investors should consult their own tax advisors with respect to the state and local tax consequences of owning a Bond.

## **CONTINUING DISCLOSURE**

The State has made an undertaking, for the benefit of the beneficial owners of the Bonds, to provide an annual report presenting certain financial information and operating data about the State (**Annual Reports**). By approximately December 27 of each year, the State will send the report to each nationally recognized municipal securities information repository (**NRMSIR**) and to any state information depository (**SID**). The State will also provide notices of the occurrence of certain events specified in the undertaking to each NRMSIR, or the Municipal Securities Rulemaking Board (**MSRB**), and to any SID. As of the date of this Official Statement, no SID has been established. [Part I of the 2000 Annual Report, which contains information on the undertaking, is included by reference as part of this Official Statement.](#)

Copies of the Annual Reports and notices may be obtained from:

State of Wisconsin Capital Finance Office  
Department of Administration  
101 East Wilson Street, FLR 10  
P.O. Box 7864  
Madison, WI 53707-7864  
(608) 266-2305  
[capfin@doa.state.wi.us](mailto:capfin@doa.state.wi.us)

The undertaking also describes the consequences if the State fails to provide any required information. The State must report the failure to the NRMSIRS, or the MSRB, and to any SID. In the last five years, the State has not failed to comply in any material respect with this or any similar undertaking.

Dated: September 28, 2001

## **STATE OF WISCONSIN**

/s/ SCOTT MCCALLUM

Governor Scott McCallum, Chairperson  
State of Wisconsin Building Commission

/s/ GEORGE LIGHTBOURN

George Lightbourn, Secretary  
State of Wisconsin Department of Administration

/s/ ROBERT G. CRAMER

Robert G. Cramer, Secretary  
State of Wisconsin Building Commission

## APPENDIX A

### INFORMATION ABOUT THE STATE

This appendix includes information concerning the State of Wisconsin (**State**). [Parts II and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 22, 2000 \(2000 Annual Report\)](#) are included by reference as part of this APPENDIX A.

[Part II to the 2000 Annual Report](#) contains general information about the State. More specifically, that part presents information on the following matters:

- State's operations and financial procedures
- State's accounting and financial reporting
- Organization of, and services provided by, the State
- Results of fiscal year 1999-2000
- State budget
- Obligations of the State
- State Investment Board
- Statistical information about the State's population, income, and employment

Included as [APPENDIX A to Part II of the 2000 Annual Report are the audited general purpose financial statements for the fiscal year ending June 30, 2000](#), prepared in conformity with generally accepted accounting principles (**GAAP**) for governments as prescribed by the Government Accounting Standards Board, and the State Auditor's report.

[Part III to the 2000 Annual Report](#) contains information concerning general obligations issued by the State. That part presents a discussion of the security provisions for general obligation debt (including the flow of funds to pay debt service on general obligations), data pertaining to the State's outstanding general obligation debt, and the portion of that general obligation debt that is revenue-supported general obligation debt.

The 2000 Annual Report has been filed with each nationally recognized municipal securities information repository (**NRMSIR**). Copies of the 2000 Annual Report are available from the Capital Finance Office web site and may also be obtained from:

State of Wisconsin Capital Finance Office  
Department of Administration  
101 East Wilson Street, FLR 10  
P.O. Box 7864  
Madison, WI 53707-7864  
(608) 266-2305  
[capfin@doa.state.wi.us](mailto:capfin@doa.state.wi.us)

As of the date of this Official Statement, Parts II and III of the 2000 Annual Report are available from the Capital Finance Office web site at the following addresses, respectively:

[www.doa.state.wi.us/debf/capfin/2000dis2.pdf](http://www.doa.state.wi.us/debf/capfin/2000dis2.pdf)

[www.doa.state.wi.us/debf/capfin/2000dis3.pdf](http://www.doa.state.wi.us/debf/capfin/2000dis3.pdf)

After publication and filing of the 2000 Annual Report, certain changes or events have occurred that affect items discussed in the 2000 Annual Report. Listed below, by reference to particular sections of the 2000 Annual Report, are changes or additions to the discussion contained in those

particular sections. Many of the following changes have not been filed with the NRMSIRS. However, the State has filed, and expects to continue to file, certain informational notices with the NRMSIRS. These informational notices do not constitute listed material events under the State's Master Agreement on Continuing Disclosure.

**General Obligations (page 72).** Update the table of information with the following:

On August 28, 2001, Moody's Investors Service downgraded the rating on the State's general obligation bonds to Aa3 from Aa2.

On September 4, 2001, Fitch downgraded the rating on the State's general obligation bonds to AA from AA+.

**State Budget (pages 25-28).** Add the following:

**Budget for 2000-01**

On May 15, 2001, the Legislative Fiscal Bureau reduced the estimate of general fund tax revenues for the current 2000-01 fiscal year by \$129 million. As a result of these revised tax revenue estimates and other factors, including expenditure estimates, the ending balance on June 30, 2001 was estimated to be \$165 million. This balance is approximately \$19 million less than the enacted budget and \$113 million less than the balance projected by the Legislative Fiscal Bureau on January 25, 2001. The Annual Fiscal Report for the fiscal year ended June 30, 2001, which will include the final ending balance for the 2000-01 fiscal year, must be published by October 15, 2001.

**Budget for 2001-03**

On July 26, 2001, the Legislature adopted a budget for the 2001-02 and 2002-03 fiscal years. On August 30, 2001, the Governor signed into law in part, and vetoed in part, the budget for the 2001-02 and 2002-03 fiscal years. A two-thirds vote in each house is required to override any veto. A copy of the approved budget, which incorporates vetoes made by the Governor, along with the Governor's veto message can be obtained from:

State of Wisconsin Capital Finance Office  
Department of Administration  
101 East Wilson Street, FLR 10  
P.O. Box 7864  
Madison, WI 53707-7864  
(608) 266-2305  
[capfin@doa.state.wi.us](mailto:capfin@doa.state.wi.us)

The tables that appear below, the detailed summary of the all-funds budget on [page A-4](#), and detailed summary of the general-fund budget on [page A-5](#) only reflect the budget approved by the Legislature. Updates to the tables and summaries reflecting the fiscal effect of the Governor's actions on the legislatively adopted budget are not yet available. The Governor's vetoes that have a fiscal impact did the following, in summary:

- Eliminated approximately \$62 million of general-fund expenditures.
- Increased the required statutory reserve to 1.2% of appropriations and reserves for the 2002-03 fiscal year.
- Eliminated deferral of the \$115 million school aid payment.

The fiscal effect of the Governor's vetoes is an increase of the estimated gross ending balance on June 30, 2003 from \$92 million to approximately \$154 million and an increase of the statutory required balance from \$90 million to approximately \$141 million. As a result, the estimated net ending balance increases from \$2 million to approximately \$13 million.

**Adopted Legislature Budget  
Does Not Reflect Governor's Vetoes  
General-Fund Basis  
(Amounts in Millions)**

	<u>Adopted Legislative Budget 2001-02</u>	<u>Adopted Legislative Budget 2002-03</u>
Beginning Balance	\$ 198	\$ 248
Tax Revenues	10,661	11,132
Tobacco Securitization Proceeds	450	n/a
Tobacco Settlement Payments	156	158
Nontax Revenues	<u>8,013</u>	<u>8,071</u>
Total Amount Available	<u>\$ 19,477</u>	<u>\$ 19,669</u>
Total Disbursements/Reserves	<u>\$ 19,229</u>	<u>\$ 19,576</u>
Estimated Gross Balance	\$ 248	\$ 92
Required Statutory Reserve	<u>139</u>	<u>90</u>
Net Balance	\$ 109	\$ 2

**Adopted Legislature  
Does Not Reflect Governor's Vetoes  
All-Funds Basis  
(Amounts in Millions)**

	<u>Adopted Legislative Budget 2001-03</u>	<u>Adopted Legislative Budget 2002-03</u>
Beginning Balance	\$ 198	\$ 248
Tax Revenues	10,661	11,132
Tobacco Securitization Proceeds	450	n/a
Tobacco Settlement Payments	156	158
Nontax Revenues	<u>19,904</u>	<u>20,127</u>
Total Amount Available	<u>\$ 31,368</u>	<u>\$ 31,664</u>
Total Disbursements/Reserves	<u>\$ 31,120</u>	<u>\$ 31,572</u>
Estimated Gross Balance	\$ 248	\$ 92
Required Statutory Reserve	<u>139</u>	<u>90</u>
Net Balance	\$ 109	\$ 2

**Table II-3; State Budget—All Funds (Page 36).** Update the table with the following:

**State Budget—All Funds<sup>(a)</sup>**  
**Does Not Reflect Governor's Vetoes**

	Actual 1999-2000 <sup>(b)</sup>	Budget 1999-2000	Budget 2000-2001	Legislature Adopted Budget 2001-2002	Legislature Adopted Budget 2002-2003
<b>RECEIPTS</b>					
Fund Balance from Prior Year.....	\$ 701,293,000	\$ 701,293,000	\$ 658,784,800 <sup>(c)</sup>	\$ 197,829,200	\$ 248,478,300
<b>Tax Revenue</b>					
Individual Income.....	5,962,010,000	5,825,000,000	5,158,800,000 <sup>(d)</sup>	5,455,527,500	5,687,655,500
General Sales and Use.....	3,501,659,000	3,500,000,000	3,710,000,000	3,750,485,400	3,975,016,000
Corporate Franchise and Income.....	644,625,000	660,000,000	658,300,000	594,297,100 <sup>(e)</sup>	606,418,500 <sup>(e)</sup>
Public Utility.....	259,984,000	250,000,000	220,000,000 <sup>(f)</sup>	244,000,000	249,977,500
<b>Excise</b>					
Cigarette/Tobacco Products.....	257,896,000	258,000,000	255,200,000 <sup>(g)</sup>	314,900,000 <sup>(h)</sup>	322,850,000
Liquor and Wine.....	34,564,000	33,000,000	33,500,000	35,500,000	36,800,000
Malt Beverage.....	9,392,000	9,300,000	9,300,000	9,500,000	9,500,000
Inheritance, Estate & Gift.....	133,261,000	95,000,000	75,000,000 <sup>(i)</sup>	110,000,000	91,000,000
Insurance Company.....	86,878,000	105,000,000	100,000,000	90,000,000	92,000,000
Other.....	1,075,169,000	58,000,000	61,000,000 <sup>(j)</sup>	56,600,000 <sup>(j)</sup>	60,300,000 <sup>(j)</sup>
Subtotal.....	11,965,438,000	10,793,300,000	10,281,100,000	10,661,210,000	11,131,517,500
<b>Nontax Revenue</b>					
<b>Departmental Revenue</b>					
Tobacco Settlement.....	167,362,000	167,886,100	124,763,700	155,526,000	157,602,800
Tobacco Securitization.....	NA	NA	NA	450,000,000	NA
Other.....	257,040,000	260,087,900	190,946,100	229,090,300	205,937,300
Total Federal Aids.....	4,170,531,000	5,085,572,200	4,703,374,700	5,483,569,000	5,588,806,400
Total Program Revenue.....	2,633,267,000	2,658,535,300	2,734,917,200	3,016,854,100	3,081,504,600
Total Segregated Funds.....	4,194,291,000	2,275,967,300	2,292,791,500	3,212,998,200	2,977,846,900
Fund Transfers In.....	NA	64,000,000	NA	NA	NA
Bond Authority.....	702,676,000	458,000,000	400,000,000	500,000,000	383,000,000
Employee Benefit Contributions <sup>(k)</sup> .....	8,782,705,000	6,612,282,700	7,051,394,300	7,461,324,917	7,889,603,973
Subtotal.....	20,907,872,000	17,582,331,500	17,498,187,500	20,509,362,517	20,284,301,973
Total Available.....	\$ 33,574,603,000	\$ 29,076,924,500	\$ 28,438,072,300	\$ 31,368,401,717	\$ 31,664,297,773
<b>DISBURSEMENTS AND RESERVES</b>					
Commerce.....	\$ 570,282,000	\$ 418,915,100	\$ 415,866,300	\$ 424,747,000	\$ 425,552,500
Education.....	8,018,963,000	7,860,268,900	8,223,303,400	8,724,070,200	8,897,913,700
Environmental Resources.....	2,626,896,000	2,493,567,700	2,437,927,900	2,683,249,500	2,766,164,900
Human Relations and Resources.....	7,978,636,000	6,850,265,900	6,733,347,000	7,803,582,700	8,081,757,300
General Executive.....	3,741,255,000	673,415,700	669,656,800	773,694,100	769,763,000
Judicial.....	102,487,000	104,156,900	104,709,200	105,350,100	105,723,500
Legislative.....	59,820,000	60,511,900	59,086,500	63,929,500	63,231,300
General Appropriations.....	3,346,300,000	2,891,183,500	2,163,488,700	2,695,544,400	2,268,108,300
General Obligation Bond Program.....	505,472,000	458,000,000	400,000,000	500,000,000	383,000,000
Employee Benefit Payments <sup>(k)</sup> .....	2,311,624,000	2,504,993,800	2,695,311,400	3,377,515,809	3,830,081,149
Reserve for Employee Benefit Payments <sup>(k)</sup> .....	6,471,081,000	4,107,288,900	4,356,082,900	4,083,809,108	4,059,522,824
Subtotal.....	35,732,816,000	28,422,568,300	28,258,780,100	31,235,492,417	31,650,818,473
Less: (Lapses).....	NA	(84,028,600)	(122,124,800)	(149,501,300)	(176,797,000)
Compensation Reserves.....	NA	56,100,000	117,750,000	27,900,000	82,500,000
Required Statutory Balance.....	NA	113,883,100	134,328,600	139,063,800	90,000,000
Transfer to Tobacco Control Board.....	NA	23,500,000	NA	6,032,300	15,345,100
Other.....	NA	NA	NA	NA	NA
Change in Continuing Balance.....	(3,030,496,000)	NA	NA	NA	NA
Total Disbursements & Reserves.....	\$ 32,702,320,000	\$ 28,532,022,800	\$ 28,388,733,900	\$ 31,258,987,217	\$ 31,661,866,573
Fund Balance.....	\$ 872,283,000	\$ 544,901,700	\$ 49,338,400	\$ 109,414,500	\$ 2,431,200
Undesignated Balance.....	\$ 835,714,000	\$ 658,784,800	\$ 183,667,000	\$ 248,478,300	\$ 92,431,200

- (a) The amounts shown are based on statutorily required accounting and not on GAAP.
- (b) The amounts shown are unaudited and rounded to the nearest thousand.
- (c) The beginning balance for the 2000-2001 fiscal year represents information when the budget became law.
- (d) The decrease results from budgeted tax reductions becoming effective.
- (e) The decrease results from re-estimates of revenues.
- (f) The decrease results from the continued effect of prior years' tax changes.
- (g) The decrease results from an anticipated decline in consumption.
- (h) The increase results from an 18 cent per pack increase on cigarettes.
- (i) The decrease results from an expected one-time collection in the 1999-2000 fiscal year.
- (j) The budgeted amounts do not include taxes collected for segregated funds. The largest such tax is the motor fuel tax. The State collected \$809 million of motor fuel taxes in the 1999-2000 fiscal year.
- (k) State law separates the accounting of employee benefits from the budget. They are included for purposes of comparability to the figures presented in this table and Tables II-1 and II-2 in the 2000 Annual Report.

**Source: Wisconsin Department of Administration.**

**Table II-4; State Budget–General Fund (Page 37).** Update the table with the following:

**State Budget–General Fund<sup>(a)</sup>  
Does Not Reflect Governor’s Vetoes**

	Actual 1999-2000 <sup>(b)</sup>	Budget 1999-2000	Budget 2000-2001	Legislature Adopted Budget 2001-2002	Legislature Adopted Budget 2002-2003
<b>RECEIPTS</b>					
Fund Balance from Prior Year.....	\$ 701,293,000	\$ 701,293,000	\$ 658,784,800 <sup>(c)</sup>	\$ 197,829,200	\$ 248,478,300
<b>Tax Revenue</b>					
State Taxes Deposited to General Fund					
Individual Income.....	5,962,010,000	5,825,000,000	5,158,800,000 <sup>(d)</sup>	5,455,527,500	5,687,655,500
General Sales and Use.....	3,501,659,000	3,500,000,000	3,710,000,000	3,750,485,400	3,975,016,000
Corporate Franchise and Income.....	644,625,000	660,000,000	658,300,000	594,297,100 <sup>(e)</sup>	606,418,500 <sup>(e)</sup>
Public Utility.....	259,984,000	250,000,000	220,000,000 <sup>(f)</sup>	244,000,000	249,977,500
Excise					
Cigarette/Tobacco Products.....	257,896,000	258,000,000	255,200,000 <sup>(g)</sup>	314,900,000 <sup>(h)</sup>	322,850,000 <sup>(h)</sup>
Liquor and Wine.....	34,564,000	33,000,000	33,500,000	35,900,000	36,800,000
Malt Beverage.....	9,392,000	9,300,000	9,300,000	9,500,000	9,500,000
Inheritance, Estate & Gift.....	133,261,000	95,000,000	75,000,000 <sup>(i)</sup>	110,000,000	91,000,000
Insurance Company.....	86,878,000	105,000,000	100,000,000	90,000,000	92,000,000
Other.....	67,511,000	58,000,000	61,000,000	56,600,000	60,300,000
Subtotal.....	10,957,780,000	10,793,300,000	10,281,100,000	10,661,210,000	11,131,517,500
<b>Nontax Revenue</b>					
Departmental Revenue					
Tobacco Settlement.....	167,362,000 <sup>(b)</sup>	167,886,100	124,763,700	155,526,000	157,602,800
Tobacco Securitization.....	NA	NA	NA	450,000,000	NA
Other.....	257,040,000	260,087,900	190,946,100	229,090,300	205,937,300
Program Revenue-Federal.....	4,170,531,000	4,453,148,300	4,121,351,700	4,766,889,000	4,843,682,800
Program Revenue-Other.....	2,633,267,000	2,658,535,300	2,734,917,200	3,016,854,100	3,081,504,600
Fund Transfers In.....	NA	64,000,000	NA	NA	NA
Subtotal.....	7,228,200,000	7,603,657,600	7,171,978,700	8,618,359,400	8,288,727,500
Total Available.....	\$ 18,887,273,000	\$ 19,098,250,600	\$ 18,111,863,500	\$ 19,477,398,600	\$ 19,668,723,300
<b>DISBURSEMENTS AND RESERVES</b>					
Commerce.....	\$ 209,393,000	\$ 218,959,300	\$ 220,214,600	\$ 229,909,200	\$ 235,439,000
Education.....	7,769,121,000	7,798,220,600	8,163,838,300	8,655,045,700	8,825,072,200
Environmental Resources.....	270,101,000	261,344,100	259,939,200	254,725,800	266,097,200
Human Relations and Resources.....	6,742,655,000	6,684,959,800	6,541,581,500	7,450,283,800	7,551,798,300
General Executive.....	631,485,000	634,410,900	569,934,100	639,385,700	636,301,600
Judicial.....	102,156,000	103,499,100	104,051,400	104,641,000	105,014,400
Legislative.....	59,820,000	60,511,900	59,086,500	63,929,500	63,231,300
General Appropriations.....	2,548,903,000	2,681,988,700	2,013,925,700	1,946,568,600	1,972,290,000
Subtotal.....	18,333,634,000	18,443,894,400	17,932,571,300	19,344,489,300	19,655,244,000
Less: (Lapses).....	NA	(84,028,600)	(122,124,800)	(149,501,300)	(176,797,000)
Compensation Reserves.....	NA	56,100,000	117,750,000	27,900,000	82,500,000
Required Statutory Balance.....	NA	113,883,100	134,328,600	139,063,800	90,000,000
Transfer to Tobacco Control Board.....	NA	23,500,000	NA	6,032,300	15,345,100
Other.....	NA	NA	NA	NA	NA
Changes in Continuing Balance.....	(318,644,000)	NA	NA	NA	NA
Total Disbursements & Reserves.....	\$ 18,014,990,000	\$ 18,553,348,900	\$ 18,062,525,100	\$ 19,367,984,100	\$ 19,666,292,100
Fund Balance.....	\$ 872,283,000	\$ 544,901,700	\$ 49,338,400	\$ 109,414,500	\$ 2,431,200
Undesignated Balance.....	\$ 835,714,000	\$ 658,784,800	\$ 183,667,000	\$ 248,478,300	\$ 92,431,200

- (a) The amounts shown are based on statutorily required accounting and not on GAAP.
- (b) The amounts shown are unaudited and rounded to the nearest thousand.
- (c) The beginning balance for the 2000-2001 fiscal year represents information when the budget became law.
- (d) The decrease results from budgeted tax reductions becoming effective.
- (e) The decrease results from re-estimates of revenues.
- (f) The decrease results from the continued effect of prior years' tax changes.
- (g) The decrease results from an anticipated decline in consumption.
- (h) The increase results from an 18 cent per pack increase on cigarettes.
- (i) The decrease results from an expected one-time collection in the 1999-2000 fiscal year.

Source: Wisconsin Department of Administration.



**Table II-8; General Fund Monthly Position (Page 37).** Update the table with the following:

<b>GENERAL FUND MONTHLY CASH POSITION<sup>(a)</sup></b>				
<b>July 1, 1999 through August 31, 2001 — Actual</b>				
<b>September 1, 2001 through June 30, 2002 — Estimated<sup>(b)</sup></b>				
	<u>Starting Date</u>	<u>Starting Balance</u>	<u>Receipts<sup>(c)</sup></u>	<u>Disbursements<sup>(c)</sup></u>
1999	July.....	\$ 736,269	\$ 1,441,009	\$ 1,836,987
	August.....	340,291	1,308,849	868,154
	September.....	780,986	1,547,229	1,292,942
	October.....	1,035,273	1,331,192	1,031,907
	November.....	1,334,558	1,433,801	1,794,197
	December.....	974,162	1,449,618	1,987,753
2000	January.....	436,027	2,095,798	1,693,313
	February.....	838,512	1,544,207	1,240,280
	March.....	1,142,439	1,526,625	2,143,437
	April.....	525,627	1,812,812	1,174,173
	May.....	1,164,266	1,580,865	1,172,474
	June.....	1,572,657	1,910,223	2,811,272
	July.....	671,608	1,405,811	1,674,899
	August.....	402,520	1,391,600	1,036,240
	September.....	757,880	1,716,848	1,540,488
	October.....	934,240	1,545,868	1,039,609
	November.....	1,440,499	1,451,918	1,886,868
	December.....	1,005,549	1,335,205	2,070,373
2001	January.....	270,381	2,143,861	1,190,946
	February.....	1,223,296	1,494,577	1,339,377
	March.....	1,378,496	1,381,012	2,312,836
	April.....	446,672	2,042,531	1,469,093
	May.....	1,020,110	1,800,948	1,405,982
	June.....	1,415,076	1,698,317	2,831,828
	July.....	281,565	1,575,450	1,853,617
	August.....	3,398	1,497,565	1,103,304
	September.....	397,659	2,649,708	1,517,771
	October.....	1,529,596	1,539,588	1,225,969
	November.....	1,843,215	1,540,188	2,357,800
	December.....	1,025,603	1,533,197	2,070,692
2002	January.....	488,108	2,148,824	1,243,763
	February.....	1,393,169	1,527,633	1,543,009
	March.....	1,377,793	1,646,899	2,476,089
	April.....	548,603	1,922,739	1,651,186
	May.....	820,156	1,616,493	1,767,001
	June.....	669,648	2,334,466	2,705,123

**(Amounts in Thousands)**

- <sup>(a)</sup> The General Fund balances presented in this table are not based on Generally Accepted Accounting Principles (GAAP).
- <sup>(b)</sup> The monthly receipt and disbursement projections for September 1, 2001 through June 30, 2002 are based on estimates provided by the Division of Executive Budget and Finance and reflect the budget signed into law by the Governor.
- <sup>(c)</sup> The amounts shown in September 2001 include receipts from the planned issuance of operating notes and amounts shown in February–May 2002 include disbursements for impoundment payments required in connection with the planned issuance of operating notes. No operating notes were issued in the 1999-2000 or 2000-01 fiscal years. In addition, the receipt amounts shown in June 2002 include \$450 million from proceeds of the expected securitization of tobacco settlement revenues due the State under the Master Settlement Agreement.

**Source: Wisconsin Department of Administration.**

**Table II-9; Balances in Funds Available for Interfund Borrowing (Page 38).** Update the table with the following:

**BALANCES IN FUNDS AVAILABLE FOR INTERFUND BORROWING<sup>(a)</sup>**  
**July 1, 1999 to September 1, 2001 — Actual**  
**October 1, 2001 to June 1, 2002 — Estimated<sup>(b)</sup>**  
**(Amounts in Millions)**

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
January .....		\$ 3,735	\$ 3,701	\$ 1,654
February .....		4,159	4,435	1,726
March .....		4,262	4,786	1,798
April .....		4,267	5,212	1,821
May .....		3,961	4,952	1,725
June .....		3,636	4,680	1,680
July .....	\$ 4,017	3,733	4,925	
August .....	4,245	4,084	5,275	
September .....	3,865	3,743	4,785	
October .....	3,820	3,796	1,650 <sup>(b)</sup>	
November .....	3,374	3,378	1,530	
December .....	3,411	3,489	1,578	

<sup>(a)</sup> Consists of the following funds:

Transportation	Common School
Conservation (Partial)	Normal School
Wisconsin Health Education Loan Repayment	University
Waste Management	Local Government Investment Pool
Wisconsin Election Campaign	Farms for the Future
Investment & Local Impact	Agrichemical Management
Elderly Property Tax Deferral	Historical Society Trust
Lottery	School Income Fund
Children's Trust	Benevolent
Racing	Groundwater
Work Injury Supplemental Benefit	Petroleum Storage Environmental Cleanup
Unemployment Compensation Interest Repayment	Environmental Improvement Fund
Uninsured Employers	Environmental
Health Insurance Risk Sharing Plan	Recycling
Local Government Property Insurance	University Trust Principal
Patients Compensation	Veterans Mortgage Loan Repayment
Mediation	State Building Trust
Agricultural College	

<sup>(b)</sup> Estimated balances for October 1, 2001 and succeeding months include only 20% of the amount estimated to be available for the local government investment pool. The local government investment pool is composed of funds deposited by local units of government that may be withdrawn without notice. Balances in the local government investment pool ranged from a low of \$63 million on July 1, 1983 to a high of \$4.426 billion on March 1, 1994. Under Section 20.002(11), Wisconsin Statutes, interfund borrowing is limited to 5% of the total general-purpose revenue appropriations then in effect, which based on the 2000-2001 budget adopted by the Legislature, is approximately \$572 million, and an additional 3% (approximately \$343 million) for a period of up to 30 days.

**Source: Wisconsin Department of Administration.**

**Table II-10; Revenues Deposited to the General Fund (Page 39).** Update the table with the following:

**REVENUES DEPOSITED TO THE GENERAL FUND<sup>(a)</sup>**  
**July 1, 2000 to June 30, 2001 compared with previous year**  
**(Unaudited)**

	<b>Actual Receipts 1999–2000 FY<sup>(b)</sup></b>	<b>Projected Receipts 2000–01 FY</b>	<b>Actual Receipts July 1, 1999 to June 30, 2000<sup>(c)</sup></b>	<b>Actual Receipts July 1, 2000 to June 30, 2001<sup>(c)</sup></b>
Individual Income Tax <sup>(d)</sup> .....	\$ 5,962,010,000	\$ 5,158,800,000	\$ 5,548,285,658	\$ 4,725,971,194
General Sales and Use Tax ..	3,501,659,000	3,710,000,000	3,143,543,283	3,251,963,963
Corporate Franchise and Income Tax .....	644,625,000	658,300,000	652,374,471	542,395,802
Public Utility Taxes .....	259,984,000	220,000,000	259,709,059	239,628,753
Excise Taxes .....	301,852,000	298,000,000	275,346,243	271,939,928
Inheritance Taxes .....	133,261,000	75,000,000	133,515,018	77,348,470
Miscellaneous Taxes .....	154,389,000	161,000,000	65,977,524	65,446,092
SUBTOTAL.....	<u>10,957,780,000</u>	<u>10,281,100,000</u>	<u>10,078,751,256</u>	<u>9,174,694,202</u>
Federal Receipts.....	4,170,531,000	4,121,351,700	4,082,365,231	4,774,563,490
Dedicated and Other Revenues <sup>(e)</sup> .....	<u>3,057,669,000</u>	<u>3,050,627,000</u>	<u>3,144,058,331</u>	<u>4,409,432,922</u>
TOTAL.....	<u>\$ 18,185,980,000</u>	<u>\$ 17,453,078,700</u>	<u>\$ 17,305,174,818</u>	<u>\$ 18,358,690,614</u>

(a) The amounts shown are based on the statutory accounting basis and not on GAAP. See “ACCOUNTING AND FINANCIAL REPORTING” in Part II of the 2000 Annual Report.

(b) The amounts shown are the sum of all revenues for fiscal year 1999-2000 based on the data used in the preparation of the Annual Fiscal Report (Budgetary Basis) for the year ending June 30, 2000.

(c) The amounts shown are preliminary and do not reflect fiscal year-end adjustments.

(d) The decrease of individual income tax is the result of tax reductions becoming effective.

(e) The statutory basis of accounting requires that certain transfers between General Fund appropriations be recorded as both revenues and expenditures of the General Fund. The amount of these transfers may vary greatly between fiscal years, and therefore, this category may not be comparable on a historical basis. As an example, this category includes \$1.274 billion for an intergovernmental transfer that was processed in March 2001, and there was no comparable transaction in fiscal year 1999-2000.

**Source: Wisconsin Department of Administration.**

**Table II-11; General Fund Expenditures by Function (Page 40).** Update the table with the following:

**GENERAL FUND EXPENDITURES BY FUNCTION<sup>(a)</sup>  
July 1, 2000 to June 30, 2001 compared with previous year  
(Unaudited)**

	Actual Expenditures <u>1999-2000 FY<sup>(b)</sup></u>	Appropriations <u>2000-01 FY</u>	Actual Expenditures July 1, 1999 to <u>June 30, 2000<sup>(c)</sup></u>	Actual Expenditures July 1, 2000 to <u>June 30, 2001<sup>(c)</sup></u>
Commerce.....	\$ 209,393,000	\$ 220,214,600	\$ 206,226,966	\$ 198,769,259
Education.....	7,769,121,000	8,163,838,300	7,725,190,799	8,260,686,345
Environmental Resources.....	270,101,000	259,939,200	261,854,525	263,226,746
Human Relations & Resources <sup>(d)</sup> .....	6,742,655,000	6,541,581,500	6,182,181,621	7,421,203,809
General Executive.....	631,485,000	569,934,100	642,412,559	647,756,285
Judicial.....	102,156,000	104,051,400	100,967,872	105,763,121
Legislative.....	59,820,000	59,086,500	56,299,928	57,909,745
General Appropriations.....	<u>2,548,903,000</u>	<u>2,013,925,700</u>	<u>2,515,772,951</u>	<u>2,470,911,322</u>
TOTAL.....	<u>\$ 18,333,634,000</u>	<u>\$ 17,932,571,300</u>	<u>\$ 17,690,907,221</u>	<u>\$ 19,426,226,632</u>

- (a) The amounts shown are based on the statutory accounting basis and not on GAAP. See "ACCOUNTING AND FINANCIAL REPORTING" in Part II of the 2000 Annual Report.
- (b) The amounts shown are the sum of all expenditures for fiscal year 1999-2000 based on the data used in the preparation of the Annual Fiscal Report (Budgetary Basis) for the year ending June 30, 2000.
- (c) The amounts shown are preliminary and do not reflect fiscal year-end adjustments.
- (d) The actual expenditures in this category for July 1, 2000 to June 30, 2001 include \$1.274 billion for an intergovernmental transfer that was processed in March 2001, and there was no comparable transaction in fiscal year 1999-2000.

**Source: Wisconsin Department of Administration.**

**Table III-14; Summary of All Special Redemptions Taxable Veterans Mortgage Bonds (Page 100).** Update the table with the following:

On August 1, 2001, the Commission made the following special redemption of Taxable Veterans Mortgage Bonds using prepayments of mortgages made with each respective series of Taxable Veterans Mortgage Bonds:

<u>Bond Issue</u>	<u>Dated Date</u>	<u>Maturity Date (November 1)</u>	<u>Amount of Special Redemption</u>
1997 Series D	9/15/1997	2001	\$ 5,000
		2002	5,000
		2003	10,000
		2004	15,000
		2005	5,000
		2006	15,000
		2007	10,000
		2008	15,000
		2009	15,000
		2010	15,000
		2011	15,000
		2012	20,000

<u>Bond Issue</u>	<u>Dated Date</u>	<u>Maturity Date (November 1)</u>	<u>Amount of Special Redemption</u>
		2017	90,000
		2028	340,000
1998 Series C	5/15/98	2002 <sup>(1)</sup>	5,000
		2003	10,000
		2004	10,000
		2005	10,000
		2006	10,000
		2007	15,000
		2008	10,000
		2028	380,000
1998 Series F	10/15/98	2001	5,000
		2002	5,000
		2003	10,000
		2004	5,000
		2005	10,000
		2006	10,000
		2007	10,000
		2008	10,000
		2009	10,000
		2029	415,000
1999 Series B	5/1/99	2002	\$ 10,000
		2003	5,000
		2004	5,000
		2005	5,000
		2006	5,000
		2007	10,000
		2008	5,000
		2009	10,000
		2010	5,000
		2013	30,000
		2016	35,000
		2030	305,000
1999 Series D <sup>(2)</sup>	11/1/99	2010	550,000
		2030	2,315,000

<sup>(1)</sup> Maturity date for all the 1998 Series C Bonds occurs on May 1.

<sup>(2)</sup> Includes unexpended proceeds.

On September 28, 2001, the Commission provided a notice of partial redemption to occur on November 1, 2001 for the following special redemption of Taxable Veterans Mortgage Bonds using unexpended proceeds from the respective series of Veterans Mortgage Bonds:

<u>Bond Issue</u>	<u>Dated Date</u>	<u>Maturity Date (November 1)</u>	<u>Amount of Special Redemption</u>
2000 Series B	7/1/2000	2010	\$ 1,000,000
		2030	7,215,000

## Appendix B

### EXPECTED FORM OF LEGAL OPINION

*Upon delivery of the Bonds, it is expected that Foley & Lardner will deliver a legal opinion in substantially the following form:*

(Letterhead of Foley & Lardner)

**\$20,000,000**

**STATE OF WISCONSIN**

**GENERAL OBLIGATION BONDS OF 2001, SERIES E (TAXABLE)**

We have served as bond counsel in connection with the issuance by the State of Wisconsin (**State**) of its \$20,000,000 General Obligation Bonds of 2001, Series E (Taxable), dated October 1, 2001 (**Bonds**). The Bonds are being issued pursuant to Chapter 18, Wisconsin Statutes (**Act**) and a resolution adopted by the State of Wisconsin Building Commission (**Commission**) on August 8, 2001 (**Resolution**).

We examined the law, a certified copy of the proceedings relating to the issuance of the Bonds, and certifications of public officials and others. As to questions of fact material to our opinion, we relied upon the certified proceedings and certifications without independently undertaking to verify them.

Based upon this examination, it is our opinion that, under existing law:

1. The Bonds are valid and binding general obligations of the State.
2. The Resolution has been duly adopted by the Commission and is a valid and binding obligation of the State enforceable upon the State as provided in the Resolution.
3. The full faith, credit, and taxing power of the State are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Bonds as the Bonds mature and become due. There has been irrevocably appropriated, as a first charge upon all revenues of the State, a sum sufficient for such purpose.

The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or an equitable proceeding). This letter expresses no opinion as to the availability of any particular form of judicial relief.

We have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion relating thereto (except only the matters set forth as our opinion in the Official Statement). However, in serving as bond counsel, nothing has come to our attention that would lead us to believe that the Official Statement (except for the financial statements and other financial or statistical data included therein, as to which we express no view), as of the date of delivery of the Bonds, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

This letter speaks as of its date. We assume no duty to update this letter to reflect any facts or circumstances that later come to our attention or any subsequent changes in law.

Very truly yours,

FOLEY & LARDNER