



## STATE OF WISCONSIN

Notice of **Material Information** #2005-08  
November 10, 2005

This document provides information which may be material to financial evaluation of the State of Wisconsin, however neither the preparation nor submission of this document constitutes a Listed Event pursuant to the State's Master Agreement on Continuing Disclosure.

**Issue:** State of Wisconsin  
Transportation Revenue Obligations

**CUSIP Numbers:** Bonds—977123 Prefix (All)  
Commercial Paper Notes—97712NK Prefix (All) and 97712PV  
Prefix (All)

**Type of Information:** Audited Financial Statements for the Year Ended June 30, 2005

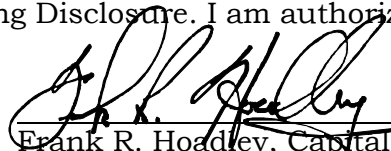
Attached are the audited financial statements for the year ended June 30, 2005, together with unaudited supplementary information, for the following:

- Department of Transportation Revenue Bond Program
- Department of Transportation Commercial Paper Program

**Type of Filing:** Filed in electronic form with each Nationally Recognized Municipal Securities Information Repository through DisclosureUSA. This notice is also available on the State of Wisconsin Capital Finance web site at:

[www.doa.state.wi.us/capitalfinance](http://www.doa.state.wi.us/capitalfinance)

The undersigned represents that he is the Capital Finance Director, State of Wisconsin Capital Finance Office, which is the office of the State of Wisconsin responsible for providing Annual Reports and Notice of Material Events when notice is required by the State's Master Agreement on Continuing Disclosure. I am authorized to distribute this information publicly.

  
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**WISCONSIN DEPARTMENT OF TRANSPORTATION  
REVENUE BOND PROGRAM**

**1993 SERIES A, 1994 Series A, 1995 SERIES A, 1996 SERIES A,  
1998 SERIES A, 1998 SERIES B, 2000 Series A, 2001 SERIES A,  
2002 SERIES 1, 2002 SERIES 2, 2002 SERIES A,  
2003 SERIES A, 2004 SERIES 1, AND 2005 SERIES A**

**Statement of Cash Receipts and Disbursements  
for the Year Ended June 30, 2005  
with Independent Auditors' Report**

**WISCONSIN DEPARTMENT OF TRANSPORTATION  
REVENUE BOND PROGRAM**

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## INDEPENDENT AUDITORS' REPORT

To the Wisconsin Department of Transportation

We have audited the accompanying statement of cash receipts and disbursements of the 1993 Series A, 1994 Series A, 1995 Series A, 1996 Series A, 1998 Series A, 1998 Series B, 2000 Series A, 2001 Series A, 2002 Series 1, 2002 Series 2, 2002 Series A, 2003 Series A, 2004 Series 1, and 2005 Series A bonds of the Wisconsin Department of Transportation Revenue Bond Program (the "Program") for the year ended June 30, 2005. This statement is the responsibility of the Wisconsin Department of Transportation. Our responsibility is to express an opinion on this statement based on our audit. The prior year summarized comparative information has been derived from the Program's statement of cash receipts and disbursements for the year ended June 30, 2004 audited by other auditors who expressed an unqualified opinion on the statement.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by the Program, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2 to the financial statement, this financial statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement presents fairly, in all material respects, the cash receipts and disbursements of the 1993 Series A, 1994 Series A, 1995 Series A, 1996 Series A, 1998 Series A, 1998 Series B, 2000 Series A, 2001 Series A, 2002 Series 1, 2002 Series 2, 2002 Series A, 2003 Series A, 2004 Series 1, and 2005 Series A bonds of the Wisconsin Department of Transportation Revenue Bond Program for the year ended June 30, 2005, on the basis of accounting described in Note 2.

Our audit was made for the purpose of forming an opinion on the statement of cash receipts and disbursements taken as a whole. The supplemental information required by the State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligations General Resolution presented on pages 13 through 25 is for purposes of additional analysis and is not a required part of the statement of cash receipts and disbursements. This supplemental information is the responsibility of the Wisconsin Department of Transportation. This information has been subjected to the auditing procedures applied in our audit of the statement of cash receipts and disbursements and, in our opinion, is fairly stated in all material respects in relation to the statement of cash receipts and disbursements taken as a whole.

The information identified in the table of contents as Unaudited Information is presented for purposes of additional analysis and is not a required part of the statement of cash receipts and disbursements. Such information has not been subjected to the auditing procedures applied in the audit of the statement of cash receipts and disbursements and, accordingly, we express no opinion on it.

*Schenck SC*

Certified Public Accountants  
Green Bay, Wisconsin  
October 14, 2005

# WISCONSIN DEPARTMENT OF TRANSPORTATION REVENUE BOND PROGRAM

## STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS YEAR ENDED JUNE 30, 2005 WITH COMPARATIVE AMOUNTS FOR YEAR ENDED JUNE 30, 2004

	<b>2005</b>	<b>2004</b>
CASH AND INVESTMENTS, BEGINNING OF YEAR	\$ 240,316,244	\$ 161,589,361
RECEIPTS:		
Motor vehicle registration fees retained by Trustee	113,813,523	106,117,341
Investment income	3,561,669	1,032,382
Revenue bond proceeds - par value	56,600,000	250,000,000
Revenue bond proceeds - accrued interest and original issuance premium, net of underwriter's discount	5,264,173	15,348,952
Revenue refunding bond proceeds - par value	274,890,000	-
Revenue refunding bond proceeds - accrued interest and original issuance premium, net of underwriter's discount	<u>26,173,603</u>	<u>-</u>
Total receipts	480,302,968	372,498,675
DISBURSEMENTS:		
Debt service - principal	57,885,000	46,870,000
Debt service - interest	65,432,801	57,083,126
Highway program expenditures	165,762,953	189,232,891
Program expenses - revenue bond program	137,835	55,064
Program expenses - commercial paper program	355,727	368,576
Bond issuance costs	1,066,178	162,135
Defeasance of debt - purchase of securities for escrow account	<u>301,712,862</u>	<u>-</u>
Total disbursements	592,353,356	293,771,792
CASH AND INVESTMENTS, END OF YEAR	<u>\$ 128,265,856</u>	<u>\$ 240,316,244</u>
Cash and investments reserved for debt service	\$ 95,674,259	\$ 99,718,340
Cash and investments reserved for program expenses	63,493	67,266
Cash and investments reserved for highway expenditures	23,312,418	131,377,772
Cash and investments in the reserve fund	<u>9,215,686</u>	<u>9,152,866</u>
	<u>\$ 128,265,856</u>	<u>\$ 240,316,244</u>

See notes to statement of cash receipts and disbursements.

# WISCONSIN DEPARTMENT OF TRANSPORTATION REVENUE BOND PROGRAM

## NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED JUNE 30, 2005

### 1. NATURE OF PROGRAM

The Wisconsin Department of Transportation (“Department”) Revenue Bond Program (the “Program”) originated in April 1984 pursuant to the adoption of the General Resolution by the State of Wisconsin Building Commission. The purpose of the Program is to provide financing for the construction, maintenance and repair of certain major highway projects and administrative facilities. Receipts provided from motor vehicle registration fees and vehicle registration-related fees are used to service the Program’s debt. The Department is responsible for managing these construction projects and the collection of motor vehicle registration fees and vehicle registration-related fees.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Cash Receipts and Disbursements Basis of Accounting***—The statement of cash receipts and disbursements presents the Program’s cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, cash receipts are recorded when received and disbursements are recorded when paid. The Program’s cash and investments balance is presented at cost.

The Department has entered into trust agreements with J.P. Morgan Trust Company, National Association (legal successor to Bank One Trust Company National Association) (the “trustee”), relating to the creation and administration of the State of Wisconsin Transportation Revenue Bonds, 1993 Series A, 1994 Series A, 1995 Series A, 1996 Series A, 1998 Series A, 1998 Series B, 2000 Series A, 2001 Series A, 2002 Series 1, 2002 Series 2, 2002 Series A, 2003 Series A, 2004 Series 1 and 2005 Series A. Among other provisions, the trust agreements, in conjunction with the General Resolution, specify those funds to be created and maintained, the timing and flow of monies through the funds, the determination of the Debt Service Reserve requirements and the procedure to be followed for the redemption of the bonds. It is the Program directors’ view that the statement of cash receipts and disbursements along with the related notes meet the reporting requirements of the trust agreements.

#### ***Receipts and Disbursements:***

***Motor Vehicle Registration Fees Retained by Trustee***—Motor vehicle registration fees and vehicle registration-related fees retained by trustee are recorded at time of impounding, when transfer of possession occurs.

***Investment Income***—Investment income is recorded when received and includes realized gains and losses on sales or maturities of investments.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Bond Proceeds*—Bond proceeds are recorded as receipts on the date of closing at gross value of the issuance. All related fees are reported as bond issuance costs within disbursements.

*Debt Service—Principal and Interest*—Debt service payments are recorded when paid.

*Highway Program Expenditures*—Highway program expenditures are recorded when paid by the Program to the Transportation Fund of the State of Wisconsin.

*Program Expenses – Revenue Bond Program*—Program expenses are recorded when paid.

*Program Expenses - Commercial Paper Program*—Represents payments for expenses made by the Revenue Bond Program on behalf of the Commercial Paper Program.

## 3. REVENUE BONDS

The Program's revenue obligations are issued pursuant to Subchapter II of Chapter 18 of the Wisconsin Statutes as amended, Section 84.59 of the Wisconsin Statutes and a general bond resolution and series resolutions adopted by the State of Wisconsin Building Commission. The bonds are revenue obligations of the State of Wisconsin ("State"), payable solely from the Redemption Fund created by the General Resolution. The bonds are collateralized by a first lien pledge of income derived from vehicle registration fees ("Program Income") under Section 341.25 of the Wisconsin Statutes and vehicle registration – related fees, as collected by the Trustee. The State has covenanted in the General Resolution that it will charge registration fees sufficient to pay principal and interest on the bonds, as they become due, to pay program expenses and to maintain the Debt Service Reserve requirement. Vehicle registration fees collected in excess of the amount needed to service this Program are transferred to the Department free of the first lien pledge of the General Resolution. The State is not generally liable on the bonds nor are the projects financed by the bonds pledged as collateral.

A summary of these revenue obligations outstanding as of June 30, 2005, with comparative information as of June 30, 2004, is as follows:

	<b>2005</b>	<b>2004</b>
Transportation Revenue Bonds, 1993 Series A, varying fixed interest rates from 4.5% to 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2012	\$ 75,665,000	\$ 82,005,000
Transportation Revenue Bonds, 1994 Series A, fixed interest rate of 5.3% payable semiannually, final principal payment on July 1, 2005, redeemed November 1, 2004	0	9,395,000
Transportation Revenue Bonds, 1995 Series A, fixed interest rate of 4.8% payable semiannually, final principal payment on July 1, 2005	3,700,000	19,750,000
Transportation Revenue Bonds, 1996 Series A, fixed interest rate of 6.0%, interest payable semiannually, annual principal payments of variable amounts through 2006	10,325,000	26,545,000

### 3. REVENUE BONDS (Continued)

Transportation Revenue Bonds, 1998 Series A and B, varying fixed interest rates from 4.25% to 5.5%, interest payable semiannually, annual principal payments of variable amounts through 2019	174,160,000	208,140,000
Transportation Revenue Bonds, 2000 Series A, varying fixed interest rates from 5.3% to 5.5%, interest payable semiannually, annual principal payments of variable amounts through 2021, defeased by 2004 Series 1 and 2005 Series A	0	93,100,000
Transportation Revenue Bonds, 2001 Series A, varying fixed interest rates from 3.0% to 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2022	124,875,000	130,580,000
Transportation Revenue Bonds, 2002 Series A, varying fixed interest rates from 3.0% to 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2023	162,895,000	200,000,000
Transportation Revenue Bonds, 2002 Series 1 and 2, varying fixed interest rates from 3.125% to 5.75%, interest payable semiannually, annual principal payments of variable amounts through 2022	218,710,000	296,735,000
Transportation Revenue Bonds, 2003 Series A, varying fixed interest rates from 2.5% to 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2024	211,175,000	250,000,000
Transportation Revenue Bonds, 2004 Series 1, varying fixed interest rates from 5.0% to 6.0%, interest payable semiannually, annual principal payments of variable amounts through 2017	95,905,000	0
Transportation Revenue Bonds, 2005 Series A, varying fixed interest rates from 3.0% to 5.25%, interest payable semiannually, annual principal payments of variable amounts through 2025	<u>235,585,000</u>	<u>0</u>
Total principal amount of bonds outstanding at June 30	1,312,995,000	1,316,250,000
Less: current maturities	<u>61,120,000</u>	<u>57,885,000</u>
Principal outstanding at June 30 due beyond one year	\$ <u>1,251,875,000</u>	\$ <u>1,258,365,000</u>

Additional series of bonds may be issued on a parity with the current bond series outstanding and collateralized by an equal charge and lien on the Program Income. However, no additional series may be issued unless, among other things, Program Income, including interest, for 12 consecutive months within the preceding 18-month period is at least 2.25 times the maximum aggregate principal and interest requirement in any bond year for all outstanding bonds.



### 3. REVENUE BONDS (Continued)

Future maturities of bonds payable as of June 30, 2005 are as follows:

Year Ending June 30,	
2006	\$ 61,120,000
2007	71,640,000
2008	74,750,000
2009	73,000,000
2010	71,635,000
Thereafter	<u>960,850,000</u>
	<u>\$1,312,995,000</u>

### 4. DEFEASED REVENUE BONDS

From time to time, the Program issues revenue bonds to defease older revenue bonds in order to take advantage of market conditions. The proceeds from the issuance of revenue bonds, together with assets transferred from the refunded bond series, are deposited with a trustee bank in a separate Escrow Account. These funds are invested by an escrow agent in U.S. Treasury obligations and certain other government securities so that sufficient monies are available to pay the principal, interest and redemption price of the defeased bonds. The defeased bonds are not included in the outstanding revenue bonds summarized in Note 3. Also, the related securities in the Escrow Accounts are not included in the Program's cash and investments balance. Once defeased, no related activity in the Escrow Accounts is reported in the Program's Statement of Cash Receipts and Disbursements. The following is a summary of these defeased bonds at June 30, 2005.

The revenue bonds defeased by the 1992 Series A Refunding that remain outstanding were as follows:

Series	Maturity	Principal Amount	Redemption Date	Redemption Price
1991 Series A	July 1, 2010	\$ 8,495,000		
	July 1, 2011	<u>9,085,000</u>		
		<u>\$17,580,000</u>	Maturity	Par

The revenue bonds defeased by the 1998 Series A Refunding that remain outstanding were as follows:

Series	Maturity	Principal Amount	Redemption Date	Redemption Price
1995 Series A	July 1, 2012	7,070,000	July 1, 2005	Par
1996 Series A	July 1, 2011	6,885,000		
	July 1, 2012	7,270,000		
	July 1, 2013	7,685,000		
	July 1, 2014	8,130,000		
	July 1, 2015	8,600,000		
	July 1, 2016	<u>9,100,000</u>		
		<u>47,670,000</u>	July 1, 2006	Par
		<u>\$54,740,000</u>		

**4. DEFEASED REVENUE BONDS (Continued)**

The revenue bonds defeased by the 2002 Series 1 Refunding that remain outstanding were as follows:

Series	Maturity	Principal Amount	Redemption Date	Redemption Price
1995 Series A	July 1, 2009	5,950,000		
	July 1, 2010	6,295,000		
	July 1, 2011	6,670,000		
	July 1, 2013	7,495,000		
	July 1, 2014	7,955,000		
	July 1, 2015	<u>8,440,000</u>		
		42,805,000	July 1, 2005	Par
1996 Series A	July 1, 2009	6,180,000		
	July 1, 2010	<u>6,520,000</u>		
		12,700,000	July 1, 2006	Par
1998 Series B	July 1, 2010	5,400,000		
	July 1, 2011	<u>5,645,000</u>		
		11,045,000	July 1, 2009	Par
2000 Series A	July 1, 2012	<u>9,700,000</u>	July 1, 2010	Par
		<u>\$76,250,000</u>		

The revenue bonds defeased by the 2002 Series 2 Refunding that remain outstanding were as follows:

Series	Maturity	Principal Amount	Redemption Date	Redemption Price
1995 Series A	July 1, 2008	\$ 5,630,000	July 1, 2005	Par
2000 Series A	July 1, 2013	10,200,000		
	July 1, 2014	<u>10,700,000</u>		
		20,900,000	July 1, 2010	Par
		<u>\$26,530,000</u>		

**4. DEFEASED REVENUE BONDS (Continued)**

The revenue bonds defeased by the 2004 Series 1 Refunding that remain outstanding were as follows:

Series	Maturity	Principal Amount	Redemption Date	Redemption Price
1995 Series A	July 1, 2006	5,055,000	July 1, 2005	Par
	July 1, 2007	<u>5,330,000</u>		
		10,385,000		
1996 Series A	July 1, 2007	5,565,000	July 1, 2006	Par
	July 1, 2008	<u>5,860,000</u>		
		11,425,000		
1998 Series B	July 1, 2012	5,905,000	July 1, 2009	Par
	July 1, 2013	6,180,000		
	July 1, 2014	6,475,000		
	July 1, 2015	<u>6,790,000</u>		
		25,350,000		
2000 Series A	July 1, 2015	11,300,000	July 1, 2010	Par
	July 1, 2016	11,900,000		
	July 1, 2017	<u>12,500,000</u>		
		35,700,000		
2002 Series A	July 1, 2014	<u>9,850,000</u>	July 1, 2014	Par
		<u>\$92,710,000</u>		

#### 4. DEFEASED REVENUE BONDS (Continued)

The revenue bonds defeased by 2005 Series A that remain outstanding were as follows:

Series	Maturity	Principal Amount	Redemption Date	Redemption Price
1995 Series A	July 1, 2005	\$ 1,100,000	N/A	N/A
1998 Series B	July 1, 2005	\$ 4,380,000	N/A	N/A
2000 Series A	July 1, 2018	13,200,000	July 1, 2010	Par
	July 1, 2019	14,000,000		
	July 1, 2020	14,700,000		
	July 1, 2021	<u>15,500,000</u>		
		57,400,000		
2002 Series 1	July 1, 2014	10,070,000	July 1, 2012	Par
	July 1, 2015	10,650,000		
	July 1, 2016	10,685,000		
	July 1, 2017	<u>11,295,000</u>		
		42,700,000		
2002 Series 2	July 1, 2020	13,720,000	July 1, 2012	Par
2002 Series A	July 1, 2015	10,345,000	July 1, 2013	Par
	July 1, 2016	<u>10,860,000</u>		
		21,205,000		
2003 Series A	July 1, 2015	12,315,000	July 1, 2014	Par
	July 1, 2016	12,930,000		
	July 1, 2017	<u>13,580,000</u>		
		<u>38,825,000</u>		
		<u>\$179,330,000</u>		
Total defeased bonds outstanding at June 30, 2005:		<u>\$447,140,000</u>		

## **5. DEBT SERVICE RESERVE FUND REQUIREMENT**

The General Resolution creates a Reserve Fund and provides that it shall be used to make up any deficiency in the Redemption Fund for the payment of principal of and interest on all of the-then Outstanding Bonds. Each Series Resolution must set forth the Debt Service Reserve Requirement, if any, for that Series.

In the past, it was generally the practice of the State to fund the Reserve Fund at an amount equal to the maximum annual interest (fiscal year basis) due on the-then Outstanding Bonds. In determining the maximum annual interest, the State subtracts any accrued interest or other amounts irrevocably deposited with the Trustee for payment of interest.

The General Resolution provides that in lieu of a deposit to the Reserve Fund of an amount equal to the Debt Service Reserve Requirement, the State may provide for a letter of credit, municipal bond insurance policy, surety bond or other type of agreement or arrangement with an entity having, at the time of entering into such agreement or arrangement, a credit rating equal to or greater than the Bonds.

On May 27, 1993, and in conjunction with the issuance of the 1993 Bonds, the State began funding the Debt Service Reserve Requirement with an irrevocable surety bond ("Surety Bond") issued by Ambac Assurance Corporation ("Ambac Assurance"). In conjunction with the sale of the 1994 Bonds, the 1995 Bonds, the 1996 Bonds, the 2000 Bonds, the 2001 Bonds, and the 2002 Series A Bonds, the Surety Bond was exchanged for a larger Surety Bond that funded the Debt Service Reserve Requirement for all the-then Outstanding Bonds. The Surety Bond amount of \$51,258,600 at June 30, 2005 is noncancelable until it expires on the earlier of July 1, 2023 or when all Bonds are paid-in-full. In connection with the 2003 Series A issue, the State cash funded the Debt Service Reserve Requirement rather than obtaining a Surety Bond. On November 25, 2003, \$9,093,000 of the proceeds from 2003 Series A was placed in the Reserve Fund. At June 30, 2005, the balance of this separate reserve fund had increased to \$9,215,686 due to investment income.

## **6. COMMITMENTS**

The Department and the State are currently authorized by State Statutes to use bond proceeds for right-of-way acquisition and construction of major highway projects and certain transportation facilities. The Department has statutory authority (as amended) as of June 30, 2005, to issue a total of \$2,095,583,900 of revenue obligations (excluding defeased bonds), in order to partially finance the costs of the authorized projects, in addition to proceeds from State general obligation debt, federal aid and other money in the Transportation Fund of the State of Wisconsin. As of June 30, 2005, the Department has remaining authority to issue \$186,333,146 of additional obligations.

2005 Wisconsin Act 25, enacted on July 26, 2005, increased the Department's statutory limit on revenue obligations to \$2,324,377,900.

## 7. CASH AND INVESTMENTS

The Program's investment policies are governed by the General Resolution and Wisconsin Statutes. The Program is authorized to invest in direct obligations of or obligations guaranteed by the United States, obligations of agencies created or sponsored by an Act of Congress, obligations of any state or municipality that are rated in either of the two highest rating categories by a nationally recognized bond rating agency, bankers acceptances and certificates of deposit from banks with combined capital and surplus aggregating at least \$100 million whose securities are rated within the two highest rating categories assigned by a nationally recognized rating agency, corporate commercial paper given the highest rating by Standard & Poor's Corporation and Moody's Investors Service, Inc., and a fund whose assets consist of direct obligations or obligations guaranteed by the United States or obligations of agencies created or sponsored by Congress. Program assets are to be invested in the highest yielding authorized securities, with maturity or redemption dates coinciding as closely as possible with cash flow and liquidity needs of Program operations.

For fiscal year 2005, the trustee invested the Program's assets in money market funds, U.S. government securities, and federal agency securities. These Program assets are reported at cost. The following table summarizes the cost and fair market value for each of the investments:

Investment Type	June 30, 2005	
	Cost	Fair Value
Money market fund	\$125,441,583	\$125,441,583
U.S. government securities	1,446,491	1,445,719
Federal agency securities	<u>1,377,780</u>	<u>1,391,256</u>
Total	<u>\$128,265,854</u>	<u>\$128,278,558</u>

The money market fund consists of JP Morgan 100% U.S. Treasury Securities Money Market Fund 3163, which invests exclusively in obligations of the U.S. Treasury, including Treasury bills, bonds and notes. The federal agency securities are Federal Home Loan Mortgage Corporation Discount Notes. The U.S. government securities are U.S. Treasury Notes.

Investments of the Program are subject to various risks:

- Custodial credit risk is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, the Program will not be able to recover the value of investments or collateral securities that are in the possession of another party. Securities of the U.S. government and its agency were registered and held by the Program's agent in the Program's name. Money market funds are not insured or collateralized.
- Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization, such as Standard & Poor's, Moody's, and Fitch Ratings. As of June 30, 2005, the U.S. Treasury Notes were rated AAA; the remaining investments were not rated.

## **7. CASH AND INVESTMENTS (Continued)**

- Concentration of credit risk may be a concern if investments in any one issuer represent 5 percent or more of net Program assets, excluding investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments. Concentration of credit risk is not addressed in the Program's investment requirements. As of June 30, 2005, 98% of the Program's assets were invested in a money market fund; however, this fund solely invests in U.S. government securities.
- Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2005, the federal agency securities will mature in six months, \$1.4 million in U.S. Treasury notes will mature in 12 months, and \$41,614 in U.S. Treasury notes will mature in 18 months.
- Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment. Foreign currency holdings are not specifically addressed in the Program's investment requirements; however, no investments denominated in foreign currency were held by the Program as of June 30, 2005.

## **8. ADMINISTRATIVE EXPENSES**

The Program is not charged for certain departmental administrative expenses incurred by the State of Wisconsin related to the operation of the Program. All such costs are charged to the Transportation Fund of the State of Wisconsin. Program expenses include expenses of the trustee, audit fees and other expenses of the Program.

## **9. SUBSEQUENT EVENTS**

On September 29, 2005, the State issued 2005 Series B Transportation Revenue Bonds in the amount of \$158,400,000. Interest rates are fixed and range from 4.0% to 5.0% depending on the maturity, interest is payable semiannually. The bonds are due in various maturities beginning in 2007, with final maturity in 2025. The bonds are being used to finance certain State transportation facilities and highway projects and to pay for costs of issuance.

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## **SUPPLEMENTAL INFORMATION**



WISCONSIN DEPARTMENT OF TRANSPORTATION  
REVENUE BOND PROGRAM

SUPPLEMENTAL INFORMATION - SCHEDULE OF MONTHLY MOTOR VEHICLE REGISTRATION AND REGISTRATION-RELATED FEES RETAINED BY TRUSTEE  
FOR THE YEAR ENDED JUNE 30, 2005

Month	Program Expense	Program Income	1993 Series A	1994 Series A	1995 Series A	1996 Series A	1998 Series A	1998 Series B	2000 Series A	2001 Series A	2002 Series 1	2002 Series 2	2002 Series A	2003 Series A	2004 Series 1	2005 Series A	Total
July 2004	\$ 156,100	\$ (66,501)	\$ 2,560,356	\$ 1,268,575	\$ 1,386,356	\$ 1,566,591	\$ 4,040,784	\$ 2,046,052	\$ 1,254,605	\$ 2,970,809	\$ 6,121,855	\$ 907,519	\$ 3,796,157	\$ 4,844,279			\$ 32,853,535
October 2004	102,025	135	2,561,000		1,258,000	1,414,000	4,050,000	1,731,000	772,000	2,973,000	6,124,000	912,000	3,736,000	4,906,000	\$ 1,201,000		31,742,160
January 2005			2,525,000		1,190,000	1,239,000	3,996,000	1,396,000	772,000	2,933,000	6,043,000	909,000	3,567,000		2,194,000		26,764,000
March 2005	105,455	(169)														\$ 1,381,922	1,487,208
April 2005	89,150	(1,030)	2,488,700		65,000	1,370,000	3,931,600	1,170,800		4,608,900	674,000	518,200	3,112,800	1,133,100	420,400	1,385,000	20,966,620
	<u>\$ 452,730</u>	<u>\$ (67,565)</u>	<u>\$ 10,135,056</u>	<u>\$ 1,268,575</u>	<u>\$ 3,899,356</u>	<u>\$ 5,589,591</u>	<u>\$ 16,018,384</u>	<u>\$ 6,343,852</u>	<u>\$ 2,798,605</u>	<u>\$ 13,485,709</u>	<u>\$ 18,962,855</u>	<u>\$ 3,246,719</u>	<u>\$ 14,213,957</u>	<u>\$ 10,883,379</u>	<u>\$ 3,815,400</u>	<u>\$ 2,766,922</u>	<u>\$ 113,813,523</u>

July amounts are net of excess motor vehicle registration fees that were returned to the Wisconsin Department of Transportation.

**WISCONSIN DEPARTMENT OF TRANSPORTATION  
REVENUE BOND PROGRAM**

**SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 1993 SERIES A  
JUNE 30, 2005**

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<b>Maturity July 1,</b>	<b>Rate (%)</b>	<b>Principal</b>
2005	4.50	\$ 6,645,000
2006	4.60	6,955,000
2007	4.70	13,090,000
2008	4.75	13,725,000
2009	4.80	14,395,000
2010	4.90	6,620,000
2011	5.00	6,945,000
2012	4.75	<u>7,290,000</u>
		<u>\$ 75,665,000</u>

**WISCONSIN DEPARTMENT OF TRANSPORTATION  
REVENUE BOND PROGRAM**

**SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 1995 SERIES A  
JUNE 30, 2005**

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<b>Maturity July 1,</b>	<b>Rate (%)</b>	<b>Principal</b>
2005	4.80	\$ 3,700,000

**WISCONSIN DEPARTMENT OF TRANSPORTATION  
REVENUE BOND PROGRAM**

**SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 1996 SERIES A  
JUNE 30, 2005**

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<b>Maturity July 1,</b>	<b>Rate (%)</b>	<b>Principal</b>
2005	6.00	\$ 5,035,000
2006	6.00	<u>5,290,000</u>
		<u>\$ 10,325,000</u>

**WISCONSIN DEPARTMENT OF TRANSPORTATION  
REVENUE BOND PROGRAM**

**SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 1998 SERIES A  
JUNE 30, 2005**

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<b>Maturity July 1,</b>	<b>Rate (%)</b>	<b>Principal</b>
2005	5.00	\$ 9,530,000
2006	5.00	10,355,000
2007	5.00	5,310,000
2008	5.00	5,590,000
2009	5.50	6,625,000
2010	5.50	7,345,000
2011	5.50	14,665,000
2012	5.50	22,580,000
2013	5.50	16,915,000
2014	5.50	7,915,000
2015	5.50	8,360,000
2016	5.50	8,825,000
		<hr/>
		<u>\$ 124,015,000</u>

**WISCONSIN DEPARTMENT OF TRANSPORTATION  
REVENUE BOND PROGRAM**

**SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 1998 SERIES B  
JUNE 30, 2005**

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<b>Maturity July 1,</b>	<b>Rate (%)</b>	<b>Principal</b>
2006	4.25	\$ 4,565,000
2007	4.25	4,755,000
2008	4.25	4,955,000
2009	5.25	5,170,000
2016	5.00	7,125,000
2017	4.75	7,480,000
2018	4.75	7,850,000
2019	4.75	8,245,000
		<hr/>
		\$ 50,145,000
		<hr/> <hr/>

**WISCONSIN DEPARTMENT OF TRANSPORTATION  
REVENUE BOND PROGRAM**

**SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 2001 SERIES A  
JUNE 30, 2005**

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<b>Maturity July 1,</b>	<b>Rate (%)</b>	<b>Principal</b>
2005	3.00	\$ 6,015,000
2006	4.00	6,355,000
2007	5.00	16,675,000
2008	5.00	12,385,000
2009	5.00	13,000,000
2010	5.00	13,655,000
2011	5.00	14,330,000
2012	4.00	2,990,000
2013	4.10	3,140,000
2014	4.25	3,295,000
2015	4.25	3,460,000
2016	4.50	3,630,000
2017	4.50	3,815,000
2018	4.60	4,005,000
2019	4.70	4,205,000
2020	4.90	4,415,000
2021	4.90	4,635,000
2022	4.90	4,870,000
		<hr/>
		<u>\$ 124,875,000</u>

**WISCONSIN DEPARTMENT OF TRANSPORTATION  
REVENUE BOND PROGRAM**

**SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 2002 SERIES 1  
JUNE 30, 2005**

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<b>Maturity July 1,</b>	<b>Rate (%)</b>	<b>Principal</b>
2005	5.00	\$ 13,175,000
2006	5.25	18,090,000
2007	5.25	8,310,000
2008	5.50	8,750,000
2009	5.50	15,165,000
2010	5.50	17,685,000
2011	5.50	11,785,000
2012	5.50	9,170,000
2013	5.75	14,545,000
2014	5.75	14,965,000
2015	5.75	7,355,000
2018	5.125	11,950,000
2019	5.125	12,565,000
		<hr/>
		<b>\$ 163,510,000</b>
		<hr/> <hr/>



**WISCONSIN DEPARTMENT OF TRANSPORTATION  
REVENUE BOND PROGRAM**

**SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 2002 SERIES 2  
JUNE 30, 2005**

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<b>Maturity July 1,</b>	<b>Rate (%)</b>	<b>Principal</b>
2005	3.125	\$ 10,000
2006	3.375	10,000
2007	3.625	10,000
2008	5.00	5,265,000
2009	4.00	10,000
2010	4.125	15,000
2011	4.25	15,000
2012	4.30	15,000
2013	5.50	9,815,000
2014	5.50	10,295,000
2015	4.625	15,000
2016	4.75	15,000
2017	4.75	15,000
2018	4.875	20,000
2019	5.00	20,000
2021	5.125	14,455,000
2022	5.125	15,200,000
		<hr/>
		<b>\$ 55,200,000</b>

**WISCONSIN DEPARTMENT OF TRANSPORTATION  
REVENUE BOND PROGRAM**

**SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 2002 SERIES A  
JUNE 30, 2005**

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<b>Maturity July 1,</b>	<b>Rate (%)</b>	<b>Principal</b>
2005	3.00	\$ 6,350,000
2006	3.00	6,670,000
2007	3.00	7,000,000
2008	5.00	7,350,000
2009	4.00	7,720,000
2010	5.00	8,105,000
2011	5.00	8,510,000
2012	5.00	8,935,000
2013	5.00	9,385,000
2017	5.00	11,405,000
2018	5.00	11,975,000
2019	5.00	12,575,000
2020	5.00	13,205,000
2021	4.75	13,865,000
2022	4.60	14,560,000
2023	4.75	15,285,000
		<hr/>
		\$ 162,895,000

**WISCONSIN DEPARTMENT OF TRANSPORTATION  
REVENUE BOND PROGRAM**

**SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 2003 SERIES A  
JUNE 30, 2005**

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<b>Maturity July 1,</b>	<b>Rate (%)</b>	<b>Principal</b>
2005	2.50	\$ 7,560,000
2006	4.00	7,940,000
2007	4.00	8,335,000
2008	5.00	8,750,000
2009	3.00	9,190,000
2010	5.00	9,650,000
2011	5.00	10,130,000
2012	5.00	10,640,000
2013	5.00	11,170,000
2014	5.00	11,730,000
2018	5.00	14,255,000
2019	5.00	14,970,000
2020	5.00	15,720,000
2021	5.00	16,505,000
2022	5.00	17,330,000
2023	5.00	18,195,000
2024	5.00	19,105,000
		<hr/>
		<b>\$ 211,175,000</b>

**WISCONSIN DEPARTMENT OF TRANSPORTATION  
REVENUE BOND PROGRAM**

**SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 2004 SERIES 1  
JUNE 30, 2005**

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<b>Maturity July 1,</b>	<b>Rate (%)</b>	<b>Principal</b>
2005	6.00	\$ 3,100,000
2006	5.00	5,080,000
2007	5.00	10,925,000
2008	5.00	5,880,000
2012	5.25	5,760,000
2013	5.25	6,185,000
2014	5.25	16,345,000
2015	5.25	18,150,000
2016	5.25	11,955,000
2017	5.25	12,525,000
		<hr/>
		\$ 95,905,000
		<hr/>

**WISCONSIN DEPARTMENT OF TRANSPORTATION  
REVENUE BOND PROGRAM**

**SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 2005 SERIES A  
JUNE 30, 2005**

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<b>Maturity July 1,</b>	<b>Rate (%)</b>	<b>Principal</b>
2006	3.00	\$ 330,000
2007	3.00	340,000
2008	3.00	350,000
2009	3.00	360,000
2010	3.00	375,000
2011	3.125	385,000
2012	3.25	395,000
2013	3.375	410,000
2014	5.25	10,495,000
2015	5.25	33,705,000
2016	5.00 & 5.25 (1)	34,865,000
2017	5.00	25,210,000
2018	5.00	13,430,000
2019	5.00	14,205,000
2020	5.00	28,575,000
2021	5.00	15,555,000
2022	5.00	13,130,000
2023	5.00	13,790,000
2024	5.00	14,480,000
2025	5.00	15,200,000
		<u>\$ 235,585,000</u>

(1) \$20,000,000 @ 5.00% and \$14,865,000 @ 5.25%

Total Bonds Outstanding \$ 1,312,995,000

## **UNAUDITED INFORMATION**

The following information has been prepared by the Wisconsin Department of Transportation and is unaudited.

Unaudited Information

**WISCONSIN DEPARTMENT OF TRANSPORTATION  
REVENUE OBLIGATION PROGRAM**

**Schedule of Program Revenue (Unaudited)  
For the Years Ended June 30, 2005 and 2004**

Date	Section 341.25 Registration Fees			Interest Earnings on 341.25 Revenues	Title Transaction Fees	Counter Service Fees and Personalized License Plates		Other Miscellaneous Vehicle Registration & Related Fees	Total Program Revenues
	Registration Non-IRP	IRP Revenues (2)	Subtotal			Subtotal (1)			
July, 2004	\$ 25,298,671	\$ 2,526,049	\$ 27,824,721		\$ 3,477,144	\$ 863,135	\$ 32,165,000	\$ 1,381,499	\$ 33,546,499
August, 2004	25,384,942	1,952,220	27,337,162		3,639,168	872,132	31,848,463	1,233,925	33,082,387
September, 2004	23,913,000	2,895,625	26,808,625		3,626,538	766,436	31,201,600	1,128,225	32,329,825
October, 2004	21,619,163	3,707,012	25,326,174		3,529,641	738,894	29,594,709	1,087,982	30,682,692
November, 2004	27,263,420	3,304,980	30,568,400		3,066,465	665,478	34,300,343	1,594,625	35,894,967
December, 2004	27,844,301	2,947,257	30,791,558		1,914,027	538,779	33,244,365	661,973	33,906,337
January, 2005	27,388,258	2,570,346	29,958,604		2,260,139	675,159	32,893,902	578,059	33,471,961
February, 2005	19,596,088	4,447,970	24,044,059		2,628,126	544,727	27,216,911	624,794	27,841,705
March, 2005	27,701,677	6,418,883	34,120,560		3,557,632	792,299	38,470,490	760,779	39,231,270
April, 2005	31,714,725	9,031,727	40,746,453		3,470,154	894,269	45,110,876	713,119	45,823,994
May, 2005	27,476,170	7,063,738	34,539,908		3,112,925	848,353	38,501,186	723,485	39,224,671
June, 2005	29,205,770	2,728,887	31,934,657		3,421,422	880,456	36,236,535	761,297	36,997,832
TOTAL for the Year ended June 30, 2005	\$ 314,406,186	\$ 49,594,695	\$ 364,000,881	\$ 3,561,669	\$ 37,703,381	\$ 9,080,116	\$ 414,278,481	\$ 11,249,762	\$ 425,528,243
July, 2003	\$ 22,173,568	\$ 2,684,719	\$ 24,858,287		\$ 2,321,722	\$ 1,016,655	\$ 28,196,664	\$ 1,248,298	\$ 29,444,962
August, 2003	19,424,898	2,549,979	21,974,877		2,150,972	916,018	25,041,868	1,021,947	26,063,815
September, 2003	22,884,218	2,690,085	25,574,303		2,296,038	916,025	28,786,366	1,054,837	29,841,203
October, 2003 (3)	21,264,415	5,089,275	26,353,690		3,080,446	880,568	30,314,705	1,135,274	31,449,979
November, 2003	26,875,004	2,098,773	28,973,777		2,867,238	717,802	32,558,816	1,417,414	33,976,230
December, 2003	32,391,979	3,216,953	35,608,931		2,483,799	708,060	38,800,791	1,985,689	40,786,479
January, 2004	24,065,102	2,214,227	26,279,329		2,731,248	769,055	29,779,631	3,336,107	33,115,739
February, 2004	22,467,762	4,044,935	26,512,696		2,733,184	788,164	30,034,045	2,646,843	32,680,888
March, 2004	29,799,996	8,928,753	38,728,749		3,514,451	988,986	43,232,186	1,745,757	44,977,942
April, 2004	28,602,671	5,555,020	34,157,691		3,648,258	967,953	38,773,902	1,383,612	40,157,514
May, 2004	24,880,742	5,804,612	30,685,354		3,417,645	855,413	34,958,412	1,349,715	36,308,127
June, 2004	27,227,652	3,655,188	30,882,839		3,933,864	869,985	35,686,689	1,507,536	37,194,225
TOTAL for the Year ended June 30, 2004	\$ 302,058,005	\$ 48,532,519	\$ 350,590,524	\$ 1,032,382	\$ 35,178,866	\$ 10,394,684	\$ 397,196,456	\$ 19,833,030	\$ 417,029,486

- (1) This is the amount of Program Revenue for which the State has undertaken to provide continuing disclosure and the amount of Program Revenue that will be used for determining the debt service coverage ratio and the additional bonds test.
- (2) IRP - The International Registration Plan is a multi-state compact for collecting and sharing large truck registration fees. Under the IRP, the registration fees on trucks involved in multi-state commercial activity are collected by the state in which the company is headquartered and are split between the participating states on the basis of proportionate mileage.
- (3) The State of Wisconsin's FY 2003-05 Biennial Budget (2003 Wis. Act 33) included provisions which affected the Program. Annual vehicle registration fees were increased from \$45 to \$55, effective October 1, 2003. Act 33 also expanded the revenue pledged for repayment of debt to include title transaction fees, counter service fees and personalized license plates, and other miscellaneous vehicle registration and related fees. On October 15, 2003, the State of Wisconsin Building Commission approved a supplement to the General Resolution to reflect all of the provisions of Act 33.

Source: Wisconsin Department of Transportation

Unaudited Information

**WISCONSIN DEPARTMENT OF TRANSPORTATION  
REVENUE BOND PROGRAM**

Schedule of Motor Vehicle Registration and Registration-Related Fees--Cash Basis (Unaudited)  
For the Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Motor Vehicle Registration and Related Fees Collected	\$ 421,966,574	\$ 415,997,104
Less:		
Motor Vehicle Registration and Related Fees Retained by Trustee for Commercial Paper Program	(8,230,028)	(6,908,094)
Motor Vehicle Registration and Related Fees Available for Transportation Fund	<u>(299,923,023)</u>	<u>(302,971,669)</u>
Motor Vehicle Registration and Related Fees Retained by Trustee for Revenue Bond Program	<u>\$ 113,813,523</u>	<u>\$ 106,117,341</u>

Source: Wisconsin Department of Transportation



**WISCONSIN DEPARTMENT OF TRANSPORTATION  
COMMERCIAL PAPER PROGRAM  
TRANSPORTATION REVENUE COMMERCIAL  
PAPER NOTES OF 1997, SERIES A**

**Statement of Cash Receipts and Disbursements  
for the Year Ended June 30, 2005  
with Independent Auditors' Report**

**WISCONSIN DEPARTMENT OF TRANSPORTATION  
COMMERCIAL PAPER PROGRAM  
TRANSPORTATION REVENUE COMMERCIAL PAPER  
NOTES OF 1997, SERIES A**

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## INDEPENDENT AUDITORS' REPORT

To the Wisconsin Department of Transportation

We have audited the accompanying statement of cash receipts and disbursements of the Transportation Revenue Commercial Paper Notes of 1997, Series A, of the Wisconsin Department of Transportation Commercial Paper Program (the "Program") for the year ended June 30, 2005. This statement is the responsibility of the Wisconsin Department of Transportation. Our responsibility is to express an opinion on this statement based on our audit. The prior year summarized comparative information has been derived from the Program's statement of cash receipts and disbursements for the year ended June 30, 2004 audited by other auditors who expressed an unqualified opinion on the statement.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by the Program, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2 to the financial statement, this financial statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the 2005 financial statement presents fairly, in all material respects, the cash receipts and disbursements of the Transportation Revenue Commercial Paper Notes of 1997, Series A, of the Wisconsin Department of Transportation Commercial Paper Program for the year ended June 30, 2005, on the basis of accounting described in Note 2.

The information identified in the table of contents as Unaudited Information is presented for purposes of additional analysis and is not a required part of the statement of cash receipts and disbursements. Such information has not been subjected to the auditing procedures applied in the audit of the statement of cash receipts and disbursements and, accordingly, we express no opinion on it.

*Schenck SC*

Certified Public Accountants  
Green Bay, Wisconsin  
October 14, 2005

**WISCONSIN DEPARTMENT OF TRANSPORTATION  
COMMERCIAL PAPER PROGRAM  
TRANSPORTATION REVENUE COMMERCIAL PAPER  
NOTES OF 1997, SERIES A**

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
YEAR ENDED JUNE 30, 2005  
WITH COMPARATIVE AMOUNTS FOR YEAR ENDED JUNE 30, 2004**

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	<b>2005</b>	<b>2004</b>
CASH AND INVESTMENTS, BEGINNING OF YEAR	\$ 6,140,261	\$ 5,828,073
RECEIPTS:		
Motor vehicle registration fees retained by Trustee	8,230,028	6,908,094
Investment (loss) income	143,302	(25,906)
	<u>8,373,330</u>	<u>6,882,188</u>
Total receipts		
DISBURSEMENTS:		
Debt service - principal	5,825,000	5,550,000
Debt service - interest	1,808,000	1,020,000
	<u>7,633,000</u>	<u>6,570,000</u>
Total disbursements		
CASH AND INVESTMENTS, END OF YEAR	<u>\$ 6,880,591</u>	<u>\$ 6,140,261</u>
Cash and investments reserved for debt service	<u>\$ 6,880,591</u>	<u>\$ 6,140,261</u>

See notes to statement of cash receipts and disbursements.

# WISCONSIN DEPARTMENT OF TRANSPORTATION COMMERCIAL PAPER PROGRAM TRANSPORTATION REVENUE COMMERCIAL PAPER NOTES OF 1997, SERIES A

## NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED JUNE 30, 2005

### 1. NATURE OF PROGRAM

The Transportation Revenue Commercial Paper Program (the "Program") originated on April 23, 1997, pursuant to the adoption of the Program Resolution by the State of Wisconsin Building Commission. The purpose of the Program is to provide financing for the construction, maintenance and repair of certain major highway projects and transportation facilities and to pay interest due on maturing notes. Receipts provided from motor vehicle registration fees and vehicle registration-related fees are used to service the Program's debt. The Wisconsin Department of Transportation ("Department") is responsible for managing the construction projects and the collection of motor vehicle registration fees and vehicle registration-related fees.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Cash Receipts and Disbursements Basis of Accounting***—The statement of cash receipts and disbursements presents the Program's cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, cash receipts are recorded when received and disbursements are recorded when paid. The cash and investments balance is presented at cost.

The Department has entered into trust agreements with J.P. Morgan Trust Company, National Association (legal successor to Bank One Trust Company National Association) (the "Trustee"), relating to the creation and administration of the Transportation Revenue Commercial Paper Notes of 1997, Series A. Among other provisions, the trust agreements, in conjunction with the General Resolution, specify those funds to be created and maintained, the timing and flow of monies through the funds, and the procedure to be followed for the redemption of the notes. It is the Program directors' view that the statement of cash receipts and disbursements along with the related notes meet the reporting requirements of the trust agreements.

#### ***Receipts and Disbursements***—

***Motor Vehicle Registration Fees Retained by Trustee*** - Motor vehicle registration fees and vehicle registration-related fees retained by trustee are recorded at time of impounding, when transfer of possession occurs.

***Investment Income*** - Investment income is recorded when received and includes realized gains and losses on sales or maturities of investments.

***Debt Service - Principal and Interest*** - Cash payments for debt service are recorded when paid. Notes payable that mature and are replaced with new notes are not reflected in the statement of cash receipts and disbursements as there is no cash receipt or cash disbursement.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Cash and Investments –*

The Program's investment policies are governed by the General Resolution and Wisconsin Statutes. The Program is authorized to invest in direct obligations of or obligations guaranteed by the United States, obligations of agencies created or sponsored by an Act of Congress, obligations of any state or municipality that are rated in either of the two highest rating categories by a nationally recognized bond rating agency, bankers acceptances and certificates of deposit from banks with combined capital and surplus aggregating at least \$100 million whose securities are rated within the two highest rating categories assigned by a nationally recognized rating agency, corporate commercial paper given the highest rating by Standard & Poor's Corporation and Moody's Investors Service, Inc., and a fund whose assets consist of direct obligations or obligations guaranteed by the United States or obligations of agencies created or sponsored by Congress. Program assets are to be invested in the highest yielding authorized securities, with maturity or redemption dates coinciding as closely as possible with cash flow and liquidity needs of Program operations.

For fiscal year 2005, the trustee invested the Program's assets in money market funds, U.S. government securities, and federal agency securities. These Program assets are reported at cost, which approximates their fair market value. As of June 30, 2005, \$6,880,591 was invested in JP Morgan 100% U.S. Treasury Securities Money Market Fund 3163. This money market fund invests exclusively in obligations of the U.S. Treasury, including Treasury bills, bonds and notes.

Investments of the Program are subject to various risks:

- Custodial credit risk is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, the Program will not be able to recover the value of investments or collateral securities that are in the possession of another party. Money market funds are not insured or collateralized.
- Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization, such as Standard & Poor's, Moody's, and Fitch Ratings. As of June 30, 2005, the money market fund was not rated.
- Concentration of credit risk may be a concern if investments in any one issuer represent 5 percent or more of net Program assets, excluding investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments. Concentration of credit risk is not addressed in the Program's investment requirements. As of June 30, 2005, all of the Program's assets were invested in a money market fund; however, this fund solely invests in U.S. government securities.
- Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Money market funds are liquid, having no future maturity dates.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment. Foreign currency holdings are not specifically addressed in the Program's investment requirements; however, no investments denominated in foreign currency were held by the Program as of June 30, 2005.

## 3. NOTES PAYABLE

The notes consist of interest-bearing obligations which are issued in initial denominations of \$100,000 and additional increments of \$1,000 above \$100,000. There are notes payable outstanding of \$120,003,000 and \$125,828,000 at June 30, 2005 and 2004, respectively. At June 30, 2005, the notes had maturities ranging from July 15, 2005 to October 7, 2005 with a weighted average interest rate of 2.58%.

The notes are issued pursuant to Subchapter II of Chapter 18 of the Wisconsin Statutes as amended, Section 84.59 of the Wisconsin Statutes and a Program Resolution and a series resolution adopted by the State of Wisconsin Building Commission. The notes are revenue obligations of the State of Wisconsin ("State"), payable solely from the Subordinated Debt Service Fund (see Note 4).

The notes are collateralized by a pledge of income derived from vehicle registration fees ("Program Income") under Section 341.25 of the Wisconsin Statutes and vehicle registration – related fees, as collected by the Trustee. The notes are subordinate to the pledge of Program Income for payment of the State Transportation Revenue Bonds outstanding. Vehicle registration fees collected in excess of the amount needed to service this Program and the outstanding State Transportation Revenue Bonds are transferred to the Department pursuant to the General Resolution of the State of Wisconsin Building Commission.

The State expects to pay the principal on the notes with the proceeds of additional notes until the State provides permanent financing through the issuance of long-term transportation revenue bonds for the projects which are being initially financed by the notes.

In order to assure the timely payment of principal and interest on the notes, the State obtained a credit agreement (the liquidity facility agreement) on May 7, 1997, which provided a commitment for the issuance of an irrevocable letter of credit in the stated amount up to \$188,600,000. On May 6, 2002, the State replaced the irrevocable letter of credit with a line of credit. The line of credit currently has a commitment amount of \$130,000,000, which expires December 15, 2015. As outlined in the credit agreement, this commitment is subject to early termination and the scheduled termination date can also be extended.

The notes will mature no later than 270 days from the date of issuance provided that a liquidity facility agreement is in effect. No notes may be issued with a maturity date after the stated expiration of the liquidity facility agreement or after the stated date of a substitute liquidity facility agreement. The principal of and interest on the notes will be paid at maturity and are not callable prior to maturity. Each note bears interest from its date of issuance, at the rate determined on the date of issuance (which may not exceed 12% per annum).

The State is not generally liable on the notes, nor are the projects financed by the notes pledged as collateral.

**4. SUBORDINATED DEBT SERVICE FUND**

The General Resolution creates a Subordinated Debt Service Reserve Fund which is intended to be used to provide for the payment of principal and interest of the notes from Program Income deposited into this fund. The pledge of such Program Income to payment of the notes is subordinate to the pledge of Program Income to payment of outstanding State Transportation Revenue Bonds.

**5. COMMITMENTS**

The Department and the State are currently authorized by State Statutes to use note proceeds for right-of-way acquisition and construction of projects comprising major highway projects and certain transportation facilities. The Program resolution has authority to issue notes totaling \$275,000,000 (including the 1997, Series A notes), in order to partially finance the costs of the authorized projects, in addition to proceeds from State general obligation debt, federal aid and other money in the Transportation Fund.

**6. ADMINISTRATIVE EXPENSES**

The Program is not charged for certain departmental administrative expenses related to the operation of the Program. All such costs are charged to the Transportation Fund of the State of Wisconsin. Expenses related to trustee fees, bond rating fees, audit fees and other expenses of the Program are paid by the Revenue Bond Program.

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## **UNAUDITED INFORMATION**

The following information has been prepared by the Wisconsin Department of Transportation and is unaudited.

Unaudited Information

**WISCONSIN DEPARTMENT OF TRANSPORTATION  
REVENUE OBLIGATION PROGRAM**

Schedule of Program Revenue (Unaudited)  
For the Years Ended June 30, 2005 and 2004

Date	Section 341.25 Registration Fees			Interest Earnings on 341.25 Revenues	Title Transaction Fees	Counter Service Fees and Personalized License Plates		Other Miscellaneous Vehicle Registration & Related Fees	Total Program Revenues
	Registration Non-IRP	IRP Revenues (2)	Subtotal			Subtotal (1)			
July, 2004	\$ 25,298,671	\$ 2,526,049	\$ 27,824,721		\$ 3,477,144	\$ 863,135	\$ 32,165,000	\$ 1,381,499	\$ 33,546,499
August, 2004	25,384,942	1,952,220	27,337,162		3,639,168	872,132	31,848,463	1,233,925	33,082,387
September, 2004	23,913,000	2,895,625	26,808,625		3,626,538	766,436	31,201,600	1,128,225	32,329,825
October, 2004	21,619,163	3,707,012	25,326,174		3,529,641	738,894	29,594,709	1,087,982	30,682,692
November, 2004	27,263,420	3,304,980	30,568,400		3,066,465	665,478	34,300,343	1,594,625	35,894,967
December, 2004	27,844,301	2,947,257	30,791,558		1,914,027	538,779	33,244,365	661,973	33,906,337
January, 2005	27,388,258	2,570,346	29,958,604		2,260,139	675,159	32,893,902	578,059	33,471,961
February, 2005	19,596,088	4,447,970	24,044,059		2,628,126	544,727	27,216,911	624,794	27,841,705
March, 2005	27,701,677	6,418,883	34,120,560		3,557,632	792,299	38,470,490	760,779	39,231,270
April, 2005	31,714,725	9,031,727	40,746,453		3,470,154	894,269	45,110,876	713,119	45,823,994
May, 2005	27,476,170	7,063,738	34,539,908		3,112,925	848,353	38,501,186	723,485	39,224,671
June, 2005	29,205,770	2,728,887	31,934,657		3,421,422	880,456	36,236,535	761,297	36,997,832
<b>TOTAL for the Year ended June 30, 2005</b>	<b>\$ 314,406,186</b>	<b>\$ 49,594,695</b>	<b>\$ 364,000,881</b>	<b>\$ 3,561,669</b>	<b>\$ 37,703,381</b>	<b>\$ 9,080,116</b>	<b>\$ 414,278,481</b>	<b>\$ 11,249,762</b>	<b>\$ 425,528,243</b>
July, 2003	\$ 22,173,568	\$ 2,684,719	\$ 24,858,287		\$ 2,321,722	\$ 1,016,655	\$ 28,196,664	\$ 1,248,298	\$ 29,444,962
August, 2003	19,424,898	2,549,979	21,974,877		2,150,972	916,018	25,041,868	1,021,947	26,063,815
September, 2003	22,884,218	2,690,085	25,574,303		2,296,038	916,025	28,786,366	1,054,837	29,841,203
October, 2003 (3)	21,264,415	5,089,275	26,353,690		3,080,446	880,568	30,314,705	1,135,274	31,449,979
November, 2003	26,875,004	2,098,773	28,973,777		2,867,238	717,802	32,558,816	1,417,414	33,976,230
December, 2003	32,391,979	3,216,953	35,608,931		2,483,799	708,060	38,800,791	1,985,689	40,786,479
January, 2004	24,065,102	2,214,227	26,279,329		2,731,248	769,055	29,779,631	3,336,107	33,115,739
February, 2004	22,467,762	4,044,935	26,512,696		2,733,184	788,164	30,034,045	2,646,843	32,680,888
March, 2004	29,799,996	8,928,753	38,728,749		3,514,451	988,986	43,232,186	1,745,757	44,977,942
April, 2004	28,602,671	5,555,020	34,157,691		3,648,258	967,953	38,773,902	1,383,612	40,157,514
May, 2004	24,880,742	5,804,612	30,685,354		3,417,645	855,413	34,958,412	1,349,715	36,308,127
June, 2004	27,227,652	3,655,188	30,882,839		3,933,864	869,985	35,686,689	1,507,536	37,194,225
<b>TOTAL for the Year ended June 30, 2004</b>	<b>\$ 302,058,005</b>	<b>\$ 48,532,519</b>	<b>\$ 350,590,524</b>	<b>\$ 1,032,382</b>	<b>\$ 35,178,866</b>	<b>\$ 10,394,684</b>	<b>\$ 397,196,456</b>	<b>\$ 19,833,030</b>	<b>\$ 417,029,486</b>

(1) This is the amount of Program Revenue for which the State has undertaken to provide continuing disclosure and the amount of Program Revenue that will be used for determining the debt service coverage ratio and the additional bonds test.

(2) IRP - The International Registration Plan is a multi-state compact for collecting and sharing large truck registration fees. Under the IRP, the registration fees on trucks involved in multi-state commercial activity are collected by the state in which the company is headquartered and are split between the participating states on the basis of proportionate mileage.

(3) The State of Wisconsin's FY 2003-05 Biennial Budget (2003 Wis. Act 33) included provisions which affected the Program. Annual vehicle registration fees were increased from \$45 to \$55, effective October 1, 2003. Act 33 also expanded the revenue pledged for repayment of debt to include title transaction fees, counter service fees and personalized license plates, and other miscellaneous vehicle registration and related fees. On October 15, 2003, the State of Wisconsin Building Commission approved a supplement to the General Resolution to reflect all of the provisions of Act 33.

Source: Wisconsin Department of Transportation

Unaudited Information

**WISCONSIN DEPARTMENT OF TRANSPORTATION  
COMMERCIAL PAPER PROGRAM**

Schedule of Motor Vehicle Registration and Registration-Related Fees--Cash Basis (Unaudited)  
For the Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Motor Vehicle Registration and Related Fees Collected	\$ 421,966,574	\$ 415,997,104
Less:		
Motor Vehicle Registration and Related Fees Retained by Trustee for Revenue Bond Program	(113,813,523)	(106,117,341)
Motor Vehicle Registration and Related Fees Available for Transportation Fund	<u>(299,923,023)</u>	<u>(302,971,669)</u>
Motor Vehicle Registration and Related Fees Retained by Trustee for Commercial Paper Program	<u>\$ 8,230,028</u>	<u>\$ 6,908,094</u>

Source: Wisconsin Department of Transportation