STATE OF WISCONSIN

CONTINUING DISCLOSURE
ANNUAL REPORT

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

General Obligations
(Base CUSIPs **977053**, **977055**, and **977056**)

Master Lease Certificates of Participation
(Base CUSIP **977087**)

Transportation Revenue Obligations
(Base CUSIP **977123**)

Clean Water Revenue Bonds
(Base CUSIP **977092**)

Petroleum Inspection Fee Revenue Obligations
(Base CUSIP **977109**)

December 22, 2000

WISCONSIN DEPARTMENT OF
ADMINISTRATION

TOMMY G. THOMPSON
GOVERNOR
GEORGE LIGHTBOURN
SECRETARY
Division of Executive Budget and Finance
Capital Finance Office
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-5355
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E-mail: capfin@doa.state.wi.us
www.doa.state.us/debf/scf/

December 22, 2000

Thank you for your interest in the State of Wisconsin.

Each year we prepare a Continuing Disclosure Annual Report for the State's securities. *This is the Annual Report for the fiscal year ending June 30, 2000.* It provides information on different securities that the State issues and was prepared to fulfill the State's continuing disclosure undertakings. These undertakings of the State are intended to help dealers and brokers comply with Rule 15c2-12 under the Securities Exchange Act of 1934. As of this date, the State has filed the Annual Report with each nationally recognized municipal securities information repository.

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

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

- **Part I** presents the **State's continuing disclosure undertakings**. A Master Agreement on Continuing Disclosure establishes a general framework. Separate addenda describe the information to be provided for specific types of securities.

- **Part II** presents **general information about the State**, including its operations and financial results. This part includes the audited general purpose financial statements for the fiscal year ending June 30, 2000 and the State Auditor's report.

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

- **Part III** — **General obligations**

- **Part IV** — **Master lease certificates of participation**

- **Part V** — **Transportation revenue obligations**

- **Part VI** — **Clean water revenue bonds**

- **Part VII** — **Petroleum inspection fee revenue obligations**

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

Ratings on the State's Securities

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

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

How to Get Additional Information

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

The Capital Finance Office maintains a web page that contains other information that may be of interest. Neither the web site nor the additional information it contains is part of this Annual Report.

www.doa.state.wi.us/debf/scf/	Financial Disclosure and Debt Management, including— • Annual Reports • CAFR • Official Statements • Offering Memoranda • Upcoming Sale Materials • Secondary Market Continuing Disclosure Announcements

We welcome your comments or suggestions about the format and content of this Annual Report. The general telephone number of the Capital Finance Office is (608) 266-2305. The e-mail address is capfin@doa.state.wi.us.

Sincerely,

Frank R. Hoadley
Capital Finance Director

SUMMARY OF OUTSTANDING STATE OF WISCONSIN OBLIGATIONS AS OF DECEMBER 1, 2000

	Principal Balance 12/1/99	Principal Issued 12/1/99 – 12/1/2000	Principal Matured or Redeemed 12/1/99 – 12/1/2000	Principal Balance 12/1/2000
GENERAL OBLIGATIONS [(a)]				
Total General Obligations	**$3,743,065,380**	**$786,500,000**	**$461,982,303**	**$4,067,583,077**
General Purpose Revenue (GPR)	2,587,784,071	673,586,395	392,519,131	2,868,851,329
Self-Amortizing: Veterans	782,780,000	40,000,000	37,460,000	785,320,000
Self-Amortizing: Other	372,501,315	72,913,605	32,003,172	413,411,748
MASTER LEASE CERTIFICATES OF PARTICIPATION				
Master Lease COPs	**$61,604,293**	**$46,289,800**	**$30,654,112**	**$76,939,981**
TRANSPORTATION REVENUE OBLIGATIONS [(a)]				
Transportation Revenue Obligations	**$915,717,188**	**$123,700,000**	**$38,539,188**	**$1,000,878,000**
CLEAN WATER REVENUE BONDS				
Clean Water Revenue Bonds	**$569,155,000**	—	**$23,530,000**	**$545,625,000**
PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS [(a)]				
Petroleum Inspection Fee Revenue Obligations	—	**$250,250,000**	**$1,750,000**	**$248,500,000** [(b)]

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

(b) Reflects outstanding balance as of December 15, 2000.

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

BUILDING COMMISSION MEMBERS

Voting Members	**Term of Office Expires**
Governor Tommy G. Thompson, Chairperson	January 6, 2003
Senator Fred A. Risser, Vice-Chairperson	January 8, 2001
Senator Carol Roessler	January 8, 2001
Senator Robert Wirch	January 8, 2001
Representative Timothy Hoven	January 8, 2001
Representative Robert Turner	January 8, 2001
Representative Daniel Vrakas	January 8, 2001
Mr. Bryce Styza, Citizen Member	At the pleasure of the Governor
Nonvoting, Advisory Members	
Mr. George Lightbourn, Secretary Department of Administration	At the pleasure of the Governor
Mr. Adel Tabrizi, State Chief Engineer Department of Administration	——
Mr. Wilbert King, State Chief Architect Department of Administration	——
Building Commission Secretary	
Mr. David P. Schmiedicke (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
Capital Finance Office
P.O. Box 7864
101 E. Wilson Street, 10th Floor
Madison, WI 53707-7864
Telefax (608) 266-7645
capfin@doa.state.wi.us

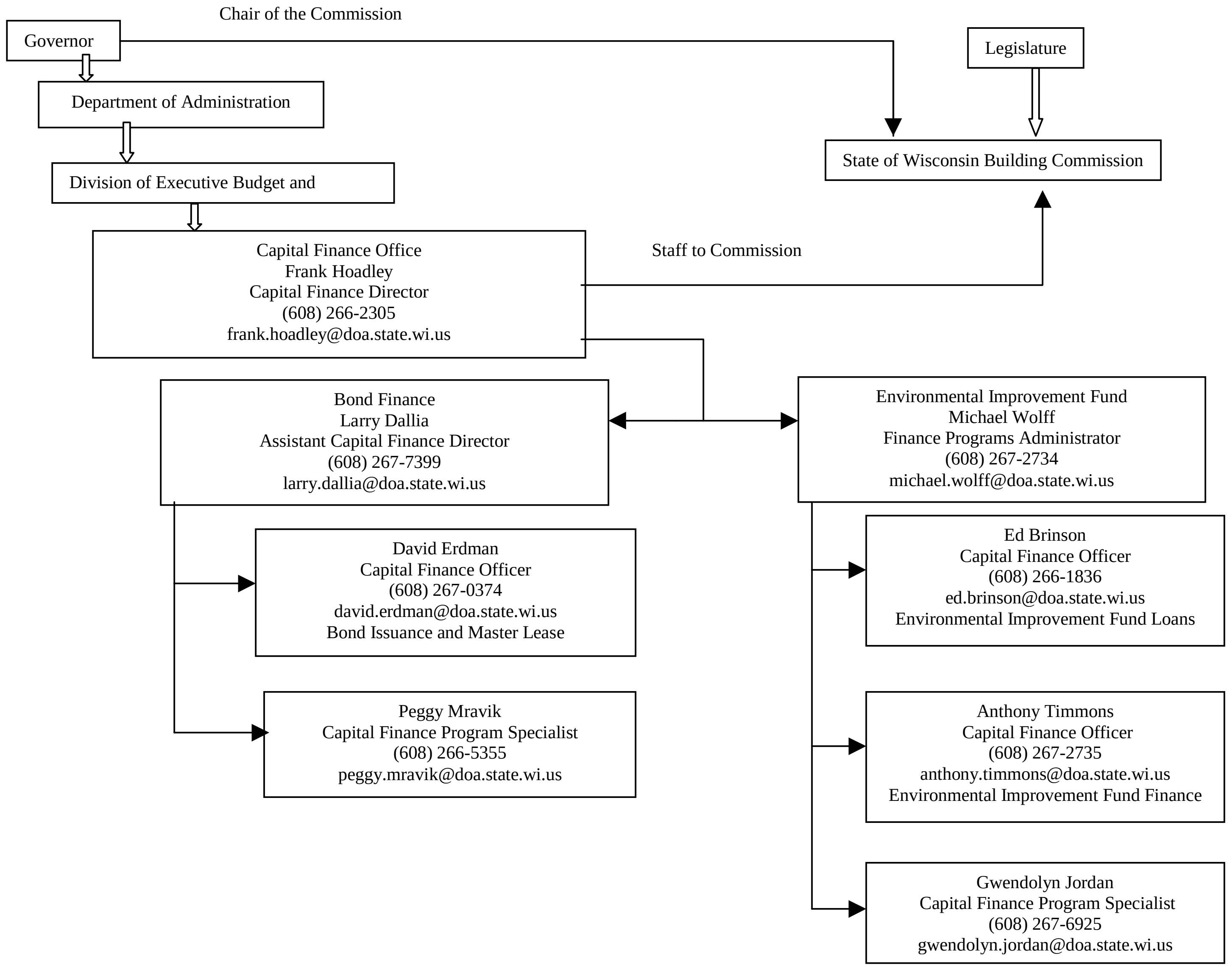
Mr. Frank R. Hoadley
Capital Finance Director
(608) 266-2305
frank.hoadley@doa.state.wi.us

Mr. Lawrence K. Dallia
Assistant Capital Finance Director
(608) 267-7399
larry.dallia@doa.state.wi.us

Mr. Michael D. Wolff
Finance Programs Administrator
(608) 267-2734
michael.wolff@doa.state.wi.us

Mr. David R. Erdman
Capital Finance Officer
(608) 267-0374
david.erdman@doa.state.wi.us

Capital Finance Office Staff (As of December 1, 2000)



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PART I

STATE'S CONTINUING DISCLOSURE UNDERTAKINGS

This part provides information on the undertakings the State of Wisconsin has made to enable brokers, dealers, and municipal securities dealers, in connection with their participation in the offerings of securities issued by the State, to comply with Rule 15c2-12 (b) (5) under the Securities Exchange Act of 1934.

This part includes the State's Master Agreement on Continuing Disclosure, which establishes a general framework under which the State will provide continuing disclosure on various types of securities the State has issued. This part of the Annual Report also includes five addenda that describe information to be provided in an annual report about the following types of securities:

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

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

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

This Annual Report includes information and defined terms for different types of securities issued by the State. The context or meaning of terms used in this Part I of the Annual Report may differ from that of terms used in another part. Material referred to in this Annual Report is not part of the Annual Report unless expressly included by reference.

MASTER AGREEMENT ON CONTINUING DISCLOSURE

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

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

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

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

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

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

"**Disclosure Agreement**" shall mean this agreement.

"**Issuer**" shall mean the municipal securities issuer described above.

"**Listed Events**" shall mean any of the events listed in Section 6 (a) of this Disclosure Agreement.

"**MSRB**" shall mean the Municipal Securities Rulemaking Board.

"**National Repository**" shall mean any nationally recognized municipal securities information repository for purposes of the Rule.

"**Participating Underwriter**" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with an offering of the Bonds.

"**Resolution**" shall mean the resolution or resolutions of the State of Wisconsin Building Commission (the agency of the Issuer responsible for issuance of the Bonds) or the trust indenture entered into by the Issuer, pursuant to which the Bonds are issued.

"**Rule**" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"**State Depository**" shall mean the public or private entity, if any, designated by the Issuer as a state depository for the purpose of the Rule.

"**Supplemental Agreement**" means an agreement, substantially in the form of Exhibit B hereto, that determines that the Disclosure Agreement shall apply to a specific issue of obligations and specifies the contents of the Annual Report.

SECTION 2. Purpose of the Disclosure Agreement. The purpose of this Disclosure Agreement is to assist Participating Underwriters in complying with the Rule in connection with the Bonds.

SECTION 3. Application of the Disclosure Agreement. This Disclosure Agreement shall apply to an issue of Bonds when the Issuer executes and delivers a Supplemental Agreement. This Disclosure Agreement may apply to more than one issue of Bonds but shall be construed as a separate agreement for each issue of Bonds. The purpose of having this Disclosure Agreement apply to more than one issue of Bonds is to let the Issuer's obligations be uniform for all issues of Bonds.

SECTION 4. Provision of Annual Reports.

(a) The Issuer shall, not later than 180 days following the close of the Issuer's fiscal year (starting with the fiscal year that ends June 30, 1996), provide to each National Repository and State Depository an Annual Report that is consistent with the requirements of Section 5 of this Disclosure Agreement.

(b) If the Annual Report does not include the Issuer's audited financial statements, the Issuer shall submit them to each National Repository and State Depository within ten business days after the statements are publicly available.

(c) If the Issuer fails to provide to each National Repository and State Depository an Annual Report by the date required in subsection (a), the Issuer shall send a notice to each National Repository and State Depository.

SECTION 5. Content of Annual Reports.

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

(b) The Annual Report may be submitted as a single document or as a package comprising separate documents. Any or all of the items constituting the Annual Report may be incorporated by reference from other documents that have been submitted to (i) each National Repository and the State Depository, if any or (ii) the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

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

SECTION 6. Reporting of Significant Events.

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

1. Principal and interest payment delinquencies.

2. Non-payment related defaults.

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

4. Unscheduled draws on credit enhancements reflecting financial difficulties.

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

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

7. Modifications to rights of Bondholders.

8. Bond calls.

9. Defeasances.

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

11. Rating changes.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall promptly file a notice of such occurrence with each National Repository and the State Depository, if any (or to the MSRB and the State Depository, if any). Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to affected Bondholders if it is required pursuant to the Resolution.

(c) Similarly, if the Issuer determines that it failed to give notice as required by this section, it shall promptly file a notice of such occurrence in the same manner as described in subsection (b).

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement with respect to the Bonds shall terminate upon the legal defeasance, prior redemption or payment in full of all the Bonds or if the Rule shall be revoked or rescinded by the Securities and Exchange Commission or declared invalid by a final decision of a court of competent jurisdiction.

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

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

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

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

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

SECTION 10. Default. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Resolution, and the sole remedy of a Bondholder under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action to compel performance. The Issuer reserves any defense it may have to any such action including that this Disclosure Agreement violates sovereign rights or that no funds have been appropriated for performance.

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

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

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

Date: September 25, 1995

STATE OF WISCONSIN
Issuer

By /S/ FRANK R. HOADLEY

Frank R. Hoadley
Capital Finance Director

<u>EXHIBIT A</u>

FORM OF ADDENDUM DESCRIBING ANNUAL REPORT

ADDENDUM DESCRIBING ANNUAL REPORT
FOR [TYPE OF OBLIGATIONS]

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

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

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

<u>Content of Annual Report for Issuer</u>. *Accounting Principles.* The following accounting principles shall be used for the financial statements: __________________ ___________________________________.

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

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

<u>Content of Annual Report for Additional Obligated Person(s)</u>. *Accounting Principles.* The following accounting principles shall be used for the financial statements: ___________________________.

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

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

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

Date: ___________, ____

STATE OF WISCONSIN
Issuer

By ________________________________

Name: ________________________
Title: _________________________

<u>EXHIBIT B</u>

FORM OF SUPPLEMENTAL AGREEMENT

SUPPLEMENTAL AGREEMENT

This Supplemental Agreement is executed and delivered by the State of Wisconsin (the "Issuer") to supplement the Master Agreement on Continuing Disclosure (the "Disclosure Agreement"), executed and delivered by the Issuer and dated _______________, 1995. Pursuant to the provisions of the Disclosure Agreement, the Issuer hereby determines that the Disclosure Agreement and the Addendum Describing Annual Report for [Type of Obligation] shall apply to the following issue of obligations:

Name of Obligations:

____

____

Date of Issue: ___________, ____

CUSIPs: __________________________

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

Date: ____________, ____

STATE OF WISCONSIN
Issuer

By ________________________________

Name: ________________________
Title: __________________________

ADDENDUM DESCRIBING ANNUAL REPORT
FOR GENERAL OBLIGATIONS

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

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

Additional Obligated Person(s): None

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

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

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

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

Date: September 25, 1995

STATE OF WISCONSIN
Issuer

By /s/ FRANK R. HOADLEY

Frank R. Hoadley
Capital Finance Director

ADDENDUM DESCRIBING ANNUAL REPORT
FOR MASTER LEASE CERTIFICATES OF PARTICIPATION

This Addendum Describing the Annual Report for Master Lease Certificates of Participation (the "Addendum") is delivered by the State of Wisconsin, acting by and through its Department of Administration (the "Issuer") pursuant to the Master Agreement on Continuing Disclosure (the "Disclosure Agreement"), executed and delivered by the Issuer and dated September 25, 1995. This Addendum describes the content of an Annual Report to be prepared with respect to Master Lease Certificates of Participation. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Disclosure Agreement.

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

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

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

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

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

Date: November 7, 1996

STATE OF WISCONSIN
Issuer

By /s/ FRANK R. HOADLEY

Frank R. Hoadley
Capital Finance Director

AMENDED AND RESTATED
ADDENDUM DESCRIBING ANNUAL REPORT
FOR TRANSPORTATION REVENUE BONDS

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

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

Additional Obligated Person(s): None

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

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

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

(a) History of Section 341.25 registration fees for last 10 years

(b) Estimated Section 341.25 registration fees for next 10 years

(c) Debt service on all outstanding transportation revenue bonds and estimated revenue coverage based on estimated Section 341.25 registration fee(s) for next 10 years

(d) Demographic information for the State of Wisconsin relating to vehicle registrations

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

Date: August 31, 2000.

STATE OF WISCONSIN
Issuer

By /s/ FRANK R. HOADLEY

Frank R. Hoadley
Capital Finance Director

ADDENDUM DESCRIBING ANNUAL REPORT
FOR CLEAN WATER REVENUE BONDS

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

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

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

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

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

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

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

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

(a) List of outstanding loans

(b) List of financial assistance commitments

(c) Information concerning the investments of the Loan Credit Reserve Fund

Content of Annual Report for Additional Obligated Person. *Accounting Principles.* The following accounting principles shall be used for the financial statements: Generally Accepted Accounting Principles.

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

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

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

Date: February 11, 1997

STATE OF WISCONSIN
Issuer

By /s/ FRANK R. HOADLEY

Frank R. Hoadley
Capital Finance Director

ADDENDUM DESCRIBING ANNUAL REPORT
FOR PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS

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

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

Additional Obligated Person(s): None

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

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

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

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

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

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

Date: March 2, 2000

STATE OF WISCONSIN
Issuer

By /s/ FRANK R. HOADLEY

Frank R. Hoadley
Capital Finance Director

PART II

GENERAL INFORMATION ABOUT THE STATE OF WISCONSIN

This part provides general information about the State of Wisconsin **(State)**. It describes the following:

- Financial Information; Revenues and Expenditures
- Accounting and Financial Reporting
- Budgeting Process and Fiscal Controls
- Results of 1999-2000 Fiscal Year
- State Budget
- General Fund Information
- State Government Organization
- State Obligations
- Statistical Information

APPENDIX A to this part includes the audited general purpose financial statements for the fiscal year ending June 30, 2000, and the State Auditor's report.

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

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

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

FINANCIAL INFORMATION–REVENUES

Revenue Structure

The State raises revenues from diverse sources:

- Various taxes levied by the State (36% of total revenue)
- Federal government payments
- Various kinds of fees, licenses, permits, and service charges paid by users of specific services, privileges, or facilities
- Investment income
- Gifts, donations, and contributions

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

Tax Structure

The State collects a diverse variety of taxes. The most significant taxes are based on income, and sales and use. The following is a brief description of the taxes that appear in Table II-1.

Individual Income Tax

The tax brackets and rates for the 2000 and 2001 tax years are as follows. The taxable income brackets have been indexed for changes in the consumer price index:

Taxable Income Brackets		Marginal Tax Rate	
Single	**Married Filing Jointly**[a]	**2000**	**2001**
$0 to 8,060	$0 to 10,750	4.73%	4.60%
8,061 to 16,130	10,751 to 21,500	6.33	6.15
16,131 to 116,330	21,501 to 155,100	6.55	6.50
116,330+	155,100+	6.75	6.75

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

General Sales and Use Tax

A 5% tax is imposed on the sale or use of services and all tangible personal property unless specifically exempted. The most notable exemptions are food, prescription drugs, and motor and heating fuel.

Corporate Franchise and Income Taxes

Both the franchise tax measured by net income and the income tax are levied at a rate of 7.9% of corporate net income.

Table II-1

REVENUES (ALL SOURCES)[(a)]

1995-96 TO 1999-2000

	1999-2000	1998-99	1997-98	1996-97	1995-96
State Collected Taxes					
Individual Income	$ 5,959,818,943	$ 5,162,238,865	$ 5,047,324,479	$ 4,544,739,246	$ 4,157,444,344
General Sales and Use	3,501,658,965	3,284,694,814	3,047,406,215	2,864,373,180	2,704,226,017
Corporate Franchise and Income	644,625,016	635,202,891	627,024,134	643,821,885	636,009,525
Public Utility	259,991,437	287,093,752	288,376,893	306,500,391	288,773,786
Excise	301,851,909	308,921,713	299,091,574	253,904,414	245,350,413
Inheritance and Gift	133,261,148	116,898,047	80,110,729	50,825,151	45,602,214
Insurance Companies	86,877,861	97,045,435	88,065,247	94,641,133	92,284,836
Motor Fuel	914,673,547	907,722,042	740,209,790	692,893,775	676,002,610
Forest	58,061,250	52,253,055	49,561,411	45,557,665	42,943,134
Miscellaneous	104,617,943	129,848,806	235,983,488	130,528,135	134,422,491
Subtotal	11,965,438,019	10,981,919,420	10,503,153,960	9,627,784,975	9,023,059,370
Federal Aid					
Medical Assistance	1,961,769,304	1,679,110,792	1,578,071,534	1,590,405,412	1,461,929,742
AFDC/W2	263,964,530	148,879,361	154,334,829	164,787,870	188,491,658
Transportation	608,670,820	525,360,773	421,841,928	474,426,495	558,478,336
Education	957,144,633	870,817,978	805,930,081	798,317,039	739,728,615
Other	1,055,061,747	1,154,327,827	972,945,870	987,991,522	946,163,108
Subtotal	4,846,611,034	4,378,496,731	3,933,124,242	4,015,928,338	3,894,791,459
Fees					
University of Wisconsin System	632,110,050	578,407,190	552,167,916	509,412,010	460,539,331
Other	282,404,664	267,718,834	244,291,725	232,011,982	519,180,189
Subtotal	914,514,714	846,126,024	796,459,641	741,423,992	979,719,520
Licenses and Permits					
Vehicles and Drivers	326,133,108	304,346,133	290,782,206	244,748,335	249,312,483
Hunting and Fishing	132,906,803	84,829,913	56,268,405	49,494,891	49,602,129
Other	243,832,829	260,410,783	273,800,793	372,081,930	368,467,942
Subtotal	702,872,740	649,586,829	620,851,404	666,325,156	667,382,554
Miscellany					
Service Charges	500,897,911	423,557,725	407,273,543	407,520,980	439,035,773
Sales of Products	687,203,049	684,788,382	675,171,110	640,015,801	690,834,331
Investment Income	8,119,031,124	5,825,766,448	8,626,768,140	7,887,795,007	5,446,036,326
Gifts and Grants	349,206,053	281,312,163	301,417,790	258,967,175	210,638,629
Employee Benefit Contributions [(b)]	1,558,509,041	1,697,287,871	1,484,849,345	1,455,505,437	1,318,994,693
General Obligation Proceeds	702,676,279	490,002,803	444,985,883	290,612,226	330,950,056
Other Revenues[(c)]	1,867,986,094	1,184,536,265	847,094,578	749,323,693	438,067,477
Subtotal	13,785,509,551	10,587,251,657	12,787,560,389	11,689,740,319	8,874,557,285
Summary					
TOTAL NET REVENUE	32,214,946,058	27,443,380,661	28,641,149,636	26,741,202,780	23,439,510,188
Transfers	658,364,767	656,836,667	956,781,647	669,555,936	403,849,988
Gross Revenue	$ 32,873,310,825	$ 28,100,217,328	$ 29,597,931,283	$ 27,410,758,716	$ 23,843,360,176

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

[(b)] Figures include all State and non-State employer and employee contributions. State contributions for State employees totaled $668,926,218 for 1999-2000; $641,535,593 for 1998-99; $608,663,836 for 1997-98; $576,660,781 for 1996-97; and $564,506,750 for 1995-96.

[(c)] The increase from 1998-99 to 1999-2000 reflects tobacco settlement receipts and an increase in child support collections.

Source: Wisconsin Department of Administration.

Public Utility Taxes

There are two methods used for taxing public utilities. An ad valorem method on property is used for pipeline companies, conservation and regulation companies, railroads, and airlines. The State assesses the value of the property; then the average statewide property tax rate is applied to derive the tax. On May 15, 1998, the gross revenues license fee was replaced by an ad valorem tax on the real and tangible personal property of each telephone company. A transitional adjustment fee will be assessed in 1999 and 2000 on each cellular telecommunications utility and local exchange company. The transitional fee will be the difference between the taxpayer's monthly ad valorem utility tax payment and the amount that the taxpayer would pay during that month if subject to a gross revenues tax of 5.77%.

The gross receipts tax is 3.19% for electric cooperatives. Light, heat, and power companies pay a gross receipts license fee at the rates of 0.97% of revenues from gas services and 3.19% of revenues from electric services. Each year's fee is based on revenues collected in the previous year. Revenue received from utilities are deposited to the General Fund; however, revenue from railroads and airlines are deposited in the Transportation Fund. Car line companies, which are businesses that furnish or lease car line equipment to a railroad but do not operate a railroad, are subject to a 3% gross receipts tax, which is also deposited into the Transportation Fund.

Excise Taxes

Cigarettes are taxed at the rate of 59 cents per pack of 20. Tobacco products, other than cigarettes, are taxed at the rate of 20% of the manufacturer's list price. The tax is collected from distributors and subjobbers. Wine is taxed at 25 cents to $3.25 per gallon depending on its alcohol content. Liquor is taxed at $3.25 per gallon. The wine and liquor tax is collected from wholesalers. Beer is taxed at the rate of $2 per barrel, and the tax is paid monthly by brewers.

Estate, Inheritance, and Gift Taxes

The State imposes an estate tax equal to the state death tax credit provided under federal tax law.

Insurance Company Premium Tax

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

Domestic casualty companies are taxed 2% on premiums received on fire insurance, while nondomestic casualty companies pay 2.375% on all forms of casualty premiums. The 2% tax levied on fire insurance premiums is redistributed to local governments as a "fire department dues" tax.

Motor Fuel Tax

Motor fuel is taxed at the rate of 26.4 cents per gallon. The motor fuel tax is indexed using an inflation-only factor based on the Consumer Price Index. The tax is collected from the wholesaler but is specifically passed through to the user. The revenues are deposited in the segregated Transportation Fund, where they are used primarily for highway purposes.

Forest Tax

The forest tax is the only State tax upon general property. It is a 2/10 mill levy on all taxable property in the State. The tax is collected by municipal treasurers and remitted to the State during property tax settlements. After its receipt in the General Fund, it is transferred to the segregated Conservation Fund.

Tax Credits

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

Homestead Tax Credit

Property tax relief is provided to low-income homeowners and renters through a homestead tax credit on state individual income taxes. The maximum household income limit is $19,154 for 1999 and increasing to $24,500 for 2000. The maximum amount of aidable property taxes is $1,450, and the amount of farm acreage on which the property tax is based is 120 acres. For renters, the amount of rent allocated as property tax is 25%, or 20% if heat is included in rent.

Earned Income Tax Credit

The earned income tax credit provides assistance to lower-income workers. The credit supplements the wages and self-employment income of such families. It offsets the impact of the social security tax and increases the incentive to work. The State is one of seven states offering an earned income credit. Four of those states, including the State, offer a refundable earned income credit.

The State's earned income tax credit is calculated as a percentage of the federal credit. The federal earned income tax credit varies by income and family size. In addition to the federal standards, the State's credit varies the percent of the federal credit by number of children: 4% of the federal credit for one child, 14% for two, and 43% for three or more. The maximum State credit in tax year 1998 ranged from $91 for one child, $526 for two children, and $1,615 for three or more children.

Farmland Preservation Tax Credit

The farmland preservation program provides property tax relief to farmland owners and encourages local governments to develop farmland preservation policies. The credit reduces income tax liability or is rebated if the credit exceeds income tax due. The credit formula is based on household income, the amount of property tax levied by all governments, and the type of land use provisions protecting the farmland (either a preservation agreement or exclusive agricultural zoning). Claimants may receive a credit on up to $6,000 of property taxes. The maximum potential credit is $4,200. In 1999, farmers received $18.5 million in farmland preservation tax credits.

School Levies Tax Credit

The school levies tax credit is distributed based on each municipality's share of statewide levies for school purposes and is provided to all classes of taxpayers (residential, commercial, industrial, and others). For property taxes levied in December 2000, $469 million of school levy tax credits will be distributed statewide, and the credit will lower school property taxes paid by taxpayers by 16% of the gross school tax levy. The credits are paid to municipalities to reduce the amount due from all property taxpayers.

Lottery Property Tax Credit.

The net proceeds of the state lottery are reserved for property tax relief. The lottery credit is paid to municipalities to reduce the amount due from local taxpayers. The lottery credit is paid only for property taxes on primary residences. Lottery credits will total $88.5 million in December 2000.

School Property Tax/Rent Credit

This credit was replaced by the Sales Tax Rebate in tax year 1999 and was restored for tax year 2000. The school property tax/rent credit is equal to 12% of the first $2,5000 in property taxes, or rent constituting property taxes, for a maximum credit of $300. In fiscal year 2000-2001, taxpayers are expected to receive $319.0 million in school property tax/rent credits.

Sales Tax Rebate

A one-time rebate of $700 million was paid in January 2000 for non-business consumer sales taxes. The rebate varied from $184 to $267 for single, head-of-household, and married-filing-separately taxpayers and from $360 to $534 for married-filing-jointly taxpayers.

Tax Collection Procedure (Delinquencies)

If a taxpayer does not file a valid return when requested, the Department of Revenue estimates the amount of tax due and sends the taxpayer an assessment of the amount owing. Until the due date, the taxpayer may appeal the amount stated to be owing and, absent an appeal, the account is considered delinquent on the due date. Other delinquencies occur when a taxpayer fails to properly pay taxes on a filed return or undercomputes the tax due. In that case, the taxpayer is billed for the shortfall, and there is no appeal process. Assessments can also result from office or field audits. Audit adjustments may be appealed up to the due date of the assessment.

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

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

If voluntary payments cannot be arranged, the revenue agent can proceed to a variety of involuntary collection actions, such as attachment of wages or levy or garnishment of assets. If the delinquent taxpayer has a refund coming from any tax program administered by the Department of Revenue, the refund is applied to the delinquent balance. Beginning in calendar year 2001, federal tax refunds can be applied to the delinquent balance.

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

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

If it is unknown whether the taxpayer has any assets that might be garnished, a supplemental hearing may be called before the court commissioner in the taxpayer’s county of residence, and the taxpayer’s affairs could be placed in receivership. If the taxpayer is without any assets at all, proceedings may be stayed and the account periodically reviewed for up to 10 years.

An analysis of the overall delinquency rate for the income, franchise, and sales and use taxes is shown in Table II-25 of "STATISTICAL INFORMATION".

FINANCIAL INFORMATION–EXPENDITURES

General

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

- *State Operations.* Direct payments by State agencies to carry out State programs for expenses such as salaries, supplies, services, debt service, and permanent property.
- *Aids to Individuals and Organizations*. Payments from a State fund made directly to, or on behalf of, an individual or private organization (for example, Medicaid or student financial assistance).
- *Local Assistance*. Payments from a State fund to, or on behalf of, local units of government and school districts, including payments associated with State programs administered by local governments and school districts (for example, aid for families with dependent children and school aids).

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

General Fund Expenditures

Based on the budget and allocations for the 2000-2001 fiscal year, over 61% of all general-fund taxes collected by the State are returned to local units of government. The remaining funds are used for payments to individuals and organizations (16%) and state programs, including the University of Wisconsin System (23%)

ACCOUNTING AND FINANCIAL REPORTING

Statutory Basis

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

Table II-2

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

1995-96 TO 1999-2000

	1999-2000	1998-99	1997-98	1996-97	1995-96
Commerce					
State Operations	$ 162,895,100	$ 150,658,080	$ 147,344,847	$ 145,911,884	$ 172,663,899
Aids to Individuals and Organizations	346,664,701	155,481,162	151,694,308	157,468,642	345,586,275
Local Assistance	56,346,765	58,646,694	53,076,585	62,755,294	52,620,000
Subtotal	565,906,566	364,785,936	352,115,740	366,135,820	570,870,174
Education					
State Operations	2,804,394,458	2,622,619,858	2,502,704,172	2,344,846,070	2,521,127,678
Aids to Individuals and Organizations	342,821,711	323,423,408	280,565,768	286,352,107	246,362,211
Local Assistance	4,676,809,090	4,435,185,215	4,163,022,316	3,982,781,815	3,110,348,236
Subtotal	7,824,025,259	7,381,228,481	6,946,292,256	6,613,979,992	5,877,838,125
Environmental Resources					
State Operations	1,471,082,344	1,427,889,702	1,289,397,451	1,207,567,848	1,168,542,505
Aids to Individuals and Organizations	25,185,553	27,519,834	11,458,404	19,948,063	26,915,579
Local Assistance	1,039,528,614	967,912,080	851,469,438	825,580,909	779,576,130
Subtotal	2,535,796,511	2,423,321,616	2,152,325,292	2,053,096,820	1,975,034,214
Human Relations and Resources					
State Operations	1,863,099,973	1,726,775,813	1,573,507,826	1,397,116,967	1,371,651,160
Aids to Individuals and Organizations	5,220,672,714	3,971,027,191	3,484,623,091	3,463,741,981	3,415,134,822
Local Assistance	676,100,856	699,232,414	650,326,226	669,708,105	720,706,514
Subtotal	7,759,873,543	6,397,035,418	5,708,457,143	5,530,567,053	5,507,492,496
General Executive					
State Operations	3,356,742,192	2,925,101,503	2,885,868,362	2,307,744,396	2,052,231,694
Aids to Individuals and Organizations	302,438,911	300,649,421	304,857,854	300,295,018	27,173,763
Local Assistance	40,962,042	35,229,960	36,173,254	63,969,441	26,213,441
Subtotal	3,700,143,145	3,260,980,884	3,226,899,470	2,672,008,855	2,105,618,898
Judicial					
State Operations	78,820,982	74,014,002	69,616,266	65,595,425	64,237,307
Local Assistance	23,666,900	21,416,900	21,410,600	21,362,200	18,263,107
Subtotal	102,487,882	95,430,902	91,026,866	86,957,625	82,500,414
Legislative					
State Operations	59,819,385	58,081,525	55,051,282	53,218,947	50,047,274
Subtotal	59,819,385	58,081,525	55,051,282	53,218,947	50,047,274
General					
State Operations	656,616,891	709,978,546	725,825,981	721,694,632	504,768,472
Aids to Individuals and Organizations	884,416,569	178,777,552	185,874,167	191,255,582	209,922,994
Local Assistance	1,779,060,238	1,639,701,767	1,701,484,672	1,347,118,143	1,510,746,840
Subtotal	3,320,093,698	2,528,457,865	2,613,184,820	2,260,068,357	2,225,438,306
General Obligation Bond Program					
State Operations	576,493,991	453,827,797	435,910,841	440,373,335	310,823,789
Subtotal	576,493,991	453,827,797	435,910,841	440,373,335	310,823,789
Summary Totals					
State Operations	11,029,965,316	10,148,946,826	9,685,227,028	8,684,069,504	8,216,093,778
Aids to Individuals and Organizations	7,122,200,159	4,956,878,568	4,419,073,591	4,419,061,393	4,271,095,644
Local Assistance	8,292,474,505	7,857,325,030	7,476,963,090	6,973,275,907	6,218,474,268
GRAND TOTAL	$26,444,639,980	$22,963,150,424	$21,581,263,709	$20,076,406,804	$18,705,663,690

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

Source: Wisconsin Department of Administration.

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

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

Generally Accepted Accounting Principles

The State also accounts for and reports on its operations using generally accepted accounting principles (**GAAP**). For the fiscal year ended June 30, 2000 the State has prepared a Comprehensive Annual Financial Report (**CAFR**) in accordance with GAAP. The General Purpose Financial Statements section of the CAFR for the fiscal year ended June 30, 2000 has been audited and is included as APPENDIX A to this Part II of the Annual Report.

Financial statements prepared in accordance with GAAP differ from those prepared in accordance with the Statutes. A notable difference pertains to the general-fund balance. The undesignated balance for the fiscal year ended June 30, 2000 was a surplus of $836 million on the statutory basis. Under GAAP, the balance at June 30, 2000 was a deficit of $830 million. The difference results primarily because GAAP recognizes accrued liabilities that are not taken into account under the statutory basis. The single largest accrued liability for the fiscal year ended June 30, 2000 was $510 million and related to the State's payment of shared revenues to municipalities and counties.

BUDGETING PROCESS AND FISCAL CONTROLS

The State Constitution requires the Legislature to enact a balanced budget. The State's fiscal year runs from July 1 through June 30 of the following year. State law establishes procedures for the budget's enactment:

- The Secretary of Administration, under the direction of the Governor, compiles all budget information and prepares an executive budget consisting of the planned operating expenditures and revenues of all State agencies. The Department of Revenue furnishes forecasts of tax revenues to the Department of Administration.
- The budget is submitted by the Governor to the Legislature on or about the last Tuesday in January of each odd-numbered year.

- The Legislature's Joint Committee on Finance reviews the executive budget and reports its findings to the full Legislature, usually in the form of a substitute budget bill.
- Both houses of the Legislature must ultimately concur with the appropriations and revenue measures embodied in the budget bill and then the entire bill is submitted to the Governor.
- The Governor is empowered to sign the bill into law or to veto all or part of the bill. If the Governor vetoes any portions, those items may be reconsidered in accordance with the rules of each house and, if approved by two-thirds of the members of each house, will become law notwithstanding the Governor's veto.

In the event that a budget is not in effect at the start of a fiscal year, the prior year's budget serves as the budget until such time as a new one is enacted.

The Legislature is required to provide an annual tax sufficient to meet the estimated expenses of the State each year, including debt service on all outstanding general obligations. Should a deficiency occur in any year, the Legislature must levy taxes sufficient to cover both the deficit and the estimated expenses of the ensuing year.

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

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

State law prohibits the enactment of legislation that would cause the estimated General Fund balance to be less than a specified percentage of the general purpose revenue appropriations for that fiscal year. For the 1999-2000 fiscal year, the specified percentage was 1.0%, and the statutorily required reserve was $114 million. For the 2000–2001 fiscal year, the specified percentage is 1.2%, and the statutorily required reserve is $134 million. State law also requires that, beginning with the 2000-2001 fiscal year, the statutory required reserve be gradually increased each year so that it is 2.0% by the 2005–2006 fiscal year.

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

The Secretary of Administration also has statutory power to order reductions in the appropriations of state agencies (which represent less than one-third of the General Fund budget). The Secretary of Administration may also temporarily reallocate free balances of certain funds to other funds that have insufficient balances and, further, may prorate or defer certain payments in the event current or projected balances are insufficient to meet current obligations. In such an event, the Department of Administration may also request the issuance of operating notes by the State of Wisconsin Building Commission (**Commission**).

RESULTS OF 1999-2000 FISCAL YEAR

Both actual and projected financial results are described in this document on an all-funds basis and a general-fund basis.

The Annual Fiscal Report (Budgetary Basis) for the fiscal year ending June 30, 2000 was published October 13, 2000. It reports that the State ended the fiscal year on a statutory and unaudited basis with an unreserved, undesignated balance of $836 million. This is $177 million more than the $659 million that was included in the budget for the 1999-2000 fiscal year. The State did not issue any operating notes during the 1999-2000 fiscal year.

A complete copy of this Annual Fiscal Report can be found on the world wide web at:

http://www.doa.state.wi.us/debf/cafr/fy00/2000wiafr.pdf

Table II-3 summarizes the results from fiscal year 1999-2000 as compared to the 1999-2000 budget.

Table II-3
State Budget
Results of 1999-2000 Fiscal Year
General-Fund Basis
(Amounts in Millions)

	Actual 1999-2000	Budgeted 1999-2000
Beginning Balance	$ 701	$ 701
Tax Revenues	10,958	10,793
Nontax Revenues	7,228	7,604
Total Amount Available	$18,887	$19,094
Total Disbursements/Reserves	$18,015	$18,553
Estimated Balance	$ 872	$ 545
Designated For Expenditure	36	NA
Statutory Required Reserve	NA	114
Undesignated Balance	$ 836	$ 659

All-Funds Basis
(Amounts in Millions)

	Actual 1999-2000	Budgeted 1999-2000
Beginning Balance	$ 701	$ 701
Tax Revenues	11,965	10,793
Nontax Revenues	20,908	17,582
Total Amount Available	$33,574	$29,077
Total Disbursements/Reserves	$32,702	$28,532
Estimated Balance	$ 872	$ 545
Designated For Expenditure	36	NA
Statutory Required Reserve	NA	114
Undesignated Balance	$ 836	$ 659

STATE BUDGET

Budget for 1999-2001

The State is in the last year of a biennial budget. Table II-4 and the detailed summaries of the 1999-2000 and 2000-2001 all-funds and general-fund budgets (Tables II-5 and II-6) reflect:

- The Annual Fiscal Report (Budgetary Basis) for the fiscal year ended June 30, 2000.
- All acts passed by the Legislature through May 30, 2000 and signed into law. The Legislature is not currently in session, and the next scheduled session is January 3, 2001.
- The Joint Committee on Finance approval on July 12, 2000 of revised general-fund revenue estimates and sum-sufficient appropriations.

The following information *does not reflect* the Department of Revenue's November 2000 estimate of general purpose tax revenues for the 2000-2001 fiscal year. This estimate is $10.182 billion, which is approximately $99 million less than the amount included in the following tables. Taking into account the undesignated balance available at the end of the 1999-2000 fiscal year and the November 2000 revenue estimates, the estimated balance (after reduction for the statutory required reserve) at the end of the 2000-2001 fiscal year is estimated to be $127 million. This is approximately $78 million greater than the balance included in the following tables.

Table II-4
Summary of 1999-2001 Budget
All-Funds Basis
(Amounts in Millions)

	Budget 1999-2000	Actual 1999-2000	Budget 2000-2001
Beginning Balance	$ 701	$ 701	$ 659 [a]
Tax Revenues	10,793	11,965	10,281
Nontax Revenues	17,582	20,908	17,498
Total Amount Available	$ 29,077	$ 33,574	$ 28,438
Total Disbursements/Reserves	$ 28,532	$ 32,702	$ 28,389
Estimated Balance	$ 545	$ 872	$ 49
Designated for Expenditure	NA	36	NA
Statutory Required Balance	114	NA	134
Undesignated Balance	$ 659	$ 836	$ 184

[a] Does not reflect the actual ending balance included in the Annual Fiscal Report for the 1999-2000 fiscal year.

General-Fund Basis
(Amounts in Millions)

	Budget 1999-2000	Actual 1999-2000	Budget 2000-2001
Beginning Balance	$ 701	$ 701	$ 659 [a]
Tax Revenues	10,793	10,958	10,281
Nontax Revenues	7,604	7,228	7,172
Total Amount Available	$ 19,098	$ 18,887	$ 18,112
Total Disbursements/Reserves	$ 18,553	$ 18,015	$ 18,063
Estimated Balance	$ 545	$ 872	$ 49
Designated for Expenditure	NA	36	NA
Statutory Required Balance	114	NA	134
Undesignated Balance	$ 659	$ 836	$ 184

[a] Does not reflect the actual ending balance included in the Annual Fiscal Report for the 1999-2000 fiscal year.

Table II-5
State Budget–All Funds[a]

	Actual 1999-2000 [b]	Budget 1999-2000	Budget 2000-2001
RECEIPTS			
Fund Balance from Prior Year	$ 701,293,000	$ 701,293,000	$ 658,784,800
Tax Revenue			
Individual Income	5,962,010,000	5,825,000,000	5,158,800,000 [c]
General Sales and Use	3,501,659,000	3,500,000,000	3,710,000,000
Corporate Franchise and Income	644,625,000	660,000,000	658,300,000 [d]
Public Utility	259,984,000	250,000,000	220,000,000 [e]
Excise			
Cigarette/Tobacco Products	257,896,000	258,000,000	255,200,000 [f]
Liquor and Wine	34,564,000	33,000,000	33,500,000
Malt Beverage	9,392,000	9,300,000	9,300,000
Inheritance, Estate & Gift	133,261,000	95,000,000	75,000,000 [g]
Insurance Company	86,878,000	105,000,000	100,000,000
Other	1,075,169,000	58,000,000 [h]	61,000,000 [h]
Subtotal	11,965,438,000	10,793,300,000	10,281,100,000
Nontax Revenue			
Departmental Revenue	424,402,000 [i]	260,087,900	190,946,100
Tobacco Settlement	NA [i]	167,886,100	124,763,700
Total Federal Aids	4,170,531,000	5,085,572,200	4,703,374,700
Total Program Revenue	2,633,267,000	2,658,535,300	2,734,917,200
Total Segregated Funds	4,194,291,000	2,275,967,300	2,292,791,500
Fund Transfers In	NA	64,000,000	NA
Bond Authority	702,676,000	458,000,000	400,000,000
Employee Benefit Contributions [j]	8,782,705,000	6,612,282,700	7,051,394,300
Subtotal	20,907,872,000	17,582,331,500	17,498,187,500
Total Available	$ 33,574,603,000	$ 29,076,924,500	$ 28,438,072,300
DISBURSEMENTS AND RESERVES			
Commerce	$ 570,282,000	$ 418,915,100	$ 415,866,300
Education	8,018,963,000	7,860,268,900	8,223,303,400
Environmental Resources	2,626,896,000	2,493,567,700	2,437,927,900
Human Relations and Resources	7,978,636,000	6,850,265,900	6,733,347,000
General Executive	3,741,255,000	673,415,700	669,656,800
Judicial	102,487,000	104,156,900	104,709,200
Legislative	59,820,000	60,511,900	59,086,500
General Appropriations	3,346,300,000	2,891,183,500	2,163,488,700
General Obligation Bond Program	505,472,000	458,000,000	400,000,000
Employee Benefit Payments [j]	2,311,624,000	2,504,993,800	2,695,311,400
Reserve for Employe Benefit Payments [j]	6,471,081,000	4,107,288,900	4,356,082,900
Subtotal	35,732,816,000	28,422,568,300	28,258,780,100
Less: (Lapses)	NA	(84,028,600)	(122,124,800)
Compensation Reserves	NA	56,100,000	117,750,000
Required Statutory Balance	NA	113,883,100	134,328,600
Fund Transfers Out	NA	23,500,000	NA
Other	NA	NA	NA
Change in Continuing Balance	(3,030,496,000)	NA	NA
Total Disbursements & Reserves	$ 32,702,320,000	$ 28,532,022,800	$ 28,388,733,900
Fund Balance	$ 872,283,000	$ 544,901,700	$ 49,338,400
Undesignated Balance	$ 835,714,000	$ 658,784,800	$ 183,667,000

(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 decrease results from budgeted tax reductions becoming effective.
(d) The decrease results from budgeted tax changes that produce one-time effects in the first fiscal year.
(e) The decrease results from the continued effect of prior years' tax changes.
(f) The decrease results from an anticipated decline in consumption.
(g) The decrease results from an expected one-time collection in the 1999-2000 fiscal year.
(h) 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.
(i) Actual tobacco settlement receipts are treated as Departmental Revenue.
(j) 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 of this Annual Report.

Source: Wisconsin Department of Administration.

Table II-6
State Budget–General Fund[a]

	Actual 1999-2000 [b]	Budget 1999-2000	Budget 2000-2001
RECEIPTS			
Fund Balance from Prior Year	$ 701,293,000	$ 701,293,000	$ 658,784,800
Tax Revenue			
State Taxes Deposited to General Fund			
Individual Income	5,962,010,000	5,825,000,000	5,158,800,000 [c]
General Sales and Use	3,501,659,000	3,500,000,000	3,710,000,000
Corporate Franchise and Income	644,625,000	660,000,000	658,300,000 [d]
Public Utility	259,984,000	250,000,000	220,000,000 [e]
Excise			
Cigarette/Tobacco Products	257,896,000	258,000,000	255,200,000 [f]
Liquor and Wine	34,564,000	33,000,000	33,500,000
Malt Beverage	9,392,000	9,300,000	9,300,000
Inheritance, Estate & Gift	133,261,000	95,000,000	75,000,000 [g]
Insurance Company	86,878,000	105,000,000	100,000,000
Other	67,511,000	58,000,000	61,000,000
Subtotal	10,957,780,000	10,793,300,000	10,281,100,000
Nontax Revenue			
Departmental Revenue	424,402,000 [h]	260,087,900	190,946,100
Tobacco Settlement	0 [h]	167,886,100	124,763,700
Program Revenue-Federal	4,170,531,000	4,453,148,300	4,121,351,700
Program Revenue-Other	2,633,267,000	2,658,535,300	2,734,917,200
Fund Transfers In	NA	64,000,000	NA
Subtotal	7,228,200,000	7,603,657,600	7,171,978,700
Total Available	$ 18,887,273,000	$ 19,098,250,600	$ 18,111,863,500
DISBURSEMENTS AND RESERVES			
Commerce	$ 209,393,000	$ 218,959,300	$ 220,214,600
Education	7,769,121,000	7,798,220,600	8,163,838,300
Environmental Resources	270,101,000	261,344,100	259,939,200
Human Relations and Resources	6,742,655,000	6,684,959,800	6,541,581,500
General Executive	631,485,000	634,410,900	569,934,100
Judicial	102,156,000	103,499,100	104,051,400
Legislative	59,820,000	60,511,900	59,086,500
General Appropriations	2,548,903,000	2,681,988,700	2,013,925,700
Subtotal	18,333,634,000	18,443,894,400	17,932,571,300
Less: (Lapses)	NA	(84,028,600)	(122,124,800)
Compensation Reserves	NA	56,100,000	117,750,000
Required Statutory Balance	NA	113,883,100	134,328,600
Fund Transfers Out	NA	23,500,000	NA
Other	NA	NA	NA
Changes in Continuing Balance	(318,644,000)	NA	NA
Total Disbursements & Reserves	$ 18,014,990,000	$ 18,553,348,900	$ 18,062,525,100
Fund Balance	$ 872,283,000	$ 544,901,700	$ 49,338,400
Undesignated Balance	$ 835,714,000	$ 658,784,800	$ 183,667,000

(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 decrease results from budgeted tax reductions becoming effective.
(d) The decrease results from budgeted tax changes that produce one-time effects in the first fiscal year.
(e) The decrease results from the continued effect of prior years' tax changes.
(f) The decrease results from an anticipated decline in consumption.
(g) The decrease results from an expected one-time collection in the 1999-2000 fiscal year.
(h) Actual tobacco settlement payments are treated as Departmental Revenue.

Source: Wisconsin Department of Administration.

Potential Effect of Litigation

APPENDIX A to this part of the Annual Report includes the General Purpose Financial Statements for the fiscal year ended June 30, 2000. The notes to the General Purpose Financial Statements include a description of various legal proceedings, claims, and tax refunds that may have a potential budgetary effect. The potential budgetary impact of these legal proceedings and claims, and any updates to those proceedings subsequent to June 30, 2000, are outlined below.

Wage Overtime Case

The 1999-2000 budget does not provide for payment.

Corporate Tax Measured by Interest from U.S. Securities

The 1999-2000 budget does not provide for payment.

Federal Pension Income

The State is current on making refunds. The 1999-2000 budget does not provide for payment of refunds to individuals that the State is currently engaged in litigation with on the matter of whether or not they are federal employees.

Other

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

Employee Relations

Of the State's approximately 38,200 civil service employees, approximately 33,000 are employees whose wage rates, fringe benefits, hours, and conditions of employment are determined by collective bargaining agreements. All of these classified employees are either assigned to a collective bargaining unit or are exempted from bargaining unit coverage due to their "confidential" or "management" designation. Covered employees are assigned to one of twenty-two bargaining units set up by occupational groupings based by their civil service classification. An exclusive bargaining agent represents nineteen of the bargaining units. Current labor agreements expire on June 30, 2001.

The employment of non-represented civil service employees is covered by civil service statutes, rules, and the non-represented compensation plan.

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

The budget provides for salary and fringe benefits in an amount that is expected to be sufficient to meet all contract obligations. By statute the contracts between the State and the individual bargaining units are two-year contracts that coincide with the State's biennium. A contract agreement requires ratification by the members of the labor unions, approval by the Joint Committee on Employment Relations, passage by both houses of the Legislature, and signature of the Governor.

State Budget Assumptions

Tax revenues for the 2000–2001 budget are based on January 2000 Legislative Fiscal Bureau estimates. The estimates are based on the State tax structure and on assumptions about basic economic factors and their historical relationships to State tax receipts. Revenue sources other than taxes are estimated in the preparation of the budget. The all-funds budget establishes estimates of these nontax revenues and presumes that an equal amount of expenditures will be made. Any variation from that expected level of revenue will result in a corresponding increase or decrease in expenditures.

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

Economic Assumptions

The economic forecast underlying the January 2000 Legislative Fiscal Bureau revenue estimates was based primarily on certain projections of Standard & Poor's Data Resources, Inc. **(DRI)** as presented in its report of January 2000. See Table II-7 for a summary of the January 2000 DRI report and subsequent February 2000 results of the Wisconsin Econometric Model of the Department of Revenue **(DOR)**.

Wisconsin Econometric Model

The Wisconsin Econometric Model **(Model)** is a forecasting tool used for predicting the future of the State's economy, measured primarily by income and employment. The Model provides the Department of Revenue with information about how the State's economy responds to changes in the national environment and plays a critical role in the revenue estimating process. The Model was designed by DRI, which continues to provide national economic forecasts, data base support, and consulting services. The Department of Revenue maintains it.

The Model provides forecasts of the major components of income and employment. It is a structural model that employs accounting identities and theoretical constructs for predictions on each economic variable. It is driven by a set of exogenous variables. These exogenous variables include forecasts of both national and State data. The forecast data are entered into the model to generate forecasts of state employment, income, tax revenue, and other economic indicators.

The Model is similar to many economic models in that the economy is described by a set of mathematical equations. There are equations for employment, wages, proprietary income, transfer payments, industrial production, housing permits, and taxes. The Model currently consists of 206 equations.

The equations of the Model are a mixture of definitional equations and stochastic equations. Definitional equations are used to formulate accounting relationships (for example, total employment is the sum of employment for each industry). Stochastic equations are used to specify probability or statistical relationships in which the relation between any two economic measures cannot be defined exactly. Both types of equations rely on an extensive historical database that contains both national and State measures of the economy dating from the early 1960s.

The Model's structure adopts an adaptive expectations framework in which the forecasted economic variables (for example, the level of income and employment) in the current period depend on expectations about the economic variables. Adaptive expectations models assume that expectations about current economic phenomena are based on the historical values of the economic phenomena.

Stochastic equations within the Model are determined using regression techniques. All estimated coefficients are statistically significant and consistent with economic theory.

In order to produce forecasts with the Model, data from several outside (exogenous) sources are required. Forecasts of economic variables at the national level are required to drive the Model. National forecast data include measures of industry output, factor costs, tax levels and rates, interest rates, inflation, etc. Currently, DRI forecasts for these national variables are used.

Other exogenous data come from both federal and State agencies. These data are principally measures of State population, milk prices, and state tax rates. Once the data are entered into the Model, the system of equations is simultaneously solved for income, employment, and other economic variables.

The Model uses data on U.S. economic trends to forecast the State economy. In turn, it uses the State forecast data to estimate General Purpose Revenues.

In the Model, separate equations for employment, income, and taxes are estimated to acknowledge the complexity of the State's economy. Changes in population, international exchange rates, productivity, and tax rates can affect each of the economic indicators differently. The Model recognizes this by estimating each economic indicator separately.

Employment is estimated at the one- and two-digit standard industrial classification levels. It is the major determinant of earnings, which is the sum of wages and salaries, other labor income, and proprietor's income. Personal income is the sum of earnings, property income, and transfer payments. Forecasts of personal income are determined by calculating separate forecasts of the level of each of these components. Federal, State, and local tax revenue and non-tax accruals are functions of income, employment, and tax rates. Disposable income is the difference between personal income and personal taxes.

Maintaining the Model is an ongoing process. The Model is calibrated to be temporally consistent either by adjusting the equations to accurately reflect current levels, or by re-estimating the system of equations.

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

Table II-7

ECONOMIC FORECASTS
U.S. ECONOMIC FORECAST

	Calendar Year				
	2000	**2001**	**2002**	**2003**	**2004**
Real GDP and its Components (Amounts in Billions of 1992 Dollars)					
GDP	$8,422.3	$8,670.4	$8,965.5	$9,252.5	$9,533.4
Percent Change	3.6	2.9	3.4	3.2	3.0
Consumption	5,714.3	5,898.3	6,072.9	6,258.9	6,457.5
Investment (including inventory)	1,684.1	1,743.0	1,858.9	1,974.6	2,075.0
Nonresidential Structures	227.6	231.9	238.6	244.4	239.6
Business Equipment	1,121.0	1,200.7	1,295.5	1,398.9	1,506.0
Residential Fixed	322.7	307.6	309.9	319.1	328.2
Change in Inventory	42.5	41.2	58.6	62.5	63.7
Exports	1,089.3	1,170.3	1,273.3	1,382.6	1,496.2
Imports	1,489.5	1,581.8	1,678.1	1,807.4	1,948.9
Federal Government	484.4	487.5	484.8	485.9	488.2
State and Local Government	919.7	939.8	959.4	978.4	997.7
GDP (Current Dollars)	9,715.5	10,159.5	10,706.5	11,285.9	11,876.9
Money and Interest Rates					
Money Supply (M2) (billions)	$4,833.1	$5,046.2	$5,293.4	$5,563.3	$5,848.5
Percent Change	4.6	4.4	4.9	5.1	5.1
Prime Commercial Rate	9.0	9.2	8.7	8.5	8.5
3-Month Treasury Bills (rate)	5.6	5.7	5.3	5.1	5.1
30-Year U.S. Gvt. Bonds (rate)	6.3	6.2	6.1	5.9	5.8
G.O. AAA Municipals (rate)	5.9	5.6	5.5	5.4	5.3
New Conventional Mortgages (rate)	8.0	7.9	7.6	7.3	7.3
Income, Profits and Savings (Amounts in Billions)					
Personal Income	$8,254.8	$8,666.5	$9,107.9	$9,583.2	$10,086.9
Percent Change	6.0	5.0	5.1	5.2	5.3
Real Disposable Income ($ 1992)	$7,109.4	$7,324.6	$7,520.4	$7,726.9	$7,944.3
Percent Change	4.1	3.0	2.7	2.7	2.8
Savings Rate	2.2	2.2	2.2	1.9	1.8
Corporate Profits Before Tax	$ 901.2	$ 913.2	$ 928.0	$ 952.4	$ 973.0

Source: Standard & Poor's Data Resources, Inc., January 2000

Table II-7 - Continued

WISCONSIN EMPLOYMENT FORECAST

	Calendar Year				
	2000	**2001**	**2002**	**2003**	**2004**
Annual Industry Detail Average (Thousands of Workers)					
Mining	2.8	2.7	2.7	2.6	2.5
Percent Change	1.3	(2.3)	(2.6)	(3.0)	(4.2)
Construction	122.8	123.5	123.9	125.5	125.8
Percent Change	1.4	0.6	0.3	1.3	0.2
Durable Goods	372.2	363.6	364.0	365.9	363.1
Percent Change	(1.1)	(2.3)	0.1	0.5	(0.8)
Nondurable Goods	235.9	232.9	231.8	231.3	231.0
Percent Change	(1.4)	(1.3)	(0.5)	(0.2)	(0.1)
Transportation and Utilities	133.6	136.3	138.5	140.1	141.3
Percent Change	2.4	2.0	1.7	1.2	0.8
Finance, Insurance, Real Estate	150.4	154.1	157.7	160.4	161.4
Percent Change	2.7	2.5	2.4	1.7	0.7
Retail Trade	499.2	504.9	511.3	517.2	521.8
Percent Change	1.9	1.1	1.3	1.2	0.9
Wholesale Trade	140.7	143.3	145.7	147.6	148.8
Percent Change	2.3	1.9	1.7	1.3	0.8
Services	761.6	789.1	813.5	834.3	853.4
Percent Change	3.6	3.6	3.1	2.6	2.3
Government	404.5	416.9	424.7	431.0	438.5
Percent Change	1.6	3.1	1.9	1.5	1.8
Total Nonfarm	2,823.5	2,867.2	2,913.8	2,955.9	2,987.6
Percent Change	1.7	1.5	1.6	1.4	1.1

Source: Wisconsin Department of Revenue, Economic Outlook, February 2000

WISCONSIN INCOME SUMMARY

	Calendar Year				
	2000	**2001**	**2002**	**2003**	**2004**
Components of Personal Income (Amounts in Billions)					
Wages and Salaries	$87.87	$92.61	$94.54	$102.65	$107.75
Other Labor Income	8.97	9.36	9.77	10.20	10.64
Farm Proprietor's Income	(0.04)	(0.35)	(0.36)	(0.32)	(0.27)
Nonfarm Proprietor's Income	8.09	8.35	8.74	9.17	9.61
Rental Income	3.36	3.47	3.56	3.70	6.87
Personal Dividend Income	5.96	6.22	6.65	7.18	7.90
Personal Interest Income	15.50	16.26	16.79	17.31	17.85
Transfer Payments	20.89	21.98	23.19	24.44	25.73
Residence Adjustment	2.58	2.75	2.93	3.12	3.31
Contributions to Social Insurance	6.68	6.99	7.31	7.63	7.96
Personal Income	146.19	153.66	161.49	169.81	178.43
Personal Taxes and Nontax Pmts	25.11	25.31	26.28	27.59	28.67
Disposable Personal Income	121.08	128.35	135.21	142.22	149.76

Table II-7 - continued

Inflation Adjusted Income Measures (1992 Dollars)					
Real Personal Income (billions)	$ 125.90	$ 129.87	$ 133.34	$ 136.92	$ 140.53
Percent Change	4.1	3.1	2.7	2.7	2.6
Real Personal Income/Capita	$23,654.0	$24,244.0	$24,740.0	$25,260.0	$25,790.0
Percent Change	3.3	2.5	2.0	2.1	2.1
Personal Income/Capital (Current $)	$27,495.0	$28,686.0	$29,962.0	$31,329.0	$32,746.0
Percent Change	5.1	4.4	4.5	4.6	4.5

Source: Wisconsin Department of Revenue, Wisconsin Economic Outlook, February 2000

Budget Format

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

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

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

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

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

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

The all-funds budget presented in this Annual Report also includes employee benefits, which under State law are separated from the budget. Because it includes only estimates of federal funds to be received and expended, the all-funds budget may vary during the course of the fiscal year.

Impact of Federal Programs

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

Supplemental Appropriations

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

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

GENERAL FUND INFORMATION

General Fund Cash Flow

The State has experienced and expects to continue to experience certain periods when the General Fund is in a negative cash position. The Statutes provide certain administrative remedies to deal with these periods. The Secretary of Administration may temporarily reallocate up to 5% of the general-purpose revenue appropriations then in effect of available cash in other funds to the General Fund. This amount is approximately $554 million for fiscal year 2000-2001. In addition, the Secretary of Administration may also temporarily reallocate an additional amount up to 3% of the general-purpose revenue appropriations then in effect (approximately $332 million) for a period of up to 30 days. The Secretary of Administration may set priorities for payments from the General Fund as well as prorate certain payments.

The Statutes provide that all payments shall be in accordance with the following order of preference:

- All direct and indirect payments of principal and interest on State general obligation debt have first priority and may not be prorated or reduced.
- All direct and indirect payments of principal and interest on operating notes have second priority and may not be prorated or reduced.
- All State employee payrolls have third priority and may be prorated or reduced.
- All other payments shall be paid in a priority determined by the Secretary of Administration and may be prorated or reduced.

Table II-8 presents the actual cash flow of the General Fund from July 1998 through November 2000 and the projected cash flow for December 2000 through June 2001. The amounts reported include the proceeds of the sale of operating notes in July 1998 and the payment of impoundments for February, March, April, and May of 1999. No operating notes were issued in the 1999-2000 fiscal year, and as of the date of this Annual Report, no operating notes have been in issued in the 2000-01 fiscal year. The table should be read in conjunction with other information concerning the State budget set forth elsewhere in this part of the Annual Report, including "BUDGETING PROCESS AND FISCAL CONTROLS", "STATE BUDGET", and "STATE OBLIGATIONS; Operating Notes". There has been and will continue to be differences in the amounts shown for the cash-flow basis and the budgetary basis presentations. For example, the cash-flow basis presentation in the following tables includes all tax receipts as revenues and tax refunds as disbursements, while the budgetary basis presentations in Tables II-5 and II-6 include tax revenues that are net of tax refunds.

Monthly projections of cash flow are based upon the 2000-2001 budget and upon historical experience as adjusted to reflect economic conditions, statutory, and administrative changes and anticipated payment dates for debt service, payrolls, and State aid.

Unforeseen events or variations from underlying assumptions may cause a decrease in receipts or an increase in disbursements from those projected for a given month and thus may adversely affect the projection of cash flow for the time shown. Additionally, the timing of transactions from month to month may vary from the forecast. The State updates its projection of the remaining fiscal year cash flow each month as a result of actual revenues and expenditures received, from unforeseen events, or from revised forecasts of month-to-month timing of transactions.

Table II-9 presents the actual cash balances available for interfund borrowings from July 1, 1998 through December 1, 2000 and the projected balances for January 1, 2001 through June 1, 2001.

Tables II-10 and II-11 present actual revenues deposited into the General Fund and expenditures made from the General Fund for the period of July 1, 2000 to November 30, 2000 as compared to the period of July 1, 1999 to November 30, 1999.

Table II-8

GENERAL FUND MONTHLY CASH POSITION
July 1, 1998 through November 30, 2000 — Actual
December 1, 2000 through June 30, 2001 — Estimated[a]
(Amounts in Thousands)

	Starting Date	Starting Balance	Receipts[b]	Disbursements[b]
1998	July	442,704	1,641,655	1,750,960
	August	333,399	1,200,704	803,188
	September	730,915	1,607,957	1,283,254
	October	1,055,618	1,267,513	1,035,960
	November	1,287,171	1,408,782	1,619,285
	December	1,076,668	1,333,433	1,878,358
1999	January	531,743	1,745,237	953,828
	February	1,323,152	1,267,106	1,107,154
	March	1,483,104	1,491,320	2,232,696
	April	741,728	1,648,520	1,185,032
	May	1,205,216	1,488,763	1,027,762
	June	1,666,217	1,541,035	2,470,983
	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	1,429,600	1,967,345
2001	January	467,804	1,938,983	1,196,484
	February	1,210,303	1,387,251	1,231,144
	March	1,366,410	1,550,026	2,192,172
	April	724,264	1,766,265	1,302,139
	May	1,188,390	1,480,357	1,291,507
	June	1,377,240	1,738,399	2,669,628

[a] The monthly receipt and disbursement projections for December 1, 2000 through June 30, 2001 are based on estimates provided by the Division of Executive Budget and Finance.

[b] The receipt amounts shown in July 1998 include the proceeds received at closing for operating notes. See "OTHER OBLIGATIONS; Operating Notes". The disbursement amounts shown for February, March, April and May 1999 include impoundment payments required in connection with the operating notes. No operating notes were issued in the 1999-2000 fiscal year, and as of the date of this Annual Report, no operating notes have been in issued in the 2000-01 fiscal year.

Source: Wisconsin Department of Administration.

Table II-9

BALANCES IN FUNDS AVAILABLE FOR INTERFUND BORROWING[(a)]
July 1, 1998 to December 1, 2000 — Actual
January 1, 2001 to June 1, 2001 — Estimated[(b)]
(Amounts in Millions)

	1998	1999	2000	2001
January		$ 3,736	$ 3,735	$ 1,722[(b)]
February		4,291	4,159	1,771
March		4,459	4,262	1,819
April		4,526	4,267	1,745
May		4,199	3,961	1,659
June		3,957	3,636	1,608
July	$ 3,926	4,017	3,733	
August	4,236	4,245	4,084	
September	3,982	3,865	3,743	
October	3,822	3,820	3,796	
November	3,429	3,374	3,378	
December	3,465	3,411	3,489	

(a) 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	

(b) Estimated balances for January 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) of the Statutes, interfund borrowing is limited to 5% of the total general-purpose revenue appropriations then in effect, which based on the 2000-2001 budget, is approximately $554 million, and an additional 3% (approximately $332 million) for a period of up to 30 days.

Source: Wisconsin Department of Administration.

Table II-10

REVENUES DEPOSITED TO THE GENERAL FUND[(a)]
July 1, 2000 to November 30, 2000 compared with previous year
(Unaudited)

	Actual Receipts 1999–2000 FY[(b)]	Projected Receipts 2000–01 FY	Actual Receipts July 1, 1999 to November 30, 1999	Actual Receipts July 1, 2000 to November 30, 2000
Individual Income Tax	$ 5,962,010,000	$ 5,158,800,000	$ 1,814,188,170	$ 1,867,642,790
General Sales and Use Tax ..	3,501,659,000	3,710,000,000	1,182,796,298	1,224,864,940
Corporate Franchise and Income Tax	644,625,000	658,300,000	175,488,457	138,001,348
Public Utility Taxes	259,984,000	220,000,000	160,464,836	115,746,221
Excise Taxes	301,852,000	298,000,000	106,620,509	106,945,147
Inheritance Taxes	133,261,000	75,000,000	34,820,275	31,347,050
Miscellaneous Taxes	154,389,000	161,000,000	57,230,549	50,273,577
SUBTOTAL................	10,957,780,000	10,281,100,000	3,531,609,094	3,534,821,073
Federal Receipts..................	4,170,531,000	4,121,351,700	1,488,042,897	1,692,942,719
Dedicated and Other Revenues[(c)]............	3,057,669,000	3,050,627,000	1,102,159,447	1,258,777,969
TOTAL.........................	$ 18,185,980,000	$ 17,453,078,700	$ 6,121,811,438	$ 6,486,541,761

(a) The amounts shown are based on the statutory accounting basis and not on GAAP. See "ACCOUNTING AND FINANCIAL REPORTING" in this Part II of the 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 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.

Source: Wisconsin Department of Administration.

Table II-11

GENERAL FUND EXPENDITURES BY FUNCTION[a]
July 1, 2000 to November 30, 2000 compared with previous year
(Unaudited)

	Actual Expenditures 1999–2000 FY[b]	Appropriations 2000–01 FY	Actual Expenditures July 1, 1999 to November 30, 1999	Actual Expenditures July 1, 2000 to November 30, 2000
Commerce	$ 209,393,000	$ 220,214,600	$ 88,923,707	$ 81,584,851
Education	7,769,121,000	8,163,838,300	2,283,690,026	2,114,033,257
Environmental Resources	270,101,000	259,939,200	94,879,275	111,762,330
Human Relations & Resources	6,742,655,000	6,541,581,500	2,734,202,984	2,303,112,740
General Executive	631,485,000	569,934,100	242,674,337	231,566,167
Judicial	102,156,000	104,051,400	48,649,133	43,381,715
Legislative	59,820,000	59,086,500	22,055,083	22,129,987
General Appropriations	2,548,903,000	2,013,925,700	1,560,177,405	1,496,015,802
TOTAL	$ 18,333,634,000	$ 17,932,571,300	$ 7,075,251,950	$ 6,403,586,849

(a) The amounts shown are based on the statutory accounting basis and not on GAAP. See "ACCOUNTING AND FINANCIAL REPORTING" in this Part II of the 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.

Source: Wisconsin Department of Administration.

General Fund History

Table II-12 presents the General Fund condition for the previous five years.

Table II-12

COMPARATIVE CONDITION OF THE GENERAL FUND
AS OF JUNE 30[(a)]
(Amounts in Thousands)

	2000	1999	1998	1997	1996
ASSETS					
Cash & Investment Pool Shares…………	$ 678,331	$ 867,293	$ 446,212	$ 498,692	$ 574,513
Contingent Fund Advances………………	3,910	4,322	3,981	4,086	4,108
Investments………………………………	445	445	445	445	445
Receivables					
Accounts Receivable……………………	995,286	896,640	811,184	816,708	684,739
Due from Other Funds…………………	22,398	158,398	58,454	16,486	16,716
Inventory………………………………	1				
Prepayments……………………………	59,761	42,338	50,935	40,884	34,361
TOTAL ASSETS…………………………	$ 1,760,132	$ 1,969,436	$ 1,371,211	$ 1,377,301	$ 1,314,882
LIABILITIES					
Accounts Payable………………………	$ 282,582	$ 521,609	$ 337,998	$ 330,589	$ 295,189
Due to Other Funds……………………	63,804	282,825	59,090	301,406	32,251
Tax and Other Deposits……………… .	39,231	52,979	50,406	62,084	40,400
Advances from Other Funds……………			2,000	4,000	6,000
Deferred Revenue………………………	27,600	35,999	27,889	26,498	22,417
TOTAL LIABILITIES……………………	$ 413,217	$ 893,412	$ 477,383	$ 724,577	$ 396,257
FUND BALANCE					
Reserves					
Encumbrances & GPR Balances ………	$ 136,731	$ 100,700	$ 143,312	$ 110,482	$ 160,963
Program Revenue Balances……………	635,798	237,576	217,276	155,684	171,864
Contingent Fund Advances……………..					4,108
Total Reserves…………………………	$ 772,529	$ 338,276	$ 360,588	$ 266,166	$ 336,935
Unreserved Balance-Undesignated………	574,416	737,748	533,240	386,558	581,690
TOTAL FUND BALANCE………………	$ 1,346,945	$ 1,076,024	$ 893,828	$ 652,724	$ 918,625
TOTAL LIABILITIES AND FUND BALANCE………………………	$ 1,760,162	$ 1,969,436	$ 1,371,211	$ 1,377,301	$ 1,314,882

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

Source: Wisconsin Department of Administration.

STATE GOVERNMENT ORGANIZATION

The State is located in the Midwest. 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.

General Organization

Executive Branch

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

- *Lieutenant Governor*. The Governor and Lieutenant Governor are elected on the same ballot. The Lieutenant Governor serves as Acting Governor during the absence or incapacity of the Governor.
- *Attorney General*. The Attorney General heads the Department of Justice, which provides all state agencies with legal advice and counsel.
- *State Treasurer*. The State Treasurer receives and disburses all money of the State Treasury in accordance with law.
- *Secretary of State*. The Secretary of State keeps a record of the official acts of the Legislature and executive agencies.
- *Superintendent of Public Instruction*. The Superintendent of Public Instruction heads the Department of Public Instruction, which supervises the operations of and establishes standards for schools throughout the State.

The executive branch consists of 18 departments (including two headed by other constitutional officers) and 13 independent agencies.

Legislative Branch

The legislative branch consists of the Legislature and its subordinate service agencies. The Legislature is bicameral, composed of the Senate and the Assembly. The 33 members of the Senate serve staggered four-year terms and the 99 members of the Assembly serve identical two-year terms. Both the Senate and the Assembly operate on a committee system. The Legislature's biennial session begins in odd-numbered years on the first Tuesday after the eighth day of January. By a joint resolution, the biennial session is divided into floor periods interspersed with committee work periods. In odd-numbered years, the floor periods generally cover six months, while in even-numbered years the floor periods usually run for shorter periods. The Legislature also meets in special session when so called by the Governor, at which time it may transact only that business for which the special session is called.

Judicial Branch

The judicial branch consists of:

- *Supreme Court*. The Supreme Court is composed of seven justices who are elected statewide for staggered ten-year terms.
- *Court of Appeals.* The Court of Appeals is composed of 16 judges who are elected statewide for staggered six-year terms sitting in three-judge panels.
- *Circuit Courts.* There are 69 Circuit Courts (the State's trial courts), each has one or more judges who are locally elected for six-year terms, and all of which are administered from ten administrative districts.

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

Description of Services Provided by State Government

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

Commerce

The State's involvement in the commerce function is in the regulation of conduct of commercial transactions. The objective is to protect the public as consumers of agricultural and manufactured goods and services and as participants in financial transactions. The State also actively promotes economic development by (1) working with companies seeking to expand or move to the State, and (2) broadening markets for State goods and services. These objectives are met in several ways:

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

Several State agencies participate in the field of commerce:

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

Education

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

- *Primary and Secondary Schools.* There are 426 school districts in the State, which administer the elementary and secondary schools within those districts. There were approximately 877,852 students attending public elementary and secondary schools in 1999-2000. Elementary and secondary schools are operated by district boards, with supervision of the system provided by the Department of Public Instruction.
- *Technical Colleges.* The State is divided into 16 technical college districts. In the 1998-1999 academic year, 442,274 full- and part-time students were enrolled in the technical college system. The technical colleges are operated by district boards, with supervision of the system provided by the Technical College System Board.
- *University of Wisconsin System.* The University of Wisconsin System consists of its doctoral campuses in Madison (the largest campus in the state) and Milwaukee as well as 11 other four-year degree-granting institutions and 13 two-year colleges. The system's total enrollment in 1999-2000 was 155,298 students.

Other agencies concerned with the education function of the State include:

- *Educational Communications Board*, which operates the State public radio network, the State public television network, and the State educational television network.
- *The State Historical Society,* which maintains the State historical library, museum, and various historical sites.
- *Arts Board*, which encourages and assists artistic and cultural activities within the State.
- *Technology for Educational Achievement in Wisconsin Board (**TEACH Wisconsin**)*, which provides support for investment in educational technology and telecommunications access for public school districts, public library boards, cooperative educational service agencies, private schools and colleges, tribal colleges, and technical college districts.

Environmental Resources

Two major State agencies, the Department of Transportation and the Department of Natural Resources, compose this function, which is concerned with the development or protection of the land, forest, water, air, and minerals of the State.

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

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

The State has an elaborate system of highways. It consists of interstate highways financed from federal and State funds and of State highways, county trunk highways, town roads, city and village streets, and park and forest roads. Closely connected with the highway building functions of the State government and the aid granted to local units for streets and highways are the objects for which these roads are built—the motor vehicle and its occupants. While the State is concerned with the building and maintenance of an adequate number of roads of certain standards to meet the traffic demands, it is also very much concerned with the safety and convenience of the people who are using those roads. Approximately 4.7 million vehicles are registered each year.

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

Human Relations and Resources

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

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

Improving living standards for needy, aged, handicapped, and minors in need of assistance is also a goal of the State. Such health and welfare activities are primarily the work of the Department of Health and Family Services, including the State's new Badger Care program, which provides health insurance coverage for low-income working families. The Board of Aging makes recommendations on programs to benefit the aged. The Department of Veterans Affairs operates additional assistance programs for military service veterans.

As a worker, the individual comes in contact with the State in many ways:

- Minimum wages and maximum hours are set by law.
- State worker's compensation provides financial assistance if a worker is injured on the job.
- Unemployment compensation is provided to the worker if the worker's job is lost.
- Employment services are provided by the State (in partnership with the Federal Government) to help a worker find a job or to acquire the skills necessary for employment.
- Investigation of discrimination matters occurs if a worker cannot obtain a job and suspects discrimination based on race, age, gender, creed, or handicap.

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

To promote the general welfare of citizens and insure peaceable relations among them, the State seeks to protect citizens from lawless elements in society by maintaining those conditions of stability and order necessary for a well-functioning society. Law enforcement is largely a local matter, but the State's

Department of Corrections is responsible for segregating convicted adult and juvenile criminals in its penal institutions and rehabilitating them for eventual return to society. The Department of Justice furnishes legal services to State agencies and provides technical assistance to local law enforcement agencies.

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

General Executive

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

- *Department of Administration* duties include budgeting, accounting, payroll, financial reporting, engineering and facilities management, planning, and data processing.
- *Department of Employment Relations* supervises State personnel practices.
- *Ethics Board* administers a code of ethics for State public officials.
- *Department of Revenue* collects the taxes imposed by State law, distributes that part of the revenue that is to be returned to the local units of government, and calculates the equalized value of the property that has been assessed by local government.
- *Department of Employee Trust Funds* manages the State's public employee retirement system.
- *Office of the State Treasurer* processes the receipt and disbursement of monies received or expended by the State.
- *Office of the Secretary of State* keeps various state records and affixes the state seal on certain records to authenticate them.
- *Department of Financial Institutions* is responsible for chartering corporations.
- *State Elections Board* oversees the election processes of the State, monitoring campaign expenditures and keeping election records.

Judicial

The judicial function provides for the operation of the Supreme Court, the Court of Appeals, and the Circuit Courts as well as several State agencies that serve the courts, establish professional standards, and conduct legal research.

Legislative

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

General Appropriations

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

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

STATE OF WISCONSIN BUILDING COMMISSION

The Commission supervises all matters relating to the State's issuance of general obligations, revenue obligations, and operating notes.

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

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

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

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

STATE OBLIGATIONS

General Obligations

The State, acting through the Commission, may issue general obligation bonds and notes or enter into loans that are secured by the State's full faith, credit, and taxing power. Payments of debt service on State general obligations are paramount to all other obligations of the State. As of December 1, 2000, the State had $4.068 billion of outstanding general obligations.

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

Operating Notes

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

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

No operating notes were issued in the 1999-2000 fiscal year, and as of the date of this Annual Report, no operating notes have been in issued in the 2000-01 fiscal year.

Master Lease Program

The State, acting by and through the Department of Administration, has entered into a master lease for the purpose of acquiring property (and in limited situations, prepaid service contracts) for state agencies through installment payments. The State's obligation to make lease payments is subject to annual appropriation by the Legislature. The full faith and credit of the State are not pledged to the lease payments; the State is not obligated to levy or pledge any tax to pay the lease payments. The State's obligation to make the lease payments does not constitute debt for purposes of the Constitutional debt limit, and there is no limit to the amount of such obligations that the State can incur. Although an effort is made to use the master lease program for all property acquired by the State through nonappropriation leases, it is possible that state agencies may separately incur such obligations. Certificates of participation have been issued that evidence a proportionate interest in certain base payments to be made by the State. As of December 1, 2000, the principal amount of the State's obligations under the master lease program was approximately $77 million. See Part IV of this Annual Report for additional information on master lease certificates of participation.

State Revenue Obligations

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

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

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

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

Six such programs have been authorized.

- *Student loan program–colleges, universities, and technical colleges*. This program is operated in conjunction with an independently funded corporation, which insures against default in repayment, and the federal guaranteed student loan program, which reimburses the corporation for insurance payments made. The Commission has issued three bond series for this program. All outstanding bonds were defeased on June 11, 1991.

- *Student loan program–medical and dental schools in Wisconsin.* This program operates with direct insurance from the federal government under its Health Educational Assistance Loan program. The Commission has issued six series of bonds for this program, with nearly $1 million outstanding as of December 1, 2000.
- *Veterans housing loan program.* All loans under this program are to be guaranteed by the Federal Veterans Administration or insured by a private mortgage insurer. The Commission has issued two series of bonds for this program. All outstanding bonds were redeemed on August 1, 1996.
- *Transportation revenue bond program.* This program finances a portion of the costs of the State highways and related transportation facilities. The obligations are secured by motor vehicle registration fees. The Commission has issued eleven series of bonds and one series of commercial paper notes for this program (not including refunding bond issues), which were outstanding in the amount of $1.001 billion as of December 1, 2000. See Part V of this Annual Report for additional information on transportation revenue obligations.
- *Clean water fund program.* This program makes loans to municipalities in the State for the construction or improvement of their wastewater treatment facilities. The Commission has issued six series of bonds for this program (not including refunding bond issues), which were outstanding in the amount of $546 million as of December 1, 2000. See Part VI of this Annual Report for additional information on clean water revenue bonds.
- *Petroleum inspection fee revenue bond program.* This program funds claims submitted under the Petroleum Environmental Cleanup Fund Award Program. Obligations issued for this program are secured by petroleum inspection fees. The Commission has issued one series of bonds and one series of extendible municipal commercial paper for this program, which were outstanding in the amount of $249 million as of December 15, 2000. See Part VII of this Annual Report for additional information on petroleum inspection fee revenue obligations.

Independent Authorities

State law creates and grants to two independent special purpose authorities the power to issue bonds and notes. Neither of these entities is a department or agency of the State, and neither can issue bonds or notes that are legal obligations of the State. By law, the Commission serves as financial advisor to each of the independent authorities in the issuance of this debt.

Wisconsin Housing and Economic Development Authority

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

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

- *General programs.* $325 million of borrowing authority, excluding debt issued to refund other debt, of which $142 million were available on November 30, 2000.
- *Housing rehabilitation programs.* $100 million of borrowing authority, of which $100 million were available on November 30, 2000.
- *Single-family home ownership mortgage loan program.* WHEDA has issued $4.198 billion in such bonds as of November 30, 2000. In the one-year period ending November 30, 2000, WHEDA sold three single-family issues totaling $225 million.
- *Residential facilities for the elderly and chronically disabled.* $99 million of borrowing authority, by which it has sold three bond issues totaling $5 million as of November 30, 2000.
- *Economic development and agriculture loans.* $217 million of borrowing authority of which, as of November 30, 2000, it has sold 133 series of bonds for economic development and agriculture totaling $81 million, which are not general obligations of WHEDA, and 56 series of bonds, totaling $92 million, which are general obligations of WHEDA.

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

Wisconsin Health and Educational Facilities Authority

The Wisconsin Health and Educational Facilities Authority (**WHEFA**) provides revenue bond financing for hospitals, nursing homes, other health-related organizations, and private, higher educational facilities. It may finance any qualifying capital project and may refinance any qualifying outstanding indebtedness. As of June 30, 2000 WHEFA had outstanding 225 issues totaling approximately $4.4 billion. All bonds are limited obligations of WHEFA, payable only from revenues specified in the documents pertaining to each bond financing and are not State debt. There is no capital reserve fund or authorization for a moral obligation pledge. An annual program and financial report to the Legislature and the Governor is required. The State Auditor is empowered to investigate WHEFA's financial affairs and prescribe methods of accounting. The governance of WHEFA is by a seven-member, staggered-term board nominated by the Governor and confirmed by the Senate. The Governor annually appoints the chairperson. Financial reports may be obtained from Wisconsin Health and Educational Facilities Authority, 18000 West Sarah Lane, Suite 140, Brookfield, WI 53045-5841. The phone number is (262) 792-0466.

Local Districts

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

- Exposition center district. A district is authorized to issue bonds for costs related to an exposition center. If the Secretary of Administration determines that certain conditions are met, the State may have a moral obligation to appropriate moneys to make up deficiencies in the district's reserve funds that secure up to $200 million principal amount of bonds in the event that project revenues and tax revenues received by the district are inadequate to pay debt service on the bonds. To date, one such district has been created (Wisconsin Center District), and it has issued and has outstanding $126 million of bonds that carry a moral obligation of the State.

- Local professional baseball park district. A district's territory consists of each county with a population of not less than 500,000 and all contiguous counties. A district is authorized to issue bonds for costs related to a baseball park. If the Secretary of Administration determines that certain conditions are met, the State may have a moral obligation to appropriate moneys to make up deficiencies in the district's reserve funds that secure up to $160 million principal amount of bonds in the event the project revenues and tax revenues received by the district are inadequate to pay debt service. To date, one such district has been created (Southeast Wisconsin Professional Baseball Park District), and none of the obligations that it has issued carry a moral obligation of the State.

- Local professional football park district. A district's territory consists of any county with a population of not less than 150,000 that includes the principal site of a stadium that is the home of a professional football team. A district is authorized to issue revenue bonds for costs related to a football park. If the Secretary of Administration determines that certain conditions are met, the State may have a moral obligation to appropriate moneys to make up deficiencies in the district's reserve funds that secure up to $160 million principal amount of bonds in the event the project revenues and tax revenues received by the district are inadequate to pay debt service. To date, one such district has been created (Green Bay-Brown County Professional Football Stadium District) but has not issued any obligations.

Moral Obligations

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

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

- Payments to reserve funds securing certain obligations of WHEDA. Currently there are 8 issues outstanding in the aggregate amount of $430 million that carry a moral obligation of the State.

Name of WHEDA Issue	Maturity Date	Principal Issued	Outstanding Balance
Housing Revenue Bonds			
1992 Series A	11/1/2012	$ 72,450,000	$ 53,005,000
1992 Series B, C & D	11/1/2022	72,945,000	68,095,000
1993 Series A & B	11/1/2023	77,560,000	59,190,000
1993 Series C	11/1/2019	145,785,000	115,670,000
1995 Series A & B	11/1/2026	51,700,000	44,305,000
1998 Series A, B & C	11/1/2032	39,895,000	38,345,000
1999 Series A & B	11/1/2031	41,400,000	41,030,000
2000 Series A& B	11/1/2032	10,785,000	10,785,000
Totals		$512,700,000	$430,425,000

- Payments to reserve funds securing certain obligations of different types of local districts, subject to the Secretary of Administration's determination that certain conditions have been met. Currently there is one issue from a local exposition district (Wisconsin Center District) that is outstanding in the amount of $126 million that carries a moral obligation of the State. Two other local exposition districts each have authority to issue $160 million of revenue obligations that, subject to the Secretary of Administration's determination that certain conditions have been met, could carry a moral obligation of the State. One district has issued revenue obligations that do not carry the moral obligation of the State.

Nonstock, Nonprofit Corporations

Four nonstock, nonprofit corporations have been used to issue debt on behalf of the State; two of the corporations still have debt outstanding. The Constitutional amendment of 1969, which authorized direct borrowing, simultaneously prohibited any further borrowing by these entities. Table III-6 in "DEBT INFORMATION" of Part III of this Annual Report sets forth the amount of these obligations, and as required by the Constitution, the State includes them with the State's direct debt.

Employee Pension Funds

The State's pension obligations are defined by formulas that establish monthly retirement benefits as a function of annual compensation and years of service. The State's current contributions to meet these pension obligations are established first by a yearly actuarial determination of the value of the retirement benefits that have accrued to State employees and will have to be paid out in the future. After deducting the fixed contributions of employees, the State then contributes an amount sufficient to meet the remaining value of the obligations. A description of the Wisconsin Retirement System and an identification of the State's obligation follows. This is supplemented with additional statistical material in Tables II-13 through II-19.

The actuarial method used to determine the size of the contributions is known as "Frozen Initial Liability" for prior service liability and "Entry Age Normal" for current contributions. Actuarial assumptions that have been adopted in application of this method are shown in Tables II-20, II-21 and II-22.

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

The Wisconsin Retirement System covers all full-time employees of the State. The total retirement contribution consists of a member (employee) contribution and an employer contribution. Member contributions for calendar year 2001 are set at the following rates:

- 5% of salary for general employees including teachers
- 3.9% for elected officials, judges, and certain other positions in State government
- 3.8% for protective occupation participants who are also covered by Social Security
- 3.3% for protective occupation participants not covered by Social Security

Employer pick-up of some or all of the member's required contribution is permitted by statute. Currently the entire member contribution of 5% of each State employee's salary is assumed by the State. An additional 0.2% nonrefundable contribution is required from general employees, including teachers.

The employer contribution is actuarially determined each year by an independent actuarial firm. For calendar year 2001 employer contributions have been established at the following rates:

- 6.9% for protective participants with Social Security
- 10.7% for protective participants without Social Security
- 9.4% for elected officials and judges
- 3.8% for general employees

In addition, the State is charged an average of 0.7% of its protective payroll, 1.0% of its elected payroll, and 1.3% of its general payroll to liquidate its portion of the fund's accrued liability by June 30, 2029. The State is also charged 2.6% of its protective payroll for special duty disability coverage.

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

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

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

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

On December 16, 1999, the Governor signed into law a bill that makes numerous changes to the structure, funding, and benefits of the Wisconsin Retirement System. Certain provisions of this bill are under judicial review, which has delayed its implementation.

Table II-13 provides comparative actuarial balance sheets for the most recent reporting periods. As an employer, the State's share of the unfunded accrued liability of the Wisconsin Retirement System stood at $680 million as of December 31, 1999.

Table II-13

WISCONSIN RETIREMENT SYSTEM
ACTUARIAL STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 1999 (UNAUDITED)
(Amounts in Millions)

	12/31/99	12/31/98	Increase (Decrease)
Assets and Employer Obligations:			
Net Assets			
Cash, Investments & Receivables			
Less: Payables & Suspense Items			
Fixed Division	$41,157.5	$36,742.8	$4,414.7
Variable Division	8,246.2	6,647.7	1,598.5
Totals	49,403.7	43,390.5	6,013.2
Obligations of Employers			
Unfunded Accrued Liability	2,145.8	2,226.6	(80.8)
TOTAL ASSETS	$51,549.5	$45,617.1	$5,932.4
Reserves and Surplus:			
Reserves			
Actuarial Present Value of Projected Benefits Payable to Terminated Vested Participants and Active Members:			
Member Normal Contributions	12,597.6	11,548.4	$1,049.2
Member Additional Contributions	172.0	161.9	10.1
Employer Contributions	17,489.2	15,554.5	1,934.7
Total Contributions	$30,258.8	$27,264.8	$2,994.0
Actuarial Present Value of Projected Benefits Payable to Current Retirees and Beneficiaries:			
Fixed Annuities	$15,687.2	$13,943.0	$ 1,744.2
Variable Annuities	3,659.1	3,035.5	623.6
TOTAL ANNUITIES	19,346.3	16,978.5	2,367.8
TOTAL RESERVES	$49,605.1	$44,243.3	$5,361.8
Surplus			
Fixed Annuity Reserve Surplus	1,170.6	1,008.8	$ 161.1
Variable Annuity Reserve Surplus	723.8	365.0	408.8
TOTAL SURPLUS	1,944.4	1,373.8	570.6
TOTAL RESERVE AND SURPLUS	$51,549.5	$45,617.1	$5,932.4

Notes to Wisconsin Retirement System

All eligible State of Wisconsin employees participate in the Wisconsin Retirement system **(System)**, a cost-sharing multiple-employer public employee retirement system **(PERS)**. The payroll for employees covered by the system for the year ended December 31, 1999 was $2.49 billion.

All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees are required by statute to contribute 5.0% of their salary (3.9% for Executive and Elected Officials, 3.8% for Protective Occupations with Social Security, and 3.3% for Protective Occupations without Social Security), to the plan. Participants are also required to make a non-refundable Benefit Adjustment Contribution to the plan. Employers may make these contributions to the plan on behalf of the employees. Employers are required to contribute the remaining amounts necessary to pay the projected cost of future benefits. The total required contribution for the year ended December 31, 1999 was $295.3 million, which consisted of $153.5 million or 6.2% of payroll from the employer and $141.8 million or 5.7% of payroll from employees.

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

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

The System utilizes the "Entry Age Normal with Frozen Initial Liability" actuarial method in establishing employer contribution rates. Under this method, the Unfunded Accrued Actuarial Liability is affected only by the monthly amortization payments, compound interest, the added liability created by new employer units, and any added liabilities caused by changes in benefit provisions. All actuarial gains or losses arising from the difference between actual and assumed experience are reflected in the determination of the normal cost. The unfunded accrued actuarial liability is being amortized over a 40-year period beginning January 1, 1990. However, periodically, the Employe Trust Funds Board has reviewed and, when appropriate, adjusted the actuarial assumptions used to determine this liability. Changes in the assumptions affect the unfunded accrued actuarial liability, and the resulting actuarial gains or losses are credited or charged to employer's unfunded liability accounts. The unfunded liability for the State of Wisconsin as of December 31, 1999 was $680 million or 32.2% of the total system unfunded liability of $2.11 billion.

Ten-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's December 31, 1999 Comprehensive Annual Financial Report.

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

Table II-14

WISCONSIN RETIREMENT SYSTEM
FUNDING RATIO
(Amounts in Thousands)

Year	A Net Real Assets	B Unfunded Actuarial Liability	C Reserve Requirement (A+B)	D Funding Ratio (A÷C)
1990	$18,440,674	$1,980,240	$20,420,914	90.3%
1991	20,849,375	2,041,706	22,891,081	91.6
1992	22,967,100	1,984,865	24,951,965	92.1
1993	25,437,200	2,042,926	27,480,126	92.6
1994	26,884,600	2,006,900	28,891,500	93.1
1995	30,059,826	2,055,718	32,115,544	93.6
1996	33,962,600	2,134,400	36,097,000	94.1
1997	38,584,600	2,178,300	40,762,900	94.7
1998	43,390,500	2,226,600	45,617,100	95.1
1999	49,403,700	2,145,800	51,549,500	95.8

Source: Wisconsin Department of Employe Trust Funds.

Table II-15

WISCONSIN RETIREMENT SYSTEM
COVERED EMPLOYEES
1990 to 1999

Year	Active State	Active Local	Retired
1990	59,827	153,515	77,666
1991	60,963	158,723	79,465
1992	62,422	163,340	81,508
1993	63,118	166,242	83,836
1994	64,178	169,488	86,214
1995	63,977	172,297	88,998
1996	63,886	175,749	92,198
1997	64,381	179,531	95,128
1998	65,663	183,074	99,112
1999	66,716	186,582	102,817

Source: Wisconsin Department of Employe Trust Funds.

Table II-16

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

Year	State Employee	State Employer	Local Employee	Local Employer	Total Employee	Total Employer
1990	$1,710	$208,531	$3,020	$499,937	$4,730	$708,468
1991	3,550	221,537	5,128	535,689	8,678	757,226
1992	5,536	235,759	6,797	584,521	12,333	820,280
1993	5,789	246,913	5,223	628,321	11,012	875,234
1994	5,921	258,278	5,218	656,714	11,139	914,992
1995	6,410	270,770	4,816	683,840	11,226	954,610
1996	7,582	282,430	5,570	759,765	13,152	1,042,195
1997	6,006	294,834	8,336	761,116	14,342	1,055,950
1998	1,686	298,793	4,015	777,419	5,701	1,076,212
1999	886	294,436	3,564	863,003	4,450	1,157,439

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

Source: Wisconsin Department of Employe Trust Funds.

Table II-17

WISCONSIN RETIREMENT SYSTEM
STATE EMPLOYER CONTRIBUTION RATES[a]

Employee Classification	Current Service	Prior Service	Total
Protective	6.9%	0.7%	7.6%
Elected	9.4%	1.0%	10.4%
General	3.8%	1.3%	5.1%

[a] Effective January 1, 2001

Source: Wisconsin Department of Employe Trust Funds.

Table II-18

WISCONSIN RETIREMENT SYSTEM
REVENUES BY TYPE
(Amounts in Thousands)

	Contributions						
Year	**Required Employee**	**Required Employer[(a)]**	**Additional Employee**	**Investment Income**	**Supplemental**	**Misc.**	**Total**
1990	$287,389	$425,809	$ 4,420	$ 981,390	$ 640	0	$ 1,699,648
1991	307,748	464,834	3,847	2,429,198	595	$94	3,206,316
1992	329,801	502,812	4,687	2,080,630	540	0	2,918,470
1993	349,914	536,331	5,516	2,608,684	496	0	3,500,941
1994	364,864	561,265	6,060	1,654,301	444	0	2,586,934
1995	380,993	584,842	8,977	5,903,712	407	113	6,879,044
1996	393,765	661,582	13,199	5,414,556	358	160	6,483,620
1997	410,567	659,725	6,422	7,241,025	216,590	179	8,534,508
1998	520,864	561,049	9,848	7,037,489	7,315	231	8,136,796
1999	505,411	656,478	8,802	9,235,371	6,272	205	10,412,539

(a) Employer contributions include amounts required to reduce unfunded accrued liability over a 40–year amortization period beginning in 1990.

Source: Wisconsin Department of Employe Trust Funds.

Table II-19

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

Year	**Separations**	**Death**	**Annuities**	**Supplemental[(b)]**	**Misc.**	**Total**
1990	$32,728	$ 9,816	$ 677,896	$ 640	0	$ 721,080
1991	27,536	9,512	751,554	595	0	789,197
1992	26,041	10,155	829,546	540	0	866,282
1993	20,462	8,078	915,300	496	$31,362	975,698
1994	23,966	11,339	993,771	444	31,362	1,060,882
1995	30,180	10,812	1,080,227	407	25,593	1,147,219
1996	36,883	15,359	1,254,044	358	24,586	1,331,230
1997	41,039	12,332	1,514,634	216,590	11,108	1,795,703
1998	41,931	13,939	1,624,293	7,315	10,978	1,698,456
1999	35,609	13,858	1,844,479	6,272	12,328	1,912,546

(a) Amounts include payments from employee additional contributions.

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

Source: Wisconsin Department of Employe Trust Funds.

ACTUARIAL ASSUMPTIONS

The following set forth the actuarial assumptions which will be applied in the determination of contribution levels required for the funding of the retirement system effective January 1, 2001.

Table II-20

WISCONSIN RETIREMENT SYSTEM
SEPARATION BEFORE AGE AND SERVICE RETIREMENT

Select and Ultimate Withdrawal

	% of Active Participants Terminating								
	Protective		Public Schools		University			Others	
Age & Service	With Soc. Sec.	Without Soc. Sec.	Males	Females	Males	Females	Executive &Elected	Males	Females
0	7.0%	5.0%	10.0%	10.0%	18.0%	19.0%	6.0%	16.0%	15.0%
1	5.0	2.0	8.0	8.0	15.0	17.0	6.0	10.0	11.0
2	4.0	2.0	6.0	7.0	13.0	15.0	6.0	7.0	80
3	3.5	1.7	5.0	6.0	11.0	13.0	3.5	6.0	7.0
4	3.0	1.7	4.0	5.0	10.0	11.0	3.0	5.0	6.0
5&over									
25	3.0	1.2	4.0	5.0	10.0	11.0	3.0	5.0	6.0
30	2.3	1.0	2.7	4.1	10.0	10.0	3.0	4.6	6.0
35	1.6	0.8	1.6	2.6	9.0	8.0	3.0	3.2	4.5
40	1.3	0.6	1.3	1.7	5.0	6.0	3.0	2.2	3.2
45	1.1	0.5	1.1	1.3	3.3	4.5	2.7	1.8	2.9
50	0.0	0.0	1.0	1.2	2.0	3.5	2.2	1.7	2.7
55	0.0	0.0	1.0	1.2	1.0	3.0	2.0	1.7	1.8
60	0.0	0.0	1.0	1.2	0.7	3.0	2.0	1.7	0.6

Disability Rates

	% of Active Participants Becoming Disabled							
	Protective		Public Schools		University		Others	
Age	With Soc. Sec.	Without Soc. Sec.	Males	Females	Males	Females	Males	Females
20....................	0.04%	0.08%	0.02%	0.02%	0.02%	0.02%	0.04%	0.03%
25....................	0.05	0.08	0.02	0.02	0.02	0.02	0.04	0.03
30....................	0.06	0.10	0.03	0.02	0.02	0.02	0.05	0.04
35....................	0.08	0.12	0.03	0.03	0.02	0.05	0.05	0.05
40....................	0.12	0.15	0.04	0.04	0.03	0.08	0.09	0.08
45....................	0.18	0.22	0.07	0.07	0.05	0.10	0.15	0.13
50....................	0.59	0.66	0.17	0.12	0.09	0.14	0.30	0.22
55....................	0.88	1.03	0.33	0.25	0.18	0.27	0.60	0.39
60....................	0.98	1.17	0.52	0.44	0.32	0.39	1.00	0.64

Source: Wisconsin Department of Employe Trust Funds.

Table II-21

WISCONSIN RETIREMENT SYSTEM
RETIREMENT PATTERNS

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

	% Retiring Next Year								
	General		Public Schools		University		Protective		
							With	Without	Executive
Age	Males	Females	Males	Females	Males	Females	Soc. Sec.	Soc. Sec.	& Elected
50							4%	3%	
51							4	3	
52							4	3	
53							25	25	
54							25	25	
55							25	30	
56							25	35	
57	12%	12%	20%	15%	10%	20%	25	40	6%
58	15	15	20	15	12	20	25	40	6
59	20	20	20	15	13	20	25	40	6
60	20	20	20	15	13	20	25	40	8
61	25	30	25	15	15	20	25	40	8
62	40	40	45	30	25	20	40	40	15
63	40	40	45	20	25	20	40	30	18
64	40	40	45	20	25	20	40	30	18
65	55	55	55	40	30	38	40	30	30
66	40	52	50	35	30	38	40	30	30
67	40	40	40	35	25	25	40	30	30
68	35	35	40	30	25	25	40	30	30
69	35	35	40	30	25	25	40	30	35
70	35	35	40	30	25	25	100	100	35
71	35	35	40	30	25	25	100	100	40
72	100	100	100	100	100	100	100	100	100

Source: Wisconsin Department of Employe Trust Funds.

Table II-22

WISCONSIN RETIREMENT SYSTEM
OTHER ASSUMPTIONS

Mortality Rates

Active & Retired Life Mortality Rates

Sample Attained Ages	Future Life Expectancy (years) Males	Females
40	39.7	45.1
45	34.9	40.3
50	30.2	35.4
55	25.7	30.7
60	21.4	26.1
65	17.3	21.6
70	13.5	17.3
75	10.3	13.4
80	7.6	10.1
85	5.5	7.3

Salary Scale

% Increases in Salaries Next Year

	Merit					Total			
Age	**Other**	**Teachers**	**Protective**	**Executive & Elected**	**Base (Economy)**	**Other**	**Teachers**	**Protective**	**Executive & Elected**
30	3.2%	4.4%	3.1%	3.2%	4.8%	8.0%	9.2%	7.9%	8.0%
35	2.2	3.4	1.6	2.2	4.8	7.0	8.2	6.4	7.0
40	1.3	2.4	0.9	1.3	4.8	6.1	7.2	5.7	6.1
45	0.7	1.5	0.5	0.7	4.8	5.5	6.3	5.3	5.5
50	0.5	0.8	0.3	0.5	4.8	5.3	5.6	5.1	5.3
55	0.3	0.4	0.1	0.3	4.8	5.1	5.2	4.9	5.1
60	0.3	0.3	–	0.3	4.8	5.1	5.1	4.8	5.1
65	–	–	–	–	4.8	4.8	4.8	4.8	4.8

Future Annual Investment Return

The future annual invested return is assumed to be 8.0%.
For benefit calculation purposes an assumed benefit rate of 5.0% is used.

Source: Wisconsin Department of Employe Trust Funds.

STATE OF WISCONSIN INVESTMENT BOARD

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

Pursuant to Statutes, the State Investment Fund consists of cash balances of the General Fund, State agencies and departments, and Wisconsin Retirement System reserves. In addition, the State Investment Fund also includes investment deposits from elective participants consisting of over 1,100 municipalities and other public entities, which are accounted for in a subset of the State Investment Fund called the Local Government Investment Pool (**LGIP**). The LGIP portion of the State Investment Fund is additionally insured as to most credit risks by an independent insurer.

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

- Safety of principal
- Liquidity
- Reasonable rate of return

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

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

- Types of assets and the amount that can be acquired
- Delegation of powers to purchase and sell and specific guidelines for various types of investments
- Emergency powers in the event the Trustees cannot meet
- Guidelines pertaining to use of derivatives, financial futures, and related options

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

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

The nine members of the Trustees include:

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

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

As a public agency, SWIB is not registered under the Investment Company Act of 1940, the Investment Advisor Act of 1940, or the Commodity Exchange Act. However, a description of LGIP and State Investment Fund risk factors, guidelines, and investment objectives may be obtained from the State of Wisconsin Investment Board, P.O. Box 7842, Madison, WI 53707-7842.

Table II-23 presents unaudited statistical information for the State Investment Fund. A copy of SWIB's annual report or information on the LGIP and State Investment Fund may be obtained from the State of Wisconsin Investment Board.

Table II-23

STATE INVESTMENT FUND
AS OF SEPTEMBER 30, 2000 (UNAUDITED)
Market Versus Amortized Cost Valuation Report

	Amortized Cost	Market Value	Portfolio Percentage at Amortized Cost
U.S. Government Repurchase Agreements	$ 643,000,000	$ 643,000,000	11.6%
U.S. Government Agencies	3,965,289,537	3,965,023,322	71.7
U.S. Government Treasuries	141,784,959	148,447,600	2.6
Corporate Commercial Paper	355,189,414	355,100,010	6.4
Certificates of Deposit	400,000,000	400,000,000	7.2
Asset-Backed Securities	18,745,282	18,697,164	0.3
Mortgage-Backed Securities	3,188,734	3,188,734	0.1
Swaps	0	(22,957,417)	0.0
	$5,527,197,925	$5,510,499,412	100.0%

Accrued Gross Income: $16,528,069.95

Average Maturity for the Last Six Months

Reporting Date	Average Maturity (Days)	Reporting Date	Average Maturity (Days)
9/30/2000	78	6/30/2000	49
8/31/2000	49	5/31/2000	47
7/31/2000	48	4/30/2000	49

Summary of Investment Fund Participants
As of September 30, 2000

	Par Amount (Amounts in Thousands)	Percent of Portfolio
Mandatory Participants		
State of Wisconsin and Agencies.........................	$2,213,200	42.2%
State of Wisconsin Investment Board.................	338,376	6.4
Elective Participants		
Local Government Investment Pool....................	2,696,161	51.4
	$ 5,247,737	100.0%

NOTE: The difference between the total of participants share ($5,247,737,000) and the amortized cost ($5,527,197,925) is the result of check float (checks written and posted at the Department of Administration that have not cleared the bank) and a timing delay in posting bank receipts at the department which have already been invested by SWIB.

Source: State of Wisconsin Investment Board

STATISTICAL INFORMATION

The following tables include population, income, and employment information pertaining to the State's economic condition.

Table II-24

STATE ASSESSMENT
(EQUALIZED VALUE)
OF TAXABLE PROPERTY
1991 TO 2000

Calendar Year	Value of Taxable Property	Rate of Increase (Decrease)
1991	$150,927,756,160	—
1992	159,927,756,190	5.7%
1993	171,677,163,530	7.6
1994	184,994,866,100	7.8
1995	201,538,109,000	8.9
1996	216,943,757,600	7.6
1997	233,074,233,400	7.4
1998	248,994,915,200	6.8
1999	266,567,513,500	7.1
2000	286,321,491,800	7.4

Source: Wisconsin Department of Revenue.

Table II-25

DELINQUENCY RATE: INCOME, FRANCHISE, GIFT, SALES AND USE TAXES 1995-96 TO 1999-2000

Fiscal Year	Total Revenues Expected (Amounts in Thousands)	Delinquent Balance (Amounts in Thousands)	Delinquent Balance as a Percent of Total Revenues Expected
1995-96	$7,535,003	$497,220	6.60%
1996-97	8,059,345	503,470	6.25
1997-98	8,767,838	549,488	6.27
1998-99	9,011,610	478,883	5.31
1999-2000	10,144,899	515,487	5.08

Source: Wisconsin Department of Revenue.

Table II-26

POPULATION TREND[a]

	Wisconsin Total (Amounts in Thousands)	Rank	% Change Wisconsin	% Change U.S.	Population Per Sq. Mile Wisconsin	Population Per Sq. Mile U.S.
1910	2,334	13	12.8	21.0	42.2	26.0
1920	2,632	13	12.8	15.0	47.6	29.9
1930	2,939	13	11.7	16.2	53.7	34.7
1940	3,138	13	6.8	7.3	57.3	37.2
1950	3,435	14	9.5	14.5	62.8	42.6
1960	3,952	15	15.1	18.5	72.6	50.6
1970	4,418	16	11.8	13.3	81.1	57.5
1980	4,706	16	6.5	11.4	86.5	64.0
1981	4,725	16	0.4	1.3	86.9	64.9
1982	4,727	16	0.1	1.0	86.9	65.5
1983	4,720	16	-0.1	1.0	86.8	66.2
1984	4,734	16	0.3	0.9	87.1	66.8
1985	4,746	17	0.3	1.0	87.3	67.5
1986	4,754	17	0.2	1.0	87.5	68.1
1987	4,776	17	0.5	1.0	87.9	68.8
1988	4,823	17	1.0	1.0	88.8	69.4
1989	4,857	17	0.7	1.0	89.4	70.1
1990	4,892	16	0.7	0.8	90.1	70.3
1991	4,953	17	1.2	1.4	91.2	71.3
1992	5,005	18	1.1	1.1	92.1	72.1
1993	5,056	18	1.0	1.1	93.1	72.9
1994	5,096	18	0.8	1.0	93.8	73.6
1995	5,137	18	0.8	1.0	94.6	74.3
1996	5,174	18	0.7	0.9	95.3	75.0
1997	5,200	18	0.5	1.0	95.8	75.7
1998	5,222	18	0.4	0.9	96.2	76.4
1999	5,250	18	0.5	0.9	96.7	77.1

[a] 1981-1989 and 1991-1999 are July 1 estimates, U.S. Bureau of the Census

Source: Decennial census and land area statistics—1990 Census of Population and Housing, U.S. Bureau of the Census World Wide Web Site.

Table II-27

POPULATION CHARACTERISTICS
(April 1990)

	Wisconsin	U.S.
% Urban	65.7	75.2
% Rural/nonfarm	30.3	23.2
% Rural/farm	4.0	1.6
% Foreign-born	2.5	7.9
Dependency Ratio [(a)]	1.52	1.62

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

	Wisconsin	U.S.
Grade School - 8 years	90.5	89.6
High School - 4 years	78.6	75.2
Bachelor's Degree	17.7	20.3

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

Source: General Population Characteristics and General Social and Economic Characteristics, 1990 Census of Population and Housing, U.S. Bureau of the Census.

Table II-28
POPULATION BY AGE GROUP
(July 1, 1999)

	Wisconsin	U.S.
Under 5	6.3%	6.9%
5-17	19.4	18.8
18-44	39.3	39.9
45-64	21.8	21.7
65 +	13.2	12.7
Total	100.0	100.0

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

Table II-29

ESTIMATED PERSONAL INCOME

Year	Wisconsin Total (Amounts in Millions)	Per Capita Wisconsin	Per Capita U.S.	Percentage Wis. to U.S.
1990	$ 86,726	$ 17,692	$ 19,156	92.4%
1991	90,320	18,261	19,624	93.1
1992	96,746	19,382	20,546	94.3
1993	101,159	20,078	21,220	94.6
1994	107,063	21,012	22,056	95.3
1995	115,960	22,573	23,562	95.8
1996	121,864	23,554	24,651	95.5
1997	128,912	24,790	25,874	95.8
1998	137,056	26,245	27,322	96.1
1999	143,811	27,390	28,542	96.0

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

Table II-30

MEDIAN INCOME FOR FOUR-PERSON FAMILY

Year	Wisconsin	U.S.	Percentage Wis. to U.S.
1989	$40,557	$40,763	99.5%
1990	43,182	41,451	104.2
1991	42,746	43,056	99.3
1992	44,219	44,251	99.9
1993	46,363	45,161	102.7
1994	48,982	47,012	104.2
1995	50,628	49,687	101.9
1996	52,986	51,518	102.8
1997	57,270	53,350	107.3
1998	57,890	56,061	103.3

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

Table II-31

DISTRIBUTION OF EARNINGS BY INDUSTRY

	Wisconsin Distribution 1996	Wisconsin Distribution 1997	Wisconsin Distribution 1998	U.S. Distribution 1998
Farm		0.5%	0.9%	0.8%
Nonfarm	99.0	99.5	99.1	99.2
Private Nonfarm	83.9	84.9	84.8	83.1
Agricultural Services, Forestry, Fisheries, etc.	0.5	0.5	0.6	0.6
Mining	0.1	0.1	0.1	0.9
Construction	6.1	6.1	6.2	5.7
Manufacturing	27.6	27.8	27.2	16.8
Transportation & Public Utilities	5.7	5.8	5.8	6.7
Trade	14.7	14.8	14.8	15.0
Finance, Insurance & Real Estate	6.6	6.8	6.9	9.0
Services	22.6	23.0	23.2	28.4
Government	15.1	14.6	14.3	16.1
Total Earnings by Industry	100.0	100.0	100.0	100.0
Total Earnings by Industry (Amount in Millions)	$85,206	$90,265	$86,051	

Source: Bureau of Economic Analysis, U.S. Department of Commerce, State Personal Income 1969-98 CD-ROM, May 2000

Table II-32
ESTIMATED EMPLOYEES IN WISCONSIN ON NONAGRICULTURAL PAYROLLS[(a)]
1999 ANNUAL AVERAGE

	Wisconsin (Amounts in Thousands)	Wisconsin %	U.S. (Amounts in Thousands)	U.S. %
Mining	2.8	0.1	535	0.4
Contract Construction	121.1	4.4	6,404	5.0
Manufacturing	615.6	22.1	18,543	14.4
Transportation & Public Utilities	130.5	4.7	6,826	5.3
Wholesale Trade	137.6	5.0	6,924	5.4
Retail Trade	490.0	17.6	22,788	17.7
Finance, Insurance & Real Estate	146.4	5.3	7,569	5.9
Miscellaneous Services	735.0	26.5	39,027	30.3
Government	398.0	14.3	20,170	15.7
Total	2,776.9	100.0	128,786	100.0

[(a)] Not seasonally adjusted.

Note: This table excludes Agriculture, Forestry and Fisheries employees. (In 1990, this group accounted for 4.6% of all employed persons in Wisconsin and 2.7% in total U.S.)

Source: Wisconsin Department of Workforce Development

Table II-33

GENERAL STATISTICS OF MANUFACTURING[a]

	1992	1997
New Capital Expenditures (millions)................	$ 2,951.2	$ 4,092.9
Number of Employees (thousands)...................	546.0	562.5
Total Payroll (millions)....................................	$ 16,087.3	$ 18,766.4
Number of Production Workers (thousands)	369.4	416.3
Value Added by Manufacturer (millions)..........	$ 41,704.9	$ 54,947.1
Value of Shipments (millions)	$ 88,560.2	$117,383.0

(a) Data for 1992 and 1997 is from census of manufacturers.

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

Table II-34

ESTIMATED PRODUCTION WORKERS IN MANUFACTURING: HOURS AND EARNINGS ANNUAL AVERAGE

	Wisconsin			United States		
	1980	1999	% Change	1980	1999	% Change
Weekly Earnings....................	$323.10	$607.97	88.2	$288.62	$580.08	101.0
Weekly Hours	40.2	41.9	4.2	39.7	41.7	5.0
Hourly Earnings.....................	$ 8.03	$ 14.51	80.6	$ 7.27	$ 13.91	91.3
Number of All Manufacturer Workers (Amounts in thousands).........	558	616	10.3	20,285	18,543	(7.5)

Source: Wisconsin Department of Workforce Development.

Table II-35

TOTAL NEW HOUSING UNITS AUTHORIZED IN PERMIT–ISSUING PLACES

		% Change	
Year	Wisconsin	Wisconsin	U.S.
1990............................	27,282	1.4	(17.0)
1991............................	25,122	(7.9)	(14.6)
1992............................	30,995	23.4	15.4
1993............................	32,114	3.6	9.5
1994............................	34,619	7.8	14.4
1995............................	32,403	(6.4)	(2.8)
1996............................	33,296	2.8	7.0
1997............................	31,925	(4.1)	1.1
1998............................	35,436	11.0	11.9
1999............................	35,570	0.4	3.2

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

Table II-36

UNEMPLOYMENT RATE COMPARISON[a]
BY MONTH 1995 to 2000
BY QUARTER 1991 to 1994

	2000		1999		1998		1997		1996		1995	
	Wis.	U.S.	Wis.	U.S.	Wis.	U.S.	Wis.	U.S.	Wis.	U.S.	Wis.	U.S.
January......	3.4	4.5	4.1	4.8	3.9	5.2	4.5	5.9	4.4	6.3	4.6	6.2
February....	3.6	4.4	4.1	4.7	4.0	5.0	4.6	5.7	4.6	6.0	4.7	5.9
March........	3.7	4.3	3.8	4.4	3.9	5.0	4.4	5.5	4.2	5.8	4.5	5.7
April..........	3.5	3.7	3.2	4.1	3.1	4.1	4.1	4.8	3.9	5.4	4.1	5.6
May...........	3.1	3.9	2.9	4.0	2.9	4.2	3.5	4.7	3.4	5.4	3.6	5.5
June...........	3.8	4.2	3.1	4.5	3.5	4.7	4.0	5.2	3.7	5.5	3.8	5.8
July............	3.7	4.2	2.9	4.5	3.6	4.7	3.7	5.0	3.4	5.6	3.4	5.9
August.......	3.2	4.1	2.6	4.2	3.1	4.5	3.3	4.8	3.1	5.1	3.2	5.6
September .	3.1	3.8	2.3	4.1	3.0	4.4	3.1	4.7	2.8	5.0	3.1	5.4
October	2.6	3.6	2.5	3.8	3.1	4.2	2.9	4.4	2.8	4.9	3.1	5.2
November .			2.6	3.8	3.2	4.1	3.0	4.3	3.0	5.0	3.3	5.3
December..			2.6	3.7	3.1	4.0	3.0	4.4	3.1	5.0	3.2	5.2
Annual Average ...			3.0	4.2	3.4	4.5	3.7	4.9	3.5	5.4	3.7	5.6

1994 Quarters	Wis.	U.S.
I	5.9	7.1
II	5.0	6.1
III	4.3	5.9
IV	3.8	5.3
Annual Average................	4.7	6.1

1993 Quarters	Wis.	U.S.
I	5.3	7.6
II	5.0	6.9
III	4.4	6.6
IV	4.3	6.1
Annual Average...........	4.7	6.8

1992 Quarters	Wis.	U.S.
I	6.1	8.0
II	5.4	7.4
III	4.9	7.4
IV	4.3	6.9
Annual Average...........	5.2	6.4

1991 Quarters	Wis.	U.S.
I	6.4	7.1
II	5.6	6.7
III	4.7	6.5
IV	4.9	6.6
Annual Average..........	5.4	6.7

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

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

APPENDIX A

GENERAL PURPOSE FINANCIAL STATEMENTS

The following material is a reprint of the "General Purpose Financial Statements" section of the audited CAFR for the fiscal year ended June 30, 2000. The entire CAFR is available from the State Controller's Office, Department of Administration, P.O. Box 7864, Madison, WI 53707-7864. The entire CAFR is also available on the internet at:

www.doa.state.wi.us/debf/cafr/FY00/00cafr.htm

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

WISCONSIN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2000

STATE OF
WISCONSIN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2000

Tommy G. Thompson, Governor

Department of Administration
George Lightbourn, Secretary
William J. Raftery, State Controller

Prepared by the State Controller's Office

This document is available on the Department of Administration homepage
on the World Wide Web: http://www.doa.state.wi.us/debf/cafr/FY00/00cafr.htm

DOA-6082P (R12/00)

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2000

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FINANCIAL SECTION

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STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Honorable Members of the Legislature

The Honorable Tommy G. Thompson, Governor

We have audited the accompanying general purpose financial statements of the State of Wisconsin as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the State of Wisconsin's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Wisconsin Department of Transportation Revenue Bond Program and Commercial Paper Program, which represent 84 percent of the assets and 26 percent of the revenues and operating transfers of the debt service funds, and 19 percent of the liabilities of the general long-term debt account group, nor did we audit the financial statements of the Environmental Improvement Fund, which represents 33 percent of the assets and 2 percent of the operating revenues of the enterprise funds. In addition, we did not audit the financial statements of the Wisconsin Housing and Economic Development Authority, the Wisconsin Health Care Liability Insurance Plan, and the University of Wisconsin Hospitals and Clinics Authority, which represent 100 percent of the financial activity of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. The financial statements of the Wisconsin Department of Transportation Revenue Bond Program and Commercial Paper Program, Wisconsin Health Care Liability Insurance Plan, and University of Wisconsin Hospitals and Clinics Authority were audited by other auditors in accordance with generally accepted auditing standards, but not in accordance with the additional requirements of *Government Auditing Standards.* An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audit and the reports of other auditors, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the State of Wisconsin as of June 30, 2000, and the results of its operations;

the cash flows of its proprietary fund types, nonexpendable trust funds, and discretely presented component units; the changes in net assets for the pension trust fund and investment trust funds; and the changes in fund balances of the University of Wisconsin System for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we will issue our report dated December 18, 2000, on our consideration of the State of Wisconsin's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report will be included in the State's single audit report.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the State of Wisconsin. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The introductory section and the statistical section listed in the table of contents were not audited by us and, accordingly, we express no opinion on them.

LEGISLATIVE AUDIT BUREAU

December 18, 2000 by Janice Mueller

Janice Mueller
State Auditor

Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Units
June 30, 2000

(In Thousands)

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
Assets and Other Debits						
Assets:						
Cash and Cash Equivalents	$ 335,006	$ 524,480	$ 70,998	$ 80,013	$ 897,421	$ 24,213
Investments	445	4,360	800	-	942,411	-
Securities Lending Collateral	-	-	-	-	-	-
Receivables (net of estimated uncollectible accounts):						
Taxes	877,032	105,201	-	-	-	-
Student Loans	-	-	-	-	3,239	-
Veterans Loans	-	-	-	-	37,036	-
Mortgage Loans	-	-	-	-	743,416	-
Insurance Policy Loans	-	-	-	-	3,784	-
Loans to Local Governments	9,655	-	-	-	947,929	-
Patients Accounts Receivable	-	-	-	-	-	-
Prior Service Contributions Receivable	-	-	-	-	-	-
Other Receivables	136,615	45,154	32	177	61,891	1,144
Due from Other Funds	126,622	54,842	410	7,453	42,637	30,777
Due from Component Units	6	-	-	-	12	237
Due from Primary Government	-	-	-	-	-	-
Interfund Loans Receivable	71,704	26,604	-	1,285	-	-
Due from Other Governments	472,390	78,570	-	-	7,719	490
Inventories	62,718	18,098	-	-	7,537	7,562
Prepaid Items	314,381	16,577	-	16	93,727	33,551
Advances to Other Funds	-	-	-	2,000	-	3,183
Restricted and Limited Use Assets:						
Cash and Cash Equivalents	-	-	-	-	49,723	-
Investments	3	-	-	-	-	-
Capital Lease Receivable - Component Unit	-	-	-	-	-	-
Deferred Charges	-	-	-	-	8,514	464
Fixed Assets	-	-	-	-	126,309	223,883
Other Assets	-	38	-	-	10,491	-
Other Debits:						
Amount Available in Debt Service Fund	-	-	-	-	-	-
Amount to be Provided for Retirement of General Long-term Obligations	-	-	-	-	-	-
Total Assets and Other Debits	$ 2,406,578	$ 873,923	$ 72,240	$ 90,944	$ 3,983,795	$ 325,504

Fiduciary Fund Type	Account Groups			Totals - Primary Government		Totals - Reporting Entity
Trust and Agency	General Fixed Assets	General Long-term Debt	University of Wisconsin System	(Memorandum Only)	Component Units	(Memorandum Only)
$ 5,157,306	$ -	$ -	$ 339,728	$ 7,429,164	$ 244,690	$ 7,673,854
65,572,629	-	-	321,493	66,842,138	463,807	67,305,945
3,727,271	-	-	-	3,727,271	-	3,727,271
-	-	-	-	982,233	-	982,233
-	-	-	169,330	172,569	-	172,569
-	-	-	-	37,036	-	37,036
-	-	-	-	743,416	1,887,286	2,630,702
-	-	-	-	3,784	-	3,784
200,477	-	-	-	1,158,061	-	1,158,061
-	-	-	-	-	72,239	72,239
2,051,162	-	-	-	2,051,162	-	2,051,162
1,015,207	-	-	74,337	1,334,556	24,694	1,359,249
121,716	-	-	22,925	407,381	-	407,381
-	-	-	7,289	7,544	-	7,544
-	-	-	-	-	2,622	2,622
282,783	-	-	-	382,376	-	382,376
109,193	-	-	53,074	721,437	7,230	728,667
-	-	-	25,667	121,582	7,923	129,505
6,910	-	-	16,451	481,613	2,340	483,953
-	-	-	-	5,183	-	5,183
-	-	-	-	49,723	-	49,723
-	-	-	-	3	337,471	337,474
-	-	-	30,987	30,987	-	30,987
-	-	-	10,688	19,666	14,732	34,398
635	1,822,436	-	3,925,176	6,098,438	163,903	6,262,341
262,221	-	-	-	272,750	8,154	280,904
-	-	7,787	-	7,787	-	7,787
-	-	3,932,544	-	3,932,544	-	3,932,544
$ 78,507,510	$ 1,822,436	$ 3,940,331	$ 4,997,145	$ 97,020,404	$ 3,237,090	$ 100,257,494

(Continued)

Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Units
June 30, 2000

(Continued)

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
Liabilities, Equity and Other Credits						
Liabilities:						
Accounts Payable and Other Accrued Liabilities	$ 533,299	$ 145,411	$ -	$ 20,375	$ 273,294	$ 35,481
Due to Other Funds	105,766	62,669	1,812	18,878	52,240	9,832
Due to Component Units	1,506	-	-	-	-	-
Due to Primary Government	-	-	-	-	-	-
Interfund Loans Payable	-	10	-	26,478	28,147	43,547
Due to Other Governments	1,441,027	78,076	-	15,143	1,942	1
Tax Refunds Payable	649,160	15,027	-	-	-	-
Tax and Other Deposits	43,694	5,854	-	-	10,839	-
Deferred Revenue	462,474	10,110	-	4	54,602	9,572
Interest Payable	-	-	26,601	-	9,462	1,681
Advances from Other Funds	-	3,183	-	-	-	-
Short-term Notes Payable	-	60,000	-	252,776	219	534
Securities Lending Collateral Liability	-	-	-	-	-	-
Future Benefits and Loss Liabilities	-	-	-	-	936,613	81,335
Capital Leases	-	-	-	-	603	8,435
Capital Leases - Primary Government	-	-	-	-	-	-
Installment Contracts Payable	-	-	-	-	-	-
Compensated Absences	-	-	-	-	6,414	2,039
Employer Pension Costs	-	-	-	-	-	-
General Obligation Bonds Payable	-	-	585	-	773,140	108,059
Long-term Notes Payable	-	-	-	-	-	-
Revenue Bonds and Notes Payable	-	-	35,455	-	544,758	-
Other Bonds Payable	-	-	-	-	-	-
Claims, Judgments and Commitments	-	-	-	-	-	-
Total Liabilities	3,236,927	380,339	64,453	333,653	2,692,274	300,515
Equity and Other Credits:						
Contributed Capital	-	-	-	-	1,114,433	28,373
Investment in General Fixed Assets	-	-	-	-	-	-
Retained Earnings:						
Reserved	-	-	-	-	108,856	-
Unreserved	-	-	-	-	68,232	(3,385)
Fund Balances:						
Reserved	609,700	568,332	-	215,689	-	-
Unreserved:						
Designated	-	-	-	-	-	-
Undesignated	(1,440,049)	(74,749)	7,787	(458,399)	-	-
Total Equity and Other Credits	(830,349)	493,583	7,787	(242,710)	1,291,522	24,988
Total Liabilities, Equity and Other Credits	$ 2,406,578	$ 873,923	$ 72,240	$ 90,944	$ 3,983,795	$ 325,504

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

Fiduciary Fund Type	Account Groups			Totals - Primary Government		Totals - Reporting Entity
Trust and Agency	General Fixed Assets	General Long-term Debt	University of Wisconsin System	(Memorandum Only)	Component Units	(Memorandum Only)
$ 715,853	$ -	$ -	$ 87,609	$ 1,811,323	$ 79,090	$ 1,890,413
99,302	-	-	56,882	407,381	-	407,381
-	-	-	1,116	2,622	-	2,622
-	-	-	-	-	7,544	7,544
282,909	-	-	1,285	382,376	-	382,376
28,872	-	-	8,615	1,573,675	269	1,573,944
-	-	-	-	664,188	-	664,188
262,182	-	-	1,504	324,073	116,023	440,096
2,260	-	-	88,057	627,079	938	628,017
-	-	-	-	37,744	36,251	73,995
-	-	-	2,000	5,183	-	5,183
-	-	-	47,844	361,372	-	361,372
3,727,271	-	-	-	3,727,271	-	3,727,271
-	-	-	-	1,017,948	102,030	1,119,978
-	-	14,600	15,336	38,974	346	39,320
-	-	-	-	-	30,987	30,987
-	-	1,060	9	1,068	-	1,068
551,106	-	457,248	61,162	1,077,970	2,847	1,080,817
-	-	675,196	-	675,196	-	675,196
-	-	1,768,457	769,954	3,420,196	-	3,420,196
-	-	117,705	-	117,705	-	117,705
-	-	903,945	-	1,484,158	2,295,750	3,779,908
-	-	-	125	125	-	125
-	-	2,121	-	2,121	-	2,121
5,669,755	-	3,940,331	1,141,500	17,759,747	2,672,076	20,431,823
-	-	-	-	1,142,806	-	1,142,806
-	1,822,436	-	-	1,822,436	-	1,822,436
-	-	-	-	108,856	146,348	255,204
-	-	-	-	64,847	418,667	483,514
71,120,751	-	-	3,823,608	76,338,080	-	76,338,080
-	-	-	3,949	3,949	-	3,949
1,717,004	-	-	28,088	(220,318)	-	(220,318)
72,837,755	1,822,436	-	3,855,645	79,260,656	565,014	79,825,670
$ 78,507,510	$ 1,822,436	$ 3,940,331	$ 4,997,145	$ 97,020,404	$ 3,237,090	$ 100,257,494

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds For the Fiscal Year Ended June 30, 2000

(In Thousands)

	Governmental Fund Types				Fiduciary Fund Type	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
Revenues:						
Taxes	$ 10,963,673	$ 1,006,006	$ 4,655	$ -	$ -	$ 11,974,335
Intergovernmental	3,734,088	641,104	-	321	9,918	4,385,431
Licenses and Permits	198,750	448,729	83,773	416	-	731,668
Charges for Goods and Services	188,551	50,161	-	338	1	239,050
Contributions	-	-	-	-	646,624	646,624
Investment and Interest Income	58,982	27,816	3,730	7,154	342,554	440,236
Gifts and Donations	5,700	8,757	-	144	65	14,666
Other Revenues						
Tobacco Settlement	167,362	-	-	-	-	167,362
Other	181,817	24,071	428	686	35,754	242,756
Total Revenues	15,498,923	2,206,644	92,586	9,058	1,034,916	18,842,127
Expenditures:						
Current:						
Commerce	184,460	19,622	-	926	-	205,008
Education	4,882,860	2,540	-	14,887	27,000	4,927,287
Transportation	3,242	1,759,513	-	2,779	-	1,765,534
Environmental Resources	123,746	364,925	-	41,915	-	530,586
Human Relations and Resources	5,867,573	3,355	-	18,485	519,790	6,409,203
General Executive	368,283	17,500	-	24,820	210,614	621,217
Judicial	102,878	338	-	-	-	103,216
Legislative	60,424	-	-	-	-	60,424
Tax Relief and Other General Expenditures	1,436,891	-	-	3,573	-	1,440,464
Intergovernmental	1,073,434	-	-	-	-	1,073,434
Capital Outlay	-	-	-	230,151	-	230,151
Debt Service:						
Principal	-	-	176,130	-	-	176,130
Interest	-	-	133,598	6,117	-	139,715
Other	-	-	1,044	-	-	1,044
Total Expenditures	14,103,791	2,167,794	310,773	343,651	757,404	17,683,413
Excess of Revenues Over (Under) Expenditures	1,395,132	38,850	(218,187)	(334,593)	277,512	1,158,714
Other Financing Sources (Uses):						
Proceeds from Sale of Bonds	-	170,250	3,756	277,880	-	451,886
Operating Transfers In	117,939	54,582	224,455	40,164	-	437,139
Operating Transfers Out	(1,360,407)	(120,367)	(12,762)	(9,145)	(1,020)	(1,503,701)
Capital Leases Acquisitions	5,021	4,975	-	-	-	9,996
Installment Purchase Acquisitions	-	-	-	1,022	-	1,022
Total Other Financing Sources (Uses)	(1,237,447)	109,440	215,449	309,921	(1,020)	(603,658)

(Continued)

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds For the Fiscal Year Ended June 30, 2000

(Continued)

	Governmental Fund Types				Fiduciary Fund Type	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	157,685	148,290	(2,738)	(24,673)	276,492	555,056
Fund Balances, Beginning of Year	(986,654)	346,553	6,526	(196,438)	3,011,831	2,181,818
Increase (Decrease) in Reserve for Inventories	(1,636)	(698)	-	-	-	(2,335)
Residual Equity Transfers In	1,000	460	4,000	1	-	5,461
Residual Equity Transfers Out	(744)	(1,021)	(1)	(21,600)	-	(23,367)
Fund Balances, End of Year	$ (830,349)	$ 493,583	$ 7,787	$ (242,710)	$ 3,288,324	$ 2,716,635

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

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - General and Budgeted Special Revenue Funds
For the Fiscal Year Ended June 30, 2000

(In Thousands)

	General Fund			Budgeted Special Revenue Funds		
	Budget	**Actual**	**Variance - Favorable (Unfavorable)**	**Budget**	**Actual**	**Variance - Favorable (Unfavorable)**
Revenues:						
Taxes	$ 10,805,182	$ 10,957,780	$ 152,598	$ 1,007,395	$ 1,007,395	$ -
Budgeted Transfers from:						
General Fund	-	-	-	23,500	23,500	-
Computer Escrow Fund	64,000	64,000	-	-	-	-
Departmental						
Tobacco Settlement	167,886	167,362	(524)	-	-	-
Other	7,046,890	6,996,838	(50,051)	1,459,205	1,459,205	-
Total Revenues	18,083,958	18,185,980	102,022	2,490,100	2,490,100	-
Expenditures:						
Current:						
Commerce	245,312	212,089	33,223	343,945	320,867	23,078
Education	7,982,744	7,768,548	214,197	11,726	11,221	506
Environmental Resources	294,391	268,035	26,356	3,209,101	2,100,225	1,108,876
Human Relations and Resources	7,160,977	6,324,674	836,303	9,831	7,313	2,518
General Executive	775,335	640,379	134,956	4,860	3,422	1,437
Judicial	102,857	101,953	904	658	331	327
Legislative	60,125	59,866	259	-	-	-
General	2,631,465	2,525,405	106,060	16,000	16,000	-
Budgeted Transfers to:						
General Fund	-	-	-	64,000	64,000	-
Tobacco Control Fund	23,500	23,500	-	-	-	-
Total Expenditures	19,276,707	17,924,448	1,352,259	3,660,120	2,523,379	1,136,742
Excess of Revenues Over (Under) Expenditures	$ (1,192,749)	261,532	$ 1,454,281	$ (1,170,020)	(33,278)	$ 1,136,742
Fund Balances, Beginning of Year		1,076,025			594,721	
Prior Period Adjustment		(8,340)			-	
Residual Equity Transfers		17,699			(17,699)	
Fund Balances, End of Year		1,346,916			543,743	
Less Encumbrances Outstanding at June 30, 2000		(735,929)			(875,168)	
Fund Balances, End of Year Budgetary Basis		$ 610,987			$ (331,425)	

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

Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/ Fund Balances - All Proprietary Fund Types, Nonexpendable Trust Funds and Discretely Presented Component Units
For the Fiscal Year Ended June 30, 2000

(In Thousands)

	Proprietary Fund Types		Fiduciary Fund Type	Totals - Primary Government		Totals - Reporting Entity
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)	Component Units	(Memorandum Only)
Operating Revenues:						
Charges for Goods and Services	$ 714,514	$ 227,348	$ 341	$ 942,203	$ 389,770	$ 1,331,974
Contributions	509,861	-	-	509,861	-	509,861
Investment and Interest Income	156,762	6	1,463	158,231	145,588	303,819
Fines and Forfeitures	-	-	19,325	19,325	-	19,325
Gifts and Donations	-	-	42	42	-	42
Other Income	174	556	5	735	19,517	20,252
Total Operating Revenues	1,381,311	227,910	21,177	1,630,398	554,875	2,185,273
Operating Expenses:						
Personal Services	209,917	40,153	232	250,301	214,315	464,616
Supplies and Services	542,953	141,065	179	684,198	171,968	856,166
Lottery Prize Awards	232,404	-	-	232,404	-	232,404
Depreciation	9,229	21,294	-	30,523	23,217	53,740
Benefit Expense	243,078	19,239	-	262,317	(11,874)	250,443
Interest Expense	76,254	-	-	76,254	138,103	214,357
Other Expenses	9,542	-	-	9,542	85,122	94,664
Total Operating Expenses	1,323,376	221,752	411	1,545,539	620,851	2,166,390
Operating Income (Loss)	57,935	6,158	20,766	84,859	(65,976)	18,883
Nonoperating Revenues (Expenses):						
Operating Grants	2,009	382	3	2,394	54,059	56,453
Investment and Interest Income	22,585	3	-	22,588	54,548	77,136
Gain (Loss) on Disposal of Fixed Assets	(90)	428	-	338	6	344
Interest Expense	(917)	(8,777)	-	(9,695)	-	(9,695)
Other Revenues	7,662	8,588	-	16,250	1,488	17,738
Other Expenses	(216,593)	-	-	(216,593)	(382)	(216,975)
Total Nonoperating Revenues (Expenses)	(185,344)	623	3	(184,718)	109,719	(74,999)
Income (Loss) Before Operating Transfers	(127,409)	6,781	20,769	(99,859)	43,743	(56,116)
Operating Transfers In	114,849	8,592	1,059	124,500	-	124,500
Operating Transfers Out	(18,914)	(2,669)	(77)	(21,661)	-	(21,661)
Operating Transfers to Primary Government	-	-	-	-	(2,400)	(2,400)
Net Income before Extraordinary Items	(31,475)	12,704	21,751	2,980	41,343	44,323
Extraordinary Items:						
Gain (Loss) from Extinguishment of Debt	-	-	-	-	(108)	(108)
Gain on Casualty Settlement	169	-	-	169	-	169
Net Income (Loss)	(31,306)	12,704	21,751	3,149	41,235	44,384

(Continued)

Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/ Fund Balances - All Proprietary Fund Types, Nonexpendable Trust Funds and Discretely Presented Component Units
For the Fiscal Year Ended June 30, 2000

(Continued)

	Proprietary Fund Types		Fiduciary Fund Type	Totals - Primary Government		Totals - Reporting Entity
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)	Component Units	(Memorandum Only)
Retained Earnings/Fund Balances, Beginning of Year	208,394	(16,089)	439,115	631,420	523,779	1,155,199
Retained Earnings/Fund Balances, End of Year	$ 177,088	$ (3,385)	$ 460,866	$ 634,569	$ 565,014	$ 1,199,583

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

Combined Statement of Cash Flows - All Proprietary Fund Types, Nonexpendable Trust Funds and Discretely Presented Component Units *
For Fiscal Year Ended June 30, 2000

(In Thousands)

	Proprietary Fund Types		Fiduciary Fund Type	Totals - Primary Government	
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)	Component Units *
Cash Flows from Operating Activities:					
Cash Receipts from Customers	$ 1,255,640	$ 226,895	$ 348	$ 1,482,884	$ 1,898
Cash Payments to Suppliers for Goods and Services	(525,146)	(148,597)	(195)	(673,938)	(4,623)
Cash Payments to Employees for Services	(204,352)	(39,724)	(234)	(244,310)	(10,242)
Cash Payments for Lottery Prizes	(282,769)	-	-	(282,769)	-
Cash Payments for Loans Originated	(139,369)	-	-	(139,369)	(271,873)
Cash Payments for Benefits	(149,170)	(18,434)	-	(167,603)	(1,871)
Interest Income	52,739	-	-	52,739	135,438
Fines and Forfeitures	-	-	19,252	19,252	-
Collection of Loans	71,493	-	-	71,493	148,520
Other Operating Revenues	56	467	47	570	15,588
Other Operating Expenses	(33,541)	(101)	-	(33,643)	(83,182)
Other Sources of Cash	5,274	9,245	-	14,519	-
Other Uses of Cash	(5)	-	-	(5)	(10,606)
Net Cash Provided (Used) by Operating Activities	50,849	29,752	19,218	99,819	(80,952)
Cash Flows from Noncapital Financing Activities:					
Operating Grants Receipts	3,021	382	3	3,406	54,059
Grants for Loans to Governments	33,740	-	-	33,740	-
Proceeds from Issuance of Long-term Debt	144,575	-	-	144,575	601,242
Retirement of Long-term Debt	(92,141)	-	-	(92,141)	(466,724)
Interest Payments	(74,921)	(2)	-	(74,923)	(146,841)
Interfund Loans Received	14	7,284	-	7,298	-
Interfund Loans Repaid	(14,626)	(4,073)	-	(18,700)	-
Interfund Advances	-	125	-	125	-
Operating Transfers In	114,841	8,590	1,059	124,490	-
Operating Transfers Out	(20,284)	(2,670)	(77)	(23,031)	-
Residual Equity Transfers In	21,000	-	-	21,000	-
Residual Equity Transfers Out	(4,000)	-	-	(4,000)	-
Other Cash Inflows from Noncapital Financing Activities	10	-	-	10	-
Other Cash Outflows from Noncapital Financing Activities	(233,546)	-	-	(233,546)	(4,584)
Net Cash Provided (Used) by Noncapital Financing Activities	(122,317)	9,636	985	(111,696)	37,152
Cash Flows from Capital and Related Financing Activities:					
Proceeds from Issuance of Long-term Debt	1,355	10,799	-	12,155	-
Repayment of Long-term Debt	(780)	(9,146)	-	(9,927)	-
Repayment of Short-term Notes	-	(33)	-	(33)	-
Interest Payments	(867)	(8,920)	-	(9,787)	-
Capital Lease Obligations	(153)	(5,798)	-	(5,951)	-
Proceeds from Sale of Fixed Assets	16	1,846	-	1,862	-
Payments for Purchase of Fixed Assets	(4,749)	(27,232)	-	(31,981)	(597)
Other Cash Inflows from Capital Financing Activities	1,804	-	-	1,804	-
Other Cash Outflows from Capital Financing Activities	(193)	-	-	(193)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,566)	(38,484)	-	(42,049)	(597)
Cash Flows from Investing Activities:					
Proceeds from Sale and Maturities of Investment Securities	234,160	-	15,848	250,008	629,080
Purchase of Investment Securities	(250,593)	-	(16,688)	(267,282)	(775,720)
Cash Payments for Loans Originated	(119,662)	-	(47,732)	(167,394)	-
Collection of Loans	52,705	-	-	52,705	-
Investment and Interest Receipts	164,118	3	935	165,055	49,082
Net Cash Provided (Used) by Investing Activities	80,728	3	(47,638)	33,093	(97,558)
Net Increase (Decrease) in Cash and Cash Equivalents	5,694	907	(27,435)	(20,834)	(141,955)
Cash and Cash Equivalents, Beginning of Year	941,450	23,306	244,359	1,209,115	369,963
Cash and Cash Equivalents, End of Year	$ 947,144	$ 24,213	$ 216,924	$ 1,188,280	$ 228,008

* The **Wisconsin Housing and Economic Development Authority** and the **Wisconsin Health Care Liability Insurance Plan** prepare the statement of cash flows using the direct method of reporting cash flows, as presented on Page 27 and 28 of the CAFR. The **University of Wisconsin Hospitals and Clinics Authority** prepares this statement using the indirect method, as presented on Page 29.

(Continued)

Combined Statement of Cash Flows - All Proprietary Fund Types, Nonexpendable Trust Funds and Discretely Presented Component Units *
For Fiscal Year Ended June 30, 2000

(Continued)

	Proprietary Fund Types		Fiduciary Fund Type	Totals - Primary Government	
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)	Component Units *
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations:					
Operating Income (Loss)	$ 57,935	$ 6,158	$ 20,766	$ 84,859	$ (63,491)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	9,229	21,294	-	30,523	1,552
Amortization	965	-	-	965	3,715
Provision for Uncollectible Accounts	33	-	-	33	-
Operating Income (Investment Income) Classified as Investing Activity	(104,333)	-	(1,463)	(105,797)	(10,963)
Operating Expense (Interest Expense) Classified as Noncapital Financing Activity	75,043	-	-	75,043	129,092
Miscellaneous Nonoperating Income (Expense)	8,277	9,363	-	17,640	(152)
Changes in Assets and Liabilities:					
Decrease (Increase) in Receivables	(56,306)	(73)	(16)	(56,395)	(121,498)
Decrease (Increase) in Due from Other Funds	11,573	(150)	28	11,451	-
Decrease (Increase) in Due from Component Units	-	29	-	29	-
Decrease (Increase) in Due from Other Governments	2,831	(91)	-	2,740	-
Decrease (Increase) in Inventories	767	(232)	-	535	-
Decrease (Increase) in Prepaid Items	(6,133)	(12,612)	(1)	(18,747)	-
Decrease (Increase) in Deferred Charges	(222)	-	-	(222)	-
Decrease (Increase) in Other Assets	(11)	-	-	(11)	12,173
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	(60,526)	7,404	(107)	(53,229)	(16,642)
Increase (Decrease) in Compensated Absences	436	241	-	677	37
Increase (Decrease) in Due to Other Funds	17,261	(2,271)	5	14,994	-
Increase (Decrease) in Due to Primary Government	-	-	-	-	50
Increase (Decrease) in Due to Other Governments	(13)	(108)	-	(122)	(790)
Increase (Decrease) in Tax and Other Deposits	810	-	7	817	-
Increase (Decrease) in Deferred Revenue	4,766	(6)	-	4,760	(289)
Increase (Decrease) in Interest Payable	255	-	-	255	-
Increase (Decrease) in Future Benefits and Loss Liabilities	88,213	806	-	89,019	(13,746)
Total Adjustments	(7,086)	23,593	(1,548)	14,959	(17,461)
Net Cash Provided by Operating Activities	$ 50,849	$ 29,752	$ 19,218	$ 99,819	$ (80,952)
Noncash Investing, Capital and Financing Activities:					
Capital Leases (Initial Year):					
Fair Market Value	$ 250	$ 418	$ -	$ 668	$ -
Current Year Cash Receipts (Payments)	(43)	(3)	-	(46)	-
Contributions/Transfer In (Out) of Noncash Assets and Liabilities from/to Other Funds	741	3,055	-	3,796	-
Net change in unrealized gains and losses	(17,104)	-	529	(16,575)	(608)
Other	(10)	(10)	-	(20)	-
Reconciliation of Fiduciary Fund Type Cash and Cash Equivalents to the Combined Balance Sheet:					
Nonexpendable Trust Fund			$ 216,924		
Fiduciary Funds, Other Than Nonexpendable Trust			4,940,382		
Total Fiduciary Fund Type Cash and Cash Equivalents, End of Year			$ 5,157,306		

* The **Wisconsin Housing and Economic Development Authority** and the **Wisconsin Health Care Liability Insurance Plan** prepare the statement of cash flows using the direct method of reporting cash flows, as presented on Page 27 and 28 of the CAFR. The **University of Wisconsin Hospitals and Clinics Authority** prepares this statement using the indirect method, as presented on Page 29.

(Continued)

Combined Statement of Cash Flows - All Proprietary Fund Types, Nonexpendable Trust Funds and Discretely Presented Component Units *
For Fiscal Year Ended June 30, 2000

(Continued)

	Component Units *
Cash Flows from Operating Activities:	
Operating Income	$ (2,485)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities:	
Depreciation and Amortization	17,950
Provision for Bad Debt	9,902
Other Sources	754
Other Uses	(382)
Changes in Assets and Liabilities:	
Decrease (Increase) in Net Patient Receivables	(19,818)
Decrease (Increase) in Other Receivables	(3,326)
Decrease (Increase) in Due from Primary Government	(1,196)
Decrease (Increase) in Inventories	(1,685)
Decrease (Increase) in Prepaid Items	615
Decrease (Increase) in Other Assets	46
Increase (Decrease) in Accounts Payable and Other Accrued Expenses	(576)
Increase (Decrease) in Due to Other Governments	(2,454)
Increase (Decrease) in Due to Primary Government	2,329
Increase (Decrease) in Compensated Absences	345
Net Cash Provided (Used) by Operating Activities	19
Cash Flows from Noncapital Financing Activities:	
Operating Transfers to Primary Government	(2,400)
Net Cash Provided (Used) by Noncapital Financing Activities	(2,400)
Cash Flows from Capital and Related Financing Activities:	
Proceeds from Issuance of Long-term Debt	56,500
Deferred Financing Costs	(2,130)
Payments for Purchase of Fixed Assets	(27,205)
Capital Leases Payable - Primary Government	(2,319)
Capital Leases Payable	(329)
Proceeds from Sale of Fixed Assets	22
Loss on Disposal of Fixed Assets	410
Net Cash Provided (Used) by Capital and Related Financing Activities	24,948
Cash Flows from Investing Activities:	
Increase in Investments	(44,053)
Interest and Dividends Receipts	7,121
Decrease in Investment in Affiliate	1,000
Net Cash Provided (Used) by Investing Activities	(35,932)
Net Increase (Decrease) in Cash and Cash Equivalents	(13,365)
Cash and Cash Equivalents at Beginning of Year	30,047
Cash and Cash Equivalents at End of Year	$ 16,682
Noncash Investing, Capital and Financing Activities:	
Net Change in Unrealized Gains and Losses	$ 6,781

* The **University of Wisconsin Hospitals and Clinics Authority** prepares the statement of cash flows using the indirect method of reporting cash flows, as presented on this page. The **Wisconsin Housing and Economic Development Authority** and the **Wisconsin Health Care Liability Insurance Plan** prepare this statement using the direct method, as presented on Pages 27 and 28 of the CAFR.

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

Combined Statement of Changes in Net Assets - Pension Trust Fund and Investment Trust Funds
For the Year Ended June 30, 2000

(In Thousands)

	Wisconsin Retirement System	Investment Trust Funds	Totals (Memorandum Only)
Additions			
Contributions:			
Employer Contributions	$ 377,878	$ -	$ 377,878
Employee Contributions	520,114	-	520,114
Total Contributions	897,993	-	897,993
Deposits	-	8,878,024	8,878,024
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	5,716,617	-	5,716,617
Interest	1,227,411	-	1,227,411
Dividends	575,779	-	575,779
Real Estate Income	61,370	-	61,370
Securities Lending Income	196,973	-	196,973
Other	86,112	-	86,112
Investment Income of Investment Trust Funds	-	165,038	165,038
Less:			
Investment Expense	(91,585)	(566)	(92,151)
Securities Lending Rebates and Fees	(176,932)	-	(176,932)
Investment Income Distributed to Other Funds	(89,932)	-	(89,932)
Net Investment Income	7,505,812	164,472	7,670,284
Interest on Prior Service Receivable	145,471	-	145,471
Miscellaneous Income	145	-	145
Total Additions	8,549,421	9,042,496	17,591,917
Deductions			
Benefits and Refunds:			
Retirement, Disability, and Beneficiary	1,989,859	-	1,989,859
Separations	37,956	-	37,956
Total Benefits and Refunds	2,027,815	-	2,027,815
Distributions	-	9,360,472	9,360,472
Administrative Expense	12,616	156	12,773
Total Deductions	2,040,431	9,360,628	11,401,059
Net Increase (Decrease)	6,508,990	(318,132)	6,190,858
Net Assets - Beginning of Year	59,915,272	2,982,436	62,897,707
Net Assets - End of Year	$ 66,424,262	$ 2,664,304	$ 69,088,566

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

Combined Statement of Current Funds Revenues, Expenditures, and Other Changes - University of Wisconsin System
For the Fiscal Year Ended June 30, 2000

(In Thousands)

	Unrestricted	Restricted	Totals
Revenues:			
Tuition and Fees	$ 668,405	$ -	$ 668,405
Federal Appropriations	17,117	-	17,117
Federal Grants and Contracts	82,130	307,178	389,308
State Grants and Contracts	13	15,519	15,532
Local Grants and Contracts	47	10,949	10,996
Private Gifts, Grants and Contracts	6,982	241,992	248,973
Endowment Income	1,116	10,634	11,750
Sales and Services of Educational Activities	182,148	-	182,148
Sales and Services of Auxiliary Enterprises	223,581	-	223,581
Sales and Services to Hospital Authority	-	33,163	33,163
Other Sources	142,779	4,792	147,571
Total Revenues	1,324,318	624,227	1,948,545
Expenditures and Mandatory Transfers:			
Educational and General:			
Instruction	709,688	57,798	767,486
Research	156,820	377,147	533,967
Public Service	157,852	52,191	210,044
Academic Support	261,899	9,751	271,649
Farm Operations	10,865	1	10,866
Student Services	210,309	13,641	223,950
Institutional Support	142,801	5,541	148,342
Operation and Maintenance of Plant	147,923	130	148,053
Financial Aid	128,857	85,668	214,526
Total Educational and General	1,927,015	601,867	2,528,882
Auxiliary Enterprises	192,284	240	192,525
Cost of Services Provided to UW Hospital Authority	-	32,554	32,554
Mandatory Transfers:			
Debt Service on Academic Facilities	93,257	-	93,257
Debt Service on Self-Amortizing Facilities	17,651	1,028	18,679
Debt Service on Hospital Facilities	-	3,984	3,984
Student Loan Matching	779	-	779
Total Mandatory Transfers	111,686	5,012	116,698
Total Expenditures and Mandatory Transfers	2,230,985	639,674	2,870,659
Other Transfers, Additions (Deductions):			
Operating Transfers In	953,947	16,089	970,036
Operating Transfers Out	(6,464)	(641)	(7,106)
Excess of Restricted Receipts Over Expenditures	-	59,315	59,315
Nonmandatory Transfers	1,948	(527)	1,421
Plant Additions	(19,431)	(48,296)	(67,726)
Other	(2,706)	(38)	(2,744)
Net Other Transfers, Additions (Deductions)	927,294	25,903	953,196
Prior Period Adjustments	228	(228)	-
Net Increase (Decrease) in Fund Balance	$ 20,855	$ 10,227	$ 31,083

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

Combined Statement of Changes in Fund Balances - University of Wisconsin System For the Fiscal Year Ended June 30, 2000

(In Thousands)

	Current Funds			Endowment and Similar	
	Unrestricted	Restricted	Loan Funds	Funds	Plant Funds
Revenues and Other Additions:					
Unrestricted Current Funds Revenues	$ 1,324,318	$ -	$ -	$ -	$ -
Grants and Contracts	-	449,894	-	-	-
Restricted Gifts Received	-	301,683	360	2,722	-
Investment Income - Restricted	-	363	480	-	247
Endowment Income - Restricted	-	8,150	279	-	-
Federal Reimbursement of Loan Cancellations	-	-	1,485	-	-
Delinquent Loan and Collection Penalty	-	-	897	-	-
U.S. Government Advances	-	-	93,111	-	-
Interest Accrued on Loans Outstanding	-	-	3,670	-	-
Net Increase in Fair Market Value of Investments	-	-	-	18,910	-
Proceeds from the Sale of Notes and Bonds	-	-	-	-	97,142
Retirement of Indebtedness	-	-	-	-	72,858
Additions to Land, Buildings and Improvements	-	-	-	-	96,139
Equipment and Library Acquisitions (Net of Disposals)	-	-	-	-	68,797
Gifts-in-Kind	-	-	-	-	4,213
Gain on the Sale of Fixed Assets	-	-	-	-	707
Other Additions	449	4,005	146	-	929
Total Revenues and Other Additions	1,324,768	764,095	100,429	21,631	341,032
Expenditures and Other Deductions:					
Current Funds Expenditures	2,119,299	634,662	-	-	-
Indirect Costs Recovered	-	80,547	-	-	-
Loan Cancellations and Write-offs	-	-	1,056	-	-
Loans Granted	-	-	91,980	-	-
Administrative Allowances-Perkins Loans	-	-	625	-	-
Administrative Expenses	-	-	1,073	-	-
Notes and Bonds Issued	-	-	-	-	97,142
Expended for Plant Facilities	-	-	-	-	127,636
Disposal of Plant Facilities	-	-	-	-	5,325
Retirement of Indebtedness	-	-	-	-	72,858
Interest on Indebtedness	-	-	-	-	45,792
Reduction of Capital Lease Receivable	-	-	-	-	7,930
Other Deductions	3,156	43	79	1,357	-
Total Expenditures and Other Deductions	2,122,455	715,252	94,813	1,357	356,682

(Continued)

Combined Statement of Changes in Fund Balances - University of Wisconsin System For the Fiscal Year Ended June 30, 2000

(Continued)

	Current Funds			Endowment and Similar	
	Unrestricted	Restricted	Loan Funds	Funds	Plant Funds
Transfers Among Funds:					
Operating Transfers In	953,947	16,089	-	-	6,707
Operating Transfers Out	(6,464)	(641)	-	-	(5,915)
Mandatory Transfers:					
Debt Service on Academic Facilities	(93,257)	-	-	-	93,257
Debt Service on Self-Amortizing Facilities	(17,651)	(1,028)	-	-	18,679
Debt Service on Hospital Facilities	-	(3,984)	-	-	3,984
Student Loan Matching	(779)	-	779	-	-
Nonmandatory Transfers	1,948	(527)	115	(1,536)	-
Transfers to Plant Funds	(19,431)	(48,296)	-	303	67,424
Net Transfers Among Funds	818,314	(38,387)	893	(1,233)	184,135
Net Increase (Decrease) for the Year	20,627	10,455	6,510	19,042	168,485
Fund Balances, Beginning of Year Restated	199,479	43,409	174,145	296,985	2,916,507
Fund Balances, End of Year	$ 220,106	$ 53,865	$ 180,655	$ 316,026	$ 3,084,993

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

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying general purpose financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements of the University of Wisconsin System have been prepared in conformity with generally accepted accounting principles for colleges and universities as prescribed by the American Institute of Certified Public Accountants and the National Association of College and University Business Officers.

B. Financial Reporting Entity

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

The decision to include a potential component unit in the State's reporting entity is based on the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity,* which include the ability to appoint a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

Based upon the application of the criteria contained in GASB Statement No. 14, the Wisconsin Public Broadcasting Foundation, Inc. is reported as a blended component unit; and the Wisconsin Housing and Economic Development Authority, the Wisconsin Health Care Liability Insurance Plan and the University of Wisconsin Hospitals and Clinics Authority are presented as discrete component units, as discussed below.

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

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

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

Wisconsin Health Care Liability Insurance Plan
Office of the Commissioner of Insurance
121 East Wilson Street, 1st Floor
Madison, WI 53702

University of Wisconsin Hospitals and Clinics Authority
205 WARF Building
610 Walnut Street
Madison, WI 53705

Blended Component Units

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

Wisconsin Public Broadcasting Foundation, Inc. - The Wisconsin Public Broadcasting Foundation, Inc. (Foundation), created in 1983 by the Wisconsin Legislature, is a private, nonstock, nonprofit Wisconsin Corporation, wholly owned by the Wisconsin Educational Communications Board (ECB), a unit of the State. The Foundation solicits funds in the name of, and with the approval of, the ECB. The Foundation's funds are managed by a five member board of trustees consisting of the executive director of the ECB and four members of the ECB board. In addition to accountability for fiscal matters, the State has the ability to significantly influence operations of the Foundation through legislation. The Foundation is reported as a special revenue fund.

Discrete Component Units

These component units are entities which are legally separate from the State, but are financially accountable to the State, or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. The Component Units' column of the combined financial statements include financial data of these entities. One of the component units reports on a fiscal year ended December 31.

Wisconsin Housing and Economic Development Authority - The Wisconsin Housing and Economic Development Authority (Authority) was established by the Wisconsin Legislature in 1972 to help meet the housing needs of Wisconsin's low and moderate income citizens. The State has significantly expanded the scope of services of the Authority by adding programs which include financing for farmers and for economic development projects. While the Authority receives no State tax dollars for its bond-supported programs and the State is not liable on bonds the Authority issues, the State has the ability to significantly influence operations of the Authority through legislation. The State appoints the Authority's Board and has the ability to impose its will on the Authority.

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

University of Wisconsin Hospitals and Clinics Authority – The University of Wisconsin Hospitals and Clinics Authority (Hospital) is a not-for-profit academic medical center. The Hospital operates an acute-care hospital with approximately 480 available beds, numerous specialty clinics, and seven ambulatory facilities providing comprehensive health care to patients, education programs, research and community service to residents of southern Wisconsin. Prior to June 1996, the Hospital was a unit of the University of Wisconsin-Madison. In June 1996, in accordance with legislation enacted by the State Legislature, the Hospital was restructured as a Public Authority, a public body corporate and politic created by State statutes. Eleven of the thirteen members of the Hospital's Board of Directors are appointed by the State.

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

The Affiliation Agreement requires the Hospital to continue to support the educational, research and clinical activities of the University of Wisconsin-Madison, which are administered by the Hospital. Under the terms of a Lease Agreement, the Hospital leases facilities, which were occupied by the Hospital as of June 29, 1996 (see Note 7A to the financial statements). Under a Conveyance Agreement, certain assets and liabilities related to the Hospital were identified and transferred to the Hospital effective July 1, 1996. Subject to the Contractual Services Agreement and Operating and Service Agreement between the Board of Regents and the Hospital, the two parties have entered into contracts for the continuation of services in support of programs and operations.

Related Organizations

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

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

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

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

Wisconsin Advanced Telecommunications Foundation - organized as a nonstock corporation, administers an endowment fund to support advanced telecommunications technology application projects and efforts to educate telecommunications users about advanced services.

C. Fund Structure

The State uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly effect net expendable available financial resources.

The financial activities of the State are recorded in the fund types and account groups identified below.

Governmental Fund Types

General Fund - the primary operating fund of the State used to account for all financial transactions except those required to be accounted for in another fund.

Special Revenue Funds - used to account for the proceeds of specific revenue sources that are legally restricted for specified purposes.

Capital Projects Funds - used to account for the acquisition or construction of major State-owned capital facilities.

Debt Service Funds - used to account for the accumulation of resources for, and the payment of, principal, interest and related costs of general long-term obligations.

Proprietary Fund Types

Enterprise Funds - used to account for operations where the State's intent is that the cost of providing goods or services to the general public be financed or recovered primarily through user charges or where the periodic determination of net income is appropriate for capital maintenance, management control, public policy, accountability or other purposes.

Internal Service Funds - used to account for the operations of State agencies which render services or provide goods to other State units on a cost-reimbursement basis.

Fiduciary Fund Types

Trust and Agency Funds - used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include (a) expendable trust funds, (b) nonexpendable trust funds, (c) pension trust funds, (d) investment trust funds and (e) agency funds.

Account Groups

General Fixed Assets Account Group - used to account for fixed assets of the State not accounted for in specific proprietary or trust funds.

General Long-term Debt Account Group - used to account for the unmatured general long-term liabilities of the State, except for debt accounted for directly in proprietary or trust funds.

University Funds

The University of Wisconsin System is comprised of 13 State-owned universities, 13 two-year colleges, the University of Wisconsin-Extension and the System Administration. The accounts of the University of Wisconsin System are maintained in accordance with the concept of fund accounting; resources are segregated for control purposes in discrete funds in accordance with specified activities or objectives. Separate accounts are maintained for each fund. Funds are classified into the five groups described below. Included in these funds are the accounts of the Wisconsin State Colleges Building Corporation. This corporation was established by the Wisconsin Legislature as a means for financing capital improvements at a time when the State Constitution prohibited the contracting on public debts. This corporation was empowered to borrow money to construct, equip and furnish buildings, structures, facilities and permanent improvements for the University of Wisconsin and the former State Universities. Upon debt retirement, the corporation deeds the property titles to the State.

Current Funds - are those resources which are available for current operating purposes. They are further designated as either "Unrestricted" or "Restricted." Unrestricted current funds consist of those funds over which the governing board retains full control for use in achieving its authorized institutional purposes. Restricted current funds are limited to specific purposes, programs or departments as specified in agreements with donors or agencies external to the University of Wisconsin System.

Loan Funds - consist of federal or institutional resources available for loans to students.

Endowment and Similar Funds - are funds with respect to which donors have stipulated as a condition of the gift, or management has determined, that the principal is to be maintained inviolate and invested for the purpose of producing income. Investment earnings on the principal amount are reported as endowment income in Current Funds and Loan Funds. Investment earnings and gifts which the governing board, rather than a donor, has elected to retain and invest are transferred into the Endowment and Similar Funds group.

Plant Funds - are resources invested in and available for the acquisition of capital assets. Within the Plant Funds, separate fund balances are reported in three sub-groupings: accounts related to current capital projects; resources associated with the retirement of indebtedness; and the investment in plant, including land, buildings, equipment and library holdings.

Agency Funds - consist of deposits held by the University of Wisconsin System on behalf of student organizations, individual students or faculty members. University of Wisconsin System institutions act solely as an agent in handling these funds and transactions do not effect the operating statements.

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases, i.e., revenues and other financing sources, and decreases, i.e., expenditures and other financing uses, in net available financial resources.

Proprietary funds, nonexpendable trust funds, pension trust funds, investment trust funds and discretely presented component units are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases, i.e., revenues, and decreases, i.e., expenses, in net total assets.

Governmental funds, expendable trust funds and agency funds are reported on the modified accrual basis of accounting. This basis of accounting recognizes revenues generally when they become measurable and available to pay current reporting period liabilities. Material revenue sources susceptible to accrual include individual and corporate income taxes, sales taxes, public utility taxes, motor fuel taxes and federal revenues. Individual and corporate income taxes, sales taxes and other taxes received in July and August that relate to the prior fiscal year are accrued for that fiscal year ended June 30.

Expenditures and related liabilities are recognized when obligations are incurred as a result of the receipt of goods and services. Modifications include:

- Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments of principal and interest to be made early in the following year.

- Employees' vested annual leave, compensatory time, personal holiday hours, Saturday/legal hours and sick leave are recorded as expenditures when utilized. Accumulated annual leave, compensatory time, personal holiday hours and Saturday/legal time and the long-term portion of accumulated sick leave unpaid at June 30, 2000 have been reported in the General Long-term Debt Account Group. (See Note 1-Q to the financial statements.)
- Inventories are reported as expenditures when purchased. (See Note 1-I to the financial statements.)

Proprietary, nonexpendable trust, pension trust, and investment trust funds are reported on the accrual basis of accounting. Under the accrual basis, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

In reporting the financial activity of its proprietary funds, except for the State Life Insurance Fund, the State applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure. The State Life Insurance Fund is reported as an insurance enterprise fund and, accordingly, applies the provisions of relevant pronouncements of FASB, including those issued after November 30, 1989.

The University of Wisconsin System's financial statements are reported on an accrual basis except that depreciation of the plant assets is not recorded. In addition, revenues and expenditures of an academic term that spans two fiscal years are reported totally within the fiscal year in which the program is predominantly conducted.

Component Units

The University of Wisconsin Hospitals and Clinics Authority (the Hospital) applies the provisions of the American Institute of Certified Public Accountants Audit and Accounting Guide, *Audits of Providers of Health Care Services*. In applying GAAP, the Hospital has elected to apply the provisions of relevant pronouncements of FASB issued after November 30, 1989.

E. Budgets

The State's biennial budget is prepared using a mixture of the cash and modified accrual bases of accounting and represents departmental appropriations based on agency requests reviewed by the Department of Administration, Division of Executive Budget and Finance, and recommended by the Governor. The Governor's budget is submitted to the State Legislature for approval. Following debate, amendment and approval by the Senate and Assembly, the budget bill is returned to the Governor for his signature or veto in entirety or in part.

The final budget is primarily a general purpose revenue and expenditure budget. General purpose revenues consist of general taxes and miscellaneous receipts which are paid into the General Fund, lose their identity, and are then available for appropriation by the Legislature. The remaining revenues consist of program revenues, which are credited by law to an appropriation to finance a specified program or State agency, and segregated revenues which are paid into separate identifiable funds.

While State departments and agencies are required to submit estimates of expected revenues for program revenue and segregated revenue categories, these estimates are not formally incorporated into the adopted budget except for revenues of the Lottery Fund. As a result, legally budgeted revenues for these categories are not available and, consequently, actual amounts are reported in the budget column in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budgetary Basis).

Expenditure budgeting differs for the various types of appropriations. For most appropriations, budgeted expenditures equal the amount from the adopted budget plus any subsequent legislative or administrative revisions. While State statutes prohibit spending beyond budgetary authority, a provision is made to include the value of accounts receivable, inventories and work in process in identifying available revenues. The State also utilizes nonbudget accounts for which no budget is established but expenditures may be incurred. As a result, actual expenditures may exceed budgeted amounts in certain categories.

Budgets are required by State law for the statutorily defined General Fund, and certain special revenue funds. The budgetary basis of accounting required by State law differs materially from the basis used to report revenues and expenditures in accordance with GAAP. In addition, the State's biennial budget is developed according to the statutory required fund structure which differs extensively from the fund structure used in the nonbudgetary financial statements. This difference is primarily caused by the elimination of the University of Wisconsin System, and various fiduciary, proprietary and other governmental fund category activity from the statutory General and special revenue funds. Consequently, a reconciliation between budgetary basis and GAAP basis is provided in Note 2 to the financial statements.

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budgetary Basis) reports expenditures by function for the General Fund and all budgeted special revenue funds. (The Employee Trust Fund Administration Fund is extracted from a statutory unbudgeted fund type and is not considered a special revenue fund under budgetary reporting. The Wisconsin Public Broadcasting Foundation is a blended component unit that is not budgeted nor included under statutory reporting.) While budgetary control for the reported funds is maintained at the appropriation level as specified by the Legislature in Chapter 20 of the Wisconsin Statutes, this level of detail is impractical for inclusion in the Comprehensive Annual Financial Report. Accordingly, a supplementary report is available upon request which provides budgetary comparisons at the legal level of control.

The capital projects funds and debt service funds are not included in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budgetary Basis). A comprehensive budget is not approved for the capital projects funds. Debt service expenditures reported in the debt service funds are budgeted through appropriations in the General and special revenue funds. The Operating Transfers In of $224.5 million reported in the Bond Security and Redemption Fund of the debt service funds primarily represent the appropriations from these other funds.

The legal level of budgetary control for Wisconsin is at the function, agency, program, appropriation-level. Expenditure control is monitored through the use of allotments. Allotments are required for all appropriations and are utilized to establish spending limits. The State Controller's Office reviews all expenditures to ensure compliance with these spending guidelines. Initial allotments are prepared by the Division of Executive Budget and Finance with input from State agencies. Supplemental appropriations require the approval of the Joint Finance Committee of the Legislature. Routine adjustments, such as pay plan supplements and rent increases, are distributed by the Division of Executive Budget and Finance from non-agency specific appropriations authorized by the Legislature. Various supplemental appropriations were approved during the year and have been incorporated into the budget figures.

Appropriation unexpended balances lapse at year end or forward to the subsequent fiscal year depending on the type of appropriation involved:

- *Continuing* - unexpended balances automatically forward to ensuing years until fully depleted or repealed by subsequent action of the Legislature.
- *Annual*:
  - *General Purpose Revenue* - unencumbered balances lapse at year end.
  - *Program Revenue* - unexpended cash balances may be forwarded to the next fiscal year.
- *Biennial* - unexpended balances or deficits automatically forward to the second year. At the end of the second year all unencumbered general purpose revenue balances lapse.
- *Sum sufficient* - moneys are appropriated and expended in the amounts necessary to accomplish the purpose specified.

Encumbrance accounting is utilized in the General, special revenue, capital projects, and trust funds and the University of Wisconsin System. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances may be carried over to the next fiscal year as a revision to the budgetary appropriation with Department of Administration approval. Under budgetary reporting, encumbrances are treated like expenditures and are shown as a reduction of fund balance. Under GAAP reporting, encumbrances outstanding at year end for purchase orders and contracts expected to be honored in the following year are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

F. Cash and Cash Equivalents

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

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

G. Investments

Primary Government

The State may invest in direct obligations of the United States and Canada, securities guaranteed by the United States, certificates of deposit issued by banks in the United States and solvent financial institutions in the State, commercial paper and nonsecured corporate notes and bonds, bankers acceptances, participation agreements, privately placed bonds and mortgages, common and preferred stock and other securities approved by applicable sections of the Wisconsin Statutes, bond resolutions, and various trust indentures (see Note 3 to the financial statements).

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

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

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

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

Component Units

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

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

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

H. Interfund Assets/Liabilities

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

Transactions that occur between the primary government and component units are classified as “Due to/from Primary Government” and, correspondingly, “Due to/from Component Units”.

I. Inventories and Prepaid Items

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

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

In addition to inventories reported in the accompanying financial statements, the State had food commodities inventories valued at $2.1 million at June 30, 2000.

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

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

J. Fixed Assets

General fixed assets are recorded as expenditures in the governmental funds and capitalized in the General Fixed Assets Account Group and are valued at cost or estimated historical cost if historical cost is not practicably determinable. Donated fixed assets are recorded at their fair value at the time received. Of the $1,822.4 million total fixed assets at June 30, 2000, 62 percent were valued using historical cost and 38 percent were valued using estimated historical cost. Public domain (infrastructure) fixed assets such as highways, bridges and rights of way are not capitalized. In addition, interest is not capitalized on constructed general fixed assets. General fixed assets are not depreciated.

Proprietary and similar trust fund fixed assets are valued at cost or estimated historical cost if cost is not practicably determinable. Donated fixed assets are valued at their fair value at the time received. In accordance with Financial Accounting Standards Board (FASB) Statement No. 62, the State has adopted the policy of capitalizing net interest costs on funds borrowed to finance the construction of fixed assets, where appropriate.

Straight-line depreciation is taken on fund fixed assets with the following estimated useful lives:

Buildings and improvements	7 - 45 years
Equipment, machinery and furnishings	2 - 25 years

Fixed assets of the University of Wisconsin System are reported at cost at date of acquisition. Donated fixed assets are reported at fair value at the time received. Fixed assets of the University of Wisconsin System are not depreciated.

Property, plant and equipment of the University of Wisconsin Hospitals and Clinics Authority (a discretely presented component unit) are stated at cost. Donated assets are recorded at fair market value at the date of donation. Straight-line depreciation is taken over the estimated useful lives of the assets.

K. Mortgage and Other Loans

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

Mortgage loans of the Veterans Mortgage Loan Repayment Bonds and the Veterans Trust Fund programs, enterprise funds, are stated at the outstanding loan balance with origination fees and associated costs deferred and recognized over a fifteen year period using the straight-line method.

L. Support Collection Trust Fund Receivables

The Support Collection Trust Fund, an agency fund, accounts for the receipt and disbursement of all court-ordered support, including child support, spousal support and family maintenance. Due to the uncertainty in determining the amount that will ultimately be collected on behalf of others, the accounts receivable reported for this fund do not include amounts for support in arrears.

M. Deferred Charges

The most significant deferred charges are debt issuance costs. Significant deferred charges for the State include:

Debt issuance costs of the Wisconsin Housing and Economic Development Authority, a component unit, are amortized ratably over the life of the obligations to which they relate.

Issuance costs relating to revenue obligations of the Environmental Improvement Fund, an enterprise fund, were capitalized and are being amortized using the effective interest rate method.

Issuance costs relating to general obligation bonds of the Veterans Mortgage Loan Repayment Fund, an enterprise fund, are amortized ratably over the life of the obligations to which they relate. Results from the use of this method do not vary materially from those that would be obtained by use of the effective interest rate method.

The University of Wisconsin System's debt issuance costs are amortized ratably over the life of the obligations to which they relate. Results from the use of this method do not vary materially from those that would be obtained by use of the effective interest method.

N. Deferred Revenue

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred revenues arise when resources are received by the State before it has a legal claim to them, as when grant moneys are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the State has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized. Revenues are also deferred in governmental funds and expendable trust funds for amounts that are not yet available to pay current reporting period liabilities.

The majority of the $628.0 million deferred revenues presented in the accompanying financial statements consists of $462.4 million reported within the General Fund. This amount includes $257.1 million relating to tax revenues received in advance of the year in which earned.

Deferred revenues of the University of Wisconsin System consist of payments received but not earned at June 30, 2000, primarily for summer session tuition, tuition and room deposits for the next fall term, and advance ticket sales for upcoming intercollegiate athletic events.

O. Fund Equity Reserves

Reservations of fund balance represent amounts that are not appropriable for expenditures or that are legally segregated for a specific purpose. Reservations of retained earnings reflect legal restrictions on the use of assets. Details related to the make-up of reserved fund balances and retained earnings are reported in Note 13.

P. Local Assistance Aids

Municipal and County Shared Revenue Program

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

At June 30, 2000, the State was liable to various local governments for unpaid shared revenue aid. To measure the amount of the program allocable to the State's fiscal year, the amount is prorated over portions of recipient local governments' calendar fiscal years which are within the State's fiscal year. The result is that a liability of $509.6 million representing one-half of the total appropriated amount is reported at June 30, 2000 as Due To Other Governments.

State Property Tax Credit Program

At June 30, 2000, the State was liable to various taxing jurisdictions for property tax credits paid through the State Property Tax Credit Program. Under the program, payments to local taxing jurisdictions provide property tax relief directly to taxpayers in the form of State credits on individual property tax bills. State statutes require that payment to local taxing jurisdictions be made during July. Although the property tax credit is calculated on the property tax levy for school purposes, the State's July payment is paid to an administering municipality who treats the payment the same as other tax collections and distributes the collections to the various tax levying jurisdictions (e.g., cities; towns; villages; school districts; technical colleges).

The school portion of the property tax credit liability represents the amount of the July payment earned over the school districts' previous fiscal year ended June 30. Since the entire school districts' portion of the July payment occurs within the State's fiscal year, 100 percent of the July payment relating to the school taxing jurisdictions' levy is reported as a liability at June 30, 2000.

The general government portion of the property tax credit liability represents the amount of the July payment prorated over the portion of the local governments' calendar year which is within the State's fiscal year. The result is that 50 percent of the July payment based on the general government taxing jurisdictions' levy is reported as a liability at June 30, 2000.

The aggregated State Property Tax Credit Program liability of $356.9 million is reported in the General Fund as Due to Other Governments.

Lottery Property Tax Credit Program

The Lottery Property Tax Credit provides direct property tax relief to taxpayers in the form of State Credits on property tax bills. Under the program, owners of property used as a primary residence receive a tax credit equal to the school property tax on a portion of the dwelling’s value.

The State pays municipal treasurers for lottery credits who distribute the moneys to the various taxing jurisdictions. For credits reducing the calendar year 2000 property tax bills, the State made this payment in March 2000.

The Lottery Tax Credit Program is accounted for in the Lottery Fund, an enterprise fund, that records revenues and expenses on the accrual basis. A portion of the State’s March payment distributed to the general government taxing jurisdictions applies to their fiscal year which ends on December 31. Therefore, part of the March distribution represents an expense of the State in Fiscal Year 2000, while the remaining portion represents a prepaid item. The resulting Prepaid Item reported within the Lottery Fund totals $51.4 million at June 30, 2000.

Q. Compensated Absences

Consistent with the compensated absences reporting standards of GASB Statement No. 16, *Accounting for Compensated Absences,* an accrual for certain salary-related payments associated with annual leave and an accrual for sick leave is included in the compensated absences liability at year end.

Annual Leave

Full-time employees' annual leave days are credited on January 1 of each calendar year at a minimum of 10 days per year. There is no requirement to use annual leave. However, unused leave is lost unless approval to carry over the unused portion is obtained from the employing agency. Compensatory time accumulates for eligible employees for hours worked in excess of forty hours per week. Each full-time employee is eligible for three and one-half personal holidays each calendar year, provided the employee is in pay status for at least one day in the year. If a holiday occurs on a Saturday, employees receive leave time proportional to their working status to use at their discretion.

The State's compensated absence liability at June 30 consists of accumulated unpaid annual leave, compensatory time, personal holiday hours, and Saturday/legal hours earned and vested during January through June. The liability is reported in the General Long-term Debt Account Group for all governmental fund types and similar trust funds. These unpaid amounts will be paid from expendable resources provided for in the budget of future years. In the proprietary fund types and similar trust funds, component units, and the University of Wisconsin System, the obligation is reported as a fund liability.

Sick Leave

Full-time employees earn sick leave at a rate of five hours per pay period. Unused sick leave is accumulated from year to year without limit until termination or retirement. Accumulated sick leave is not paid. However, at employee retirement the accumulated sick leave may be converted to pay for the retiree's health insurance premiums. The State accumulates resources to pay for the expected health insurance premiums of retired employees. That portion of the total health insurance obligation for which the State has already accumulated resources is presented in the Accumulated Sick Leave Fund, an expendable trust fund, while the remaining portion is reported in the General Long-term Debt Account Group.

R. Restricted and Limited Use Assets

Proprietary Fund and component unit assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions, and donor specifications have been reported as Restricted and Limited Use Assets. These assets are classified into two categories: Cash and Cash Equivalents, and Investments.

S. Self-Insurance

Consistent with the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* the State's risk management activities are reported in an internal service fund, and the claims liabilities associated with that fund are reported therein.

The State's policy is generally not to purchase commercial insurance for the risk of losses to which it is exposed. Instead, State management believes it is more economical to manage its own risks internally. The Risk Management Fund, an internal service fund, is used to pay for losses incurred by any State agency and for administrative costs incurred to manage a state-wide risk management program. These losses include damage to property owned by the agencies, personal injury or property damage liabilities incurred by a State officer, agent or employee, and worker's compensation costs for State employees. A limited amount of insurance is purchased to limit the exposure to catastrophic losses. Annually, a charge is allocated to each agency for its proportionate share of the estimated cost attributable to the program per Wis. Stat. Sec. 16.865(8).

T. Forestation State Tax

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

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

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

U. Total Columns - Memorandum Only

Total columns on the Combined Financial Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2. BUDGETARY-GAAP REPORTING RECONCILIATION

The accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - General and Special Revenue Funds presents comparisons of the legally adopted budget (more fully described in Note 1-E to the financial statements) with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of basis, timing, perspective and entity differences in the fund balance as of June 30, 2000 is presented below (in thousands):

	General	Special Revenue
Fund balance June 30, 2000 (budgetary basis – budgetary fund structure) as reported on budget to actual combined statement	$ 610,987	$ (331,425)
Reclassifications:		
To eliminate outstanding encumbrances from expenditures	735,929	875,168
To include non-budgeted funds		7,251
To reclassify activities reported in another GAAP fund type	(270,746)	41,456
Fund balance June 30, 2000 (GAAP fund structure – budgetary basis, excluding encumbrances outstanding at year end)	1,076,170	592,449
Adjustments:		
To adjust expenditures for the municipal and county shared revenue program	(509,612)	
To adjust expenditures for State property tax credit program	(356,901)	
To accrue receivables and establish payables for individual income taxes (net)	(387,345)	
To defer revenues for gross receipts public utility taxes	(226,764)	
To adjust revenues and expenditures for tax-related items and other tax credit/aid programs (net)	(214,694)	(4,433)
To adjust expenditures/revenues for petroleum inspection liabilities		(99,317)
To accrue unpaid Medicaid claims (net of receivable from federal government)	(119,453)	
To adjust expenditures/revenues for certain major Health and Family Services and Workforce Development accruals and deferrals (net)	(22,728)	
To accrue State educational aids payments deferred until the subsequent year	(75,000)	
To adjust revenues and expenditures for other items (net)	5,977	4,884
Fund balance June 30, 2000 (GAAP basis)	$ (830,349)	$ 493,583

NOTE 3. DEPOSITS AND INVESTMENTS

The State maintains a short-term investment "pool", the State Investment Fund, for the State, its agencies and departments, and certain other public institutions which elect to participate. The investment "pool" is managed by the State of Wisconsin Investment Board (the Board) which is further authorized to carry out investment activities for certain enterprise, trust and agency funds. A small number of State agencies and the University of Wisconsin System also carry out investment activities separate from the Board. Disclosures of the State's investment activities are presented in the following categories: State Investment Fund, Other Funds Managed by the Board, Other State Agencies and Funds, the University of Wisconsin System, and Component Units.

A. Deposits

Primary Government

Deposits include cash and cash equivalents on deposit in banks or other financial institutions, and nonnegotiable certificates of deposit. The majority of the State's deposits are under the control of the State Treasurer. The State Treasurer maintains multiple accounts with an agreement with the bank that allows an overdraft in one account if the overdraft is offset by balances in other accounts.

The State's insured deposits are covered by the Federal Deposit Insurance Corporation (FDIC) and an appropriation for losses on public deposits. The State, as required by Wis. Stat. Sec. 34.08, is to make payments to public depositors for proofs of loss up to $400 thousand per depositor above the amount of federal insurance. Payments are made, until the funds available in the appropriation are exhausted, in the order in which satisfactory proofs of loss are received by the State's Department of Financial Institutions.

At June 30, 2000, the carrying amount of the primary government deposits was $414.0 million and the bank balance was $235.9 million. Of the bank amount, excluding a bank overdraft of $37.9 million in two bank accounts that are covered by compensating balances in other accounts,

- $14.2 million was covered by federal depository insurance, the State Public Deposit Guarantee Fund or collateralized with securities held by the State or its agent in the State's name, and
- $259.6 million was uncollateralized and uninsured.

The State's unemployment compensation program had $1,803.1 million on deposit with the U.S. Treasury. This amount is presented as Cash and Cash Equivalents and is not included in the carrying amount of deposits nor is it categorized according to risk because it is neither a deposit with a financial institution nor an investment.

Petty cash and contingent accounts authorized under Wis. Stat. Sec 20.920, which are held by agencies and reported as “Cash and Cash Equivalents in the amount of $303 thousand, are not included in the carrying amount nor bank balance of deposits in this note because these are neither deposits nor investments.

Component Units

At June 30, 2000, the carrying amount of the component units' deposits was $26.8 million and the bank balance was $27.3 million. Of the bank amount, $1.5 million was covered by federal depository insurance, the State Public Deposit Guarantee Fund or collateralized with securities held by the State or its agent in the State's name and $25.8 million was uncollateralized and uninsured.

B. Investments

Primary Government

State Investment Fund

This fund functions as the State's cash management fund by "pooling" the idle cash balances of all State funds and other public institutions. In the State's Comprehensive Annual Financial Report, the State Investment Fund is not reported as a separate fund; rather, each State fund's share in the "pool" is reported on the balance sheet as "Cash and Cash Equivalents." Shares of the fund belonging to other participating public institutions are presented in the Local Government Pooled Investment Fund, an investment trust fund.

Wis. Stat. Secs. 25.17(3)(b), (ba) and (bd) enumerate the various types of securities in which the State Investment Fund can invest, which include direct obligations of the United States and Canada, securities guaranteed by the United States, securities of federally chartered corporations such as the African Development Bank, unsecured notes of financial and industrial issuers, Yankee/Euro dollar issues, certificates of deposit issued by banks in the United States and solvent financial institutions in this State, and bankers acceptances. Other prudent investments may be approved by the State of Wisconsin Investment Board's Board of Trustees. The Board of Trustees has given standing authority to the Board to invest in resale agreements, financial futures contracts, options and interest rate swaps.

Valuation of Securities

Investments are valued at fair value for financial statement purposes and amortized cost for purposes of calculating income to participants. The custodial bank has compiled fair value information for all securities by utilizing third party pricing services. Government and agency securities and commercial paper are priced using matrix pricing. This method estimates a security's fair value by using quoted market prices for securities with similar interest rates, maturities, and credit ratings. Repurchase agreements and certificates of deposit are valued at cost because they are nonparticipating contracts that do not capture interest rate changes in their value. Swaps are valued at the net present value of estimated expected future cash flows using discount rates commensurate with the risk involved. In addition, two bonds issued by other state agencies having a combined par value of $4.6 million are valued at par, which management believes approximates fair value. The fair value of investments is determined at the end of each month.

Pool Earnings and Pool Shares

For purposes of calculating earnings to each participant, all investments are valued at amortized cost. Specifically, income is distributed to pool participants monthly based on their average daily share balance. Distributed income includes realized investment gains and losses calculated on an amortized cost basis, interest income based on stated rates (both paid and accrued), amortization of discounts and premiums on a straight-line basis, and investment and administrative expenses. This method differs from the fair value method used to value investments because the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair values of the pool's investments.

Derivative Financial Instruments

As of June 30, 2000, the only derivative financial instruments held by the State Investment Fund were restructured interest rate swaps. Each swap transaction involves the exchange of interest rate payment obligations without the exchange of underlying principal amounts. The notional amounts used to express the volume of these transactions do not represent the amounts subject to risk, but represent the amount on which both parties calculate interest rate obligations. The settlement of the interest rate exchange occurs at predetermined dates, with the net difference between the interest paid and interest received reflected as an increase in income. Entering into interest rate swap agreements subjects the investor to the possibility of financial loss in the event of adverse changes in market rates or nonperformance by the counterparty to the swap agreement. Selecting creditworthy counterparties mitigates credit risks arising from derivative transactions.

Restructured Investments - During fiscal year 1995, the State of Wisconsin Investment Board became aware of the existence of market exposure in certain swap agreements and structured bonds which could impair the earnings of the fund.

The State of Wisconsin Investment Board entered into agreements with two counterparties which resulted in the counterparties' assumption of all future market risk associated with ten swap agreements and two structured bonds. At the time of the agreement the counterparties assigned a market value to these investments of negative $95.3 million. Within this restructuring, one swap agreement requires periodic payments over a period of ten years, while the other agreement requires periodic payment of the loss over a period of five years. Interest costs associated with the periodic payment of the loss over time is estimated to be $24.8 million. Future period earnings will be charged as payments are made.

As of June 30, 2000, the fair value of the restructured investments was negative $16.3 million while the amortized deferred loss was negative $20.5 million.

The State of Wisconsin Investment Board has suspended the use of nonrisk reducing derivatives in the fund and investment guidelines prohibiting the use of such instruments were adopted by the Board on November 2, 1995.

Deposits

The State Investment Fund holds certificates of deposit at various Wisconsin banks as part of the Wisconsin Certificate of Deposit Program implemented in July 1987. As of June 30, 2000, the fair value of these certificates of deposit was $398.0 million.

Approximately $317.4 million are Category 1 risk level deposits which are insured by the FDIC, the Wisconsin State Deposit Guarantee Fund and Financial Securities Assurance Corporation insurance. The remaining $80.6 million are considered Category 3 uncollateralized deposits.

Investments

The following table presents investments held by the State Investment Fund categorized in accordance with GASB Statement No. 3 requirements to indicate the level of risk assumed by the fund at year-end:

- Category 1 are those investments which are insured or registered, or securities which are held by the State Investment Fund in this fund's name or its agent in the name of this Fund.
- Category 2 are those investments which are uninsured and unregistered, with the securities held by the counterparty's trust department or agent in the State Investment Fund's name.
- Category 3 are those investments which are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or agent, but not in the State Investment Fund's name.

At June 30, 2000, the State Investment Fund's investments are as follows (in millions):

	Category			Fair
	1	**2**	**3**	**Value**
U.S. government and agency holdings	$ 3,890.3	--	--	$ 3,890.3
Repurchase agreements	806.0	--	--	806.0
Commercial paper	40.9	--	--	40.9
Asset backed securities	21.3	--	--	21.3
Mortgage backed securities	3.3	--	--	3.3
	$ 4,761.8	--	--	4,761.8
Swaps				(21.2)
				$ 4,740.6

Copies of the separately issued financial report that includes financial statements and other supplementary information for the State Investment Fund may be obtained by writing to:

State of Wisconsin Investment Board
PO Box 7842
Madison, WI 53707-7842

Other Funds Managed by the Board

Other investments under exclusive control of the Board which are not held in the cash management pool include those held by certain proprietary, trust and agency funds. A discussion of these investment activities follows:

Pension Trust Fund – This trust is a pooled fund consisting of retirement contributions made by and on behalf of participants in the Wisconsin Retirement System (WRS) (see Note 16 to the financial statements). At June 30, 2000, the Pension Trust Fund held $64,325.8 million of investments consisting of bonds, stocks, limited partnerships, real estate, mortgages and other investments valued at fair value in accordance with Wis. Stat. Sec. 25.17(14).

In addition, $3,727.3 million of securities lending transactions were held at June 30, 2000. These transactions are categorized consistent with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*.

Local Government Property Insurance, State Life Insurance, and Patients Compensation Funds - At June 30, 2000, investments were $11.9 million for the Local Government Property Insurance Fund, $61.3 million for the State Life Insurance Fund, and $516.4 million for the Patients Compensation Fund, consisting of bonds, stocks and private placements.

Historical Society Nonexpendable Trust Fund - At June 30, 2000, investments of $12.7 million consisted of bonds and stocks.

Tuition Trust Fund – At June 30, 2000, investments of $5.9 million consisted of bonds and principal only strips.

The following table presents investments of these funds at June 30, 2000, categorized in accordance with the requirements of GASB Statement No. 3.

At June 30, 2000, the investments of the Other Funds Managed by the Board consisted of (in millions):

	Category			Fair
	1	2	3	Value
Bonds	$ 8,813.1	$ --	$ --	$ 8,813.1
Stocks	19,117.4	7.2	--	19,124.6
Repurchase Agreements	856.2	--	--	856.2
Bankers Acceptances	1,213.2	--	--	1,213.2
	$ 29,999.9	$ 7.2	$ --	30,007.1
Private Placements				3,299.9
Limited Partnerships				2,943.7
Pooled Equity Funds				21,747.9
Pooled Bond Funds				5,949.0
Mortgages				396.2
Real Estate				456.7
Investments Held by Broker Dealers Under Securities Loans:				
Bonds				2,445.4
Equities				1,182.7
Securities Lending Cash Collateral Pooled Investments				232.7
				$ 68,661.3

Securities Lending Transactions – State statutes and State of Wisconsin Investment Board (SWIB) policies permit the use of investments to enter into securities lending transactions. These transactions involve the lending of securities to broker-dealers and other entities for collateral, in the form of cash or securities, with the simultaneous agreement to return the collateral for the same securities in the future. The securities custodian is an agent in lending the domestic and international securities for collateral of 102 percent and 105 percent, respectively, of the loaned securities' market value. The cash collateral is reinvested by the lending agent in accordance with contractual investment guidelines which are designed to insure the safety of principal and obtain a moderate rate of return. The investment guidelines include very high credit quality standards and also allow for a portion of the collateral investments to be invested with short-term securities. The earnings generated from the collateral investments, less the amount of rebates paid to the dealers, results in the gross earnings from lending activities, which is then split on a percentage basis with the lending agent.

Securities on loan at June 30, 2000 are presented in the preceding schedule of custodial risk.

At year end, no credit risk exposure to borrowers existed because the amounts owed the borrowers exceeded the amounts the borrowers owed. The contract with the lending agent requires them to indemnify if the borrowers fail to return the loaned securities (and the collateral is inadequate to replace the securities lent).

The majority of securities loans can be terminated on demand, although the average term of the loans is approximately one week. The term to maturity of the securities loans is matched with the term to maturity of the investments of the cash collateral by investing in a variety of short term investments with a weighted average maturity of 35 days.

The ability to pledge or sell collateral securities cannot be made without a borrower default. In addition, no restrictions on the amount of the loans exist or can be made.

Derivative Financial Instruments

As of June 30, 2000, the State of Wisconsin Investment Board (SWIB) utilized various derivative financial instruments, including forward contracts, collaterialized mortgage obligations and principal only strips in the pension trust fund. All financial derivative instruments are reported at fair value, regardless of whether the instruments are held for trading or nontrading purposes. The instruments are marked to market monthly, with valuation changes recognized in income.

Foreign Currency Forwards and Options - The State of Wisconsin Investment Board's derivative trading activities primarily involve foreign currency forward contracts and options. Generally, foreign currency forwards and options are held to hedge foreign exchange risk. Market risk is generally controlled by holding substantially offsetting purchase and sell positions. At June 30, 2000 the fair value of foreign currency forward contracts assets totaled $1.8 billion, while the liabilities totaled $1.8 billion.

Forward commitments represent obligations to purchase or sell foreign currencies, with the seller agreeing to make delivery at a specified future date and a specified price. Options on foreign currencies provide the holder the right, but not the obligation, to purchase or sell foreign currencies on a certain date at a specified price. The seller (writer) of an option contract is subject to market risk, while the purchaser is subject to credit risk and market risk to the extent of the premium paid.

Other Options - Other options also are held for trading purposes. These option contracts give the purchaser of the contract the right to buy (call) or sell (put) the equity security or index underlying the contract at an agreed upon price (strike price) during or at the conclusion of a specified period of time. The seller (writer) of the contract is subject to market risk, while the purchaser is subject to credit risk and market risk to the extent of the premium paid.

Futures Contracts – One of the outside investment managers uses futures contracts to manage exposure to the stock market. Upon entering into a futures contract, the outside manager is required to deposit with the broker, in SWIB's name, an amount of U.S. government obligations in accordance with the initial margin requirements of the broker. Futures contracts are marked to market daily with gains and losses being recognized. The variation margin is settled daily until the contracts expire or are closed. Futures contracts involve, to varying degrees, risk of loss in excess of the variation. Losses may arise from the changes in the value of the underlying instrument, illiquidity in the secondary market for the contracts, or if the counterparties do not perform under the terms of the contract. Futures contracts are valued each day at the settlement price established by the board of trade or exchange on which they are traded.

Collateralized Mortgage Obligations (CMO's) – Bonds that are collateralized by whole loan mortgages, mortgage pass-through securities or stripped mortgage-backed securities. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment classes or traunches in accordance with each CMO's established payment order. Some CMO traunches have more stable cash flows relative to changes in interest rates while others are significantly more sensitive to interest rate fluctuations. In a declining interest rate environment, some CMO's may be subject to a reduction in interest payments as a result of prepayments of mortgages which make up the collateral pool. A reduction in interest payments causes a decline in cash flows and thus a decline in the fair value of the security. Rising interest rates may cause an increase in interest payments, thus an increase in fair value of the security. CMO's are held to maximize yields and in part to hedge against a rise in interest rates.

Principal Only Strips – Securities that derive cash flow from the payment of principal on underlying debt securities. SWIB holds several principal only strips for yield enhancing purposes. The underlying securities are United States Treasury obligations, therefore the credit risk is low. On the other hand, principal only strips are more volatile in terms of pricing, and thus the market risk is higher than traditional United States Treasury obligations.

Unfunded Capital Commitments

Partnership agreements generally set a limit on the total dollar amount that limited partners must commit to funding when entering the partnership. Over the life of the partnership, the general partner will request capital contributions totaling the agreed upon limit. As of June 30, 2000, unfunded capital commitments totaled $1.3 billion.

Other State Agencies and Funds

The following funds also make investments following pertinent State statutes and policy provisions as set out by the appropriate governing boards or bond resolutions:

Lottery Fund - Investments are all in the form of U.S. Treasury zero coupon bonds. At June 30, 2000, investments of $228.8 million which meet Category 1 risk criteria were held.

Transportation Revenue Bond Funds - At June 30, 2000, the Transportation Revenue Bond Capital Projects Fund and the Transportation Revenue Bond Debt Service Fund had investments totaling $61.2 million which meet Category 1 risk criteria. All investments are reported as cash equivalents.

Environmental Improvement Fund - The fund's aggregate investments at June 30, 2000, were $153.9 million, of which $35.7 million are reported as cash equivalents consisting of a repurchase agreement which is a Category 2 level of risk. Investments of $118.2 million consist of government and agency holdings and satisfy Category 1 risk criteria.

The Wisconsin Public Broadcasting Foundation Fund - The fund's investments at June 30, 2000, were $6.1 million, which consists of $4.4 million of various investments and $1.7 million of money market funds which are reported as cash equivalents. All investments meet Category 1 risk criteria.

The Petroleum Inspection Fund – The fund's investments at June 30, 2000, were $.8 million consisting of government and agency holdings. These investments satisfy Criteria 1 risk category.

Inmate and Resident Fund – At June 30, 2000, investments totaling $1.0 million of which $.8 million meet risk Category No. 1 and $.2 million meet risk Category No. 3.

At June 30, 2000, the State has approximately $252.1 million of securities which it holds for banks and insurance companies. These assets are held for the period of time specified by statute and then returned to their owner. The assets are presented in the *Bank and Insurance Company Deposits Fund* as "Other Assets". All investments meet risk Category 1.

Unclaimed property, usually in the form of stocks, bank accounts, insurance proceeds, utility deposits and uncashed checks, are transferred periodically to the *Unclaimed Property Program Fund*. The $10.0 million securities, presented as "Other Assets" on the financial statements, include $8.3 million of various investments which meet risk Category 1 and $1.7 million of mutual funds which meet Category 1.

The State's Section 457 *Deferred Compensation Plan Fund* investments, totaling $1,233.2 million at June 30, 2000, are in the form of equity, bond and money market mutual funds, insured savings accounts and investment contracts with insurance companies.

The following table presents investments of the Other State Agencies and Funds at June 30, 2000, categorized in accordance with the requirements of GASB Statement No. 3.

At June 30, 2000, the Other State Agencies and Funds' investments consisted of (in millions):

	Category 1	Category 2	Category 3	Reported Amount	Fair Value
Government and agency holdings	$ 544.1	$ --	$ .2	$ 544.3	$ 542.1
Municipal bonds	53.7	--	--	53.7	53.7
Commercial paper and nonsecured corporate notes and bonds	11.4	--	--	11.4	11.4
Repurchase agreements	--	35.7	--	35.7	35.7
Negotiable certificates of deposit	4.2	--	--	4.2	4.2
	$ 613.4	$ 35.7	$ .2	649.3	647.1
Mutual Funds				1.7	1.7
Money market funds				62.8	62.8
Deferred compensation investments				1,233.2	1,233.2
				$ 1,947.0	$ 1,944.8

University of Wisconsin System

The University of Wisconsin System had investments as of June 30, 2000 with a reported fair value of $321.5 million, primarily assets of Endowment and Similar Funds ($310.7 million) with most of the remainder the property of Current Restricted Funds. Investments, which are Category 1 Risk level, except for $37.2 million invested in unit trusts that is uncategorized, were comprised of the following:

	Book	Fair
Common and preferred stock	57.4%	63.4%
Bonds, notes and debentures	42.6	36.6
Total investments	100.0%	100.0%

Component Units

Wisconsin Housing and Economic Development Authority (Authority) - The Authority is required by statute to invest at least 50 percent of its General Fund funds in obligations of the State, of the United States, or of agencies or instrumentalities of the United States, or obligations the principal and interest of which are guaranteed by the United States, or agencies or instrumentalities of the United States. Each bond resolution specifies what constitutes a permitted investment and such investments may include obligations of the U.S. Treasury, agencies and instrumentalities; commercial paper; bankers acceptances; and repurchase agreements and investment agreements.

The Authority's aggregate investments at June 30, 2000, were $696.8 million of which $209.3 million are reported as cash equivalents consisting of repurchase agreements, commercial paper, money market funds, and short-term investment agreements. The Authority's investments except for uncollateralized investment agreements of $145.1 million are a Category 1 level of risk. The Authority's investments in uncollateralized investment agreements are a Category 3 level of risk.

The Authority enters into collateralized investment contracts with various financial institutions. The investment contracts are generally collateralized by obligations of the United States government.

The Authority is also authorized to invest its funds in the State Investment Fund. The Authority has established a Master Repurchase Agreement with its banking institutions to govern the purchase of repurchase agreements. This agreement requires the institution to take possession of collateral having a market value of at least 103 percent of the cost of the repurchase agreement. The underlying collateral must be maintained at this level at all times.

Wisconsin Health Care Liability Insurance Plan - The investments of the Wisconsin Health Care Liability Insurance Plan at December 31, 1999 were $140.7 million, of which $8.6 million are reported as cash equivalents. All investments meet the Category 2 risk level.

University of Wisconsin Hospitals and Clinics Authority – The University of Wisconsin Hospitals and Clinics Authority (the Hospital) aggregate investments of $181.6 million consist of $137.5 million of restricted and limited use investments and $44.1 million of unrestricted investments. All investments, excluding guaranteed investment contracts, money market funds and international equities are Category 2 level of risk.

Restricted and limited investments consisting of stocks, bonds, international equities and guaranteed investment contracts are limited or restricted by one of the following: a trustee under a bond indenture agreement, the Board for capital replacement and debt retirement, or donors. Unrestricted investments consist of stocks, bonds, international equities and other securities.

The guaranteed investment contracts, which are held with a financial institution in accordance with provisions of a bond indenture, matures in December, 2000 and guarantees a rate of return of 1.88 percent above the interest expense on the Hospital's Series 1997 Bonds. The guaranteed investment contract is recorded at original cost plus accrued earnings which approximates fair value.

The following table presents investments of component units at December 31, 1999 or June 30, 2000, categorized in accordance with the requirements of GASB Statement No. 3.

At December 31, 1999 or June 30, 2000, the component units' investments consisted of (in millions):

	Category 1	Category 2	Category 3	Reported Amount	Fair Value
Bonds	$ 97.4	$ 204.3	$ --	$ 301.7	$ 284.2
Negotiable certificates of deposit	20.2	--	--	20.2	20.2
Commercial Paper	8.9	--	--	8.9	8.9
Uncollateralized investment agreements	--	--	145.1	145.1	145.1
Mortgage-backed securities	2.0	51.5	--	53.5	53.5
Collateralized investment contracts	222.8	--	--	222.8	222.8
	$ 351.3	$ 255.8	$ 145.1	752.2	734.7
Money market funds				209.0	209.0
Guaranteed investment contracts				50.0	50.0
International equities				7.9	7.9
				$ 1,019.1	$ 1,001.6

The following schedule summarizes investments presented in the above note discussions (in millions):

Other Funds Managed by the Board	$ 68,661.3
Other State Agencies and Funds	1,947.0
University of Wisconsin System	321.5
Component Units	1,019.1
Total Investments	$ 71,948.9

C. Lottery Investments and Related Future Prize Obligations

Investments of the State Lottery Fund totaling $228.8 million are held to finance grand prizes payable over a 20-year or 25-year period. The investments in prize annuities are debt obligations of the U.S. government and backed by its full faith and credit as to both principal and interest. Liabilities related to the future prize obligations are presented at their present value and included as Accounts Payable and Other Accrued Liabilities. The following is a schedule of future prize obligations (in thousands):

Fiscal Year	Amount
2001	$ 24,903
2002	25,054
2003	25,212
2004	25,375
2005	25,543
Thereafter	243,054
Total future value	369,141
Less: Present value adjustment	(141,821)
Present value of payments	$ 227,320

NOTE 4. FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year (in thousands).

	Balance July 1, 1999	Additions	Retirements	Completed Construction	Transfers to/from Other Funds	Balance June 30, 2000
Land	$ 378,866	$ 46,695	$ (2,334)	$ 3,753	$ --	$ 426,979
Buildings and improvements	728,072	8,283	(942)	58,189	--	793,602
Machinery and equipment	364,510	48,884	(23,525)	3,212	--	393,081
Construction in progress	156,604	117,323	--	(65,154)	--	208,774
Total general fixed assets	$ 1,628,052	$ 221,185	$ (26,801)	$ --	$ --	$ 1,822,436

Construction in progress reported in the General Fixed Asset Account Group at June 30, 2000 included the following projects (in thousands):

	Allotments	Expended to June 30, 2000	Encumbrances Outstanding	Unencumbered Allotment Balance
Waupun Housing/Freezer/Locks	$ 20,487	$ 19,942	$ 544	$ --
Milwaukee Probation/Parole Prison	69,150	27,189	34,787	7,174
New Lisbon Correctional Institution	48,250	2,022	37,677	8,551
Taycheedah Correctional Institution additions	17,285	1,538	12,945	2,802
Red Granite Medium Security Correction Institution	52,900	42,580	10,320	--
Secure Treatment Facility	39,740	23,458	13,411	2,872
Other projects with allotments totaling less than $10 million		92,045		
Total construction in progress		$ 208,774		

The following is a summary of proprietary and fiduciary fund-type, University of Wisconsin System, and component unit fixed assets at June 30, 2000 (in thousands):

	Enterprise	Internal Service	Nonexpendable Trust	University of Wisconsin System	Component Units
Land	$ 10,453	$ 8,450	$ 635	$ 92,157	$ 6,032
Buildings and improvements	216,706	208,336	--	2,314,825	191,141
Machinery and equipment	24,168	119,661	--	1,518,194	137,057
Less: Accumulated depreciation	(127,287)	(144,450)	--		(177,136)
Construction in progress	2,269	31,886	--		6,809
Total	$ 126,309	$ 223,883	$ 635	$ 3,925,176	$ 163,903

NOTE 5. CHANGES IN LONG-TERM OBLIGATIONS REPORTED IN THE GENERAL LONG-TERM DEBT ACCOUNT GROUP

During the year ended June 30, 2000, the following changes occurred in liabilities reported in the General Long-term Debt Account Group (in thousands):

	Balance July 1, 1999	Additions	Reductions	Balance June 30, 2000
Capital Leases	$ 10,494	$ 9,996	$ 5,890	$ 14,600
Installment Contracts Payable	1,066	1,022	1,028	1,060
Compensated Absences	429,911	27,337	--	457,248
Employer Pension Costs	650,243	50,365	25,412	675,196
General Obligation Bonds Payable	1,743,029	169,740	144,312	1,768,457
Revenue Bonds Payable	769,150	168,500	33,705	903,945
Long-Term Notes Payable	--	117,705	--	117,705
Claims, Judgments and Commitments	2,316	--	195	2,121
	$ 3,606,209	$ 544,665	$ 210,542	$ 3,940,331

* Due to the inclusion of accretion amounts on original issue discounts of the State's zero coupon bonds and underwriter discounts on new general obligation bond issues sold during Fiscal Year 2000, the amount presented for "Additions" to general obligation bonds payable differs from the amount presented for "Proceeds from Sale of Bonds" on the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances, which is reported net of the discussed items.

NOTE 6. BONDS, NOTES AND OTHER FINANCING AGREEMENTS PAYABLE

The following schedule summarizes outstanding long-term bonds and notes payable at June 30, 2000 (in thousands):

Primary Government:	
General Long-term Debt Account Group:	
General Obligation Bonds	$ 1,768,457
Petroleum Inspection Revenue Bonds	168,500
Transportation Revenue Bonds	735,445
Long-term Notes	117,705
Total General Long-term Debt Account Group	2,790,107
Debt Service Funds:	
Bond Security and Redemption General Obligation	585
Petroleum Inspection Revenue Bonds	1,750
Transportation Revenue Bonds	33,705
Total Debt Service Funds	36,040
Enterprise Funds:	
State Fair Park General Obligation Bonds	14,817
Veterans Mortgage Loan Repayment General Obligation Bonds	757,244
Veterans Trust General Obligation Bonds	1,079
Wisconsin Education Revenue Bonds	1,140
Environmental Improvement Fund Revenue Bonds	543,618
Total Enterprise Funds	1,317,898
Internal Service Funds:	
Facilities Operations and Maintenance General Obligation Bonds	107,343
Badger State Industries General Obligation Bonds	716
Total Internal Service Funds	108,059
University of Wisconsin System:	
General Obligation Bonds	769,954
Other Bonds	125
Total University of Wisconsin System	770,079
Component Units:	
Wisconsin Housing and Economic Development Authority Bonds and Notes	2,189,250
University of Wisconsin Hospitals And Clinics Authority	106,500
	2,295,750
Total at June 30, 2000	$ 7,317,934

A. General Obligation Bonds

Primary Government

The State of Wisconsin Building Commission, an agency of the State, is empowered by law to consider, act upon, authorize, issue and sell all debt obligations of the State. To date, the Commission has authorized and issued general obligation bonds primarily to provide funds for the acquisition or improvement of land, water, property, highways, buildings, equipment or facilities for public purposes. Occasionally, general obligation bonds are also issued for the purpose of providing funds for veterans housing loans and to refund general obligation bonds. All general obligation bonds authorized and issued by the State are secured by a pledge of the full faith, credit and taxing power of the State of Wisconsin and are customarily repaid over a period of twenty to thirty years.

Article VIII of the Wisconsin Constitution and Wis. Stat. Sec. 18.05 set limits on the amount of debt that the State can contract in total and in any calendar year. In total, debt outstanding cannot exceed five percent of the value of all taxable property in the State. Annual debt issued cannot exceed the lesser of three-quarters of one percent or five percent of the value of all taxable property in the State less net indebtedness at January 1.

The outstanding principal and interest for general obligation debt to be financed from governmental funds and similar trust funds are accounted for in the General Long-term Debt Account Group (GLTDAG). Repayment of the bonds is made from the Bond Security and Redemption Fund and the corresponding amount removed from the GLTDAG when paid. The bonds payable amount presented in the Bond Security and Redemption Fund represents the liability to be paid from resources accumulated to provide debt service payments in Fiscal Year 2001. Repayment of principal and interest and the related outstanding liability on general obligation bonds made from fees and revenues of proprietary funds and similar trust funds are recorded in those funds.

At June 30, 2000, $2,405.9 million of general obligation bonds were authorized but unissued.

General obligation bonds issued and outstanding as of June 30, 2000 were as follows (in thousands):

Fiscal Year Issued	Series	Dates	Interest Rates	Maturity Through	Amount Issued	Amount Outstanding
1977	1976 Series C and 1977 Series B	11/76; 5/77	5.0	5/02	$ 168,000	$ 3,000
1979	1978 Series C	11/78	5.1	11/03	77,300	2,940
1990	1990 Series B and D	3/90; 5/90	6.8 to 7.6	1/20	85,859	32,971
1991	1990 Series F; 1991	10/90				
	Series A, B and Series I	4/91; 5/91; 6/91	5.25 to 7.6	1/21	272,136	152,428
1992	1992 Series A and B,	3/92				
	and Refunding Issue	6/92; 3/92	5.8 to 6.6	1/22	697,975	411,555
1993	1992 C and 2	10/92; 11/92				
	1993 1, 2 and A	1/93; 3/93; 5/93	4.2 to 7.75	5/15	721,175	388,955
1994	1993 Refunding Issues	7/93; 12/93; 12/93;				
	3, 4, 5, 6; 1994 Refunding	10/93; 3/94;				
	Issues 1 and 2; and					
	1994 Series A and B	1/94; 6/94	4.0 to 7.0	5/24	929,825	548,465
1995	1994 Series 3 and C;	9/94; 9/94				
	1995 Series A, B, and 1	1/95; 2/95; 2/95	5.1 to 7.0	5/25	331,715	145,025
1996	1995 Series 2 and C;	10/95; 9/95;				
	1996 Series 1, A and B;	2/96; 1/96; 5/96				
	and Note 995B	and 7/95	4.35 to 7.3	11/26	448,537	351,627
1997	1996 C and D;	9/96; 10/96;				
	1997 1 and A	3/97; 3/97	4.75 to 6.25	5/28	190,230	121,585
1998	1997 B, C and D;	7/97; 9/97;	4.25 to 7.25	11/28	411,765	382,505
	1998 A, B and C	9/97; 3/98; 5/98; 5/98				
1999	1998 Series 1, 2, D, E and F;	8/98; 9/98; 9/98; 10/98	4.0 to 7.25	11/30	590,675	565,815
	1999 Series 1, A and B	10/98; 2/99; 5/99; 5/99				
2000	1999 C and D; 2000 A	10/99; 11/99; 3/00	5.0 to 7.7	11/30	315,000	315,000
Total					5,240,192	3,421,871
Proprietary Fund (Discounts)/Premiums						(1,675)
Total General Obligation Bonds and Notes, net of discounts					$ 5,240,192	$ 3,420,196

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As of June 30, 2000, general obligation debt service requirements for principal and interest in future years are as follows (in thousands):

Fiscal Year Ended June 30	Principal	Interest	Total
2001	$ 248,852	$ 184,847	$ 433,699
2002	245,019	171,316	416,335
2003	240,833	158,508	399,341
2004	225,258	146,199	371,457
2005	220,386	134,029	354,415
Thereafter	2,278,911	976,635	3,255,546
Total	3,459,259	1,771,534	5,230,793
Proprietary Fund (Discounts)/Premiums	(1,675)		(1,675)
Unamortized zero coupon	(37,388)		(37,388)
Total, net of discounts	$3,420,196	$ 1,771,534	$5,191,730

Zero Coupon Bonds

The general obligation bonds of 1990, Series D (Higher Education Series), are zero coupon bonds recorded in the amount of $31.0 million which is the accreted value at June 30, 2000. The bonds mature on May 1 through the year 2010.

The general obligation bonds of 1991, Series B, are zero coupon bonds recorded in the amount of $56.0 million. The bonds mature on May 1 through the year 2011.

B. Revenue Bonds

Primary Government

Chapter 18, Wisconsin Statutes, authorizes the State to issue revenue obligations secured by a pledge of revenues or property derived from the operation of a program funded by the issuance of these obligations. The resulting bond obligations are not general obligations of the State.

Transportation Revenue Bonds

Transportation Revenue Bonds are issued to finance part of the costs of certain transportation facilities and major highway projects. Chapter 18, Subchapter II of the Wisconsin Statutes as amended, Wis. Stat. Sec. 84.59 and a general bond resolution and series resolutions authorize the issuance of these bonds.

The Department of Transportation is authorized to issue a total of $1,447.1 million Series A revenue bonds. Presently, there are nine issues of Transportation Revenue Bonds totaling $769.2 million. Debt service payments are secured by driver and vehicle registration fees and also a reserve fund, which will be used in the event that a deficiency exists in the redemption fund.

The Transportation Revenue Bonds issued and outstanding as of June 30, 2000 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
1998A&B	8&10/98	4.0 to 5.5	7/19	$ 240,590	$ 239,220
1996A	5/96	5.0 to 6.0	7/10	67,330	56,325
1995A	9/95	4.45 to 6.25	7/15	97,930	84,380
1994A	7/94	4.9 to 7.5	7/14	62,615	46,285
1993A	9/93	4.1 to 5.0	7/12	116,450	95,160
1992A&B	7/92	5.0 to 5.8	7/22	265,625	238,590
1991A	10/91	6.0 to 6.1	7/01	37,050	9,190
Total				$ 887,590	$ 769,150

As of June 30, 2000, debt service requirements for principal and interest for the Transportation Revenue Bonds are as follows (in thousands):

Fiscal Year Ended June 30	Principal	Interest	Total
2001	$ 33,705	$ 39,488	$ 73,193
2002	36,560	37,739	74,299
2003	38,115	35,840	73,955
2004	40,020	33,787	73,807
2005	46,150	31,458	77,608
Thereafter	574,600	220,099	794,699
Total	$ 769,150	$ 398,411	$ 1,167,561

Petroleum Environmental Cleanup Fund Award Revenue Bonds

Petroleum Environmental Cleanup Fund Award (PECFA) Bonds are issued to finance claims made under the PECFA Program for reimbursement of cleanup costs to soil and groundwater contamination. The program reimburses owners for 75 percent to 99 percent of cleanup costs associated with soil and groundwater contamination.

Presently, there is one issue of PECFA Bonds outstanding totaling $170.3 million. Debt service payments are secured by petroleum inspection fees.

As of June 30, 2000, debt service requirements for principal and interest for the PECFA Revenue Bonds are as follows (in thousands):

Fiscal Year Ended June 30	Principal	Interest	Total
2001	$ 1,750	$ 8,002	$ 9,752
2002	--	9,600	9,600
2003	11,440	9,286	20,726
2004	12,070	8,639	20,709
2005	12,735	7,925	20,660
Thereafter	132,255	32,283	164,538
Total	$ 170,250	$ 75,735	$ 245,985

Wisconsin Education Revenue Bonds

The Wisconsin Higher Educational Aids Board (HEAB) was created in 1967 to replace the State Commissioner for Higher Educational Aids and to administer the State's Student Loan Program. Through its administration of the Student Loan Program, HEAB provides funds to finance Health Education Assistance Loans.

Health Education Assistance Loan Program

At June 30, 2000, there was one issue of Health Education Assistance Loan program bonds outstanding totaling $1.1 million. These bonds are secured by student loan repayments and interest income.

The Health Education Assistance Loan program bonds issued and outstanding as of June 30, 2000 were as follows (in thousands):

Issue	Issue Date	Maturity Through	Issued	Outstanding
1994	12/94	12/04	$ 19,100	$ 1,240
Less: Unamortized discount				(100)
Total			$ 19,100	$ 1,140

The provisions of the 1994 Series A bond issue requires interest and principal payments are to be made to the bond holder on the first working day of the month until maturity in December 2004. The interest portion of each monthly payment is based on the effective Federal funds rate plus 0.25% for each day in the month. The principal amount paid each month varies depending on the amount of student loans receivable that is collected and working cash flow for each month. Therefore, bond amortization varies through final maturity in the year 2004.

Environmental Improvement Fund

The Environmental Improvement Fund (the Fund) provides loans and grants to local municipalities to finance wastewater treatment planning and construction. The Fund is authorized to issue up to $1,298.0 million in Revenue Bonds. At June 30, 2000, there were eight issues of Revenue Bonds outstanding totaling $543.6 million. These bonds are secured by payments on program loans and earnings of investments.

Bonds issued and outstanding for the Fund as of June 30, 2000 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
1999-1	9/99	5.0 to 5.75	6/20	$80,000	$80,000
1998-2	8/99	4.0 to 5.5	6/17	104,360	102,560
1998-1	1/98	4.0 to 5.0	6/18	90,000	84,015
1997-1	2/97	4.5 to 6.0	6/17	80,000	51,105
1995-1	7/95	4.0 to 6.25	6/15	80,000	34,080
1993-2	9/93	2.75 to 6.13	6/08	81,950	77,395
1993-1	9/93	3.6 to 5.3	6/13	84,345	36,955
1991-1	4/91	5.4 to 6.9	6/11	225,000	79,515
				825,655	545,625
Unamortized Premium					9,490
Less: Unamortized discount and charge					(11,497)
Total, net of discount, charge and premium				$ 825,655	$ 543,618

As of June 30, 2000, debt service requirements for principal and interest for the Fund were as follows (in thousands):

Fiscal Year Ended June 30	Principal	Interest	Total
2001	$ 27,245	$ 29,651	$ 56,896
2002	28,665	28,195	56,860
2003	30,270	26,617	56,887
2004	31,875	25,113	56,988
2005	33,415	23,557	56,972
Thereafter	394,155	131,696	525,851
Total	545,625	264,829	810,454
Unamortized Premium	9,490		9,490
Less: Unamortized discount and charge	(11,497)		(11,497)
Total, net	$ 543,618	$ 264,829	$ 808,447

Component Units

Wisconsin Housing and Economic Development Authority

Bonds and notes payable at June 30, 2000 of the Wisconsin Housing and Economic Development Authority (Authority) consisted of the following (in thousands):

Revenue bonds and notes	$ 1,854,742
Special obligation and subordinated	
Special obligation	337,486
Total	2,192,228
Less: Deferred amount on refunding	(2,978)
Total, net	$ 2,189,250

Authority's Revenue Bonds and Notes

The Authority's revenue bonds and notes are collateralized by the revenues and assets of the Authority, subject to the provisions of resolutions and note agreements which pledge particular revenues or assets to specific bonds or notes. The bonds are subject to mandatory sinking fund requirements and may be redeemed at the Authority's option at various dates and at prices ranging from 100 percent to 103 percent of par value. Any particular series contains both term bonds and serial bonds which mature at various dates.

The Authority's revenue bonds and notes outstanding at June 30, 2000 consisted of the following (in thousands):

Series/ Issue	Date	Rates	Maturity Through	Outstanding
Housing Revenue Bonds:				
1992 A	1/92	6.0 to 6.85	2012	$ 55,915
1992 B, C, D	4/92	6.5 to 7.2	2022	68,095
1993 A & B	10/93	4.6 to 5.65	2023	62,225
1993 C	12/93	4.8 to 5.875	2019	120,980
1995 A & B	7/95	4.85 to 6.5	2026	45,965
1998 A, B & C	2/98	4.4 to 6.88	2032	38,760
1999 A & B	10/99	4.0 to 6.18	2031	41,400
				433,340

(Continued)

Series/ Issue	Date	Rates	Maturity Through	Outstanding
Home Ownership Revenue Bonds:				
1987 B&C	8/87	7.375 to 7.85	2015	2,505
1991 A&B	12/90	6.95 to 7.15	2001	665
1991 1,2&3	7/91	6.7 to 7.125	2022	28,285
1992 A&B	3/92	6.1 to 7.1	2023	44,555
1992 1,2	6/92	6.15 to 6.875	2024	53,790
1994 A&B	4/94	5.0 to 6.75	2025	45,080
1995 A&B	1/95	6.0 to 7.1	2025	62,935
1995 C,D&E	5/95	5.1 to 6.3	2026	69,410
1995 F,G&H	9/95	4.9 to 7.875	2026	42,535
1996 A&B	3/96	4.8 to 6.15	2027	63,135
1996 C&D	7/96	5.0 to 6.45	2027	61,945
1996 E&F	11/96	4.55 to 6.2	2027	49,850
1997 A, B & C	4/97	4.6 to 7.31	2028	64,950
1997 D & E	6/97	4.5 to 6.0	2028	82,020
1997 F	7/97	Variable	2007	2,670
1997 G, H&I	11/97	4.35 to 7.39	2028	69,505
1998 A, B&C	4/98	4.8 to 6.3	2028	115,860
1998 D & E	6/98	4.15 to 6.04	2028	111,045
1999 A & B	8/99	5.3 to 5.8	2021	63,220
1999 C, D&E	4/99	3.4 to 7.29	2029	89,065
1999 F & G	7/99	4.3 to 5.75	2030	53,985
1999 H	7/99	Variable	2022	25,935
1999 I	8/99	3.55 to 4.15	2001	75,000
2000 A, B &C	3/00	4.5 to 8.57	2030	70,000
				1,347,945
Business Development Bonds:				
1989 3 & 28	Various	4.3 to 7.75	2014	2,530
1990 4, 6	Various	7.2 to 7.50	2010	2,040
1991 4, 6	Various	6.1 to 6.5	2006	3,165
1994 1, 4	Various	Variable	2004	3,355
1995 1-2, 4-9	Various	Variable	2015	15,045
				26,135
Notes Payable	Various	Variable	2000	47,322
Authority's Total Revenue Bonds and Notes				$1,854,742

Authority's Special Obligation Bonds

The Authority's Special Obligation Bonds are special limited obligations of the Authority and are collateralized by the revenues and assets of each bond resolution.

Special obligation bonds at June 30, 2000 consist of the following (in thousands):

Series/ Issue	Date	Rates	Maturity Through	Outstanding
Home Ownership Revenue Bonds:				
1993 A	6/92	5.2 to 6.5	2025	77,545
1994 C&D	8/94	5.3 to 6.65	2025	31,290
1994 E&F	12/94	6.15 to 7.55	2026	2,965
1998 F&G	10/98	3.7 to 6.7	2029	92,725
				204,525
Single Family Drawdown Revenue Bonds:				
1998	8/98	Variable	2001	51,565
1999	7/99	Variable	2002	81,396
				132,961
Total Special Obligation Bonds				$ 337,486

As of June 30, 2000, debt service requirements for principal and interest of the Authority's revenue bonds and special obligation bonds were as follows (in thousands):

Fiscal Year Ended June 30	Principal	Interest	Total
2001	$ 167,432	$ 123,697	$ 291,129
2002	99,160	116,968	216,128
2003	131,471	110,389	241,860
2004	54,495	106,722	161,217
2005	57,770	103,671	161,441
Thereafter	1,681,900	1,271,518	2,953,418
Total	2,192,228	1,832,965	4,025,193
Less: Deferred Refunding Amount	(2,978)		(2,978)
Total	$ 2,189,250	$ 1,832,965	$ 4,022,215

Under a Business Development Program and a Beginning Farmer Program, revenue bonds are issued which do not constitute indebtedness of the Authority within the meaning of any provision or limitation of the Constitution or Statutes of the State of Wisconsin. They do not constitute or give rise to a pecuniary liability of the Authority or a charge against its general credit. They are payable solely out of the revenues derived pursuant to the loan agreement, or in the event of default of the loan agreement, out of any revenues derived from the sale, releasing or other disposition of the mortgaged property. Therefore, the bonds are not reflected in the financial statements. As of June 30, 2000, the Authority had issued 133 series of such bonds in an aggregate principal amount of $81.5 million for economic projects in Wisconsin.

University of Wisconsin Hospitals and Clinics Authority

In April 1997, the University of Wisconsin Hospitals and Clinics Authority (the Hospital) issued $50.0 million of Variable Rate Demand Hospital Revenue Bonds, Series 1997. The bond proceeds are designated to finance qualified capital projects. Principal payments on the Series 1997 Bonds are due annually commencing in April 2010 through April 2026. Interest is payable monthly. The effective annual estimated interest rate was 3.8 percent at the time of issuance.

In March 2000, the Hospital issued $56.5 million of Hospital Revenue Bonds Series 2000. The bond proceeds are designated to finance qualified capital projects. Principal payments are due annually commencing in April 2007 through April 2029. Interest rates range from 5.35 percent to 6.20 percent and interest is payable semiannually on April 1 and October 1 each year beginning October 1, 2000.

The Series 1997 Bonds and Series 2000 Bonds are collateralized by a security interest in substantially all of the Hospital's revenue. The borrowing agreements contain various covenants and restrictions including the establishment and maintenance of certain funds under the control of a trustee. These funds are held by the trustee and are reflected in Restricted and Limited Use Assets – Investments in the accompanying financial statements.

The Hospital is limited to total borrowings, exclusive of amounts outstanding prior to issuance of the Series 1997 bonds, to $106.5 million, with limited exceptions.

The revenue bonds of the Hospital do not constitute debt of the State nor is the State liable on those bonds.

As of June 30, 2000, debt service requirements for the Hospital's revenue bonds were as follows (in thousands):

Fiscal Year Ended June 30	Principal	Interest	Total
2001	$	$ 5,437	$ 5,437
2002		5,366	5,366
2003		5,366	5,366
2004		5,370	5,370
2005		5,361	5,361
Thereafter	106,500	89,403	195,903
Total	$ 106,500	$ 116,303	$ 222,803

C. University of Wisconsin System

Bonds payable included in the University of Wisconsin System's Plant Funds at June 30, 2000 consist of general obligation bonds of $769.9 million, and $.1 million of Wisconsin State College Building Corporation bonds.

Debt of this corporation are general obligations, but not of the State. Revenues pledged to the repayment of these bonds are derived through lease-rental agreements between the University of Wisconsin System and the corporation.

On June 30, 2000, future principal payments on bonds payable were as follows (in thousands):

Fiscal Year Ended June 30	Total
2001	$ 68,309
2002	64,687
2003	60,577
2004	56,290
2005	54,709
Thereafter	465,507
Total	$770,079

D. Refundings and Early Extinguishments

Refunding Provisions of GASB Statement No. 23

The State implemented the provisions of GASB Statement No. 23. *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities* beginning with Fiscal Year 1996. This Statement requires proprietary activities to adopt certain accounting and reporting changes for both current refunding and advance refunding resulting in defeasance of debt. GASB Statement No. 23 permits, but does not require, retroactive application of its provisions. The State has chosen not to apply the provisions retroactively to previously issued financial statements.

In February 1996, the State participated in a refunding (1996 Series 1) of general obligation debt that fell within the provisions of GASB Statement No. 23. The State is amortizing these deferred amounts over a period of approximately 19 years, using the straight-line method.

Prior Year Refundings/General Obligation Bonds

Government Accounting Standards Board Statement No. 7 *Advance Refundings Resulting in Defeasance of Debt*, provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. At June 30, 2000, approximately $528.0 million of general obligation bond principal, defeased in prior years, is not included as a liability in the accompanying financial statements.

Prior Year Refundings/Revenue Bonds

For financial reporting purposes, the following primary government revenue bonds have been defeased, and therefore, removed as a liability from the balance sheet:

- Environmental Improvement Fund revenue bonds – At June 30, 2000, revenue bonds outstanding of $178.0 million have been defeased.
- Transportation revenue bonds – At June 30, 2000, revenue bonds outstanding of $183.0 million have been defeased.
- Wisconsin Education revenue bonds – At June 30, 2000, revenue bonds outstanding of $103.8 million have been defeased.

In addition, the Wisconsin Housing and Economic Development Authority (the Authority), a proprietary component unit, defeased Insured Mortgage Revenue Bonds payable aggregating $48.4 million and sold the related Insured Mortgage Loan portfolio on March 1, 1990. As of June 30, 2000, the remaining outstanding defeased debt was $35.7 million.

Early Extinguishments

Component Units

Wisconsin Housing and Economic Development Authority

During 2000, the Wisconsin Housing and Economic Development Authority (the Authority) redeemed early various outstanding bonds according to the redemption provisions in the bond resolutions. These redemptions resulted in extraordinary losses due to the write-off of remaining unamortized deferred debt financing costs and, in certain instances, the payment of an early redemption premium. A summary of these early redemptions follows (in thousands):

Bond Issue	Redemptions 2000	Extraordinary Losses 2000
Home Ownership Revenue Bond Resolutions:		
1987	$ 37,695	$ --
1988	137,498	--
All Other	74,230	--
General funds	8,475	--
State of Wisconsin Programs	5,790	108
Housing Revenue Bonds	20,530	--

E. Short-Term Financing

The State of Wisconsin Building Commission, an agency of the State, is empowered by law to consider, authorize, issue, and sell debt obligations of the State. To date, the Commission has authorized the issuance of notes in anticipation of revenue or bond financing. When this short-term debt does not meet long-term financing criteria, it is classified among fund liabilities.

General Obligation Commercial Paper Notes

The State has authorized General Obligation Commercial Paper Notes for the acquisition, construction, development, extension, enlargement, or improvement of land, waters, property, highway, buildings, equipment or facilities. As of June 30, 2000, the State issued $166.7 million of general obligation commercial paper notes. Periodically, additional commercial paper notes are issued to pay for maturing commercial paper notes. The State intends to make annual May 1 payments on the outstanding commercial paper notes that reflect principal amortization of the notes. The State also intends to make regular payments to the issuing and paying agent that will be equal to the interest due on maturing notes. At June 30, 2000, the amount of commercial paper notes outstanding was $146.8 million which had interest rates ranging from 3.9 percent to 4.75 percent and maturities ranging from July 5, 2000 to October 12, 2000.

A portion of State general obligation bonds issued on November 16, 2000, will retire $51.4 million of these general obligation commercial paper notes. This amount of commercial paper notes will be retired as the notes mature, commencing on November 16, 2000, and completed no later than February 14, 2001. Because the criteria of the Financial Accounting Standards Board's (FASB) Statement No. 6, *Classification of Short-Term Obligations Expected to Be Refinanced*, have been met for the $51.4 million of short-term notes, they have been reclassified as long-term notes payable and reported as such in the GLTDAG or a proprietary fund specific liabilities.

General Obligation Extendible Commercial Notes

The State has authorized general obligation extendible commercial notes for the acquisition, construction, development, extension, enlargement, or improvement of land, waters, property, highway, buildings, equipment or facilities. As of June 30, 2000, the State issued $125.0 million of general obligation extendible commercial notes. Periodically, additional extendible commercial notes are issued to pay for maturing extendible commercial notes. The State intends to make annual May 1 payments on the outstanding extendible commercial notes that reflect principal amortization of the notes. The State also intends to make regular payments to the issuing and paying agent that will be equal to the upcoming interest due on maturing notes. At June 30, 2000, the amount of extendible commercial notes outstanding was $125.0 million which had interest rates ranging from 3.9 percent to 4.9 percent and maturities ranging from July 12, 2000, to September 12, 2000.

On August 8, 2000, all of the outstanding extendible commercial notes were refunded by the issuance of general obligation extendible municipal commercial paper. This refunding occurred between August 8, 2000, and November 6, 2000.

A portion of State general obligation bonds issued on November 16, 2000, will retire $66.3 million of this general obligation extendible municipal commercial paper. This amount of extendible municipal commercial paper will be retired as the notes mature, commencing on November 16, 2000, and completed no later than February 14, 2001. Because the criteria of the FASB Statement No. 6, *Classification of Short-Term Obligations Expected to Be Refinanced*, have been met for the $66.3 million of short-term notes, they have been reclassified as long-term notes payable and reported as such in the GLTDAG or as proprietary fund specific liabilities.

Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper

The State has authorized petroleum inspection fee revenue extendible municipal commercial paper to pay the costs of claims under the Petroleum Environmental Cleanup Fund Award (PECFA) Program. As of June 30, 2000, the State issued $60.0 million of petroleum inspection fee revenue extendible municipal commercial paper. Periodically, additional extendible municipal commercial paper is issued to pay for maturing notes. The State may periodically deposit money into the Junior Subordinate Principal Account, which represents principal payments to be made on the extendible municipal commercial paper. The State also intends to make regular payments to the issuing and paying agent that will be equal to the upcoming interest due on maturing notes. At June 30, 2000, the amount of extendible commercial notes outstanding was $60.0 million which had interest rates ranging from 4.625 percent to 4.9 percent and maturities ranging from July 19, 2000 to August 25, 2000.

Transportation Revenue Commercial Paper Notes

The State authorized transportation revenue commercial paper notes to pay the costs of major highway projects and certain State transportation facilities. As of June 30, 2000, the State issued $154.8 million of transportation revenue commercial paper notes. Periodically, additional commercial paper notes are issued to pay for maturing commercial paper notes. The State intends to make annual July 1 payments on the commercial paper notes that reflect principal amortization of the notes. The State also intends to make regular payments to the issuing and paying agent that will be equal to the upcoming interest due on maturing notes. At June 30, 2000, the amount of commercial paper notes outstanding was $147.3 million which had interest rates ranging from 4.0 percent to 4.6 percent and maturities ranging from July 6, 2000 to September 12, 2000.

F. Certificates of Participation

The State established a facility in 1992 that provides lease purchase financing for property and certain service items acquired by State agencies. This facility is the Third Amended and Restated Master Lease 1992-1. Pursuant to the terms and conditions of this agreement, the trustee for the facility issues parity Master Lease certificates of participation that evidence proportionate interest of the owners thereof in lease payments. A common pool of collateral ratably secures all Master Lease certificates. Title in the property and service items purchased under the facility remains with the State and the State grants to the Trustee, for the benefit of all Master Lease certificate holders, a first security interest in the leased items. At June 30, 2000, the following parity Master Lease certificates were outstanding:

- Master Lease Certificates of Participation of 1996, Series B, in the amount of $2.0 million. This series of Master Lease certificates had interest rates ranging from 4.5 percent to 4.9 percent and matures semi-annually through September 1, 2000 and annually through 2003.

- Master Lease Certificates of Participation of 1996, Series A, in the amount of $38.5 million. This Master Lease certificate evidences the State's obligation to repay revolving loans under a Revolving Credit Agreement, dated July 1, 1996 between Firstar Bank National Association (Trustee) and the Bank of America, as amended. This Master Lease certificate shall bear interest at the rates provided for in the Revolving Credit Agreement and matures on March 1, 2009. The balance of this certificate of participation may include some accrued interest that will be payable at the next semi-annual interest payment date.

- Master Lease Certificates of Participation of 1999, Series A, in the amount of $18.1 million. These series of Master Lease certificates have interest rates ranging from 3.3 percent to 3.9 percent and mature semi-annually through March 1, 2005.

- Master lease Certificates of Participation of 1999, Series B (Taxable), in the amount of $12.1 million. These series of Master Lease certificates have interest rates ranging from 5.2 percent to 5.6 percent and mature semi-annually through September 1, 2005.

The Third Amended and Restated Master Lease 1992-1 provides that certain lease schedules to the facility can be terminated if the State deposits with the Trustee an amount that is equal to the outstanding amount of the lease schedule, or in amounts that are sufficient to purchase investments that mature on dates and in amounts to make the lease payments when due. At June 30, 2000, the State has deposited with the Trustee amounts, that when invested, will terminate lease schedules having an aggregate outstanding amount of $1.7 million. As a result of terminating these lease schedules, the associated liability is removed from the financial statements.

G. Arbitrage Rebate

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt subsequent to August 1986, calculate and rebate arbitrage earnings to the federal government. Specifically, the excess of the aggregated amount earned on investments purchased with bond proceeds over the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield, is to be rebated to the federal government. As of June 30, 2000, no arbitrage liability existed.

H. Moral Obligation Debt

Through legislation enacted in 1994, the State authorized the creation of local exposition districts. These districts are authorized to issue bonds for costs related to an exposition center, and if the State determines that certain conditions are satisfied, the State may have a moral obligation to appropriate moneys to make up deficiencies in the districts' reserve funds that secure up to $200 million principal amount of bonds. To date, one such district has been created, and it has issued $125.8 million of bonds that are subject to the moral obligation.

I. Credit Agreements

Primary Government

The State has, as part of the working bank contract, a letter of credit agreement with the Firstar Bank National Association, Milwaukee, Wisconsin under which the Bank has agreed to provide to the State an open line of credit in the amount of $50.0 million. The agreement provides for advances in anticipation of bond issuance proceeds. As of June 30, 2000, $50.0 million was unused and available.

The State has previously entered into a credit agreement with two banks to provide a line of credit for liquidity support for up to $160.0 million of general obligation commercial paper notes. The line of credit expires in March, 2001, but is subject to annual renewal as provided for in the credit agreement. The cost of this line of credit is 0.075 percent per year.

Also, the State has previously entered into a credit agreement with two banks to provide a stand-by letter of credit for credit and liquidity support for its transportation revenue commercial paper program. The stand-by letter of credit is available to secure up to $155.0 million of transportation revenue commercial paper and interest thereon. No advances were drawn during the fiscal year ended June 30, 2000. This stand-by letter of credit expires in May, 2002, but is subject to renewal as provided for in the credit agreement. The cost of this stand-by letter of credit is 0.085 percent on unutilized amounts and 0.160 percent per year on utilized amounts.

NOTE 7. LEASE COMMITMENTS

The State leases office buildings, space, and equipment under a variety of agreements that vary in lease term, many of which are subject to appropriation from the State Legislature to continue the lease commitment. If such funding, i.e., through legislative appropriation, is judged to be assured, and the likelihood of cancellation through exercise of the fiscal funding clause is remote, leases are considered noncancelable and reported in the General Long-term Debt Account Group or appropriate proprietary fund or university fund types.

A. Capital Leases

Primary Government

Capital lease commitments for the governmental fund types are reported in the General Long-term Debt Account Group and the related assets are reported in the General Fixed Assets Account Group. Capital lease commitments for proprietary funds are reported as liabilities of those funds. The related assets along with the depreciation are also reported in those proprietary funds. Capital lease commitments for the University of Wisconsin System are reported in the University of Wisconsin System Plant Funds.

Assets acquired through capital leases are valued at the lower of fair market value or the present value of minimum lease payments at the inception of the lease. The following is an analysis of General Fixed Assets and proprietary fund type assets leased under capital leases as of June 30, 2000 (in thousands):

	General Fixed Assets	Enterprise Funds	Internal Service Funds
Buildings and Improvements	$ 1,761	$ --	$ --
Machinery and Equipment	18,176	1,055	23,838
Less: Accumulated Depreciation	--	(308)	(14,803)
Carrying Amount	$ 19,936	$ 746	$ 9,035

The following is an analysis of the gross minimum lease payments along with the present value of the minimum lease payments as of June 30, 2000 for capital leases (in thousands):

Fiscal Year	General Long-term Debt Account Group	Proprietary Funds	University of Wisconsin System
2001	$ 4,861	$ 5,533	$ 4,647
2002	3,511	2,121	3,547
2003	2,966	1,332	2,371
2004	1,730	472	1,522
2005	1,501	54	844
Thereafter	2,680	349	7,186
Total minimum future payments	17,248	9,861	20,117
Less: Executory costs	(46)	--	--
Less: Interest	(2,603)	(823)	(4,781)
Present value of net minimum lease payments	$ 14,600	$ 9,038	$ 15,336

Master Lease Program

The State established a facility in 1992 that provides lease purchase financing for property and certain service items acquired by state agencies. This facility is the Third Amended and Restated Master Lease between the State acting by and through the Department of Administration and Firstar Bank National Association. Lease purchase obligations under the Master Lease are not general obligations of the State, but are payable from appropriations of State agencies participating in the Master Lease Program, subject to annual appropriation. The interest component of each lease/purchase payment is subject to a separate determination. Pursuant to terms of the Master Lease, the Trustee for the facility issues parity Master Lease Certificates of Participation that evidence proportionate interest of the owners thereof in lease payments. Items acquired and outstanding on June 30, 2000 consisted of:

Balance Due	Average Life (Weighted Term)
$69,337,490	2.1899 Years

The assets acquired and corresponding obligations, for governmental funds and similar trust funds are reported in the General Fixed Asset Account Group and the General Long-term Debt Account Group. Assets acquired and the corresponding liability for proprietary funds and similar trust funds are reported in those funds.

Component Unit

Under the terms of a lease agreement, the University of Wisconsin Hospitals and Clinics Authority (the Hospital) leases facilities which were occupied by the Hospital as of June, 1996 (see Note 1B to the financial statements). The initial term of the lease is 30 years to be renewed annually with automatic extensions of one additional year on each July 1 until action is taken to stop the extensions. Included in the consideration for the lease is an amount equal to the debt service during the term of the lease agreement on all outstanding bonds issued by the State for the purpose of financing the acquisition, construction or improvement of the leased facilities. Interest rates on the related bonds range from 3.9 percent to 7.8 percent, with final maturities due beginning in April 2000 through April 2016. Scheduled principal and interest payments through April 2016 are $41.4 million.

In addition, scheduled principal and interest payments through December 2000 are $.4 million for equipment acquired under a capital lease agreement.

B. Operating Leases

Operating leases, those leases not recorded as capital leases as required by FASB Statement No. 13, are not recorded in the balance sheet. These leases contain various renewal options, the effect of which are reflected in the minimum lease payments only if it is considered that the option will be exercised. Certain other operating leases contain escalation clauses and contingent rentals which are not included in the calculation of the future minimum lease payments. The State has adopted the operating lease scheduled rent increase provisions of FASB Statement No. 13 prospectively. Operating lease expenditures/expenses are recognized as incurred or paid.

Governmental and proprietary fund rental expenditures/expenses under operating leases for Fiscal Year 2000 were $40.7 million. Of this amount, $40.2 million relates to minimum rental payments stipulated in lease agreements, $489 thousand relates to contingent rentals. The University of Wisconsin System operating lease expenditures totaled $ 4.5 million for Fiscal Year 2000.

The following is an analysis of the future minimum rental payments due under operating leases (in thousands):

Fiscal Year	Governmental and Proprietary Funds	University of Wisconsin System	Component Units
2001	$ 37,635	$ 8,032	$ 3,341
2002	31,677	5,356	3,370
2003	21,866	4,722	3,142
2004	14,798	4,071	2,972
2005	10,502	3,867	2,957
Thereafter	23,315	21,221	10,832
Minimum lease payments	$ 139,793	$ 47,269	$ 26,614

NOTE 8. INSTALLMENT PURCHASES

Installment purchase liabilities for the governmental fund types are reported in the General Long-term Debt Account Group and the related assets are reported in the General Fixed Assets Account Group.

The following is an analysis of the gross minimum installment payments along with the present value of the minimum installment payments as of June 30, 2000 for installment purchases (in thousands):

Fiscal Year	General Long-term Debt Account Group
2001	$ 565
2002	401
2003	175
2004	17
Total minimum future payments	1,158
Less: Interest	(98)
Present value of net minimum installment payments	$ 1,060

NOTE 9. SEGMENT INFORMATION AND CONDENSED FINANCIAL DATA

Primary Government

The State maintains 24 enterprise funds which are intended to be self-supporting through user fees charged to the public. Financial statement information as of and for the year ended June 30, 2000 is presented below (in thousands):

	Home for Veterans (1)	Mental Health Institutes (2)	Developmental Disabilities Centers (3)	Lottery (4)	Health Insurance Risk Sharing Plan (5)	Local Government Property Insurance (6)
Operating revenues:						
Total revenues	$ 37,776	$ 31,793	$ 118,813	$406,784	$ 29,311	$ 10,746
Revenues from sales/services provided to other GAAP funds	--	--	--	--	--	--
Depreciation, depletion and amortization expense	2,166	1,356	3,011	225	--	63
Operating income or loss	(2,247)	(48,324)	3,337	114,685	(10,043)	1,831
Operating grants, entitlements, and shared revenues	30	183	72	--	--	--
Operating interfund transfers:						
In	17	40,581	99	59,995	10,681	--
Out	581	1,473	7,570	8,200	--	--
Extraordinary gain (loss)	--	--	--	--	--	--
Net income (loss)	(2,400)	(6,034)	(804)	(35,786)	991	1,831
Current capital:						
Contributions	--	146	268	--	--	--
Transfers In	393	305	--	--	--	--
Transfers Out	--	--	--	--	--	--
Property, plant and equipment:						
Additions	638	566	1,042	17	--	--
Deletions	387	1,454	702	2,843	--	--
Net working capital (current assets less current liabilities)	4,394	(12,383)	(9,034)	59,815	12,063	11,505
Total assets	31,890	54,861	61,224	312,310	17,599	31,760
Bonds and other material long-term liabilities outstanding:						
Amounts payable solely from operating revenues	157	--	--	202,684	13,414	--
Amounts potentially payable from other sources	--	--	--	--	--	--
Total equity	27,602	15,482	26,101	62,006	(1,732)	23,381

Description of Programs

(1) Nursing home care for veterans and their spouses.
(2) Diagnosis, care and treatment of individuals with mental and emotional disturbances (two institutes).
(3) Services provided to developmentally disabled citizens (three centers).
(4) State managed lottery activities used to provide property tax relief.
(5) Medical insurance provided to Wisconsin residents under sixty-five who are unable to obtain private coverage.
(6) Property insurance coverage provided to local governments.
(7) State sponsored life insurance.
(8) Excess medical malpractice insurance for Wisconsin health care providers.
(9) Government Employee Benefit Plans include:
Income Continuation Insurance - disability benefits for government employees.
Duty Disability – Compensation for duty-related disabilities of government employees.
Health Insurance - Group health insurance for government employees.
Long-term Disability Insurance – Long-term disability benefits for government employees.

State Life Insurance (7)	Patients Compensation (8)	Government Employee Benefit Plans (9)	Environmental Improvement (10)	Veterans Mortgage Loan Repayment (11)	State Fair Park (12)	Wisconsin Education Revenue Bonds (13)	Other (14)	Total
$ 5,558	$ 67,995	$ 561,030	$ 28,601	$ 46,452	$ 15,754	$ 430	$ 20,268	$1,381,311
--	--	436,166	--	--	--	--	1,617	437,783
24	6	--	957	462	1,759	100	565	10,696
(1,874)	18,268	(7,247)	(6,399)	(5,466)	941	150	325	57,935
--	--	--	1,491	--	--	--	235	2,009
--	--	--	--	1,820	25	--	1,630	114,849
--	--	--	--	--	254	--	836	18,914
--	--	--	--	--	--	--	169	169
(1,874)	18,652	(6,685)	877	1,983	(612)	154	(1,598)	(31,306)
--	--	--	33,740	--	--	--	706	34,861
--	--	--	21,000	--	406	--	201	22,306
--	--	--	4,000	--	--	--	873	4,873
43	--	--	--	42	1,634	--	1,972	5,954
--	48	--	118	--	396	--	1,075	7,023
5,949	24,956	448,599	192,369	102,522	(225)	(133)	36,245	876,642
72,398	542,613	506,151	1,320,090	857,457	32,202	3,505	139,735	3,983,795
64,517	514,125	333,799	--	730,649	14,817	--	7,094	1,881,256
--	--	--	518,380	--	--	1,140	--	519,520
7,257	27,230	114,800	770,311	78,561	13,712	1,966	124,844	1,291,522

(10) Funding for clean water projects, safe drinking water and the land recycling loan program.

(11) Issuance and administration of veteran's first mortgage loans.

(12) State Fair Park - State Fair Exposition Center revenues and operations.

(13) Health education loans provided to full-time medical and dental students and eligible residents.

(14) Other funds include: Transportation Infrastructure Loan – Federal and state funding for loans to finance infrastructure; Institutional Farm Operations – Funds associated with employing inmates in agricultural activities; Institutional Canteen Operations – Sale of goods for the use of institutionalized patients and inmates; Tuition Trust – Taxpayers' investment to cover future tuition expenses; Veterans Trust-Various programs for veterans, including loans and grants.

Component Units

Significant financial data for the State's three component units for the year ended December 31, 1999 or June 30, 2000 is presented below (in thousands):

	Wisconsin Housing and Economic Development Authority	Wisconsin Health Care Liability Insurance Plan	University of Wisconsin Hospitals and Clinics Authority	Total
Condensed Balance Sheet				
Assets:				
Current Assets	$ 522,625	$ 150,749	$ 105,397	$ 778,771
Due From Primary Government	--	--	2,622	2,622
Long-term Receivables	1,887,286	--	--	1,887,286
Deferred Charges	14,732	--	--	14,732
Fixed Assets	22,909	--	140,994	163,903
Other Assets	203,999	--	185,778	389,777
Total Assets	$ 2,651,551	$ 150,749	$ 434,791	$ 3,237,090
Liabilities:				
Current Liabilities	$ 170,224	$ 21,306	$ 41,053	$ 232,583
Due to Primary Government	92	--	7,441	7,533
Future Benefits and Loss Liability	--	102,031	--	102,031
Other Liabilities	391	--	33,789	34,180
Bonds and Notes Payable	2,189,250	--	106,500	2,295,750
Total Liabilities	2,359,957	123,337	188,783	2,672,076
Equity:				
Retained Earnings	291,594	27,412	246,008	565,014
Total Equity	291,594	27,412	246,008	565,014
Total Liabilities and Equity	$ 2,651,551	$ 150,749	$ 434,791	$ 3,237,090
Condensed Statement of Revenues, Expenses and Changes in Retained Earnings				
Operating Revenues	$ 149,272	$ 13,121	$ 392,482	$ 554,875
Operating Expenses:				
Depreciation	5,267	--	17,950	23,217
Other	211,487	9,130	377,017	597,634
Operating Income (Loss)	(67,482)	3,991	(2,485)	(65,976)
Other Nonoperating Revenues (Expenses)	94,894	--	14,825	109,719
Income (Loss) Before Operating Transfer	27,412	3,991	12,341	43,744
Operating Transfer to Primary Government	--	--	(2,400)	(2,400)
Net Income Before Extraordinary Item	27,412	3,991	9,941	41,344
Extraordinary Item	(108)	--	--	(108)
Net Income	27,304	3,991	9,941	41,236
Retained Earnings-Beginning of Year	264,290	23,422	236,067	523,779
Retained Earnings-End of Year	$ 291,594	$ 27,412	$ 246,008	$ 565,014

NOTE 10. INTERFUND ASSETS/LIABILITIES

Interfund assets and liabilities at June 30, 2000 consist of the following (in thousands):

A. Due from/to Other Funds:

Due from Other Funds	$ 407,381
Due to Other Funds	$ 407,381

Due from/to Other Funds represent short-term interfund accounts receivable and payable. The totals of Due from/to Other Funds at June 30, 2000 by individual fund were as follows (in thousands):

Fund	Due from Other Funds	Due to Other Funds
General	$ 126,622	$ 105,766
Special Revenue:		
Transportation	17,740	32,619
Conservation	10,007	14,454
Heritage State Parks and Forests	--	84
Wisconsin Health Education Loan Repayment	22	12
Tobacco Control	--	2,108
Uninsured Employers	1	--
Mediation	2	6
Agriculture Chemical Cleanup	--	1,500
Agrichemical Management	64	1,176
Employee Trust Fund Administration	1,521	1,306
Petroleum Inspection	12,135	2,886
Environmental	4,712	1,938
Dry Cleaner Environmental Response	--	76
Recycling	8,190	1,053
Information Technology Investment	--	162
Universal Service	269	1,938
Wisconsin Public Broadcasting Foundation	179	1,351
Debt Service:		
Bond Security and Redemption	410	1,803
Transportation Revenue Bonds	--	9

(Continued)

Fund	Due from Other Funds	Due to Other Funds
Capital Projects:		
Building Trust	364	160
Capital Improvement	7,079	3,740
Transportation Revenue Bonds	9	14,977
Enterprise:		
State Fair Park	--	630
Home for Veterans	--	1,530
Mendota Mental Health Institute	579	10,176
Winnebago Mental Health Institute	433	10,836
Northern Developmental Disabilities Center	2,376	3,836
Central Developmental Disabilities Center	3,998	4,710
Southern Developmental Disabilities Center	2,952	3,845
Institutional Farm Operations	49	35
Institutional Canteen Operations	4	78
Lottery	10,118	11,254
Health Insurance Risk Sharing Plan	--	95
Local Government Property Insurance	--	2
State Life Insurance	--	48
Patients Compensation	--	21
Income Continuation Insurance	3,013	67
Duty Disability	8,761	45
Long-term Disability Insurance	7,529	500
Health Insurance	1,248	186
Tuition Trust	--	805
Environmental Improvement	279	1,521
Veterans Trust	1,247	281
Veterans Mortgage Loan Repayment	51	1,344
Wisconsin Education Revenue Bonds	--	393
Internal Service:		
Information Technology Services	8,146	555
Fleet Services	1,849	143

(Continued)

Fund	Due from Other Funds	Due to Other Funds
Printing and Other Services	1,658	94
State Telephone System	9,398	449
Financial Services	975	177
Facilities Operations and Maintenance	4,100	7,490
Risk Management	--	135
Institutional Power Plant	932	329
Central Warehouse	480	38
Badger State Industries	3,240	424
Expendable Trust:		
Unclaimed Property Program	--	10
Children's Trust	15	13
Accumulated Sick Leave	33,881	21
Special Death Benefits	40	--
Employee Reimbursement Accounts	461	7
Life Insurance	13	1,040
Deferred Compensation	153	13
Common School Income	--	32,484
Unemployment Insurance Reserve	227	756
Nonexpendable:		
Common School	32,297	72
Normal School	185	--
Historical Society	--	125
Pension:		
Wisconsin Retirement System	42,430	60,790
Investment Trust:		
Local Government Pooled Investment	--	24
Milwaukee Retirement Systems	3,397	1,952
Agency:		
Inmate and Resident	442	290
Support Collection Trust	8,175	1,706
University of Wisconsin System	22,925	56,882
Total	$ 407,381	$ 407,381

B. Due to/from Component Units

Receivables and payables between funds and component units at June 30, 2000 were as follows (in thousands);

Fund/Component Unit	Due from Component Units/Primary Government	Due to Component Units/Primary Government
Primary Government:		
General Fund	$ 6	$ 1,506
Enterprise:		
Patients Compensation	12	--
Internal Service:		
Fleet Services	4	--
Printing and Other Services	113	--
State Telephone System	63	--
Badger State Industries	57	--
University of Wisconsin System	7,289	1,116
Component Unit:		
Wisconsin Housing and Economic Development Authority	--	92
Wisconsin Health Care Liability Insurance Plan	--	12
University of Wisconsin Hospitals and Clinics Authority	2,622	7,441
Total	$ 10,167	$ 10,167

C. Interfund Loans Receivable/Payable

Interfund Loans Receivable	$ 382,376
Interfund Loans Payable	$ 382,376

Interfund Loans Receivable/Payable represent loans from one fund to another to cover cash overdrafts. Interfund loans receivable/payable at June 30, 2000 by individual fund were as follows (in thousands):

Fund	Interfund Loans Receivable	Interfund Loans Payable
General	$ 71,704	$ --
Special Revenue:		
Transportation	26,478	--
Wisconsin Health Education Loan Repayment	--	10
Employee Trust Funds Administration	126	--
Capital Projects:		
Capital Improvement	1,285	
Transportation Revenue Bonds	--	26,478
Enterprise:		
Mendota Mental Health Institute	--	5,353
Winnebago Mental Health Institute	--	8,099
Northern Developmental Disabilities Center	--	1,607
Central Developmental Disabilities Center	--	4,712
Southern Developmental Disabilities Center	--	3,890
Institutional Farm Operations	--	4,472
Institutional Canteen Operations	--	14
Internal Service:		
Fleet Services	--	30,420
Printing and Other Services	--	2,997
State Telephone System	--	9,829
Institutional Power Plants	--	301
Expendable Trust:		
Accumulated Sick Leave	282,783	--
Deferred Compensation	--	126
Pension Trust:		
Wisconsin Retirement System	--	282,783
University of Wisconsin System	--	1,285
Total	$ 382,376	$ 382,376

D. Advances to/from Other Funds

Advances to/from Other Funds represent long-term loans to one fund from another fund. Advances at June 30, 2000 by individual fund were as follows (in thousands):

Fund	Advances to Other Funds	Advances from Other Funds
Special Revenue:		
Information Technology Investment	$ --	$ 3,183
Capital Projects:		
Energy Efficiency	2,000	--
Internal Service:		
State Telephone System	3,183	--
University of Wisconsin System	--	2,000
Total	$ 5,183	$ 5,183

NOTE 11. INTERFUND TRANSFERS

A. Residual Equity Transfers

Residual equity transfers in and out that occurred during Fiscal Year 2000 were as follows (in thousands):

Fund	Residual Equity Transfers In	Residual Equity Transfers Out
General	$ 1,000	$ 744
Special Revenue:		
Transportation	315	21
Agrichemical Management	--	1,000
Historical Legacy Trust	146	--
Debt Service:		
Bond Security and Redemption	4,000	1
Capital Projects:		
Building Trust	1	360
Capital Improvement	--	21,239
Enterprise:		
State Fair Park	406	--
Home for Veterans	873	--
Mendota Mental Health Institute	218	--
Winnebago Mental Health Institute	87	--
Environmental Improvement	21,000	4,000
Veterans Trust	193	873
Total Residual Equity Transfers	$ 28,239	$ 28,239

Residual equity transfers to proprietary fund types are reported as additions to contributed capital; those from proprietary fund types are reported as reductions of retained earnings or contributed capital depending on whether the transfers represent a return of contributions. Transfers of purchased fixed assets from a proprietary fund to the General Fixed Assets Account Group are reported as a residual equity transfer out in the proprietary fund type and as an asset in the account group. Transfers of long-term debt from a proprietary fund to the General Long-term Debt Account Group are reported as a reduction of the residual equity transfer out of the proprietary fund and as a liability in the account group.

B. Operating Transfers

Operating transfers in and out that occurred during Fiscal Year 2000 were as follows (in thousands):

Fund	Operating Transfers In	Operating Transfers Out
General	$ 117,939	$ 1,360,407
Special Revenue:		
Transportation	406	21,707
Conservation	17,168	7,100
Wisconsin Elections Campaign	329	--
Investment and Local Impact	--	35
Tobacco Control	23,500	2,092
Agriculture Chemical Cleanup	--	1,500
Petroleum Inspection	--	1,916
Environmental	12,894	45
Recycling	285	15,606
Universal Service	--	817
Computer Escrow	--	64,000
Wisconsin Public Broadcasting Foundation	--	5,549
Debt Service:		
Bond Security and Redemption	224,455	4,689
Transportation Revenue Bonds	--	8,073
Capital Projects:		
Building Trust	14,444	1,350
Capital Improvement	17,647	4,656
Transportation Revenue Bonds	8,073	3,139
Enterprise:		
State Fair Park	25	254
Home for Veterans	17	581
Mendota Mental Health Institute	22,890	639
Winnebago Mental Health Institute	17,691	834
Northern Developmental Disabilities Center	11	2,555
Central Developmental Disabilities Center	88	2,714
Southern Developmental Disabilities Center	--	2,302
Institutional Farm Operations	912	60
Institutional Canteen Operations	284	368
Lottery	59,995	8,200
Health Insurance Risk Sharing Plan	10,681	--
Veterans Trust	433	408
Veterans Mortgage Loan Repayment	1,820	--
Internal Service:		
Fleet Services	--	94
Printing and Other Services	250	--
Financial Services	--	769
Facilities Operations and Maintenance	8,162	1,612
Institutional Power Plants	--	41
Central Warehouse	--	10
Badger State Industries	180	143
Expendable Trust:		
Unclaimed Property Program	--	1,000
Capitol Restoration	--	20
Nonexpendable Trust:		
Common School	1,000	--
Historical Society	59	77
University of Wisconsin System	976,743	13,020
Total	$1,538,382	$1,538,382

(Continued)

NOTE 12. RESTATEMENTS OF BEGINNING FUND BALANCE/RETAINED EARNINGS AND OTHER CHANGES

For Fiscal Year 2000, the following reclassifications and adjustments have resulted in beginning fund balance/retained earnings restatement (in thousands):

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust
Fund Balances/Retained Earnings June 30, 1999 as previously reported	$ (908,714)	$ 342,099	$ 6,320	$ (195,685)	$ 203,469	$ (13,541)	$ 66,359,621
Reclassification of fund structure:							
State Telephone System	(1,702)	--	--	--	--	85	--
Services to Non-state Governmental Units	(1,387)	--	--	--	--	694	--
Materials and Services to State Agencies	859	--	--	--	--	(1,112)	--
Building Construction Services	3,078	--	--	--	--	(2,640)	--
Petroleum Violation	10,968	--	--	--	--	--	(10,968)
Wisconsin Public Broadcasting Foundation	--	4,655	--	--	(4,655)	--	--
Revaluation of Public Defender receivables	(62,789)	--	--	--	--	--	--
Refinement of calculation of Health and Family Services prepayments and deferred revenue	(18,036)	--	--	--	--	--	--
Capitalization of the cost of surgical supplies inventory resulted in a cumulative effect of a change in accounting principle for the University of Wisconsin Hospitals and Clinics Authority (a discretely presented component unit)	--	--	--	--	--	--	--
Other adjustments of assets and liabilities as of June 30, 1999	(8,931)	(201)	206	(754)	9,580	425	--
Fund balances/retained earnings, July 1, 1999 as restated	$ (986,654)	$ 346,553	$ 6,526	$ (196,438)	$ 208,394	$ (16,089)	$ 66,348,653
Effect of restatements on the amount of excess revenues and other sources over expenditures and other uses or the amount of the net income of Fiscal Year 1999	$ (46,595)	$ (84)	$ 206	$ (754)	$ 8,869	$ 510	$ 0

Amounts reported for fixed assets as of July 1, 1999 in Note 4 have been restated from amounts previously reported in the 1999 Comprehensive Annual Financial Report to reflect additional assets identified as existing at that date.

University of Wisconsin System						
Current			Endowment		Component
Unrestricted	Restricted	Loan	And Similar	Plant	Units
$ 199,251	$ 43,637	$ 174,145	$ 296,985	$ 2,915,976	$ 519,953
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	3,825
228	(228)	--	--	531	--
$ 199,479	$ 43,409	$ 174,145	$ 296,985	$ 2,916,507	$ 523,779

NOTE 13. FUND EQUITY

The following schedule enumerates the components of Fund Equity of the various funds as of June 30, 2000 (in thousands):

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types			
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust	University of Wisconsin System	Component Units	Total
Contributed Capital	$ --	$ --	$ --	$ --	$1,114,433	$28,373	$ --	$ --	$ --	$ 1,142,806
Retained Earnings:										
Reserved for:										
Future Benefits	--	--	--	--	18,653	--	--	--	4,010	22,663
Market Value Adjustments (Statutory Reservation)	--	--	--	--	90,204	--	--	--	--	90,204
Bonds	--	--	--	--	--	--	--	--	139,776	139,776
Donors for Operations	--	--	--	--	--	--	--	--	2,562	2,562
Unreserved	--	--	--	--	68,232	(3,385)	--	--	418,667	483,514
Fund Balances:										
Reserved for:										
Encumbrances	412,795	533,387	--	213,673	--	--	6	204,619	--	1,364,480
Inventory	9,178	18,098	--	--	--	--	--	25,667	--	52,943
Prepaid Items	187,727	16,577	--	16	--	--	4,844	16,451	--	225,615
Advances to Other Funds	--	--	--	2,000	--	--	--	--	--	2,000
Employee Benefits		--	--	--	--	--	52,024,647	--	--	52,024,647
Pool Participants	--	--	--	--	--	--	2,664,304	--	--	2,664,304
Market Value Adjustments	--	--	--	--	--	--	14,524,766	--	--	14,524,766
Unemployment Insurance	--	--	--	--	--	--	1,902,184	--	--	1,902,184
Auxiliary Operations	--	--	--	--	--	--	--	105,651	--	105,651
Restricted Funds	--	271	--	--	--	--	--	14,688	--	14,959
Loan Funds	--	--	--	--	--	--	--	180,655	--	180,655
Endowment and Similar Funds	--	--	--	--	--	--	--	316,026	--	316,026
Plant Funds	--	--	--	--	--	--	--	2,959,851	--	2,959,851
Unreserved:										
Designated for University Contingent Fund	--	--	--	--	--	--	--	3,949	--	3,949
Undesignated	(1,440,049)	(74,749)	7,787	(458,399)	--	--	1,717,004	28,088	--	(220,318)
Total Fund Equity	$ (830,349)	$493,583	$7,787	$(242,710)	$1,291,522	$24,988	$72,837,755	$3,855,645	$565,014	$78,003,235

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NOTE 14. DEFICIT FUND BALANCES/RETAINED EARNINGS

In addition to the General Fund, funds reporting a deficit fund balance or retained earnings position at June 30, 2000 are (in thousands):

Special Revenue:		
Petroleum Inspection	$	60,663
Information Technology Investment		3,127
Capital Projects:		
Capital Improvement		94,222
Transportation Revenue Bonds		188,681
Enterprise:		
State Fair Park		1,200
Home for Veterans		11,019
Mendota Mental Health Institute		19,073
Winnebago Mental Health Institute		16,572
Northern Developmental Disabilities Center		16,793
Central Developmental Disabilities Center		14,926
Southern Developmental Disabilities Center		22,533
Institutional Farm Operations		13
Health Insurance Risk Sharing Plan		1,732
Duty Disability		179,036
Tuition Trust		588
Veterans Trust		38,841
Internal Service:		
Printing and Other Services		1,401
Risk Management		70,651
Institutional Power Plant		3,576

NOTE 15. CONTRIBUTED CAPITAL

During the year, contributed capital increased by the following amounts (in thousands):

	Enterprise	Internal Service
Environmental Improvement Fund – Environmental Protection Agency grant for State revolving fund loans to municipalities	$ 33,740	$ --
Environmental Improvement Fund – Residual equity transfers in from the Capital Improvement Fund totaling $21,000 less return of Contributed Capital to the Bond Security and Redemption Fund of $4,000	17,000	--
Other changes to contributed capital	2,426	1,920
Subtotal	53,166	1,920
Contributed capital, beginning of year	1,061,267	26,453
Contributed capital, end of year	$1,114,433	$ 28,373

NOTE 16. RETIREMENT PLAN

The Wisconsin Retirement System (WRS) was established and is administered by the State of Wisconsin to provide pension benefits for State and local government public employees. The WRS consists of the fixed retirement investment trust, the variable retirement investment trust, and the police and firefighters trust. Although separated for accounting purposes, the assets of these trust funds can be used to pay benefits for any member of the WRS, and are reported as one pension plan.

The WRS is considered part of the State of Wisconsin's financial reporting entity. Copies of the separately issued financial report that includes financial statements and required supplementary information for the year ending December 31, 1999, may be obtained by writing to:

Department of Employee Trust Funds
801 West Badger Road
P.O. Box 7931
Madison, WI 53707-7931.

Plan Description

The WRS, governed by Chapter 40 of the Wisconsin Statutes, is a cost-sharing multiple-employer defined benefit pension plan. It provides coverage to all eligible State of Wisconsin, local government and other public employees. Any employee of a participating employer who is expected to work at least 600 hours per year for at least one year must be covered by the WRS. As of December 31, 1999, the number of participating employers was:

State Agencies	60
Cities	153
Counties	71
4th Class Cities	34
Villages	189
Towns	155
School Districts	426
Wisconsin Technical College System Board Districts	16
Cooperative Educational Service Agencies	12
Other	154
Total Employers	1,270

For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested. Employees who retire at or after age 65 (55 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is 2.0 percent for executives, elected officials and protective occupations with social security; 2.5 percent for protective occupations without social security; and 1.6 percent for all others.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits. The WRS also provides death and disability benefits for employees.

Accounting Policies and Plan Asset Matters

The financial statements of the WRS have been prepared in accordance with generally accepted accounting principles, using the flow of economic resources measurement focus and a full accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

All assets of the WRS are invested by the State of Wisconsin Investment Board. The retirement fund assets consist of shares in the variable retirement investment trust and the fixed retirement investment trust. The variable retirement investment trust consists primarily of equity securities. The fixed retirement investment trust is a balanced investment fund made up of fixed income securities and equity securities. Shares in the fixed retirement investment trust are purchased as funds are made available from retirement contributions and investment income, and sold when funds for benefit payments and other expenses are needed.

The assets of the fixed and variable retirement investment trusts are carried at fair value with all market value adjustments recognized in current operations. Investments are revalued monthly to current market value. The resulting valuation gains or losses are recognized as income, although revenue has not been realized through a market-place transaction.

The WRS does not have any investments (other than those issued or guaranteed by the U.S. Government) in any one organization that represent 5.0 percent or more of plan net assets.

State Contributions Required and Contributions Made

Covered State employees in the General/Teacher category are required by statute to contribute 5.0% of their salary (4.3% for Executives and Elected Officials, 4.9% for Protective Occupations with Social Security, and 5.4% for Protective Occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of employees.

Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits. Required contributions were determined as part of an actuarial valuation at December 31, 1997. State contributions required and made for the years ended December 31, 1999, 1998, and 1997 were as follows (in millions):

	1999	1998	1997
Employer current service	$ 121.6	$ 124.1	$ 125.0
Percent of payroll	4.9%	5.3%	5.4%
Employer prior service	$ 31.9	$ 30.6	$ 29.7
Percent of payroll	2.5%	1.3%	1.3%
Employee required	$ 124.2	$ 119.9	$ 116.9
Percent of payroll	5.0%	5.0%	5.0%
Benefit adjustment contrib.	$ 17.6	$ 25.9	$ 29.3
Percent of payroll	.7%	1.1%	1.3%
Percent of Required Contributions	100%	100%	100%

The WRS uses the "Entry Age Normal with Frozen Initial Liability" actuarial method in establishing employer contribution rates. Under this method, the unfunded actuarial accrued liability (UAAL) is generally affected only by the monthly amortization payments, compound interest, the added liability created by new employer units, and any liabilities caused by changes in benefit provisions. The UAAL is being amortized over a 40 year period beginning January 1, 1990. However, periodically, the Employee Trust Funds Board has reviewed and, when appropriate, adjusted the actuarial assumptions used to determine this liability. Changes in the assumptions may affect the UAAL, and the resulting actuarial gains or losses are credited or charged to employers' unfunded liability accounts.

All actuarial gains or losses arising from the difference between actual and assumed experience are reflected in the determination of the normal cost.

As of June 30, 2000 and 1999, the WRS's unfunded actuarial accrued liability was $2.1 billion and $2.1 billion, respectively. These amounts are presented as Prior Service Contributions Receivable on the financial statements. New prior service liabilities resulting from employers entering the WRS or increasing their prior service coverage are recognized as contributions in the year service is granted and are added to the Prior Service Contributions Receivable. Employer contributions for prior service reduce the receivable. The receivable is increased as of calendar year end with interest at the assumed interest rate of 8 percent.

Employer Pension Costs

The State's unfunded liability as of June 30, 2000, was $675.2 million, or 32.2 percent of the total WRS unfunded liability of $2.1 billion. This liability is determined in accordance with the provisions of GASB Statement No. 27. The State's unfunded liability for prior service is recorded in the General Long-term Debt Account Group.

NOTE 17. MILWAUKEE RETIREMENT SYSTEMS

The Milwaukee Retirement Systems (MRS), consisting of the City of Milwaukee Retirement System and the Milwaukee Public Schools Retirement System, is reported as an Investment Trust Fund. MRS provides assets to the State of Wisconsin, Department of Employee Trust Funds (DETF) for investing in its Fixed Retirement Investment Trust (FRIT), a "fund" of the Wisconsin Retirement System (WRS). Participation of the MRS in the FRIT is described in the DETF Administrative Code, Chapter 10.12. The State of Wisconsin Investment Board (SWIB) manages the FRIT with oversight by a Board of Trustees as authorized in Wis. Stat. 25.14 and 25.17. SWIB is not registered with the Securities and Exchange Commission as an investment company.

The investments of the FRIT consist of a highly diversified portfolio of securities. Wis. Stat. 25.17(3)(a) allow investments in loans, securities and any other investments as authorized by Wis. Stat. 620.22. Permitted classes of investments include bonds of governmental units or of private corporations, loans secured by mortgages, preferred or common stock, real property and other investments not specifically prohibited by statute.

Investments are revalued monthly to fair value, with unrealized gains and losses reflected in income.

Monthly, the DETF distributes a pro-rata share of the total FRIT earnings less administrative expenses to the MRS accounts. The MRS accounts are adjusted to fair value and gains/losses are recorded directly in the accounts per DETF Administrative Code, Chapter 10.12(2).

Neither State statute, a legal provision nor a legally binding guarantee exists to support the value of shares.

At June 30, 2000, the FRIT held a number of nonnegotiable short-term certificates of deposit. The fair value of these certificates of deposit was approximately $70.6 million, all of which was uncollateralized.

At June 30, 2000, the FRIT held $59,702.0 million of investments of which includes $3,534.5 million of securities lending collateral. The following table presents investments of the FRIT at June 30, 2000, categorized in accordance with the level of risk requirements of GASB Statement No. 3 (in millions):

	Category			Fair
	1	**2**	**3**	**Value**
Bonds	$ 8,200.6	$ --	$ --	$ 8,200.6
Stocks	15,533.6	7.3	--	15,540.9
Repurchase Agreements	812.0	--	--	812.0
Bankers Acceptances	1,150.4	--	--	1,150.4
Total	$ 25,696.6	$ 7.3	$ --	25,703.9
Private Placements				3,282.7
Limited Partnerships				2,943.7
Pooled Equities				17,304.7
Pooled Bonds				5,949.0
Mortgages				396.2
Real Estate Owned				456.5
Investments Held by Broker Dealers under Securities Loans:				
Bonds				2,445.4
Equities				999.4
Securities Lending Cash Collateral Pooled Investments				220.5
				$ 59,702.0

The following schedule provides summary information by investment classification for the FRIT at June 30, 2000 (in thousands):

Classification	Interest/Coupon Rates	Maturity Dates	Cost	Fair Value
Bonds	Variable and .01 to 14.5	12/00 to 7/49	$ 15,298,095	$ 15,242,944
Common and Preferred Stock	N/A	N/A	30,333,799	33,844,976
Limited Partnerships	N/A	N/A	2,540,894	2,943,724
Mortgages	6.77 to 12.25	1/01 to 1/22	401,051	396,258
Real Estate Owned	N/A	N/A	404,508	456,797
Financial Futures Contracts	N/A	N/A	--	43
Private Placements	Variable and 5.3 to 14.75	8/00 to 12/31	3,244,396	3,282,711
Total Investments			$ 52,222,743	$ 56,167,453

Significant financial data for the FRIT for the year ended June 30, 2000 is presented below (in thousands):

Fixed Retirement Investment Trust
Condensed Statement of Net Assets
As of June 30, 2000

Assets:	
Cash and Cash Equivalents	$ 740,719
Securities Lending Collateral	3,534,521
Prepaid Items	1,411
Due from Other Funds	3
Investment Receivables	831,032
Investments, at Fair Value	56,167,453
Total Assets	$ 61,275,139
Liabilities:	
Securities Lending Collateral Liability	$ 3,534,521
Investment Payables	448,637
Total Liabilities	3,983,158
Net Assets Held in Trust of:	
Internal Investment Pool Participants	57,191,598
Milwaukee Retirement Systems	100,383
	$ 57,291,981

Fixed Retirement Investment Trust
Condensed Statement of Changes in Net Assets
For the Year Ended June 30, 2000

Additions:	
Net Appreciation (Depreciation) in Fair Value of Investments	$ 4,586,183
Interest	1,219,197
Dividends	468,909
Real Estate Income	61,370
Securities Lending Income	185,673
Other	86,112
Total Additions	6,607,444
Deductions:	
Investment Expense	84,755
Securities Lending Rebates and Fees	168,031
Net Withdrawals by Pool Participants	581,647
Total Deductions	834,433
Net Increase (Decrease)	5,773,011
Net Assets Held in Trust for Pool Participants	
Beginning of Year	51,518,970
End of Year	$ 57,291,981

NOTE 18. OTHER POSTEMPLOYMENT BENEFITS

In addition to providing pension benefits, the State participates in the Department of Employee Trust Funds administered post retirement life insurance and health insurance benefit programs. The State provides life and health insurance benefits for retired employees in accordance with Chapter 40 of the Wisconsin Statutes.

Post retirement life insurance is provided to employees retiring before age 65 if they (1) have 20 years of creditable service, and (2) are eligible for a retirement annuity. This coverage is at the employee's expense (employee must pay the full premium) until age 65 when reduced coverage is provided at no cost. Employees retiring at or after age 65 are immediately eligible for reduced coverage at no cost. Beginning in the month in which an insured annuitant reaches age 65, premiums are no longer collected and coverage is continued for life. Approximately 11,965 State annuitants currently qualify for coverage without premium. Post retirement life insurance is fully insured by an independent insurance carrier. Premiums are prefunded with employer paid premiums during the employee's active career. The amount of premiums is determined by the insurer. The accrued liability and assets specifically related to post employment benefits could not be determined.

In accordance with Chapter 40, Wisconsin Statutes, the State also provides that employees retiring and beginning an immediate annuity are eligible for conversion of unused sick leave to post retirement health insurance. At the time of eligibility for an immediate annuity or employee's death, that employee's accumulated unused sick leave balance may be converted at the employee's current rate of pay to credits for the payment of health insurance premiums for the employee or the employee's surviving dependents. The program also provides partial matching of sick leave accumulation depending on years of service and employment category. Health insurance premiums are paid on the employee, or employee's dependents behalf, until the sick leave conversion credits are exhausted. At that time, the employee has the option to continue coverage by paying the total cost of the premiums. Approximately 8,137 annuitants are currently receiving health insurance coverage through sick leave conversion credits. Accumulated sick leave conversion is prefunded based on an actuarially determined percentage of payroll. The actuarial valuation is based on the entry age actuarial cost method.

Significant actuarial assumptions include an 8 percent assumed interest rate, 4.8 percent assumed annual salary growth, and an average sick leave accumulation of 6.1 days per year for non-University employees and 7.2 days per year for University employees. The assets and reserves of the sick leave conversion program are accounted for as an expendable trust fund. The accrued liability for the post retirement health insurance benefits at December 31, 1999, determined through an actuarial valuation performed on that date, was $929.5 million. The program's assets on that date were $526.4 million. The unfunded liability was $403.1 million.

Assets of the life insurance and health insurance benefit programs are valued at fair value.

The State's postemployment life and health insurance required and actual contributions totaled $3.2 million and $67.4 million, respectively, during the calendar year ended December 31, 1999.

NOTE 19. PUBLIC ENTITY RISK POOLS ADMINISTERED BY THE DEPARTMENT OF EMPLOYEE TRUST FUNDS

The Department of Employee Trust Funds operates four public entity risk pools: group health insurance, group income continuation insurance, protective occupation duty disability insurance and long-term disability insurance. The information provided in this note applies to the period ending December 31, 1999.

A. Description of Funds

The Health Insurance Fund offers group health insurance for current and retired employees of the State government and of participating local public employers. All public employers in the State are eligible to participate. One hundred ninety-five local employers plus the State currently participate. The State and local government portions of the fund are accounted for separately and have separate contribution rates, benefits, and actuarial valuations. The fund includes both a self-insured, fee-for-service plan as well as various prepaid plans, primarily Health Maintenance Organizations (HMO's).

The Income Continuation Insurance Fund offers disability wage continuation insurance for current employees of the State government and of participating local public employers. All public employers in the State are eligible to participate. One hundred and two local employers plus the State currently participate. The State and local government portions of the fund are accounted for separately and have separate contribution rates, benefits, and actuarial valuations. The plan is self-insured.

The Duty Disability Fund offers special disability insurance for State and local Wisconsin Retirement System participants in protective occupations. Participation in the program is mandatory for all Wisconsin Retirement System employers with protective occupation employees. Four hundred thirty-five local employers plus the State currently participate. The plan is self-insured and risk is shared between the State and local portions of the plan.

The Long-term Disability Insurance Fund offers long-term disability benefits to participants in the Wisconsin Retirement System (WRS). The long-term disability benefits provided by this program are an alternative coverage to that currently provided by the WRS. All new WRS participants on or after October 15, 1992, are eligible only for the long-term disability insurance coverage, while participating employees active prior to October 15, 1992, may elect coverage through WRS or the long-term disability insurance program.

B. Accounting Policies for Risk Pools

Basis of Accounting - All Public Entity Risk Pools are accounted for in enterprise funds using the full accrual basis of accounting and the flow of economic resources measurement focus.

Valuation of Investments - Assets of the Health Insurance Fund are invested in the State Investment Fund. Assets of the Income Continuation Insurance, Duty Disability and Long-term Disability Insurance funds are invested in the fixed retirement investment trust. Investments are valued at fair value.

Unpaid Claims Liabilities - Claims liabilities are based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The estimate includes the effects of inflation and other societal and economic factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. Unpaid claims liability is presented at face value and is not discounted for health insurance. It is discounted using interest rates of 8 percent for income continuation and long-term disability insurance, and 5 percent for duty disability insurance. The unpaid claims liability for health insurance was calculated by the State. The liabilities for income continuation, long-term disability, and duty disability insurance were determined by actuarial methods. The Duty Disability Fund's accounting deficit is being amortized over a twenty-three year period beginning January 1, 2000. Face values are not available.

Administrative Expenses - All maintenance expenses are expensed in the period in which they are incurred. Acquisition costs are immaterial and are treated as maintenance expenses. Premium deficiencies are not calculated because acquisition costs are immaterial. Claim adjustment expenses are also immaterial.

Reinsurance - Health insurance plans provided by HMO's and health insurance for local government annuitants are fully insured by outside insurers. All remaining risk is self-insured with no reinsurance coverage.

Risk Transfer - Participating employers are not subject to supplemental assessments in the event of deficiencies. If the assets of the fund were exhausted, participating employers would not be responsible for the fund's liabilities.

Premium Setting - Premiums are established by the Group Insurance Board (Health, Income Continuation Insurance and Long-term Disability Insurance) and the Employee Trust Funds Board (Duty Disability) in consultation with actuaries.

C. Unpaid Claims Liabilities

As discussed in Section B of this Note, each fund establishes a liability for both reported and unreported insured events, which is an estimate of future payments of losses. The following represents changes in those aggregate liabilities for the nonreinsured portion of each fund during Calendar Year 1999 (in millions):

	Health Insurance		Income Continuation Insurance		Duty Disability		Long-term Disability Insurance	
	1999	1998	1999	1998	1999	1998	1999	1998
Unpaid claims at beginning of the calendar year	$ 16.6	$8.9	$44.2	$44.2	$215.3	$197.0	$19.9	$ 14.6
Incurred claims:								
Provision for insured events of the current calendar year	64.8	58.5	17.3	19.2	21.7	16.9	9.1	7.7
Changes in provision for insured events of prior calendar years	(7.2)	(0.2)	(11.8)	(11.5)	44.9	16.9	(0.3)	0.6
Total incurred claims	57.6	58.3	5.5	7.7	66.6	33.8	8.8	8.3
Payments:								
Claims and claim adjustment expenses attributable to insured events of the current calendar year	51.6	42.4	2.4	2.4	0.1	0.1	0.1	0.1
Claims and claim adjustment expenses attributable to insured events of prior calendar years	9.2	8.2	4.4	5.3	16.9	15.4	2.7	2.9
Total Payments	60.8	50.6	6.8	7.7	17.0	15.5	2.8	3.0
Total unpaid claims expenses at end of the calendar year	$ 13.4	$ 16.6	$42.9	$44.2	$264.9	$215.3	$25.9	$19.9

D. Trend Information

Historical trend information showing revenue and claims development information is presented in the Department of Employee Trust Funds December 31, 1999 audited financial statements. Copies of these statements may be requested from:

The Department of Employee Trust Funds
801 West Badger Road
P.O. Box 7931
Madison, Wisconsin 53707-7931

NOTE 20. SELF-INSURANCE

It is the general policy of the State not to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the State believes it is more economical to manage its risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund. The fund services most claims for risk of loss to which the State is exposed, including damage to State owned property, liability for property damages and injuries to third parties, and worker's compensation. All funds and agencies of the State participate in the Risk Management Fund.

State Property Damage

Property damages to State-owned properties are covered by the State's self-funded property program up to $2.5 million. When claims, which exceed $10,000 per occurrence, total $2.5 million, the State's private insurance becomes available. Losses to property occurring after the threshold are first subject to a $10,000 deductible. The amount of loss in excess of $10,000 is covered by the State's private insurance company. During Fiscal Year 2000, the excess insurance limits were written to $300 million.

The liabilities for State property damage are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The estimate for future benefits and loss liabilities is based on the reserves on open claims and paid claims. Losses incurred but not reported are expected to be immaterial. Claims incurred but not paid as of June 30, 2000 are estimated to total $2.6 million.

Property Damages and Bodily Injuries to Third Parties

The State is self-funded for third party liability to a level of $2 million per occurrence and purchases insurance in excess of this self-funded retention. The policy limit during Fiscal Year 2000 was $50 million.

The liabilities for property damages and injuries to third parties are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The estimate for future benefits and loss liabilities for the prior fiscal year was the reserves on open claims. The estimate for future benefits and loss liabilities is calculated by an actuary based on the reserves on open claims and prior experience. No liability is reported for environmental impairment liability claims either incurred or incurred but not reported because existing case law makes it unlikely the State would be held liable for material amounts. Because actual claims liabilities depend upon complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims incurred but not paid as of June 30, 2000 are estimated to total $34.1 million.

Worker's Compensation

The Worker's Compensation Program was created by Wisconsin Statutes Chapter 102 to provide benefits to workers injured on the job. All employees of the State are included in the program. An injury is covered under worker's compensation if it is caused by an accident that arose out of and in the course of employment.

The responsibility for claiming compensation is on the employee. A claim must be filed with the program within two years from the date of injury, otherwise the claim is not allowable.

The worker's compensation liability has been determined by an actuary using paid claims and current claims reserves. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities are affected by external factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims incurred but not paid as of June 30, 2000 are estimated to total $44.6 million.

Changes in the balances of claims liability for the Risk Management Fund during the current and prior fiscal years are as follows (in thousands):

	1999	2000
Beginning of fiscal year liability	$ 78,654	$ 80,529
Current year claims and changes in estimates	20,745	19,216
Claim payments	(18,870)	(18,410)
Balance at fiscal year-end	$ 80,529	$ 81,335

Annuity Contracts

The Risk Management Fund purchased annuity contracts in various claimants' names to satisfy claim liabilities. The likelihood that the fund will be required to make future payments on those claims is remote and, therefore, the fund is considered to have satisfied its primary liability to the claimants. Accordingly, the annuity contracts are not reported in, and the related liabilities are removed from, the fund's balance sheet. The aggregate outstanding amount of liabilities removed from the financial statements at June 30, 2000 is $ 2.9 million.

NOTE 21. INSURANCE FUNDS

A. Local Government Property Insurance Fund

Created by the Legislature in 1911, the purpose of the Local Government Property Insurance Fund is to provide property insurance coverage to tax-supported local government units such as counties, towns, villages, cities, school districts and library boards. Property insured includes government buildings, schools, libraries and motor vehicles. Coverage is available on an optional basis. As of June 30, 2000, the Local Government Property Insurance Fund insured 1,113 local governmental units. The total amount of insurance in force as of June 30, 2000 was $25.1 billion.

Valuation of Cash Equivalents and Investments - All investments of the Local Government Property Insurance Fund are managed by the State of Wisconsin Investment Board, as discussed in Note 3-B to the financial statements. At June 30, 2000, the fund had $16.5 million of shares in the State Investment Fund which are considered cash equivalents and $11.9 million of high grade, long-term, fixed income obligations.

Premium - Unearned premium reported as deferred revenue represents the daily pro rata portion of premium written which is applicable to the unexpired terms of the insurance policies in force. Policies are generally written for annual terms.

Unpaid Claims Liabilities - The Local Government Property Insurance Fund establishes future benefits and loss liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. Estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Claims liabilities are recomputed periodically to produce current estimates that reflect recent settlements, claim frequency, and other economic factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to future benefits and loss liabilities are charged or credited to expense in the periods in which they are made.

Policy Acquisition Costs - Since the Local Government Property Insurance Fund has no marketing staff and incurs no sales commissions, acquisition costs are minimal and charged to operations as incurred.

Premium Deficiency – Investment income is considered in determining whether a premium deficiency exists. No premium deficiency existed at June 30, 2000.

Reinsurance - The Local Government Property Insurance Fund uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the fund as direct insurer of the risks reinsured. The fund does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. As of June 30, 2000 the fund had $200 million of per occurrence excess of loss reinsurance in force with a $500 thousand combined single limit retention for each occurrence, and an annual aggregate reinsurance contract with a $6 million annual aggregate retention plus a per claim retention of $10 thousand once the aggregate is met, as respects occurrences for the term of the agreement. Premium ceded to reinsurers during the fiscal year amounted to $1.1 million. Reinsurance loss and adjusting expense recoveries earned for the year amounted to $5.9 million.

Unpaid Claims Liabilities

As discussed above, the Local Government Property Insurance Fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities for the fund during the past two fiscal years (in thousands):

	2000	1999
Unpaid claims and claim adjustment expenses at beginning of the year	$10,875	$11,050
Less: Reinsurance recoverable	(6,431)	(6,687)
Net unpaid loss liability at beginning of year	4,444	4,363
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	8,253	8,484
Increase (decrease) in provision for insured events of prior years	(380)	(91)
Total incurred claims and claim adjustment expenses	7,873	8,393
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	4,867	4,274
Claims and claim adjustment expenses attributable to insured events prior years	4,027	4,037
Total payments	8,894	8,311
Net unpaid claims and claim adjustment expenses at end of year	3,423	4,444
Reinsurance recoverable	8,467	6,431
Total unpaid claims and claim adjustment expenses	$11,890	$10,875

Trend Information

Historical trend information showing revenue and claims development information is presented in the Office of the Commissioner of Insurance June 30, 2000 financial statements. Copies of these statements may be requested from:

Office of the Commissioner of Insurance
121 East Wilson Street
Madison, Wisconsin 53702

B. State Life Insurance Fund

The State Life Insurance Fund was created under Chapter 607, Wisconsin Statutes, to offer life insurance to residents of Wisconsin in a manner similar to private insurers. This fund functions much like a mutual life insurance company and is subject to the same regulatory requirements as any life insurance company licensed to operate in Wisconsin.

Premiums are reported as earned when due. Benefits and expenses are associated with earned premiums so as to result in recognition of profits over the life of the contracts. This association is accomplished by means of the provision for liabilities for future benefits and the amortization of acquisition costs.

The costs of policy issuance and underwriting, all of which vary with, and are primarily related to, the production of new business, have been deferred. These deferred acquisition costs are amortized over a forty year period, considered representative of the life of the contract. The amortization is in proportion to the ratio of annual in-force business to the amount of business issued. Such anticipated in-force business was estimated using similar assumptions to those used for computing liabilities for future policy benefits.

Deferred Acquisition Cost Assumptions

Issue Years	Interest Rate	Lapse Rate	Mortality
1913-1966	3.0%	2.0%	None
1967-1976	3.0	2.0	None
1977-1985	4.0	2.0	None
1986-1994	5.0	2.0	None
1995+	4.0	2.0	None

Amortization for the year ended June 30, 2000 amounted to $22 thousand. The State Life Insurance Fund does not pay commissions nor does it incur agent expenses.

Future benefits and loss liabilities have been computed by the net level premium method based upon estimated future investment yield and mortality. The composition of liabilities and the more material assumptions pertinent thereto are presented below (in thousands):

Issue Year	Ordinary Life Insurance in Force	Amount of Policy Liability
1913-1966	$ 15,354	$ 9,256
1967-1976	42,744	14,818
1977-1985	80,560	18,498
1986-1994	57,150	4,880
1995+	24,049	1,463
	$ 219,857	$ 48,915

Bases of Assumptions

Issue Year	Interest Rate	Mortality
1913-1966	3.0%	American Experience, ALB*
1967-1976	3.0	1958 CSO, ALB, Unisex
1977-1985	4.0	1958 CSO, ALB, Female Setback 3 years
1986-1994	5.0	1980 CSO, ALB, Aggregate
1995+	4.0	1980 CSO, ALB, Aggregate

* Age Last Birthday

All of the State Life Insurance Fund's ordinary life insurance in force is participating. This fund is required by statute to maintain surplus at a level between 7 percent and 10 percent of statutory admitted assets as far as practicably possible. All excess surplus is to be returned to the policyholders in the form of policyholder dividends. Policyholder dividends are declared each year in order to achieve the required level of surplus.

The statutory assets at December 31, 1999 were $69.4 million and the statutory capital and surplus were $7.0 million, and the capital and surplus at June 30, 2000 was $7.3 million.

C. Patients Compensation Fund

The Patients Compensation Fund was created in 1975 for the purpose of providing excess medical malpractice insurance for health care providers in the state. The Patients Compensation Fund pays that portion of a medical malpractice claim which is in excess of the legal primary insurance limit prescribed under law, or the maximum liability limit for which the health provider is insured, whichever limit is greater. Most health care providers permanently practicing or operating in the State of Wisconsin are required to pay Patients Compensation Fund operating fees. Risk of loss is retained by the fund.

The Future Benefits and Loss Liability Account includes individual case estimates for reported losses and estimates for incurred but not reported losses based upon the projected ultimate losses. Individual case estimates of the liability for reported losses and net losses paid from inception of the Patients Compensation Fund are deducted from the projected ultimate loss liabilities to determine the liability for incurred but not reported losses as of June 30, 2000 as follows (in thousands):

Projected ultimate loss liability	$ 1,160,385
Less: Net loss paid from inception	(443,105)
Less: Liability for reported losses	(46,463)
Liability for incurred but not reported losses	$ 670,817

The Future Benefits and Loss Liability Account also includes a provision for the estimated future payment of the costs to settle claims. These ultimate loss adjustment expenses as of June 30, 2000 are estimated at 5.0 percent of the projected ultimate loss liabilities. The loss reserves are actuarially determined. The loss adjustment expenses paid from the inception of the Patients Compensation Fund are deducted from the projected ultimate loss adjustment expenses provision to determine the liability for loss adjustment expenses as of June 30, 2000 as follows (in thousands):

Projected ultimate loss adjustment expense liability	$ 58,019
Less: Loss adjustment expense paid from inception	(26,638)
Liability for loss adjustment expense	$ 31,381

The uncertainties inherent in projecting the frequency and severity of large claims because of the Patients Compensation Fund's unlimited liability coverage, and extended reporting and settlement periods, makes it likely that the amounts ultimately paid will differ from the recorded estimated liabilities. These differences cannot be quantified.

The liability for reported losses, liability for incurred but not reported losses, and liability for loss adjustment expense is maintained on a present value basis with the difference from full value being reported as a contra account to the loss reserve liabilities. The loss reserve liabilities are discounted only to the extent that they are matched by cash and invested assets. If all loss liabilities are discounted, the discounted loss liability would be as follows as of June 30, 2000 (in thousands):

Estimated unpaid loss liabilities	$ 717,280
Estimated unpaid loss adjustment expense	31,382
Total estimated loss liabilities	748,662
Less: Amount representing interest	235,080
Discounted loss liabilities	$ 513,582

The future benefits and loss liabilities are continually reviewed as adjustments to these liabilities become necessary. Such adjustments are reflected in current operations. Because of the changes in these estimates, the benefit expense for the fiscal year is not necessarily indicative of the loss experience for the year.

D. Health Insurance Risk Sharing Plan

The Health Insurance Risk Sharing Plan Fund was established in 1980 to provide major medical and Medicare supplemental insurance for persons unable to obtain this insurance in the private market, or who can only obtain substandard or excessively costly insurance due to their health status, or have tested positive for the presence of HIV, products of HIV, or an antibody to HIV. The Health Insurance Risk Sharing Plan is funded primarily by premiums paid by insureds of the plan, assessments made to participating insurers, reduction of provider payments rates, and general purpose revenue from the State of Wisconsin.

The financial statements of the Health Insurance Risk Sharing Plan fund are prepared in conformity with generally accepted accounting principles for governments as prescribed by the Governmental Accounting Standards Board. Premiums are recognized as revenues over the terms of the insurance policies, and a liability for unearned premiums is established to reflect premiums received applicable to subsequent accounting periods. Participating insurers are assessed every six months, and revenue is recognized in the period covered by the assessments.

The future benefits and loss liabilities include loss reserves reflecting the accumulation of losses reported but not paid prior to the close of the accounting period and estimates of incurred but unreported losses. Loss reserves are actuarially determined and are based on historical patterns of claim payments and represent the estimated ultimate cost of settling claims incurred prior to June 30. Due to the inherent uncertainties in the reserving process, loss reserves as computed may not reflect the actual payments ultimately to be made. The methods for making such estimates and for establishing the resulting reserves are continually reviewed, and any adjustments are reflected in earnings currently.

The following represents changes in the Future Benefit and Loss Liability account balances for the prior two fiscal years (in thousands):

	2000	1999
Balance, beginning of year	$ 9,456	$ 10,461
Incurred related to:		
Current year	41,303	35,435
Prior years	(2,878)	(4,032)
Total Incurred	38,425	31,403
Paid related to:		
Current year	27,889	26,435
Prior years	6,578	5,973
Total Paid	34,467	32,408
Balance, end of year	$ 13,414	$ 9,456

The Future Benefits and Loss Liability Account also includes a reserve for loss adjustment costs to be incurred in settlement of the claims provided for in the loss reserves.

E. Wisconsin Health Care Liability Insurance Plan

The Wisconsin Health Care Liability Insurance Plan (the Plan) is a statutory unincorporated association established by rule of the Commissioner of Insurance of the State of Wisconsin as mandated by the State of Wisconsin legislature. The Plan provides health care liability insurance and liability coverages normally incidental to health care liability insurance to eligible health care providers in the State of Wisconsin calling for payment of premium prior to the effective date of the policy. All insurers authorized to write personal injury liability insurance in the State of Wisconsin, with certain minor exceptions, are required to be members of the Plan.

The Plan generates its premium written revenue by selling medical malpractice insurance. Rates are calculated in accordance with generally accepted actuarial principles. The rates are set so that the Plan will be self-supporting. Profit is not the intent of the Plan.

Since the inception of the Plan in 1975, the health care liability coverage limits have increased from $200 thousand per occurrence and $600 thousand annual aggregate to the current limits of $1.0 million per occurrence and $3.0 million annual aggregate effective July 1, 1998. A general liability coverage is also available to participating health care providers with limits of $1.0 million per occurrence and $3.0 million annual aggregate effective July 1, 1990. The Plan is not covered under any reinsurance contracts.

In the event that sufficient funds are not available for the sound financial operation of the Plan, all members shall, on a temporary basis, contribute to the financial needs of the Plan. Members shall participate in the contributions in the proportion of their respective premiums to the aggregate premiums written by all members of the Plan. Such assessments shall be recouped by rate increases applied prospectively. There were no assessments for the year ended December 31, 1999.

The future benefits and loss liability includes amounts determined from individual reported losses (case reserves) and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on estimates and, while management believes that the amounts are adequate, the ultimate liability will differ from the amounts provided. The methods for making such estimates and for establishing the resulting liability are annually reviewed, and any adjustments are reflected in income currently. Specific account balances as of December 31, 1998 and December 31, 1999, are as follows (in thousands):

	1999	1998
Balance at January 1	$ 115,776	$ 126,084
Incurred related to:		
Current year	5,273	6,510
Prior years	(17,147)	(14,671)
Total Incurred	(11,874)	(8,161)
Paid related to:		
Current year	137	122
Prior years	1,735	2,025
Total paid	1,872	2,147
Balance at December 31	$ 102,030	$ 115,776

As a result of changes in estimates of insured events of prior years, the provisions for losses and loss adjustment expenses were decreased as indicated in the table above. Also, because of the significant length of time between the date these type of losses are reported and paid, these changes were greater than actual losses incurred for the current year, causing negative incurred losses.

NOTE 22. LITIGATION, CONTINGENCIES AND COMMITMENTS

A. Litigation and Contingencies

The State is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine governmental operations.

Claims and Judgments Reported in General Long-term Debt Account Group

The State accrues liabilities related to legal proceedings, if a loss is probable and reasonably estimable. Such losses, totaling $2.2 million on June 30, 2000 reported in the General Long-term Debt Account Group, are discussed below:

Litigation - The Department of Health and Family Services is involved in various legal proceedings where the ultimate disposition is estimated at $.4 million which is reported in the General Long-term Debt Account Group.

Other Claims - Work Injury Supplemental Benefits - The Work Injury Supplemental Benefit Fund, administered by the Department of Workforce Development, provides compensatory payments to survivors of fatally injured employees or disabled employees with work-related injuries. The liability for annuities to be paid to the above individuals totaled $1.8 million at June 30, 2000, and is reported in the General Long-term Debt Account Group.

Other Claims, Judgments, and Contingencies

The State is also named as a party in other legal proceedings where the ultimate disposition and consequence are not presently determinable. The potential liability amount relating to an unfavorable outcome for certain of these proceedings could impact the State by approximately $3.4 million. However, the ultimate dispositions and consequences of any single legal proceeding or all legal proceedings collectively should not have a material adverse effect on the State's financial position, except as noted below.

Grants - The State has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a review or audit may become a liability of the State.

Wage Overtime Case - In May 1995, the Seventh Circuit Court of Appeals entered judgment relating to *Gerald Mueller vs Ronald Fiedler et al*, an action which was originally brought on behalf of certain State employees who have been categorized exempt from the Fair Labor Standards Act (FLSA) overtime provisions. The plaintiffs sought back-pay for overtime worked, plus liquidated damages, and attorney's fees.

The Seventh Circuit Court of Appeals reversed an earlier Federal District Court decision. The District Court had held that the Federal Department of Labor's criterion (known as the "salary basis test") for ruling that exempt employees are entitled to overtime pay was contrary to the intent of Congress because it would be unconstitutional to apply it to the State. The Circuit Court of Appeals held that the criterion was not unconstitutional as applied to the State because the test was equally valid in both the private sector as well as the public sector.

Currently, the State has petitioned the U.S. Supreme Court to review by writ of certiorari. Although at this time it is premature to estimate the potential impact of an unfavorable decision, a preliminary estimate indicates that the liability of the State could be approximately $3.0 million. Due to the uncertainty in predicting the outcome and the amount of the settlement, a liability has not been recorded as of June 30, 2000.

Corporate Tax Measured by Interest from U.S. Securities - In this corporate franchise tax case, American Family Mutual Insurance Company and American Standard Insurance Company sought refunds of taxes paid that were measured by U.S. interest.

Federal law prohibits an income tax on U.S. interest, but allows a non-discriminatory franchise tax measured on U.S. interest. The insurance companies argued that because bonds authorized by the State for housing and development were exempt from State taxes, that the franchise tax was discriminatory. The State had heretofore held that the exemption applied only to direct State taxes and had uniformly included interest on the State authorized bonds in the franchise tax measure. The Wisconsin Tax Appeals Commission and the County Circuit Court upheld the State.

The Court of Appeals, District IV, reversed the decisions. The Supreme Court reversed the Court of Appeals. The taxpayers maintain that the decision is not applicable to 1993 and 1994. The State maintains the principles of the decision are applicable to the subsequent years.

Due to the uncertainty in predicting the outcome, a liability has not been recorded as of June 30, 2000.

Federal Pension Income - Due to an adverse decision in Hogan et al v. Wisconsin Department of Revenue, settlement has been reached with approximately 3,200 military retirees and 14,000 federal civilian retirees for refunds of State income taxes, with interest, for the period 1984 through 1988. Hogan relied on the United States Supreme Court ruling in *Davis v. Michigan Department of the Treasury* that state governments may not discriminate against federal retirees in the taxation of their retirement benefits based on the source of such payments. The Department of Revenue is currently engaged in litigation with various individuals as to whether or not they were federal employees and, thus, included under the *Davis V. Michigan Department of the Treasury* decision. In November, 1999, the Dane County Circuit Court generally affirmed the Department of Revenue's statutory interpretation positions, but found a basis for estoppel to exist as to some litigants. A settlement requiring taxation in full commencing with the 1998 tax year was offered to all litigants who potentially had an estoppel claim. The final fiscal impact of the settlement is not known, as the settlement process is not completed. Additionally, an appeal to the Court of Appeals was taken by those federal retiree litigants who had withdrawn contributions, thus voiding membership in the retirement system as of the exemption cut-off date. The Department of Revenue is confident that it will continue to prevail on this issue. Because a fiscal impact cannot be readily determined if the State were not to prevail, and due to the uncertainty in predicting the outcome, a liability has not been recorded.

Environmental Clean-up Actions - The State is involved in environmental clean-up of property owned by the State that has the potential to cause soil and groundwater contamination. Twenty-six sites have soil and/or groundwater contamination associated with underground storage tank releases with an estimated remediation cost of $1.0 million.

The State is also involved in environmental remediations on 11 properties that do not involve releases from underground storage tanks, with an estimated cost of $4.0 million.

B. Commitments

In addition to legal proceedings, the State is party to commitments which normally occur in governmental operations.

In addition to the amount of encumbrances outstanding at June 30, 2000 reported as Fund Balance - Reserved for Encumbrances, additional obligations at June 30, 2000 representing multi-year, long-term commitments included (in thousands):

Transportation Fund	$ 203,331
Transportation Revenue Bonds Capital Projects Fund	22,954
Conservation Fund	11
General Fund – Department of Commerce programs, including economic and community development programs	1,908
General Fund – Department of Workforce Development long-term W-2 contracts with local governments	96,068
General Fund – Other	31

The Environmental Improvement Fund (the Fund) was established to administer the Clean Water Fund Loan Program. Loans are made to local units of government for wastewater treatment projects for terms of up to 20 years. These loans are made at a number of prescribed interest rates based on environmental priority. The loans contractually are revenue obligations or general obligations of the local governmental unit. Additionally, various statutory provisions exist which provide further security for payment. The fund has made financial assistance commitments of $148.7 million as of June 30, 2000. These loan commitments are expected to be met through additional federal grants and proceeds from issuance of revenue obligations.

In addition, the revenue obligation bonds of the Leveraged Loan Program in the Fund are collateralized by a security interest in all the assets of the Leveraged Loan Program. Neither the full faith and credit nor the taxing power of the State is pledged for the payment of the Fund's revenue obligation bonds. However, as the loans granted to local units of government are at an interest rate less than the revenue bond rate, the State is obligated by the Fund's General Resolution to fund, at the time each loan is made, a reserve which subsidizes the Leveraged Loan Program in an amount which offsets this interest disparity.

Also, Wisconsin Statutes require that the Fund provide financial hardship assistance for those communities that qualify under Wis. Stat. Sec. 281.58. This assistance may come in the form of reduced interest rates or grants (not to exceed 70 percent of project costs). At fiscal year ended June 30, 2000, future commitments for hardship grants totaled $8.9 million.

The Wisconsin Housing and Economic Development Authority's mission was expanded since its creation to include administration of the Agricultural and Business Programs. These programs administer funds that are legislatively appropriated to subsidize interest and provide guarantees of principal balances of qualifying loans. At June 30, 2000, outstanding loan guarantees totaled $31.8 million.

The *Patients Compensation Fund* may be required to purchase an annuity as a result of a claim settlement. Under specific annuity arrangements, the fund may have ultimate responsibility for annuity payments if the annuity company and the reassignment company default on annuity payments. One of the fund's annuity providers has defaulted on $600 thousand in annuity payments. The total estimated replacement value of the fund's annuities as of June 30, 2000 was $120.4 million. The fund reserves the right to pursue collection from State guarantee funds.

State Public Deposit Guarantee - As required by Wis. Stat. Sec. 34.08, the State is to make payments to public depositors for proofs of loss (e.g., loss resulting from a bank failure) up to $400 thousand per depositor above the amount of federal insurance. This statutory requirement guarantees that the State will make payments in favor of the public depositor that has submitted a proof of loss. Payments would be made in the order in which satisfactory proofs of loss are received by the State's Department of Financial Institutions, until the designated appropriation is exhausted. At June 30, 2000, the appropriation available totaled $26.6 million. Losses become fixed as of the date of the loss. A public depositor experiencing a loss must assign its interest in the deposit, to the extent of the amount paid, to the Department of Financial Institutions. Any recovery made by the Department of Financial Institutions under the assignment is to be repaid to the appropriation. The possibility of a material loss resulting from payments to and recovery from public depositors is remote.

NOTE 23. SUBSEQUENT EVENTS

Bonds and Notes

Primary Government

Short-term Debt

In August through November 2000, the State issued three series of notes in its General Obligation Extendible Municipal Commercial Paper Note Program, Series A, B and C. The $298.8 million of aggregate principal will be used for various governmental purposes and to retire the State's outstanding general obligation extendible commercial notes (See Note 6E to the financial statements).

Long-term Debt

State of Wisconsin General Obligation Bonds – In July 2000, the State issued $35.0 million of 2000 Series B general obligation bonds to be used to fund veterans primary mortgage home loans. Interest is payable on May 1 and November 1, commencing May 1, 2001, with the bonds maturing November 1, 2010 and 2030.

In July 2000, the State issued $87.7 million of 2000 Series C general obligation bonds to be used for the acquisition, construction, development, extension, enlargement, or improvement of land, water, property, highways, buildings, equipment, or facilities for public purposes. Interest is payable on May 1 and November 1, commencing May 1, 2001, with the bonds maturing on May 1, of the years 2012 through 2021.

In November 2000, the State issued $199.9 million of 2000 Series D general obligation bonds of which $82.2 million will be used for the acquisition, construction, development, extension, enlargement, or improvement of land, water, property, highways, buildings, equipment, or facilities for public purposes, and $117.7 million of which will be used to retire a portion of the State's outstanding general obligation commercial paper notes and extendible municipal commercial paper (See Note 6E to the financial statements). Interest is payable on May 1 and November 1, commencing May 1, 2001, with the bonds maturing on May 1, of the years 2012 through 2021.

In November 2000, the State issued $5.0 million of 2000 Series E general obligation bonds to be used for the veterans housing loan program, and $5.0 million of general obligation 2000 Clean Water Fund Program Series A bonds to be used in the clean water fund program.

Revenue Bonds – In September, 2000, the Department of Transportation issued $123.7 million of 2000 Series A Transportation Revenue Bonds. The bond proceeds will be used to pay the costs of major highway projects and construction or improvement of certain transportation facilities. Interest is payable January 1 through July 1, beginning July 1, 2001. The bonds mature on July 1 of the years 2012 through 2021.

In December 2000, the Petroleum Environmental Cleanup Fund Award (PECFA) Program issued an additional $20.0 of Extendible Municipal Commercial Paper to pay for PECFA claims that were incurred by the State.

Certificates of Participation

On September 19, 2000, the State issued the following series of Master Lease Certificates of Participation:

- Master Lease Certificates of Participation of 2000, Series A, in the amount of $27.3 million. This series of Master lease certificates had interest rates ranging from 4.5 percent to 5.0 percent and matures semi-annually through September 1, 2007.
- Master Lease Certificates of Participation of 2000, Series B (Taxable), in the amount of $11.3 million. This series of Master lease certificates had interest rates ranging from 6.7 percent to 7.0 percent and matures semi-annually through September 1, 2005.

Component Unit

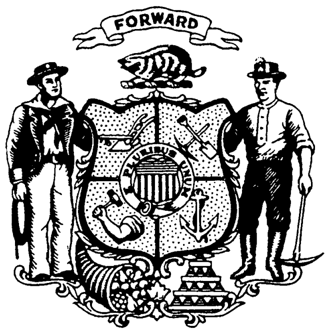
Wisconsin Housing and Economic Development Authority – In September, 2000, the Authority issued $95.0 million of Home Ownership Revenue Bonds, 2000 Series D, E and F to refund certain previously issued revenue bonds and to purchase new mortgage loans.

The Authority issued $10.8 million of Housing Revenue Bonds, 2000 Series A and B. Proceeds will be used to purchase new mortgage loans and refund previously issued bonds.

In August 2000, the Authority issued $21.3 million of Single Family Drawdown Revenue Bonds. These bonds were issued to refund existing bond issues and purchase new single family loans. In addition, the Authority issued $60.0 million of Home Ownership Revenue Bonds, Series 2000 G and H.

In addition the Authority had the following (in thousands):

	2000 Redemptions
Home Ownership Revenue Bond Resolutions:	
1987	$ 13,415
1988	25,320
All Other	32,935
Single Family Drawdown Revenue Bonds	32,000
Total	$ 103,670


FORWARD

PART III

GENERAL OBLIGATIONS

This part provides information about general obligations issued by the State of Wisconsin.

Total Outstanding Balance (12/1/2000)	$4,067,583,077
Amount Outstanding—Fixed Rate Obligations	$3,740,402,077
Amount Outstanding—Variable Rate Obligations	$ 327,181,000
Percentage of Outstanding Obligations in form of Variable Rate Obligations	8.04%
Bond Ratings (Fitch/Moody's/Standard & Poors)	AA+/Aa2/AA
Variable Rate Obligation Ratings	F-1+/P-1/A-1+

The Wisconsin Statutes provide that the State of Wisconsin Building Commission (**Commission**) has supervision over the issuance of the State's general obligations. Employees of the Division of Executive Budget and Finance serve as the Capital Finance Director and staff responsible for managing the State's borrowing programs.

The law firm of Foley & Lardner provides bond counsel services to the State for the issuance of general obligations. The State has issued general obligations in the form of bonds, notes, commercial paper notes, and extendible municipal commercial paper. The State has rarely employed a financial advisor for the issuance of general obligations, except for advance refunding issues. The State Treasurer is the registrar and paying agent for general obligations issued in book-entry-only form, and there are different registrars and paying agents for a small number of outstanding general obligations issued in fully-registered or bearer form:

Name of Obligation	**Name of Registrar/Paying Agent**
All Book-Entry-Only Form	State Treasurer
Fully-Registered Form	
G.O. Bonds of 1990, Series D (Higher Education Bonds)	Firstar Bank, National Association
G.O. Bonds of 1991, Series B (Higher Education Bonds)	Firstar Bank, National Association
G.O. Bonds of 1986, Series A	State Street Bank and Trust Company
Bearer Form	
G.O. Bonds of 1976, Series C	State Street Bank and Trust Company
G.O. Bonds of 1977, Series B	State Street Bank and Trust Company
G.O. Bonds of 1977, Series C	State Street Bank and Trust Company

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

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

This Annual Report includes information and defined terms for different types of securities issued by the State. The context or meaning of terms used in this Part III of the Annual Report may differ from that of terms used in another part. Material referred to in this Annual Report is not part of this Annual Report unless expressly included.

SECURITY PROVISIONS FOR GENERAL OBLIGATIONS

Security

The State Constitution pledges the full faith, credit, and taxing power of the State to its general obligations and requires the Legislature to provide for their payment by appropriation.

The Statutes establish additional protections and provide for the repayment of all general obligations. The Statutes establish, as security for the payment of all debt service on general obligations, a first claim on all revenues of the State. Further, a sufficient amount of those revenues is irrevocably appropriated, so that no subsequent legislative action is required to release them, and those amounts are held in segregated funds or accounts.

The Statutes also provide that the validity of general obligations shall not be affected by any defect in their contracting, that all instruments evidencing general obligations are valid and incontestable, and that any legislative, judicial, or administrative determination that proceeds of general obligations may not be spent shall not affect their validity.

The State has never defaulted in the punctual payment of principal or interest on any general obligation and has never attempted to prevent or delay a required payment. The State has reserved no right to reduce or modify any terms affecting the security or source of payment of its general obligations.

In the event of default, the State Constitution guarantees recourse by allowing suit to be brought against the State to compel payment. Statutory provisions expedite the bringing of suit. Further, in the event of a final judgment against the State, payment will be made as specifically provided, together with interest at a rate of 10% per annum until the date of payment.

The Statutes also provide that, if payment has been made or duly provided for by the date that a general obligation becomes due for payment, interest ceases to accrue, and the general obligation is no longer outstanding. If any general obligation is not presented for payment, the money held for its payment shall be administered under the unclaimed property statutory provisions.

Flow of Funds to Pay Debt Service on General Obligations

The General Fund stands behind the payment of debt service on all general obligation bonds and the notes regardless of the internal fund flows established for budgetary control purposes. Should the General Fund have insufficient resources to pay debt service, there is a single irrevocable and unlimited appropriation from all revenues of the State for timely payment on all general obligations. It is this appropriation, which pledges all revenues of the State for payment of Debt Service due from any program using general obligation bond and note proceeds on a parity with any other such program, that enables the State to issue a general obligation that is undifferentiated by the purpose for which proceeds are used.

Different internal funds flows apply to general obligations, depending on whether they are bonds or notes, and in some cases depending on the purpose for which they were issued.

With respect to general obligation bonds, all funds necessary for timely payment of principal and interest are deposited in the Bond Security and Redemption Fund at least 15 days in advance of the due date. If an impoundment payment required in connection with operating notes is payable within 45 days before the due date, then the payments will be deposited in the Bond Security and Redemption Fund at least 45 days in advance of the due date.

With respect to general obligation notes, funds for the payment of principal and interest are deposited in a separate and distinct account created in the Capital Improvement Fund for the repayment of notes. Proceeds of general obligations may also be used to retire notes. The Statutes specifically provide that if, at any time, there is not on hand in the Capital Improvement Fund sufficient money for the payment of principal and interest on general obligation notes, the Department of Administration shall transfer to the Capital Improvement Fund from an irrevocable and unlimited appropriation as a first charge upon all revenues of the State, the amount necessary to make the payment of principal and interest on general obligation notes when due.

Interest on variable rate obligations is paid when due. It is collected in the same manner as other general obligation notes and is deposited in advance with the issuing and payment agent quarterly on the first business day of February, May, August, and November.

Purposes of General Obligations

The Wisconsin Constitution provides that the State may issue general obligations for three categories of borrowing. The first is to acquire, construct, develop, extend, enlarge, or improve land, waters, property, highways, railways, buildings, equipment, or facilities for public purposes. The second is to make funds available for veterans housing loans. The third is to fund or refund any outstanding State general obligations. Subject to constitutional limitations about purposes and amounts, procedures governing the use of the borrowing authority are to be established by the Legislature. There is no constitutional requirement that the issuance of general obligations receive the direct approval of the electorate.

Limitations on Issuance of General Obligations

All general obligations issued by the State fall within a debt limit set forth in the Wisconsin Constitution and Statutes. Each calendar year, the State's issuance of general obligations is limited to the lesser of two amounts, each based on a percentage of the aggregate value of all taxable property in the State: (1) three-quarters of one percent, and (2) five percent less outstanding debt. For the current calendar year, the lesser is the first amount, which is $2,147,411,189. A refunding bond issue does not count for purposes of the annual debt limit, and a refunded bond issue does not count for purposes of the cumulative debt limit. Accrued interest on any general obligation that is not paid during the fiscal year in which it accrues is treated as debt and taken into account for purposes of the debt limitations. See Table III-4 in "DEBT INFORMATION".

Authorization of General Obligations

Within prescribed limitations, the State Constitution assigns to the Legislature, acting by vote of a majority of the members elected to each of the two houses, all matters relating to the issuance of general obligations. The quorum in such votes is 60% of the membership. Among these assigned powers is the authority to establish the purposes (uses) and fix the amounts for which general obligations may be issued.

To date, the Legislature has authorized the issuance of general obligations for 76 distinct purposes and has limited the amount of general obligations that may be issued for each purpose. In practice, as a part of the budget, these amounts are adjusted to accommodate newly budgeted activity. The Legislature has delegated to the Commission responsibility to establish the form and terms of the issuance and sale of these general obligations. Table III-1 is a summary of these borrowing purposes and amounts authorized and issued for each purpose.

Table III-1
State of Wisconsin
General Obligation Issuance Status Report
December 1, 2000

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[(a)]	Total Authorized Unissued Debt
University of Wisconsin; academic facilities..........................	$ 856,708,700	$ 806,892,229	$ 11,487,568	$ 38,328,903
University of Wisconsin; self-amortizing facilities................	513,941,400	348,672,621	1,349,538	163,919,241
Natural resources; Warren Knowles - Gaylord Nelson stewardship 2000 program...........................	460,000,000	27,350,000		432,650,000
Natural resources; municipal clean drinking water grants...................................	9,800,000	9,518,342	141,818	139,840
Clean water fund program................	552,743,200	358,334,053		194,409,147
Safe drinking water loan program………………………	26,210,000	14,301,520		11,908,480
Natural resources; nonpoint source grants..................	56,763,600	36,615,658	132,570	20,015,372
Natural resources; nonpoint source compliance………	2,000,000	2,000,000		
Natural resources; environmental repair......................	43,000,000	25,104,900	161,017	17,734,083
Natural resources; urban nonpoint source cost-sharing………………………	13,000,000	2,255,000		10,745,000
Natural resources; environmental segregated fund supported administrative facilities……………	3,050,900	136,100		2,914,800
Natural resources; segregated revenue supported dam safety projects…………………	6,350,000	3,413,000		2,937,000
Natural resources; pollution abatement and sewage collection facilities, ORAP funding................	146,850,000	145,010,325	50,000	1,789,675
Natural resources; pollution abatement and sewage collection facilities.............	902,449,800	874,129,888	18,512,293	9,807,619
Natural resources; pollution abatement and sewage collection facilities; combined sewer overflow..............	200,600,000	194,309,242	6,287,401	3,357
Natural resources; recreation projects.........................	56,055,000	56,053,994	1,006	
Natural resources: local parks land acquisition and development...........................	2,490,000	2,439,349	42,259	8,392
Natural resources; recreation development.................	23,061,500	22,818,110	141,227	102,163
Natural resources; land acquisition.............................	45,608,600	45,115,269	491,671	1,660

TABLE III-1
GENERAL OBLIGATION ISSUANCE STATUS REPORT–CONTINUED
December 1, 2000

Program Purpose	Legislative Authorization	General Obligations Issued to Date [(a)]	Interest Earnings[(b)]	Total Authorized Unissued Debt [(a)]
Natural resources; Wisconsin natural areas heritage program............................	2,500,000	2,442,545	17,174	40,281
Natural resources; segregated revenue supported facilities.......................	23,376,600	16,039,722	45,287	7,291,591
Natural resources; general fund supported administrative facilities..................	10,882,400	7,251,075	21,432	3,609,893
Natural resources; ice age trail.....................................	750,000			750,000
Natural resources; dam safety projects…………………	5,500,000	5,367,000	49,701	83,299
Natural resources; segregated revenue supported land acquisition............	2,500,000	2,498,446		1,554
Natural resources; Warren Knowles - Gaylord Nelson stewardship program...........	231,000,000	196,390,000	1,293,404	33,316,596
Transportation; administrative facilities..................	8,890,400	8,759,479	33,943	96,978
Transportation; accelerated bridge improvements................................	46,849,800	46,849,800		
Transportation; rail passenger route development...	50,000,000			50,000,000
Transportation; accelerated highway improvements................................	185,000,000	185,000,000		
Transportation; connecting highway improvements................................	15,000,000	15,000,000		
Transportation; federally aided highway facilities...........................	10,000,000	10,000,000		
Transportation; highway projects...........................	41,000,000	41,000,000		
Transportation; harbor improvements....................	22,000,000	14,665,000	232,605	7,102,395
Transportation; rail acquisitions and improvements.........................	23,500,000	14,400,000	16	9,099,984
Transportation; local roads for job preservation, state funds..................	10,000,000			10,000,000
Corrections; correctional facilities......................	697,679,300	622,011,762	10,519,906	65,147,632
Corrections; self-amortizing facilities and equipment…………………….	7,337,000	1,370,000	99	5,966,901
Corrections; juvenile correctional facilities……..	27,726,500	25,328,556	101,839	2,296,105
Health and family services; mental health and secure treatment facilities.............	125,705,700	116,350,268	836,286	8,519,146

TABLE III-1
GENERAL OBLIGATION ISSUANCE STATUS REPORT–CONTINUED
December 1, 2000

Program Purpose	Legislative Authorization	General Obligations Issued to Date [(a)]	Interest Earnings[(b)]	Total Authorized Unissued Debt [(a)]
Agriculture; soil and water……………………..	6,575,000	1,430,000	1,248	5,143,752
Agriculture; conservation reserve enhancement..	40,000,000			40,000,000
Administration; Black Point Estate…………………	1,600,000			1,600,000
Building commission; previous lease rental authority..............................	143,071,600	143,068,654		2,946
Building commission; refunding corporation self-amortizing debt.........................	870,000			870,000
Building commission; refunding tax-supported general obligation debt....................	2,125,000,000	1,896,403,677 [(b)]		228,596,323
Building commission; refunding self-amortizing general obligation debt....................	275,000,000	231,440,786 [(b)]		43,559,214
Building commission; housing state departments and agencies..................................	387,646,600	305,504,121	2,162,104	79,980,375
Building commission; 1 West Wilson street parking ramp................................	15,100,000	14,805,521	294,479	
Building commission; project contingencies......................	36,188,400	22,290,000	55,544	13,842,856
Building commission; capital equipment acquisition..........	105,370,400	77,499,191	728,797	27,142,412
Building commission; discount sale of debt......................	90,000,000	66,758,598		23,241,402
Building commission; discount sale of debt (higher education bonds)...............	100,000,000	99,988,833 [(b)]		11,167
Building commission; other public purposes....................	1,056,769,500	830,683,100	5,714,313	220,372,087
Medical College of Wisconsin, Inc.; basic science education and health information technology facilities…	10,000,000	10,000,000		
Marquette University; dental clinic and education facility..	15,000,000			15,000,000
Swiss cultural center……………….	1,000,000			1,000,000
Milwaukee Police Athletic League; youth activities center…………….	1,000,000			1,000,000
Technology for educational achievement in Wisconsin board; school district educational technology infrastructure financial assistance………………..	100,000,000	32,335,000	425,216	67,239,784

TABLE III-1
GENERAL OBLIGATION ISSUANCE STATUS REPORT–CONTINUED
December 1, 2000

Program Purpose	Legislative Authorization	General Obligations Issued to Date [a]	Interest Earnings[b]	Total Authorized Unissued Debt [a]
Technology for educational achievement in Wisconsin board; public library educational technology infrastructure financial assistance………...………	10,000,000	190,000		9,810,000
Educational communications board; educational communications facilities……………………………	8,658,100	7,764,539	36,946	856,615
Historical society; self-amortizing facilities..............…	3,173,600	1,029,156	3,896	2,140,548
Historical society; historic records............................…	400,000			400,000
Historical society; historic sites.................................…	1,839,000	1,825,756		13,244
Historical society; museum facility............................…	4,384,400	4,351,000		33,400
Public instruction; state school, state center and library facilities………………...	7,367,700	7,330,612	32,508	4,580
Military affairs; armories and military facilities....…	20,417,300	17,857,527	192,543	2,367,230
Veterans affairs; veterans facilities...........…………..	10,090,100	8,948,065	50,556	1,091,479
Veterans affairs; self-amortizing mortgage loans....…	2,020,500,000	1,868,652,395	2,133,000	149,714,605
Veterans affairs; refunding bonds............................…	665,000,000	632,539,245		32,460,755
Veterans affairs; self-amortizing facilities………….	15,941,000	530,000		15,411,000
State fair park board; board facilities...........................……	3,887,100	2,340,000		1,547,100
State fair park board; housing facilities...........................…	11,000,000	10,939,000	10	60,990
State fair park board; self-amortizing facilities...........…..	44,787,100	31,473,800	34,621	13,278,679
Total...…	$12,805,517,300	$10,633,171,829	$63,815,842	$2,108,529,629

[a] Interest earnings reduce issuance authority by the same amount.

[b] Interest scheduled to accrue on any obligation that is not payable during the current fiscal year is treated as debt and taken into account for purposes of the statutory authority to issue debt.

Source: Wisconsin Department of Administration.

DEBT INFORMATION

The following tables provide data pertaining to the State's outstanding general obligation debt.

Table III-2
OUTSTANDING GENERAL OBLIGATIONS BY ISSUE
(As of December 1, 2000)

Financing		Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
Fixed Rate General Obligations					
1970-	Series A	3/1/70	1971-1990	$ 50,510,000	$ -0-
	Series B	3/1/70	1971-2000	8,075,000	-0-
	Series C	6/1/70	1971-1990	39,000,000	-0-
	Series D	6/1/70	1971-2001	30,025,000	-0-
	Series E	9/15/70	1971-1990	70,000,000	-0-
1971-	Series A	1/15/71	1972-1991	35,000,000	-0-
	Series B	3/15/71	1972-1991	19,500,000	-0-
	Series C	6/15/71	1972-1991	32,800,000	-0-
	Series D	9/15/71	1972-1991	30,000,000	-0-
	Series E	9/15/71	1972-2001	5,020,000	-0-
1972-	Series A	1/15/72	1973-1992	40,000,000	-0-
	Series B	4/15/72	1973-1992	61,500,000	-0-
	Series C	7/15/72	1973-1992	43,000,000	-0-
	Series D	10/15/72	1973-1992	35,000,000	-0-
1973-	Series A	1/15/73	1974-1993	37,500,000	-0-
	Series B	4/15/73	1974-1993	30,000,000	-0-
	Series C	4/15/73	1974-2003	6,505,000	-0-
1974-	Series A	2/15/74	1975-1994	59,600,000	-0-
1975-	Series A	3/1/75	1976-1995	75,000,000	-0-
	Series B	8/15/75	1976-1995	18,200,000	-0-
	Series D	8/15/75	1976-2000	50,000,000	-0-
	Series E	12/1/75	1976-2000	96,400,000	-0-
	Series F	12/1/75	1976-2005	5,500,000	-0-
1976-	Series A	3/15/76	1977-2001	147,600,000	-0-
	Series B	7/1/76	1977-2006	119,900,000	-0-
	Series C	11/1/76	1978-2001	40,000,000	400,000
1977-	Series A	2/15/77	1978-2007	74,000,000	-0-
	Series B	5/15/77	1978-2002	128,000,000	2,200,000
	Series C	10/1/77	1978-2002	39,000,000	-0-
1978-	Series A	2/1/78	1979-2003	118,000,000	-0-
	Series B	6/1/78	1979-2003	94,500,000	-0-
	Series C	11/1/78	1979-2003	77,300,000	1,960,000
1979-	Series A	2/1/79	1980-2004	84,800,000	-0-
	Series B	5/15/79	1980-2004	86,800,000	-0-
	Series C	10/15/79	1980-2004	90,000,000	-0-
1980-	Series A	1/1/80	1981-2005	46,500,000	-0-
	Series B	6/15/80	1981-2000	40,000,000	-0-
	Note Issue IX	6/15/80	1981-2010	2,000,000	-0-
1981-	Series A	6/15/81	1982-2001	75,000,000	-0-
	Series B	12/1/81	1982-2001	65,000,000	-0-
1982-	Series A	6/15/82	1983-2002	60,000,000	-0-
	Series B	9/15/82	1987-2007	30,000,000	-0-
	Series C	12/15/82	1983-2007	160,000,000	-0-
1983-	Series A	5/1/83	1987-2008	20,000,000	-0-
	Series B	5/1/83	1984-2003	90,000,000	-0-
	Series C	12/1/83	1984-2008	100,300,000	-0-
1984-	Series A	4/1/84	1989-2011	50,000,000	-0-

Table III-2 – Continued
OUTSTANDING GENERAL OBLIGATIONS BY ISSUE
(As of December 1, 2000)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
Series B	4/1/84	1985-2004	110,000,000	-0-
Daily Demand Note	9/27/84	1985-1989	75,600,000	-0-
1985- Series A	4/1/85	1986-2015	150,000,000	-0-
Series B	4/1/85			
Serial Bonds		1996-2001	60,010,000	-0-
Term Bonds		2003	40,815,000	-0-
Term Bonds		2009	140,130,000	-0-
Term Bonds		2016	50,000,000	-0-
1986- Series A	5/15/86			
Serial Bonds		1995-2002	13,145,000	-0-
Term Bonds		2006	13,025,000	-0-
Term Bonds		2015	12,015,000	-0-
Series B	4/1/86	1987-2006	247,800,000	-0-
1987- Notes Series A	11/5/87	1989	46,480,000	-0-
1988- Notes Series A	3/10/88	1989	26,895,000	-0-
Refunding	5/1/88			
Serial Bonds		1991-2005	389,505,000	-0-
Term Bonds		2015	2,405,000	-0-
Capital Appreciation Bonds		1994-2004	55,545,000	-0-
Bonds Series A	7/1/88			
Serial Bonds		1989-2003	2,825,000	-0-
Term Bonds		2008	1,200,000	-0-
Term Bonds		2018	7,925,000	-0-
Accelerated Term Bonds		2008	3,050,000	-0-
Notes Series B	8/16/88	1989	61,280,000	-0-
Bonds Series B	12/1/88	1990-2009	143,980,000	-0-
1989- Bonds Series A	1/1/89			
Serial Bonds		1990-2004	4,150,000	-0-
Term Bonds		2009	775,000	-0-
Term Bonds		2019	11,175,000	-0-
Accelerated Term Bonds		2009	3,900,000	-0-
Bonds Series B	3/1/89	1990-2009	43,755,000	-0-
Bonds Series C	5/1/89	1990-2009	71,415,000	-0-
Bonds Series D	8/1/89			
Serial Bonds		1990-2004	4,150,000	-0-
Term Bonds		2009	725,000	-0-
Term Bonds		2019	11,350,000	-0-
Accelerated Term Bonds		2009	3,775,000	-0-
Bonds Series E	10/1/89	1991-2010	63,365,000	-0-
1990- Bonds Series A	1/1/90	1991-2010	134,495,000	-0-
Bonds Series B	3/1/90			
Serial Bonds		1991-2004	3,575,000	1,775,000
Accelerated Term Bonds		2010	3,975,000	-0-
Term Bonds		2020	12,450,000	-0-
Bonds Series C	5/1/90	1991-2010	38,170,000	-0-
Bonds Series D	5/24/90	1996-2010	65,859,000	43,882,000
Bonds Series E	8/1/90	1991-2010	76,810,000	-0-

Table III-2 – Continued
OUTSTANDING GENERAL OBLIGATIONS BY ISSUE
(As of December 1, 2000)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
Bonds Series F	10/1/90			
Serial Bonds		1991-2005	3,775,000	1,875,000
Accelerated Term Bonds		2010	3,800,000	-0-
Term Bonds		2020	12,425,000	-0-
Bonds Series G	12/1/90	1992-2011	128,765,000	-0-
1991- Bonds Series A	4/1/91			
Serial Bonds		1992-2006	5,775,000	3,025,000
Accelerated Term Bonds		2011	5,825,000	-0-
Term Bonds		2021	18,400,000	-0-
Bonds CWF Series 1	Various	1993-2011	55,000,000	41,689,668
Bonds Series B	5/15/91	1996-2011	117,136,000	80,531,000
Bonds Series C	6/1/191	1992-2011	60,580,000	-0-
Bonds Series D	9/1/91	1993-2012	97,000,000	-0-
1992- Bonds Series A	3/1/92	1993-2012	219,040,000	23,210,000 [a]
Refunding Bonds	3/1/92	1994-2015	448,935,000	379,885,000
Bonds Series B	6/1/92			
Serial Bonds		1993-2008	7,780,000	1,770,000
Accelerated Term Bonds		2012	4,000,000	-0-
Term Bonds		2022	18,220,000	6,605,000
Loan Series B	10/2/92	1995	5,330,000	-0-
Refunding Bonds Series 2	10/15/92	1994-2015	5,975,000	4,785,000
Bonds Series C	11/1/92	1994-2013	173,285,000	26,660,000 [a]
1993- Refunding Bonds Series 1	1/1/93	1994-2009	280,060,000	189,750,000
Bonds CWF Series A	1/15/93	1993-2011	5,000,000	3,830,866
Refunding Bonds Series 2	3/1/93	1993-2011	137,530,000	128,670,000
Bonds Series A	2/1/93	1994-2013	124,325,000	26,200,000 [a]
Refunding Bonds Series 3	8/1/93	1995-2012	302,050,000	206,385,000
Refunding Bonds Series 6	10/15/93			
Serial Bonds		1994-2006	5,510,000	2,895,000
Term Bonds		2010	2,125,000	2,125,000
Term Bonds		2013	2,150,000	2,150,000
Term Bonds		2016	10,215,000	10,215,000
Refunding Bonds Series 4	12/1/93	1994-2006	77,575,000	32,385,000
Refunding Bonds Series 5	12/1/93			
Serial Bonds		1994-2006	113,550,000	105,590,000
Term Bonds		2010	14,770,000	14,770,000
Term Bonds		2013	1,190,000	1,190,000
Term Bonds		2016	1,405,000	1,405,000
Term Bonds		2023	4,340,000	4,340,000
1994- Bonds CWF Series 1	1/25/94	1994-2013	15,000,000	12,875,665
Bonds Series A	1/1/94	1995-2014	119,810,000	76,195,000 [a]
Refunding Bonds Series 1	3/1/94	1995-2002	106,610,000	810,000
Refunding Bonds Series 2	3/1/94			
Serial Bonds		1999-2009	52,050,000	32,415,000
Term Bonds		2014	1,700,000	1,700,000
Term Bonds		2014	4,775,000	4,775,000
Bonds Series B	6/1/94	1995-2014	110,000,000	22,785,000 [a]
Refunding Bonds Series 3	9/15/94	1995-2008	10,400,000	5,600,000

[a] Pursuant to a refunding escrow agreement the principal and interest on all or a portion of the bonds will be paid as it comes due and those bonds will be called for redemption prior to maturity. The principal amount of bonds for which payment is provided is not treated as outstanding for purposes of this table.

Table III-2 – Continued
OUTSTANDING GENERAL OBLIGATIONS BY ISSUE
(As of December 1, 2000)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
Bonds Series C	9/15/94			
Serial Bonds		1998-2013	17,135,000	6,510,000
Term Bonds		2016	5,135,000	5,060,000
Term Bonds		2020	8,535,000	8,405,000
Term Bonds		2023	14,195,000	13,980,000
Bonds CWF Series 1	1/17/95	1994-2013	4,935,573	4,291,888
1995- Bonds Series A	1/15/95	1996-2015	231,315,000	67,585,000 [(a)]
Refunding Bonds, Series 1	2/15/95			
Serial Bonds		1999-2000	4,350,000	-0-
Serial Bonds		2004	860,000	860,000
Serial Bonds		2007-2015	10,525,000	7,760,000
Bonds Series B	2/15/95			
Term Bonds		2016	4,215,000	4,215,000
Term Bonds		2020	7,920,000	7,920,000
Term Bonds		2025	17,130,000	17,130,000
Note, Series B	7/6/95	2005	361,623	212,335
Bonds CWF Series 1	8/23/95	1996-2015	5,000,000	3,977,283
Bonds Series C	6/15/95	1997-2016	97,480,000	68,915,000 [(a)]
Refunding Bonds Series 2	10/15/95			
Serial Bonds		1997-2000	5,780,000	-0-
Serial Bonds		2004-2005	2,715,000	2,715,000
Serial Bonds		2007-2015	34,355,000	34,355,000
1996- Bonds Series A	1/15/96	1997-2016	158,080,000	115,825,000 [(a)]
Refunding Bonds Series 1	2/15/96	1996-2015	104,765,000	101,330,000
Bonds Series B	5/15/96			
Serial Bonds		1998-1999	4,215,000	-0-
Serial Bonds		2007-2014	16,550,000	2,440,000
Term Bonds		2021	10,305,000	10,305,000
Term Bonds		2026	13,930,000	13,930,000
Bonds Series C	9/1/96	1998-2017	115,230,000	46,585,000 [(a)]
Bonds CWF Series A	8/29/96	2001-2011	5,000,000	4,683,144
Bonds Series D	10/15/96			
Serial Bonds		2007-2009	8,550,000	8,550,000
Term Bonds		2014	3,700,000	3,700,000
Term Bonds		2020	6,405,000	6,405,000
Term Bonds		2027	11,345,000	11,345,000
1997- Bonds CWF Series A			10,000,000	8,303,302
Bonds Series A	3/15/97			
Serial Bonds		2006-2015	17,880,000	17,880,000
Serial Bonds		2017	5,760,000	5,760,000
Bonds Series 1	3/15/97			
Term Bonds		2021	8,065,000	8,065,000
Term Bonds		2028	13,295,000	13,295,000
Bonds Series B	7/15/97	1999-2018	101,010,000	90,335,000

(a) Pursuant to a refunding escrow agreement the principal and interest on all or a portion of the bonds will be paid as it comes due and those bonds will be called for redemption prior to maturity. The principal amount of bonds for which payment is provided is not treated as outstanding for purposes of this table.

Table III-2 – Continued
OUTSTANDING GENERAL OBLIGATIONS BY ISSUE
(As of December 1, 2000)

Financing		Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
	Bonds Series C	9/15/97			
	Serial Bonds		2000-2001	520,000	270,000
	Serial Bonds		2003-2013	22,755,000	22,755,000
	Term Bonds		2017	7,850,000	7,850,000
	Term Bonds		2023	10,580,000	10,580,000
	Term Bonds		2026	3,295,000	3,295,000
	Bonds Series D (Taxable)	9/15/97			
	Serial Bonds		1999-2012	13,385,000	9,990,000
	Term Bonds		2017	6,760,000	6,760,000
	Term Bonds		2028	24,855,000	24,155,000
1998-	Bonds Series A	3/1/98	1999-2018	156,185,000	141,520,000
	Bonds CWF Series A	2/12/98	1998-2018	5,000,000	4,584,925
	Bonds Series B	5/15/98			
	Serial Bonds		2007-2008	2,865,000	2,865,000
	Term Bonds		2010	4,775,000	4,775,000
	Term Bonds		2018	2,865,000	2,865,000
	Term Bonds		2023	8,670,000	8,670,000
	Term Bonds		2028	11,390,000	11,390,000
	Bonds Series C (Taxable)	5/15/98			
	Serial Bonds		1999-2008	6,245,000	3,355,000
	Term Bonds		2028	27,760,000	27,760,000
	Refunding Bonds Series 1	8/15/98			
	Serial Bonds		1999	2,820,000	-0-
	Serial Bonds		2004-2016	154,760,000	154,760,000
	Refunding Bonds Series 2	9/15/98			
	Serial Bonds		1999-2001	17,095,000	4,500,000
	Serial Bonds		2004-2009	77,155,000	77,155,000
	Bonds Series D	9/1/98	2000-2019	74,840,000	71,705,000
	Bonds Series E	10/15/98	2012-2017	6,155,000	6,155,000
	Bonds Series F (Taxable)	10/15/98			
	Serial Bonds		1999-2009	9,410,000	7,205,000
	Term Bonds		2029	45,590,000	45,590,000
1999-	Bonds Series A	2/1/99	2000-2019	147,060,000	140,420,000
	Refunding Bonds Series 1	5/1/99			
	Serial Bonds		2008-2012	4,905,000	4,905,000
	Term Bonds		2015	3,880,000	3,880,000
	Term Bonds		2020	7,005,000	7,005,000
	Bonds Series B (Taxable)	5/1/99			
	Serial Bonds		2000-2010	6,370,000	5,450,000
	Term Bonds		2013	2,620,000	2,620,000
	Term Bonds		2016	3,180,000	3,180,000
	Term Bonds		2030	27,830,000	27,830,000
	Bonds Series C	10/15/99	2001-2020	100,000,000	100,000,000
	Bonds Series D (Taxable)	11/1/99			
	Term Bonds		2010	9,465,000	9,465,000
	Term Bonds		2030	55,535,000	55,535,000
	Bonds CWF Series A	12/15/99	2000-2020	5,000,000	4,500,000

Table III-2 – Continued
OUTSTANDING GENERAL OBLIGATIONS BY ISSUE
(As of December 1, 2000)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding	
2000- Bonds Series A	3/15/2000				
Serial Bonds		2001-2018	128,875,000	128,875,000	
Term Bonds		2020	21,125,000	21,125,000	
Bonds Series B (Taxable)	7/1/2000				
Term Bonds		2010	4,625,000	4,625,000	
Term Bonds		2030	30,375,000	30,375,000	
Bonds Series C	7/15/2000	2012-2021	87,715,000	87,715,000	
Bonds Series D	11/1/2000	2012-2021	199,965,000	199,965,000	
Bonds Series E (Taxable)	11/7/2000				
Term Bonds		2016	5,000,000	5,000,000	
Bonds CWF Series A	11/16/2000				
Serial Bonds		2001	250,000	250,000	
Serial Bonds		2014-2020	4,750,000	4,750,000	
Total Fixed Rate General Obligations			$10,462,657,196	$3,740,402,077	
Variable Rate General Obligations					
1997- Commercial Paper Series A	4/3/97		$ 99,270,000	$ 48,697,000	(b)
Commercial Paper Series B	7/15/97		31,335,000	11,375,000	(b)
1998- Commercial Paper Series A	12/1/98		35,925,000	20,925,000	
Commercial Paper Series B	12/1/98		29,120,000	13,694,000	(b)
1999- Extendible Commercial Notes Series A	9/9/99		50,000,000	-0-	
Extendible Commercial Notes Series B	10/6/99		75,000,000	-0-	
2000- Extend. Muni. Comm. Paper Series A	8/8/2000		125,000,000	58,670,000	(b)
Extend. Muni. Comm. Paper Series B	8/8/2000		93,430,000	93,430,000	
Extend. Muni. Comm. Paper Series C	11/16/2000		80,390,000	80,390,000	
Total Variable Rate General Obligations			$ 619,470,000	$ 327,181,000	
TOTAL GENERAL OBLIGATIONS			$11,082,127,196	$4,067,583,077	

(b) Proceeds from a general obligation bond issue have been deposited with the respective Issuing and Paying Agent to pay principal on a portion of the outstanding variable rate obligations as they become due. The principal amount for which this payment is provided is not treated as outstanding for purposes of this table

Table III-3

PER CAPITA STATE GENERAL OBLIGATION DEBT
1990 TO 1999

Year Ending December 31	Outstanding Indebtedness[(a)] (Amounts in Thousands)	Debt Per Capita	Debt Per Capita as % of Per Capita Income
1990	$2,781,071	$568.49	3.21%
1991	3,126,391	631.34	3.46
1992	3,065,122	612.41	3.17
1993	3,104,055	613.93	3.07
1994	3,244,079	636.59	3.03
1995	3,305,471	643.46	2.85
1996	3,468,447	670.36	2.85
1997	3,604,798	693.10	2.80
1998	3,751,542	718.41	2.74
1999	3,942,659	750.92	2.74

(a) Includes obligations of nonstock, nonprofit building corporations

Sources: Legislative Audit Bureau
Tables II-26 and II-29 in Part II of the Annual Report.

Table III-4

LIMITATION ON AGGREGATE PUBLIC DEBT
DERIVATION OF AMOUNT
FOR 2000

The aggregate debt contracted in 2000 shall not exceed the lesser of (a) or (b):

(a)	3/4 of 1% x $286,321,491,800		$2,147,411,189
(b)	5% x $286,321,491,800	$14,316,074,590	
	Deduct: Net Indebtedness 1/1/2000	(3,942,658,708)	
			$10,373,415,882

The amount of $286,321,491,800 shown above is the aggregate full market value of all taxable property in the State for the year 2000 as certified by the Department of Revenue.

The amount of $3,942,658,708 shown above is the net indebtedness as of January 1, 2000 as certified by the Legislative Audit Bureau.

The lesser of (a) or (b) is $2,147,411,189. Aggregate debt contracted in the calendar year shall not exceed this amount.

Source: Wisconsin Department of Administration.

Table III-5

ANNUAL DEBT LIMIT COMPARED TO ACTUAL BORROWING 1991 TO 2000

Calendar Year	Annual Debt Limitation	Actual Borrowing	Borrowing as Percentage of Limitation
1991	$1,131,958,171	$359,716,000	31.8%
1992	1,196,902,524	427,655,000	35.7
1993	1,287,578,726	129,325,000	10.0
1994	1,387,461,496	289,810,000	20.9
1995	1,511,535,818	368,322,196	24.4
1996	1,627,078,182	353,295,000	21.7
1997	1,748,056,751	404,310,000	23.1
1998	1,867,461,864	475,485,000	25.5
1999	1,999,256,351	482,360,000	24.1
2000	2,147,411,186	538,795,000	25.1

Source: Wisconsin Department of Administration.

Table III-6
DEBT STATEMENT
December 1, 2000

	Tax-Supported Debt		Revenue-Supported Debt[a]		
	General Fund	Segregated Funds[b]	Veterans Housing	Other[c]	Total
GENERAL OBLIGATIONS					
Outstanding Indebtedness	$2,831,448,948	$51,063,989	$785,320,000	$399,750,140	$4,067,583,077
NONSTOCK, NONPROFIT CORPORATIONS[d]					
Wisconsin State Colleges Building Corp.				125,000	125,000
Outstanding Indebtedness				$ 125,000	$ 125,000
Total Outstanding Indebtedness	$2,831,448,948	$51,063,989	$785,320,000	$399,875,140	$4,067,708,077

(a) Revenue Supported Debt represents general obligation debt of the State and indebtedness of its nonstock, nonprofit corporations issued to fund particular programs and facilities with the initial expectation that revenues and other proceeds derived from the operation of the programs and facilities will amortize the allocable debt without recourse to the General Fund.

(b) Includes the Transportation Fund and certain administrative facilities for the Department of Natural Resources.

(c) Includes university dormitories, food service, intercollegiate athletic facilities, certain facilities on the State Fair grounds, and capital equipment acquisition.

(d) See "STATE OBLIGATIONS; Nonstock, Nonprofit Corporations" in this part of the Annual Report for a description of the nonstock, nonprofit corporations.

Source: Wisconsin Department of Administration.

Table III-7

COMPARISON OF OUTSTANDING INDEBTEDNESS TO EQUALIZED VALUATION OF PROPERTY 1990 TO 1999

Calendar Year	Value of Taxable Property (Amounts in Thousands)	Outstanding Indebtedness[(a)] (Amounts in Thousands)	Debt as Percentage of Equalized Value
1990	$141,370,307	$2,781,071	1.97%
1991	150,927,756	3,126,391	2.07
1992	159,587,003	3,065,122	1.92
1993	171,677,164	3,104,055	1.81
1994	184,994,866	3,244,079	1.75
1995	201,538,109	3,305,471	1.64
1996	216,943,758	3,468,447	1.60
1997	233,074,233	3,604,798	1.55
1998	248,994,915	3,751,542	1.51
1999	266,567,513	3,942,659	1.48

(a) Including obligations of nonstock, nonprofit building corporations as of December 31.

Sources: Wisconsin Department of Revenue.
Wisconsin Legislative Audit Bureau.

Table III-8

DEBT SERVICE PAYMENT HISTORY: AMOUNT PAID ON GENERAL OBLIGATIONS

Fiscal Year	Principal	Interest	Total Debt Service
To June 30, 1986	$1,149,785,000	$1,104,960,605	$2,254,745,605
1986-87	159,920,000	161,142,905	321,062,905
1987-88	170,105,000	157,666,783	327,771,783
1988-89	168,560,000	140,461,544	309,021,544
1989-90	169,615,000	147,115,426	316,730,426
1990-91	185,050,000	161,025,824	346,075,824
1991-92	157,985,000	100,545,026	258,530,026
1992-93	131,634,000	138,331,828	269,965,828
1993-94	151,416,138	153,491,249	304,907,387
1994-95	188,718,292	159,985,783	348,704,075
1995-96	199,622,231	159,090,781	358,713,012
1996-97	205,112,886	167,659,261	372,772,147
1997-98	217,184,565	171,783,741	388,968,306
1998-99	236,344,072	173,743,794	410,087,867
1999-2000	244,211,911	183,158,974	427,370,884
7/1/2000-11/30/2000	47,272,376	93,534,360	140,806,736
Totals	$3,782,536,470	$3,373,697,885	$7,156,234,355

Source: Wisconsin Department of Administration.

Table III-9

**DEBT SERVICE MATURITY SCHEDULE:
AMOUNT DUE ANNUALLY ON GENERAL OBLIGATION BONDS
ISSUED TO DECEMBER 1, 2000 [a]**

Fiscal Year (Ending June 30)	Principal	Interest	Total Debt Service
2001 [b]	$ 201,559,935	$ 103,237,176	$ 304,797,111
2002	245,623,755	190,431,187	436,054,942
2003	241,227,654	177,535,609	418,763,263
2004	225,748,174	165,164,577	390,912,751
2005	220,921,494	152,919,587	373,841,081
2006	217,613,101	140,529,901	358,143,002
2007	214,146,611	129,297,191	343,443,802
2008	204,131,601	118,205,518	322,337,119
2009	204,515,539	107,848,513	312,364,052
2010	188,235,097	97,450,136	285,685,233
2011	174,921,796	87,920,896	262,842,692
2012	176,717,278	78,799,153	255,516,431
2013	160,560,479	70,018,263	230,578,742
2014	143,256,973	61,478,444	204,735,417
2015	134,386,874	53,977,765	188,364,639
2016	119,902,619	46,521,119	166,423,738
2017	121,368,773	39,888,088	161,256,861
2018	103,264,325	33,527,904	136,792,229
2019	87,057,500	27,715,753	114,773,253
2020	75,482,500	22,727,025	98,209,525
2021	46,650,000	18,208,714	64,858,714
2022	29,670,000	15,319,414	44,989,414
2023	31,035,000	13,348,418	44,383,418
2024	32,180,000	11,302,604	43,482,604
2025	27,770,000	9,179,475	36,949,475
2026	24,265,000	7,285,280	31,550,280
2027	27,525,000	5,623,985	33,148,985
2028	19,860,000	3,869,790	23,729,790
2029	15,920,000	2,440,816	18,360,816
2030	13,985,000	1,347,698	15,332,698
2031	10,900,000	417,988	11,317,988
TOTALS	$3,740,402,078	$1,993,537,987	$5,733,940,065

[a] This maturity schedule does not include interest and principal payments on outstanding variable rate obligations such as commercial paper notes and extendible municipal commercial paper.

[b] For the fiscal year ending June 30, 2001, the table includes debt service amounts for the period December 1, 2000 through June 30, 2001.

Source: Wisconsin Department of Administration.

Table III-10

AMORTIZATION SCHEDULE:
AMOUNT DUE ANNUALLY ON GENERAL OBLIGATION VARIABLE RATE OBLIGATIONS ISSUED TO DECEMBER 1, 2000 [(a)]

Fiscal Year (Ending June 30)		Principal [(b)]
2001	$	13,820,000
2002		28,985,000
2003		29,835,000
2004		31,255,000
2005		32,775,000
2006		32,105,000
2007		29,445,000
2008		28,715,000
2009		30,190,000
2010		27,715,000
2011		28,500,000
2012		1,465,000
2013		1,540,000
2014		1,625,000
2015		1,710,000
2016		1,800,000
2017		1,900,000
2018		2,000,000
2019		2,115,000
2020		2,230,000
2021		2,355,000
TOTAL	$	332,080,000

[(a)] The State intends to treat each general obligation variable rate issue as if it were a long-term bond issue by making annual principal payments on May 1. The Program Resolutions do not permit the State to have any variable rate obligations outstanding for more than 10 years after a specific initial issue date.

[(b)] Proceeds from a general obligation bond issue have been deposited with the respective Issuing and Paying Agent to pay principal on a portion of outstanding variable rate obligations as they become due. The principal amount for which this payment is provided is not treated as outstanding for purposes of this table.

Source: Wisconsin Department of Administration.

Table III-11

SOURCE OF DEBT SERVICE PAYMENTS ON GENERAL OBLIGATIONS ISSUED AS OF JUNE 30, 1999

	1999-2000	%	1998-99	%	1997-98	%
Tax-Supported Debt						
General Fund	$327,346,978	73.2	$299,162,976	73.0	$291,537,272	75.0
Segregated Funds	10,506,898	2.4	7,691,124	1.9	7,891,732	2.0
Subtotal	337,853,875	75.6	306,854,100	74.8	299,429,004	77.0
Self-Amortizing Debt						
Veterans	70,973,999	15.9	66,117,038	16.1	56,473,654	14.5
University of Wisconsin	23,150,654	5.2	21,369,609	5.2	18,092,511	4.7
State Fair Park	1,597,793	0.3	1,488,720	0.4	1,438,159	0.4
Historical	95,712	0.0	96,064	0.0	94,604	0.0
Housing State Departments	13,373,050	3.0	14,162,335	3.5	13,406,584	3.4
Subtotal	109,191,208	24.4	103,233,766	25.2	89,505,511	23.0
Total Debt Service	$447,045,083	100.0	$410,087,866	100.0	$388,934,515	100.0

VARIABLE RATE OBLIGATIONS

The State has issued, and there currently remain outstanding, both general obligation commercial paper notes and extendible municipal commercial paper.

Commercial Paper Notes.

The State has appointed Goldman, Sachs & Co. and Merrill Lynch & Co. to serve as **Dealers** for its General Obligation Commercial Paper Notes **(CP Notes)**. The State has appointed Bankers Trust Company to serve as **Issuing and Paying Agent** for the CP Notes.

The State has appointed The Depository Trust Company (**DTC**) to serve as **Depository** for the CP Notes. The State has obtained a **Liquidity Facility** in the form of a line of credit, which is provided for in a **Credit Agreement** among the State and the **Banks** — The Bank of Nova Scotia, New York Agency and Commerzbank AG, New York Branch.

The following summarizes the designation of each series of CP Note that the State has issued, the principal amount initially issued, the date each series was initially issued, and the principal amount outstanding as of December 1, 2000.

Series of CP Notes	Amount Initially Issued[(a)]	Date of Initial Issuance	Amount Outstanding[(b)]
1997 Series A	$91,655,000	April 3, 1997	$48,697,000
1997 Series B	25,000,000	July 15, 1997	11,375,000
1998 Series A	25,000,000	December 1, 1998	20,925,000
1998 Series B	25,000,000	December 1, 1998	13,694,000

(a) Amount does not include amount of CP Notes that may have been issued to pay for accrued interest due at maturity of a CP Note.

(b) Proceeds from a general obligation bond issue have been deposited with the Issuing and Paying Agent to pay principal on a portion of outstanding CP Notes as they become due. The principal amount of CP Notes for which this payment is provided is not treated as outstanding for purposes of this table.

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

Description of CP Notes

Each CP Note will be dated the date it is issued. It will be issued as an interest-bearing obligation in a denomination of $100,000 or increments of $1,000 above $100,000.

The CP Notes are not callable prior to maturity.

Each CP Note will mature from one to 270 days from its issue date. Also, no CP Note may be issued with a maturity date later than the expiration date of the Liquidity Facility or substitute Liquidity Facility.

Each CP Note will bear interest from its date of issuance, at the rate determined at the date of issuance, payable at maturity. Interest is computed on the basis of a year having 365 or 366 days and the actual number of days elapsed. Payment of each CP Note will be made to the Depository and then distributed by the Depository.

Liquidity Facility

In order to provide liquidity for the payment of the principal of and interest on maturing CP Notes, the State has entered into a **Credit Agreement** with the Banks. Pursuant to the Credit Agreement, each of the Banks has agreed, subject to certain conditions, to severally make **Advances** from time to time on any business day during the term of the Credit Agreement, only for providing funds to pay the principal of and interest on CP Notes on the maturity date thereof to the extent that proceeds of other CP Notes or other moneys on deposit in the note fund for CP Notes are not available. The aggregate principal amount of all Advances made on any date may not exceed the outstanding commitment amount under the Credit Agreement (which is currently $160 million), as such amount may be reduced from time to time pursuant to the Credit Agreement. The obligation of each Bank to make Advances is limited at any time to one-half of the outstanding commitment amount under the Credit Agreement. The commitment amount cannot be less than the sum of the issued CP Notes plus the aggregate principal amount of all outstanding Advances provided by the Banks.

The Credit Agreement currently terminates on March 31, 2001. The Credit Agreement provides that the termination date may be extended, if both parties agree.

Description of the Banks

The Bank of Nova Scotia
The Bank of Nova Scotia (**Scotiabank**) was founded in 1832 in Halifax, and currently employs more than 40,000 people in 1,654 branches and offices throughout the world. Scotiabank is a Canadian chartered bank with its principal office located in Toronto, Ontario.

Scotiabank's activities include providing a full range of retail, commercial and corporate banking services through its extensive network of branches located in all Canadian provinces and territories. Outside Canada, Scotiabank has branches and offices in over 50 countries, which provide a wide range of banking and related financial services, both directly or through subsidiary and/or associated banks, trust companies, and other financial firms.

For the fiscal year ended October 31, 2000, Scotiabank recorded total assets of CDN$253.2 billion (US$165.3 billion) and total deposits of CDN$173.9 billion (US$113.5 billion). Net income for the fiscal year ended October 31, 2000 equaled CDN$1.926 billion (US$1.257 billion), compared to CDN$1.551 billion (US$1.012 billion) for the prior fiscal year. Amounts above are shown in Canadian dollars and also reflect the United States dollar equivalent as of October 31, 2000 (1.0000 United States dollar equals 1.5321 Canadian dollars).

Scotiabank will provide to anyone, upon written request, a copy of its most recent annual report, as well as, a copy of its most recent quarterly financial report. Requests should be directed to: The Bank of Nova Scotia, One Liberty Plaza, New York, New York 10006. Attention: Public Finance Department.

Commerzbank AG

Commerzbank Aktiengesellschaft (**Commerzbank**) is the fourth largest publicly-held banking institution in terms of assets in Germany. Commerzbank and its consolidated subsidiaries are engaged in a broad range of commercial and investment banking services and related activities in Germany and around the world. Commerzbank functions as a full service commercial and investment bank. In certain specialized areas, such as mortgage lending, leasing, asset management, fund management, real estate activities and equity participations, Commerzbank provides services through its subsidiaries. As of September 30, 2000, Commerzbank had total assets of US$378 billion (US$0.8827 = EURO 1, closing price as of September 29, 2000. Bloomberg). Commerzbank's capital stock is publicly held by more than 410,000 shareholders and is quoted on all eight German stock exchanges as well as on the stock exchanges of Amsterdam, Antwerp, Barcelona, Basel, Berne, Brussels, Geneva, Lausanne, London, Luxembourg, Madrid, Milan, Paris, Tokyo, Vienna and Zurich. There is also a sponsored-ADR program in the USA.

In Germany, Commerzbank operates 935 branches that provide banking services to over four million private customers. Abroad, Commerzbank maintains nearly 49 offices in 39 countries. Commerzbank is directly represented in all major financial and industrial centers with its own subsidiaries, branches or representative offices and employs approximately 4,478 staff abroad. It also has numerous holdings in leading local and regional financial institutions.

Commerzbank conducts extensive banking business in the United States, concentrating primarily in corporate lending, letter of credit and bankers acceptance facilities, participations in syndicated loan transactions and treasury operations including foreign exchange transactions. Commerzbank has branches in New York, Chicago, and Los Angeles, and has an agency office in Atlanta.

For further information on the Commerzbank Group, a copy of Commerzbank's annual report can be obtained by contacting: Commerzbank AG, 2 World Financial Center, New York, New York 10281. Attention: Karin Rapaglia.

Under the banking laws of the Federal Republic of Germany, all German banks are subject to supervision by the Federal Banking Supervisory Office (Bundesaufsichtsamt für das Kreditwesen), the Federal Securities Trading Supervisory Commission (Bundesaufsichtsamt für den Wertpapierhandel), and by the German Central Bank (Deutsche Bundesbank). The Federal Banking Supervisory Office has the power, inter alia, to issue and revoke licenses, to issue regulations on capital and liquidity requirements, to demand the removal of members of the management banks, to inspect books and records, to designate the contents required in reports on financial matters by banks and to take action where deposits are considered to be at risk. Bank lending activities in the Federal Republic of Germany are regulated closely under the German Banking Law (Kreditwesengesetz) (**Banking Law**), as amended most recently on October 24, 1994. The Banking Law and directives of the European Union, of which Germany is a member, contain provisions on solvency, long-term lending and investments. The Banking Law also contains limits on large loans to individual borrowers. Compliance with and enforcement of these regulations are supervised through extensive reporting requirements. In addition, Commerzbank is subject to extensive regulation by the countries in which it operates.

The New York branch of Commerzbank is licensed by the Superintendent of Banks of the State of New York, is subject to the banking laws of the State of New York and is examined by the New York State Banking Department. Commerzbank's branches in Chicago and Los Angeles are subject to similar regulation by the state in which they operate. In addition to being subject to state laws and regulations, Commerzbank is also subject to federal regulation under the International Banking Act and, through the International Banking Act, the Bank Holding Company Act.

Extendible Municipal Commercial Paper

General obligation extendible municipal commercial paper **(EMCP)** is similar to CP Notes, however investors, rather than a bank-provided liquidity facility, provide liquidity for the EMCP. The State has appointed Goldman, Sachs & Co. and Merrill Lynch & Co. to serve as **Dealers** for the EMCP. The State has appointed U.S. Bank Trust National Association to serve as **Issuing and Paying Agent** for the EMCP. The State has appointed The Depository Trust Company (**DTC**) to serve as **Depository** for the EMCP.

The following summarizes the designation of each series of EMCP that the State has issued, the principal amount initially issued, the date each series was initially issued, and the principal amount outstanding as of December 1, 2000.

Series of EMCP	Amount Initially Issued	Date of Initial Issuance	Amount Outstanding[(a)]
2000 Series A	$125,000,000	August 8 – November 6, 2000	$58,670,000
2000 Series B	93,430,000	August 8, 2000	93,430,000
2000 Series C	80,390,000	November 16, 2000	80,390,000

(a) Proceeds from a general obligation bond issue have been deposited with the Issuing and Paying Agent to pay principal on a portion of outstanding EMCP as it becomes due. The principal amount of EMCP for which this payment is provided is not treated as outstanding for purposes of this table

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

Description of EMCP

Each EMCP note is dated the date it is issued. It will be issued as an interest-bearing obligation in a denomination of $100,000 or increments of $1,000 above $100,000. Interest is computed on the basis of a year having 365 or 366 days and the actual number of days elapsed (actual/actual basis). Payment of principal of and interest on each EMCP note will be made to the Depository and then distributed by the Depository.

Each EMCP note will mature on its **Original Maturity Date,** which may range from 1 to 180 days from its original issue date, unless the State exercises its option to extend the maturity date. In that case the EMCP note will mature on the **Extended Maturity Date,** which will be the date that is 270 days after its original issue date.

Each EMCP note will bear interest from its original issue date until the Original Maturity Date at the rate determined on the original issue date, payable on the Original Maturity Date, unless the maturity date is extended, in which case interest will be paid on the date described below. If the State exercises its option to extend the maturity date of an EMCP note, it will bear interest after the Original Maturity Date at the Reset Rate and be payable on the dates described below.

If the maturity date of an EMCP note is extended, accrued but unpaid interest to the Original Maturity Date will not be paid on the Original Maturity Date but will be payable on the following date (or any earlier redemption date):

(1) if the Original Maturity Date is before the 15th day of the month, interest will next be payable on the first **Business Day** (which is a day on which banks located in Madison, Wisconsin and in each of the cities that the Principal Office of the Issuing and Paying Agent and Dealers are located are not required or authorized by law or executive order to close for business and a day the New York Stock Exchange is not closed) of the next month, or

(2) if the Original Maturity Date is on or after the 15th day of the month, interest will next be payable on the first Business Day of the second succeeding month after the Original Maturity Date.

For example, if the Original Maturity Date is November 14, the first interest payment will be the first Business Day of December, and if the Original Maturity Date is November 15, the first interest payment will be the first Business Day of January.

Each EMCP note will bear interest from the Original Maturity Date at the **Reset Rate** and will be payable first on the date described above and thereafter, on the first Business Day of each month and on any redemption date or the Extended Maturity Date.

The Reset Rate will be a rate of interest per annum determined by the following formula:

(1.35 x BMA) + E

As used in the formula, the *BMA* variable will be The Bond Market Association Municipal Swap Index, which is calculated weekly and released each Wednesday afternoon, effective Thursday. The *E* variable will be a fixed percentage rate expressed in basis points that is determined based on the ratings assigned to the EMCP **(Prevailing Ratings)**, as follows:

Prevailing Ratings			
Fitch	Moody's Investors Service, Inc.	Standard & Poor's Ratings Services	*E* Variable
F-1+	P-1	A-1+	100 basis points
F-1	–	A-1	150
F-2	P-2	A-2	200
F-3	P-3	A-3	300
Lower than F-3 (or rating discontinued)	Lower than P-3 (or rating discontinued)	Lower than A-3 (or rating discontinued)	400

Pursuant to the Program Resolution, if at any time any rating agency announces that a lower rating is under consideration for the EMCP, then the Prevailing Rating from such rating agency will not be the rating then assigned to the EMCP; rather, it will be the next lower rating of such rating agency. If the Prevailing Ratings would indicate different *E* variables as a result of split ratings assigned to the EMCP, the *E* variable will be the arithmetic average of those indicated by the Prevailing Ratings.

The Reset Rate applicable to any EMCP note will be determined weekly by the Issuing and Paying Agent based on the *BMA* variable and the Prevailing Ratings as of 11:00 a.m. (New York time) on its Original Maturity Date and each Thursday thereafter and will apply through the following Wednesday.

REVENUE-SUPPORTED GENERAL OBLIGATION DEBT

General

Although all general obligations issued by the State are supported by its full faith, credit, and taxing power, a portion of the indebtedness of the State is issued with the expectation that debt service payments will not impose a direct burden on the State's taxpayers and its general revenue sources.

The programs and facilities financed by indebtedness designated as revenue supported in Table III-6 all have user charges that historically have been sufficient to pay or reimburse the General Fund for all debt service or rental obligations incurred by State agencies for these programs and facilities. These programs and facilities support debt service payments on approximately $1.185 billion of State general obligations and $125,000 of corporation indebtedness outstanding on December 1, 2000. Revenue-supported Debt Service payments were approximately 24.4% of the total debt service cost for the fiscal year ending June 30, 2000. See Table III-11.

Veterans Housing Loan Program

The veterans housing loan program, operated by the Department of Veterans Affairs **(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 **(Tax-Exempt Veterans Mortgage Bonds)** or taxable **(Taxable Veterans Mortgage Bonds)**. These bonds are collectively referred to as **Veterans Mortgage Bonds**.

Approximately $785 million in aggregate principal amount of Veterans Mortgage Bonds remain outstanding on December 1, 2000. As outlined later in this section, there are different special redemption provisions for the Tax-Exempt Veterans Mortgage Bonds and each series of Taxable Veterans Mortgage Bonds. Tables III-15 through III-23 in this part of the Annual Report include unaudited financial and statistical information and related notes that may be helpful in describing the operation of the Veterans Housing Loan Program.

Primary Mortgage Housing Loan Program

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).

Primary mortgage home loans have been funded with either Tax-Exempt Veterans Mortgage Bonds or Taxable Veterans Mortgage Bonds.

Home Improvement Loan Program ***(HILP)***

In addition to primary mortgage home loans described above, DVA also makes HILP loans that are funded solely with proceeds of Taxable Veterans Mortgage Bonds. This program has a maximum loan amount of $25,000 and is processed through county veterans service officers rather than lending institutions. HILP loans have a maximum term of 15 years. HILP loans in excess of $3,000 are secured by either a first or second mortgage on the improved property and require a minimum equity position of 10% after considering the HILP loan. HILP loans under $3,000 may be guaranteed by a guarantor or secured by a first or second mortgage. HILP loans use the same basic underwriting standards as the primary mortgage home loan program but do not include loan-servicing charges.

Mortgage Interest Rates

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

In setting the interest rate, DVA has previously chosen to provide a subsidy for veterans primary mortgage loans and some HILP loans funded with Taxable Veterans Mortgage Bonds. The result is that the lending rate may be lower than the true interest cost rate on the Taxable Veterans Mortgage Bond issue funding the loans.

DVA 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. As of September 30, 2000, of the 14,400 outstanding veterans primary mortgage home loans financed by the program, there were 91 loans in an aggregate principal amount of approximately $3.5 million for which payments were 60 days or longer past due. The insurance reserve requirement (4% of outstanding loans) is currently satisfied in full.

Special Redemption–Tax-Exempt Veterans Mortgage Bonds

The State had outstanding, as of December 1, 2000, approximately $517 million of Tax-Exempt Veterans Mortgage Bonds. Of this amount, approximately $512 million are subject to special redemption prior to maturity, at the option of the Commission, on any date, in whole or in part, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, from:

- Prepayments of veterans housing loans funded from or attributed to any series of Tax-Exempt Veterans Mortgage Bonds.
- Payments on veterans housing loans, or interest or income on investments in certain accounts, including money available from the Insurance Reserve Account, in excess of amounts required to meet scheduled debt service on Tax-Exempt Veterans Mortgage Bonds and costs associated with the veterans primary mortgage housing loan program.

In the event of a partial redemption, the Commission shall direct the maturities of the Bonds and the amounts thereof so to be redeemed.

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

Table III-12 presents a summary of the outstanding Tax-Exempt Veterans Mortgage Bonds that are subject to special redemption. Table III-22 presents further detailed information on these outstanding Tax-Exempt Veterans Mortgage Bonds subject to special redemption.

Table III-12
Summary of Outstanding Tax-Exempt Veterans Mortgage Bonds
Subject to Special Redemption
December 1, 2000

Series	Dated Date	Original Principal Amount Subject to Special Redemption	Outstanding Principal Amount Subject to Special Redemption	Range of Interest Rates on Outstanding Bonds
1990 Series B	03/01/90	$ 19,600,000	$ 1,775,000	7.10–7.30%
1990 Series F	10/01/90	19,675,000	1,875,000	7.15–7.35
1991 Series A	04/01/91	29,575,000	3,025,000	6.60–7.10
1992 Series B	06/01/92	29,850,000	8,375,000	6.00–6.60
1993 Series 6	10/15/93	20,000,000	17,385,000	4.30–5.30
1993 Series 5	12/01/93	135,255,000	127,295,000	4.35–5.40
1994 Series 2	03/01/94	58,525,000	38,890,000	5.10–6.20
1994 Series 3	09/15/94	10,400,000	5,600,000	5.10–5.80
1994 Series C	09/15/94	45,000,000	33,955,000	5.50–6.65
1995 Series 1	02/15/95	15,735,000	8,620,000	5.55–6.10
1995 Series B	02/15/95	29,265,000	29,265,000	6.40–6.50
1995 Series 2	10/15/95	42,850,000	37,070,000	4.85–5.75
1996 Series B	05/15/96	45,000,000	26,675,000	5.70–6.20
1996 Series D	10/15/96	30,000,000	30,000,000	5.25–6.00
1997 Series A	03/15/97	21,360,000	21,360,000	6.00–6.00
1997 Series 1	03/15/97	23,640,000	23,640,000	5.20–5.75
1997 Series C	09/15/97	45,000,000	44,750,000	4.30-5.50
1998 Series B	05/15/98	30,565,000	30,565,000	4.75-5.35
1998 Series E	10/15/98	6,155,000	6,155,000	4.60-4.80
1999 Series 1	05/01/99	15,790,000	15,790,000	4.70-5.30
			$ 512,065,000	

The State has historically received, and expects to continue to receive, prepayments of veterans primary mortgage housing loans funded with Tax-Exempt Veterans Mortgage Bonds. See Table III-23 for a summary of the prepayments made over the past three years. The State may use, and has from time to time used, veterans primary mortgage housing loan prepayments to make new veterans housing loans. If the State determines that it is not feasible to make new veterans primary mortgage housing loans, the State intends to use these prepayments to purchase or redeem Tax-Exempt Veterans Mortgage Bonds as determined by the Commission.

The Department of Administration, on behalf of the Building Commission, has established and modified from time to time a working policy on the selection of Tax-Exempt Veterans Mortgage Bonds for special redemption from prepayments of veterans primary mortgage housing loans. The working policy, as of the date of this Annual Report, is to call Tax-Exempt Veterans Mortgage Bonds for special redemption based on the highest estimated market price. Although this is the current working policy, it is subject to change at any time.

The estimated market price is determined for each maturity of Tax-Exempt Veterans Mortgage Bonds using published market indices that the State adjusts to reflect the following:

- The historic price relationship of the indices to comparable Tax-Exempt Veterans Mortgage Bonds, and
- Any maturity difference between the indices and the maturity of Tax-Exempt Veterans Mortgage Bonds.

Tax-Exempt Veterans Mortgage Bonds identified by this estimated market price determination must further be tested to maintain compliance with the Legislature's mandate that the veterans primary mortgage housing loan program be self-amortizing. The Commission most recently exercised its option of special redemption of Tax-Exempt Veterans Mortgage Bonds on July 1, 1999. At that time, the Commission made the special redemption summarized in Table III-13.

Table III-13
July 1, 1999 Special Redemption
Tax-Exempt Veterans Mortgage Bonds

Bond Issue	Maturity Date	Coupon	Redemption Amount
1994 Series C	May 1, 2004	5.80%	$ 855,000
	May 1, 2005	5.90	900,000
	May 1, 2006	6.00	965,000
	May 1, 2007	6.10	1,025,000
	May 1, 2008	6.20	1,090,000
	May 1, 2009	6.30	1,155,000
	May 1, 2010	6.30	1,235,000
1995 Series 1	May 1, 2008	5.80	1,300,000
	May 1, 2010	6.00	1,465,000
1996 Series B	November 1, 2007	5.50	6,730,000
	November 1, 2008	5.60	5,430,000
	November 1, 2009	5.70	1,950,000

Special Redemption–Taxable Veterans Mortgage Bonds

The State had outstanding, as of December 1, 2000, seven series of Taxable Veterans Mortgage Bonds in the aggregate outstanding amount of approximately $269 million.

Certain series of Taxable Veterans Mortgage Bonds are subject to special redemption prior to maturity, at the option of the Commission, on certain dates and any date thereafter, in whole or in part at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, from unexpended proceeds of only that series of Taxable Veterans Mortgage Bonds, as provided for in the respective authorizing resolution. In the event of a partial redemption, the Commission shall direct the maturities of the Taxable Veterans Mortgage Bonds and the amounts thereof so to be redeemed; however, the Commission has stated in the respective Official Statements that it intends to apply amounts from this source as a pro rata redemption on all applicable outstanding maturities of the Taxable Veterans Mortgage Bonds, subject to rounding, to reflect approximately the intended use of the unexpended proceeds for either HILP loans or primary mortgage home loans.

In addition, Taxable Veterans Mortgage Bonds are subject to special redemption prior to maturity, at the option of the Commission, on any date, in whole or in part, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, from prepayments of veterans primary mortgage home loans or HILP loans, or interest or income on investments in certain accounts, funded from or attributed to only that series of Taxable Veterans Mortgage Bonds, as provided for in the respective authorizing resolution. In the event of a partial redemption, the Commission shall direct the maturities of the Taxable Veterans Mortgage Bonds and the amounts thereof so to be redeemed; however, the Commission has stated in the respective Official Statements that it intends to apply amounts from this source as a pro rata redemption on all applicable outstanding maturities of the Taxable Veterans Mortgage Bonds, subject to rounding, to reflect approximately the prepayment from either HILP loans or primary mortgage home loans.

Prepayments of veterans primary mortgage housing loans or HILP loans originated with or attributed to a series of Taxable Veterans Mortgage Bonds shall not be used for special redemption of any other series of

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

The State has historically received, and expects to continue to receive, prepayments of veterans primary mortgage housing loans and HILP loans funded with Taxable Veterans Mortgage Bonds. See Table III-23 for a summary of these prepayments made over the past three years. The Commission has made several special redemptions of Taxable Veterans Mortgage Bonds from these prepayments. The most recent special redemption of Taxable Veterans Mortgage Bonds occurred on November 1, 2000. See Table III-14 for an aggregate summary of all special redemptions that have occurred on Taxable Veterans Mortgage Bonds.

Table III-14
Summary of All Special Redemptions
Taxable Veterans Mortgage Bonds

Bond Issue	Dated Date	Maturity Date	Original Issue Amount	Special Redemption - August 1, 1999	Special Redemption - January 1, 2000	Special Redemption - July 1, 2000	Special Redemption - November 1, 2000	Outstanding Par Amount
1997 Series D	09/15/1997	11/01/1999	$ 620,000	$ 15,000				n/a
		11/01/2000	655,000	15,000	$ 5,000	$ 5,000		n/a
		11/01/2001	695,000	15,000	10,000	10,000	$ 10,000	$ 650,000
		11/01/2002	740,000	15,000	15,000	10,000	15,000	685,000
		11/01/2003	785,000	20,000	15,000	15,000	15,000	720,000
		11/01/2004	840,000	20,000	15,000	15,000	15,000	775,000
		11/01/2005	895,000	20,000	15,000	10,000	20,000	830,000
		11/01/2006	950,000	20,000	15,000	15,000	15,000	885,000
		11/01/2007	1,010,000	25,000	15,000	15,000	25,000	930,000
		11/01/2008	1,080,000	25,000	15,000	15,000	20,000	1,005,000
		11/01/2009	1,155,000	25,000	20,000	15,000	20,000	1,075,000
		11/01/2010	1,230,000	25,000	25,000	25,000	25,000	1,130,000
		11/01/2011	1,320,000	30,000	20,000	15,000	30,000	1,225,000
		11/01/2012	1,410,000	35,000	25,000	25,000	25,000	1,300,000
		11/01/2017	6,760,000	125,000	105,000	95,000	145,000	6,290,000
		11/01/2028	24,855,000	430,000	375,000	325,000	520,000	23,205,000
		Subtotal	45,000,000	860,000	690,000	610,000	900,000	40,705,000
1998 Series C	05/15/1998	05/01/1999	495,000					n/a
		05/01/2000	495,000	5,000				n/a
		05/01/2001	525,000	5,000	10,000		10,000	500,000
		05/01/2002	550,000	5,000	10,000	10,000	15,000	510,000
		05/01/2003	595,000	10,000	5,000	5,000	15,000	560,000
		05/01/2004	625,000	5,000	5,000	10,000	15,000	590,000
		05/01/2005	675,000	5,000	5,000	10,000	15,000	640,000
		05/01/2006	710,000	15,000	15,000	10,000	20,000	650,000
		05/01/2007	760,000	5,000	5,000	10,000	20,000	720,000
		05/01/2008	815,000	15,000	20,000	10,000	20,000	750,000
		05/01/2028	27,760,000	365,000	270,000	285,000	645,000	26,195,000
		Subtotal	34,005,000	435,000	345,000	350,000	775,000	31,115,000
1998 Series F	10/15/1998	11/01/1999	355,000					n/a
		11/01/2000	725,000			5,000		n/a
		11/01/2001	760,000			5,000	5,000	750,000
		11/01/2002	790,000			10,000	10,000	770,000
		11/01/2003	830,000			10,000	10,000	810,000
		11/01/2004	870,000			5,000	10,000	855,000
		11/01/2005	915,000			10,000	10,000	895,000
		11/01/2006	960,000			10,000	10,000	940,000
		11/01/2007	1,015,000			10,000	10,000	995,000
		11/01/2008	1,065,000			10,000	15,000	1,040,000
		11/01/2009	1,125,000			10,000	10,000	1,105,000
		11/01/2029	45,590,000			445,000	510,000	44,635,000
		Subtotal	55,000,000	0	0	530,000	600,000	52,795,000
1999 Series B	05/01/1999	11/01/2000	420,000					n/a
		11/01/2001	450,000				5,000	445,000
		11/01/2002	480,000				5,000	475,000
		11/01/2003	500,000				5,000	495,000
		11/01/2004	535,000				5,000	530,000
		11/01/2005	570,000				10,000	560,000
		11/01/2006	600,000				5,000	595,000
		11/01/2007	640,000				10,000	630,000
		11/01/2008	680,000				10,000	670,000
		11/01/2009	725,000				10,000	715,000
		11/01/2010	770,000				10,000	760,000
		11/01/2013	2,620,000				30,000	2,590,000
		11/01/2016	3,180,000				40,000	3,140,000
		11/01/2030	27,830,000				355,000	27,475,000
		Subtotal	40,000,000	0	0	0	500,000	39,080,000
1999 Series D	11/01/1999	11/01/2010	9,465,000					9,465,000
		11/01/2030	55,535,000					55,535,000
		Subtotal	65,000,000	0	0	0	0	65,000,000
2000 Series B	07/01/2000	11/01/2010	4,625,000					4,625,000
		11/01/2030	30,375,000					30,375,000
		Subtotal	35,000,000	0	0	0	0	35,000,000
2000 Series E	11/07/2000	11/01/2016	5,000,000					5,000,000
		Totals	$ 278,695,000	$ 1,287,500	$ 1,035,000	$ 1,490,000	$ 2,775,000	$ 268,695,000

Financial and Statistical Information

The following unaudited financial and statistical information and related notes may be helpful in describing the operation of the Veterans Primary Mortgage Housing Loan Program. Bonds issued to fund this program are general obligations of the State of Wisconsin; the bondholders have no special pledge or lien on revenues derived from this program.

Table III-15
VETERANS PRIMARY MORTGAGE HOUSING LOAN PROGRAM

BALANCE SHEET
AS OF JUNE 30
(Amounts in Thousands)

	2000	1999	1998	1997	1996
ASSETS					
Cash and Cash Equivalents	$ 145,824	$ 216,640	$ 195,575	$ 135,404	$ 125,556
Investments					
Veterans Loans	702,219	635,111	602,088	580,499	540,959
Other Receivables	4,271	4,569	3,314	3,628	3,449
Due From Other Funds	51	302	1,100	130	223
Prepaid Items	48	47	46	44	43
Deferred Charges	4,808	5,045	4,862	4,065	3,731
Fixed Assets (net of accumulated depreciation)	72	67	69	94	101
Other Assets	164	251	44	85	130
Total Assets	$ 857,457	$ 862,032	$ 807,099	$ 723,950	$ 674,191
Liabilities and Fund Equity					
Liabilities:					
Accounts Payable and Other Accrued Liabilities	$ 12,557	$ 16,011	$ 24,688	$ 10,042	$ 10,742
Due to Other Funds	1,344	896	1,035	128	149
Due to Other Governments				6	3
Tax and Other Deposits	3	1	1	1	1
Deferred Revenue	646	819	992	1,165	1,338
Interest Payable	6,852	6,731	5,391	4,526	3,537
Compensated Absences	249	205	187	178	177
General Obligation Bonds Payable	757,244	760,790	697,495	564,971	524,597
Total Liabilities	$ 778,896	$ 785,454	$ 729,789	$ 581,017	$ 540,543
Fund Equity:					
Retained Earnings:					
Unreserved	$ 78,561	$ 76,578	$ 77,310	$ 143,370	$ 133,648
Total Fund Equity	$ 78,561	$ 76,578	$ 77,310	$ 143,370	$ 133,648
Total Liabilities and Fund Equity	$ 857,457	$ 862,032	$ 807,099	$ 724,386	$ 674,191

Source: Wisconsin Department of Veterans Affairs.

Table III-16
VETERANS PRIMARY MORTGAGE HOUSING LOAN PROGRAM

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
AS OF JUNE 30
(Amounts in Thousands)

	2000	1999	1998	1997	1996
Operating Revenues:					
Investment and Interest Income	$ 46,452	$ 42,207	$ 37,122	$ 39,418	$ 37,263
Total Operating Revenues	$ 46,452	$ 42,207	$ 37,122	$ 39,418	$ 37,263
Operating Expenses:					
Personal Services	$ 3,260	$ 3,135	$ 3,122	$ 3,002	$ 3,087
Supplies and Services	868	649	699	773	638
Depreciation	38	38	51	36	36
Interest Expense	44,676	41,257	35,881	30,458	32,064
Other Expenses	3,076	3,399	2,941	2,595	2,757
Total Operating Expenses	$ 51,918	$ 48,478	$ 42,695	$ 36,864	$ 38,582
Operating Income (Loss)	($ 5,466)	($ 6,271)	($ 5,573)	$ 2,554	($ 1,319)
Nonoperating Revenues (Expenses):					
Investment and Interest Income	$ 5,951	$ 5,434	$ 6,110	$ 6,018	$ 6,381
Other Expenses	(322)	(20)		(45)	(36)
Total Nonoperating Revenue (Expense)	5,629	5,414	6,110	5,973	6,345
Income (Loss) Before Operating Transfers	163	(857)	538	8,527	5,026
Operating Transfers In	1,820	1,797	3,015	468	747
Operating Transfers Out	0	(3)	(4)		(427)
Effect of a Change in Accounting Principals					
Net Income before Extraordinary Items and Cumulative	1,983	937	3,548	8,995	5,345
Extraordinary Items:					
Gain (Loss) from Extinguishment of Debt				(56)	104
Net Income	$ 1,983	$ 937	$ 3,548	$ 8,939	$ 5,449
Retained Earnings, Beginning of Year	$76,578	$77,310	$142,933	$133,648	$127,099
Prior Period Adjustments		(1,669)	(1,133)		1,101
Residual Equity Transfers Out			(68,038)		
Retained Earnings, End of Year	$78,561	$76,578	$77,310	$142,933	$133,648

Source: Wisconsin Department of Veterans Affairs.

Table III-17
VETERANS PRIMARY MORTGAGE HOUSING LOAN PROGRAM

STATEMENT OF CASH FLOWS
AS OF JUNE 30
(Amounts in Thousands)

	2000	1999	1998	1997	1996
Cash Flows from Operating Activities:					
Cash Payments to Suppliers for Goods and Services	($ 910)	($ 55)	($ 1,106)	($ 374)	($ 734)
Cash Payments to Employes for Services	(2,840)	(3,242)	(2,196)	(2,978)	(3,030)
Cash Payments for Loans Originated	(127,767)	(134,390)	(134,421)	(97,067)	(72,972)
Investment and Interest Income	46,797	44,085	37,396	39,338	37,212
Collection of Loans	57,169	89,389	64,337	56,170	59,155
Other Operating Revenues (Expenses)	(3,063)	(4,190)	(3,271)	(2,529)	(2,653)
Net Cash Provided (Used) by Operating Activities	($ 30,613)	($ 8,404)	($ 39,261)	($ 7,441)	$ 16,977
Cash Flows from Noncapital Financing Activities:					
Proceeds from Issuance of Long-Term Debt	$ 64,716	$ 74,868	$ 142,302	$ 50,520	$ 44,437
Grants to Individuals or Governments					
Retirement of Long-Term Debt	(68,024)	(10,958)	(10,242)	(10,247)	(46,699)
Interest Payments	(44,256)	(39,944)	(35,159)	(29,395)	(31,941)
Interfund Loans to Other Funds			17,516	(17,516)	
Operating Transfers In	1,820	1,797	3,015	468	747
Operating Transfers Out		(3)	(4)		
Residual Equity Transfers Out			(5,627)		
Net Cash Provided (Used) by Noncapital Financing Activities	($46,056)	$ 25,761	$ 111,800	($6,170)	($ 33,884)
Cash Flows from Capital and Related Financing Activities:					
Payments for Purchase of Fixed Assets	($ 42)	($ 37)	($ 26)	($ 29)	($ 54)
Net Cash Provided (Used) by Capital and Related Financing Activities	($ 42)	($ 37)	($ 26)	($ 29)	($ 54)
Cash Flows from Investing Activities:					
Proceeds from Sale and Maturities of Investment Securities					
Interest and Dividends Receipts	5,896	5,414	6,110	5,973	6,345
Net Cash Provided (Used) by Investing Activities	$ 5,896	$ 5,414	$ 6,110	$ 5,973	$ 6,345
Net Increase (Decrease) in Cash and Cash Equivalents	($ 70,815)	$ 22,734	$ 78,623	($ 7,667)	($ 10,616)
Cash and Cash Equivalents, Beginning of Year	216,640	193,906	116,950	125,556	136,171
Cash and Cash Equivalents, End of Year	$145,825	$216,640	$195,573	$117,889	$125,555
Operating Income (Loss)	($ 5,466)	($ 6,271)	($ 5,573)	$ 2,554	($ 1,319)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	$ 38	$ 38	$ 51	$ 36	$ 36
Provision for Uncollectible Accounts	13	7	4	8	3
Operating Expense (Interest Expense) Classified as Noncapital Financing Act.	44,676	41,257	35,881	30,458	32,064
Changes In Assets and Liabilities:					
Decrease (Increase) in Receivables	(66,824)	(31,325)	(83,885)	(39,728)	(12,927)
Decrease (Increase) in Due From Other Funds	(3)	827	(828)		
Decrease (Increase) in Prepaid Items	(1)	(1)	(2)	(1)	13
Decrease (Increase) in Deferred Charges		(798)	(334)	58	101
Decrease (Increase) in Other Assets	87	(207)	41	45	64
Decrease (Increase) in Accounts Payable and Other Accrued Liabilities	(3,454)	(11,636)	14,646	(699)	(910)
Decrease (Increase) in Compensated Absences	44	18	10	1	22
Decrease (Increase) in Due to Other Funds	448	(139)	908	(22)	48
Decrease (Increase) in Due to Other Governments			(6)	3	(23)
Decrease (Increase) in Tax and Other Deposits					
Decrease (Increase) in Deferred Revenues	(173)	(173)	(173)	(173)	(173)
Total Adjustments	($ 25,147)	($ 2,132)	($ 33,688)	($ 9,995)	$ 18,297
Net Cash Provided by Operating Activities	($ 30,613)	($ 8,403)	($ 39,261)	($ 7,441)	$ 16,977
Noncash Investing, Capital and Financing Activities					
Other (Residual Equity Transfer)			($ 62,411)		
Total Noncash Investing, Capital and Financing Activities			($ 62,411)		

Source: Wisconsin Department of Veterans Affairs.

Table III-18
VETERANS PRIMARY MORTGAGE HOUSING LOAN PROGRAM
BONDS ISSUED AND RELATED RATES OF INTEREST ON
PRIMARY MORTGAGE HOUSING LOANS [(a)]
(On Bonds Issued to December 1, 2000)

Bonds Dated	Amount of Issue	Interest Rate Paid by the State	Interest Rate Charged to Veterans[(b)]
4/01/85	$290,955,000	9.49%	10.60%
5/22/86	38,185,500	7.78	8.55
7/01/88	15,000,000	7.87	8.55
1/01/89	20,000,000	7.98	8.55
8/01/89	20,000,000	7.22	7.85
3/01/90	20,000,000	7.60	8.25
10/01/90	20,000,000	7.62	8.25
4/01/91	30,000,000	7.36	8.10
6/01/92	30,000,000	6.56	7.40
10/15/93	20,000,000	5.40	5.25[(c)]
9/15/94	45,000,000	6.62	7.25
2/15/95	29,625,000	6.46	7.45
10/15/95	42,850,000	5.58	6.55
5/15/96	45,000,000	6.07	7.00
10/15/96	30,000,000	5.93	6.90
3/15/1997	45,000,000	5.97	6.90
9/15/1997	45,000,000	5.41	6.40
9/15/1997	45,000,000	7.30	6.40[(d)]
5/15/1998	30,565,000	5.41	6.65
5/15/1998	34,005,000	6.93	6.65[(d)]
10/15/1998	6,155,000	4.87	6.50
10/15/1998	55,000,000	6.37	6.50[(d)]
5/01/1999	40,000,000	7.14	6.85[(d)]
11/01/1999	65,000,000	7.75	7.80[(d)]
7/01/2000	35,000,000	8.02	7.90[(d)]

[(a)] Does not include bonds issued solely to fund HILP loans..

[(b)] Includes an add-on to cover lender's fees, DVA administrative costs, and reserve for self-insurance.

[(c)] A subsidy resulting from refunding savings is being used to cover the difference between the debt service on the bonds and cash flow from the mortgages. In addition, the subsidy covers the lender's fees, DVA administrative costs and a reserve for self-insurance.

[(d)] This is a Taxable Veterans Mortgage Bond. In setting the interest rate charged to the borrower, DVA has chosen to apply a subsidy from the primary mortgage home loan program to blend with the proceeds of this Taxable Veterans Mortgage Bond issue. The result is that the lending rate may be lower than the true interest cost rate on the Taxable Veterans Mortgage Bond issue.

Source: **Wisconsin Department of Administration.**

Table III-19
VETERANS PRIMARY MORTGAGE HOUSING LOAN PROGRAM
60+ DAY LOAN DELINQUENCIES

	Month Ending	Principal Amount Outstanding	Number of Loans Outstanding	60+ Day Delinquent Loans	Percent of Total
1997	July	560,303,147	16,135	153	0.95
	August	562,979,629	16,096	168	1.04
	September	564,772,521	16,024	153	0.95
	October	564,982,487	15,954	140	0.88
	November	567,450,363	15,906	146	0.92
	December	568,177,780	15,842	123	0.78
1998	January	575,718,021	15,857	143	0.90
	February	578,994,241	15,814	143	0.90
	March	580,965,811	15,710	121	0.77
	April	590,104,309	15,680	117	0.75
	May	596,302,367	15,640	128	0.82
	June	609,093,336	15,645	133	0.85
	July	624,155,413	15,669	143	0.91
	August	636,434,524	15,669	151	0.96
	September	643,113,821	15,611	154	0.99
	October	641,875,504	15,465	144	0.93
	November	638,984,499	15,301	134	0.88
	December	634,011,424	15,103	124	0.82
1999	January	635,685,745	15,021	126	0.84
	February	635,990,493	14,935	121	0.81
	March	634,012,422	14,777	107	0.72
	April	635,933,357	14,667	112	0.76
	May	638,192,817	14,602	127	0.87
	June	649,582,616	14,602	104	0.71
	July	658,054,592	14,593	112	0.77
	August	666,034,855	14,581	101	0.69
	September	679,130,329	14,632	104	0.71
	October	689,731,930	14,666	92	0.63
	November	694,736,968	14,639	100	0.68
	December	699,825,412	14,614	81	0.55
2000	January	699,794,393	14,572	82	0.56
	February	700,638,385	14,540	88	0.61
	March	701,055,867	14,470	71	0.49
	April	705,151,864	14,434	81	0.56
	May	708,724,282	14,405	74	0.51
	June	713,069,613	14,383	71	0.49
	July	719,912,880	14,381	85	0.59
	August	730,356,802	14,389	86	0.60
	September	737,184,479	14,400	91	0.63

Source: Wisconsin Department of Veterans Affairs.

Table III-20

DEBT SERVICE SCHEDULE ON STATE TAXABLE AND TAX-EXEMPT GENERAL OBLIGATIONS ISSUED TO FUND VETERANS PRIMARY MORTGAGE HOUSING AND HILP LOANS (December 1, 2000)

Fiscal Year (Ending June 30)	Principal	Interest	Total Debt Service
2001[a]	$ 16,265,000	$ 24,628,722	$ 40,893,722
2002	30,755,000	46,229,858	76,984,858
2003	31,785,000	44,674,346	76,459,346
2004	30,075,000	43,061,339	73,136,339
2005	32,105,000	41,460,543	73,565,543
2006	32,350,000	39,793,161	72,143,161
2007	31,020,000	38,121,190	69,141,190
2008	21,405,000	36,649,850	58,054,850
2009	23,160,000	35,419,773	58,579,773
2010	22,535,000	34,053,309	56,588,309
2011	23,965,000	32,778,864	56,743,864
2012	23,160,000	31,400,784	54,560,784
2013	24,255,000	29,997,476	54,252,476
2014	24,635,000	28,459,193	53,094,193
2015	24,925,000	27,059,870	51,984,870
2016	23,740,000	25,450,943	49,190,943
2017	32,585,000	23,907,024	56,492,024
2018	25,820,000	22,087,030	47,907,030
2019	25,975,000	20,423,579	46,398,579
2020	26,075,000	18,744,528	44,819,528
2021	25,620,000	17,046,549	42,666,549
2022	29,670,000	15,319,414	44,989,414
2023	31,035,000	13,348,418	44,383,418
2024	32,180,000	11,302,604	43,482,604
2025	27,770,000	9,179,475	36,949,475
2026	24,265,000	7,285,280	31,550,280
2027	27,525,000	5,623,985	33,148,985
2028	19,860,000	3,869,790	23,729,790
2029	15,920,000	2,440,816	18,360,816
2030	13,985,000	1,347,698	15,332,698
2031	10,900,000	417,988	11,317,988
TOTALS	$785,320,000	$731,583,393	$1,516,903,393

[a] For the fiscal year ending June 30, 2000, the table includes debt service amounts for the period December 1, 1999 through June 30, 2000.

Source: Wisconsin Department of Administration.

Table III-21
TOTAL LOANS BY COUNTY
GENERAL OBLIGATION BOND FUNDS
THROUGH SEPTEMBER 2000

County	Number of Loans	% of Total Loans
Adams	140	0.27%
Ashland	100	0.19
Barron	428	0.82
Bayfield	99	0.19
Brown	2,918	5.56
Buffalo	98	0.19
Burnett	78	0.15
Calumet	341	0.65
Chippewa	488	0.93
Clark	196	0.37
Columbia	468	0.89
Crawford	116	0.22
Dane	4,094	7.80
Dodge	790	1.51
Door	238	0.45
Douglas	537	1.02
Dunn	300	0.57
Eau Claire	1,183	2.25
Florence	8	0.02
Fond du Lac	1,192	2.27
Forest	31	0.06
Grant	370	0.71
Green	318	0.61
Green Lake	142	0.27
Iowa	204	0.39
Iron	37	0.07
Jackson	205	0.39
Jefferson	708	1.35
Juneau	174	0.33
Kenosha	1,379	2.63
Kewaunee	141	0.27
LaCrosse	1,263	2.41
Lafayette	126	0.24
Langlade	120	0.23
Lincoln	214	0.41
Manitowoc	1,126	2.15
Marathon	1,287	2.45

County	Number of Loans	% of Total Loans
Marinette	304	0.58%
Marquette	72	0.14
Menominee	15	0.03
Milwaukee	9,293	17.71
Monroe	435	0.83
Oconto	310	0.59
Oneida	360	0.69
Outagamie	2,048	3.90
Ozaukee	540	1.03
Pepin	49	0.09
Pierce	356	0.68
Polk	227	0.43
Portage	731	1.39
Price	139	0.26
Racine	2,103	4.01
Richland	113	0.22
Rock	2,128	4.06
Rusk	171	0.33
St. Croix	584	1.11
Sauk	496	0.95
Sawyer	64	0.12
Shawano	303	0.58
Sheboygan	1,289	2.46
Taylor	105	0.20
Trempeleau	207	0.39
Vernon	154	0.29
Vilas	118	0.22
Walworth	627	1.20
Washburn	128	0.24
Washington	1,003	1.91
Waukesha	2,635	5.02
Waupaca	445	0.85
Waushara	155	0.30
Winnebago	2,025	3.86
Wood	1,076	2.05
Total	52,465	100.00

Source: Wisconsin Department of Veterans Affairs.

Table III-22
OUTSTANDING TAX-EXEMPT VETERANS MORTGAGE BONDS SUBJECT TO SPECIAL REDEMPTION

Series	Dated Date	Maturities	Original Par Amount January	Original Par Amount July	Par Amount Outstanding[a] January	Par Amount Outstanding[a] July	Coupon
1990 Series B	03/01/90	1994	$ 75,000	$ 75,000			6.40
		1995	75,000	75,000			6.50
		1996	75,000	100,000			6.60
		1997	100,000	100,000			6.70
		1998	100,000	100,000			6.80
		1999	125,000	125,000			6.90
		2000	125,000	150,000			7.00
		2001	175,000	175,000	$ 175,000	$ 175,000	7.10
		2002	175,000	175,000	175,000	175,000	7.10
		2003	200,000	200,000	200,000	200,000	7.20
		2004	225,000	225,000	225,000	225,000	7.25
		2005	225,000		225,000		7.30
		2010	3,975,000 [b]				7.25
		2020	12,450,000				7.60
1990 Series F	10/01/90	1994	75,000	75,000			6.45
		1995	100,000	100,000			6.55
		1996	100,000	100,000			6.65
		1997	100,000	125,000			6.75
		1998	125,000	125,000			6.85
		1999	125,000	125,000			6.95
		2000	150,000	150,000			7.05
		2001	150,000	175,000	150,000	175,000	7.15
		2002	175,000	150,000	175,000	150,000	7.20
		2003	200,000	200,000	200,000	200,000	7.25
		2004	200,000	225,000	200,000	225,000	7.30
		2005	225,000	175,000	225,000	175,000	7.35
		2010		3,800,000 [b]			7.30
		2020		12,425,000			7.60
1991 Series A	04/01/91	1994	150,000	150,000			5.70
		1995	150,000	150,000			5.90
		1996	150,000	150,000			6.10
		1997	150,000	175,000			6.20
		1998	175,000	175,000			6.30
		1999	175,000	175,000			6.40
		2000	200,000	200,000			6.50
		2001	225,000	250,000	225,000	250,000	6.60
		2002	250,000	250,000	250,000	250,000	6.75
		2003	250,000	300,000	250,000	300,000	6.90
		2004	275,000	300,000	275,000	300,000	7.00
		2005	325,000	325,000	325,000	325,000	7.10
		2006	275,000		275,000		7.10
		2011	5,825,000 [b]				6.75
		2021	18,400,000				7.50
1992 Series B	06/01/92	1994	175,000	175,000			5.60
		1995	175,000	180,000			5.60
		1996	180,000	185,000			5.60
		1997	190,000	200,000			5.60
		1998	200,000	200,000			5.60
		1999	210,000	215,000			5.75
		2000	230,000	230,000			5.90
		2001	250,000	255,000	90,000	90,000	6.00
		2002	270,000	280,000	100,000	100,000	6.10
		2003	290,000	295,000	105,000	110,000	6.20
		2004	315,000	330,000	110,000	120,000	6.30
		2005	340,000	355,000	125,000	130,000	6.40
		2006	365,000	370,000	130,000	135,000	6.40
		2007	370,000	400,000	135,000	145,000	6.50
		2008	400,000		145,000		6.50
		2012	4,000,000 [b]				6.00
		2022	18,220,000		6,605,000		6.60

Table III-22 — Continued
OUTSTANDING TAX-EXEMPT VETERANS MORTGAGE BONDS
SUBJECT TO SPECIAL REDEMPTION

			Original Par Amount		Par Amount Outstanding[a]		
			May	**November**	**May**	**November**	
1993 Series 6	10/15/93	1994	210,000	165,000			2.70/2.80
		1995	170,000	170,000			3.30
		1996	175,000	175,000			3.65
		1997	180,000	185,000			3.85
		1998	185,000	195,000			4.00
		1999	195,000	195,000			4.10
		2000	205,000	210,000			4.20
		2001	210,000	220,000	210,000	220,000	4.30
		2002	220,000	230,000	220,000	230,000	4.45
		2003	230,000	240,000	230,000	240,000	4.55
		2004	240,000	250,000	240,000	250,000	4.65
		2005	255,000	260,000	255,000	260,000	4.75
		2006	270,000	270,000	270,000	270,000	4.85
		2010	2,125,000		2,125,000		5.15
		2013	2,150,000		2,150,000		5.25
		2016	10,215,000		10,215,000		5.30
1993 Series 5	12/01/93	1994		95,000			2.50
		1995	90,000	85,000			3.20
		1996	90,000	95,000			3.60
		1997	95,000	95,000			3.80
		1998	95,000	100,000			4.00
		1999	105,000	105,000			4.10
		2000	105,000	6,805,000			4.20
		2001	3,605,000	9,135,000	3,605,000	9,135,000	4.35
		2002	5,650,000	10,885,000	5,650,000	10,885,000	4.45
		2003	8,425,000	9,555,000	8,425,000	9,555,000	4.55
		2004	7,160,000	11,000,000	7,160,000	11,000,000	4.65
		2005	8,875,000	10,275,000	8,875,000	10,275,000	4.75
		2006	9,000,000	12,025,000	9,000,000	12,025,000	4.85
		2010		14,770,000		14,770,000	5.20
		2013		1,190,000		1,190,000	5.30
		2016		1,405,000		1,405,000	5.35
		2023		4,340,000		4,340,000	5.40
1994 Series 2	03/01/94	1999	10,565,000				4.85
		2000	9,070,000				5.00
		2001	8,680,000		8,680,000		5.10
		2002	6,390,000		6,390,000		5.20
		2003	4,810,000		4,810,000		5.30
		2004	3,715,000		3,715,000		5.40
		2005	2,540,000		2,540,000		5.50
		2006	2,050,000		2,050,000		5.60
		2007	1,760,000		1,760,000		5.70
		2008	1,580,000		1,580,000		5.80
		2009	890,000		890,000		5.85
		2014	1,700,000		1,700,000		6.10
		2024	4,775,000		4,775,000		6.20
1994 Series 3	09/15/94	1995	800,000				3.90
		1996	800,000				4.30
		1997	800,000				4.55
		1998	800,000				4.75
		1999	800,000				4.90
		2000	800,000				5.00
		2001	800,000		800,000		5.10
		2002	800,000		800,000		5.20
		2003	800,000		800,000		5.30
		2004	800,000		800,000		5.40
		2005	800,000		800,000		5.50
		2006	600,000		600,000		5.60
		2007	600,000		600,000		5.70
		2008	400,000		400,000		5.80

Table III-22 — Continued
OUTSTANDING TAX-EXEMPT VETERANS MORTGAGE BONDS SUBJECT TO SPECIAL REDEMPTION

			Original Par Amount		Par Amount Outstanding[a]		
			May	**November**	**May**	**November**	
1994 Series C	09/15/94	1996	575,000				5.50
		1997	610,000				5.50
		1998	635,000				5.50
		1999	670,000				5.50
		2000	700,000				5.50
		2001	740,000		730,000		5.50
		2002	780,000		770,000		5.60
		2003	825,000		815,000		5.70
		2004	870,000				5.80
		2005	915,000				5.90
		2006	980,000				6.00
		2007	1,040,000				6.10
		2008	1,105,000				6.20
		2009	1,175,000				6.30
		2010	1,255,000				6.30
		2011	1,335,000		1,315,000		6.40
		2012	1,415,000		1,395,000		6.40
		2013	1,510,000		1,485,000		6.50
		2016	5,135,000		5,060,000		6.60
		2020	8,535,000		8,405,000		6.60
		2025	14,195,000		13,980,000		6.65
1995 Series 1	02/15/95	1999	1,110,000				5.25
		2000	3,240,000				5.30
		2004	860,000		860,000		5.55
		2008	1,300,000				5.80
		2009	1,380,000		1,380,000		5.80
		2010	1,465,000				6.00
		2011	1,560,000		1,560,000		6.00
		2012	1,660,000		1,660,000		6.00
		2013	1,765,000		1,765,000		6.00
		2014	1,395,000		1,395,000		6.10
1995 Series B	02/15/95	2016	4,215,000		4,215,000		6.40
		2020	7,920,000		7,920,000		6.50
		2025	17,130,000		17,130,000		6.50
1995 Series 2	10/15/95	1997		1,100,000			4.00
		1998		1,685,000			4.15
		1999		1,395,000			4.25
		2000		1,600,000			4.35
		2004		730,000		730,000	4.85
		2005		1,985,000		1,985,000	4.95
		2007		1,975,000		1,975,000	5.20
		2008		3,245,000		3,245,000	5.25
		2009		3,450,000		3,450,000	5.40
		2010		3,660,000		3,660,000	5.40
		2011		3,895,000		3,895,000	5.50
		2012		4,130,000		4,130,000	5.60
		2013		4,390,000		4,390,000	5.70
		2014		4,660,000		4,660,000	5.75
		2015		4,950,000		4,950,000	5.75
1996 Series B	05/15/96	1998		2,060,000			4.40
		1999		2,155,000			4.70
		2007		6,730,000			5.50
		2008		5,430,000			5.60
		2009		3,255,000		1,305,000	5.70
		2010		200,000		200,000	5.80
		2011		210,000		210,000	5.90
		2012		230,000		230,000	6.00
		2013		240,000		240,000	6.00
		2014		255,000		255,000	6.00
		2021		10,305,000		10,305,000	6.10
		2026		13,930,000		13,930,000	6.20

Table III-22 — Continued
OUTSTANDING TAX-EXEMPT VETERANS MORTGAGE BONDS SUBJECT TO SPECIAL REDEMPTION

			Original Par Amount		Par Amount Outstanding[a]		
			May	November	May	November	
1996 Series D	10/15/96	2007	4,500,000		4,500,000		5.25
		2008	2,250,000		2,250,000		5.30
		2009	1,800,000		1,800,000		5.40
		2014	3,700,000		3,700,000		5.75
		2020	6,405,000		6,405,000		5.80
		2027	11,345,000		11,345,000		6.00
1997 Series A	03/15/97	2021	8,065,000		8,065,000		6.00
		2028	13,295,000		13,295,000		6.00
1997 Series 1	03/15/97	2006	1,000,000		1,000,000		5.20
		2007	2,385,000		2,385,000		5.25
		2008	1,015,000		1,015,000		5.25
		2009	725,000		725,000		5.35
		2010	1,290,000		1,290,000		5.50
		2011	3,165,000		3,165,000		5.50
		2012	2,330,000		2,330,000		5.50
		2013	1,910,000		1,910,000		5.55
		2014	1,990,000		1,990,000		5.60
		2015	2,070,000		2,070,000		5.65
		2017	5,760,000		5,760,000		5.75
1997 Series C	09/15/97	2000		250,000			4.25
		2001		270,000		270,000	4.30
		2003		1,445,000		1,445,000	4.50
		2004		1,645,000		1,645,000	4.50
		2005		1,390,000		1,390,000	4.50
		2006		1,480,000		1,480,000	4.60
		2007		1,935,000		1,935,000	4.75
		2008		2,035,000		2,035,000	4.80
		2009		2,445,000		2,445,000	5.00
		2010		2,765,000		2,765,000	5.00
		2011		2,655,000		2,655,000	5.00
		2012		2,600,000		2,600,000	5.10
		2013		2,360,000		2,360,000	5.20
		2017		7,850,000		7,850,000	5.40
		2023		10,580,000		10,580,000	5.50
		2026		3,295,000		3,295,000	5.50
1998 Series B	05/15/98	2007	955,000		955,000		4.75
		2008	1,910,000		1,910,000		4.80
		2010	4,775,000		4,775,000		5.00
		2018	2,865,000		2,865,000		5.30
		2023	8,670,000		8,670,000		5.30
		2028	11,390,000		11,390,000		5.35
1998 Series E	10/15/98	2012	905,000		905,000		4.60
		2013	950,000		950,000		4.70
		2014	995,000		995,000		4.80
		2015	1,050,000		1,050,000		4.75
		2016	1,100,000		1,100,000		4.75
		2017	1,155,000		1,155,000		4.80
1999 Series 1	05/01/99	2008	860,000		860,000		5.00
		2009	935,000		935,000		4.70
		2010	980,000		980,000		4.80
		2011	1,030,000		1,030,000		5.00
		2012	1,100,000		1,100,000		5.00
		2015	3,880,000		3,880,000		5.10
		2020	7,005,000		7,005,000		5.30

[a] As of December 1, 2000

[b] Accelerated Redemption Term Bond.

Source: Wisconsin Department of Administration

Table III-23
SUMMARY OF PREPAYMENTS ON VETERANS HOUSING AND HILP LOANS FUNDED WITH TAX-EXEMPT VETERANS MORTGAGE BONDS AND TAXABLE VETERANS MORTGAGE BONDS

		Prepayments November 1997-October 2000					
Mortgage Pool	**Interest Rate Charged to Veterans**	**November 1997 - April 1998**	**May 1998 - October 1998**	**November 1998 - April 1999**	**May 1999 - October 1999**	**November 1999 - April 2000**	**May 2000 - October 2000**
		Tax-Exempt Veterans Mortgage Bonds					
1975 Series D	7.00%	$ 142,687	$ -	$ -	$ -	$ -	$ -
1975 Series E	6.75	240,022	-	-	-	-	-
1976 Series A	7.00	430,660	-	-	-	-	-
1976 Series B	7.00	526,986	-	-	-	-	-
1976 Series C	6.35	277,990	191,307	315,250	206,861	124,706	118,091
1977 Series A	6.23	238,202	-	-	-	-	-
1977 Series B	6.11	736,722	962,496	868,533	656,778	582,371	373,700
1977 Series C	6.03	152,967	-	-	-	-	-
1978 Series A	6.44	485,259	-	-	-	-	-
1978 Series B	6.58	380,148	-	-	-	-	-
1978 Series C	6.25	380,048	510,690	496,846	295,018	340,607	169,344
1979 Series A	6.88	507,028	-	-	-	-	-
1979 Series B	6.70	412,460	-	-	-	-	-
1979 Series C	6.91	567,289	-	-	-	-	-
1980 Series A	7.31	230,588	-	-	-	-	-
1982 Series B	10.20	194,824	-	-	-	-	-
1983 Series A	9.20	174,318	-	-	-	-	-
1983 Series C	9.90	287,674	-	24,094	-	-	-
1984 Series A	10.30	573,721	-	-	-	-	-
1985 Series B	10.60	75,945	-	-	-	-	-
1986 Series A	8.55	1,493,834	1,873,042	2,314,626	715,942	317,563	-
1988 Series A	8.55	659,861	573,831	802,032	284,982	-	-
1989 Series A	8.55	658,376	475,806	1,336,659	253,054	-	-
1989 Series D	7.85	1,059,793	837,722	1,195,214	641,153	-	-
1990 Series B	8.25	1,188,120	864,445	1,315,179	304,182	165,385	203,087
1990 Series F	8.25	709,362	1,264,810	1,437,045	321,918	259,558	281,798
1991 Series A	8.10	1,519,884	1,880,877	2,745,465	982,115	373,837	220,444
1992 Series B	7.40	422,271	439,735	928,854	509,563	148,725	286,036
1993 Series 6	5.25	427,059	453,055	292,584	410,763	308,889	400,964
1993 Series 5	5.25	749,185	4,982,403	4,978,142	4,024,350	2,440,480	2,676,450
1994 Series C	7.25	702,079	1,804,503	3,757,232	1,300,700	506,753	857,737
1994 Series 1	6.00	1,074,079	3,733,363	3,145,779	2,850,395	1,653,944	2,152,426
1995 Series B	7.45	882,912	792,309	3,276,838	1,257,937	572,806	683,828
1995 Series 1	7.45	287,431	785,790	969,129	1,034,587	484,805	663,739
1995 Series 2	6.55	304,938	511,832	1,171,171	1,365,087	332,738	946,457
1996 Series B	7.00	320,245	2,012,899	1,734,518	1,293,430	1,068,619	1,308,894
1996 Series D	6.90	217,784	508,312	346,864	1,251,405	369,049	1,027,507
1997 Series A	6.90	69,771	325,058	223,383	815,192	614,510	797,299
1997 Series 1	6.90	118,878	227,760	530,641	754,961	729,761	366,287
1997 Series C	6.40	6,257	304,515	418,320	849,407	835,908	1,185,287
1998 Series B	6.65	-	52,748	414,207	423,646	177,414	599,944
1998 Series E	6.50	N/A	-	-	2,261	77,769	45,665
1999 Series 1	N/A	N/A	N/A	-	636,603	403,326	725,349
Equity Pool	N/A	210,939	1,699,181	1,670,737	1,283,647	722,761	896,174
	Subtotal:	$ 20,098,595	$ 28,068,490	$ 36,709,342	$ 24,725,937	$ 13,612,281	$ 16,986,506
		Taxable Veterans Mortgage Bonds					
1997 Series D	6.40%	23,495	171,540	700,192	882,543	638,759	978,342
1998 Series C	6.65	-	39,340	397,729	399,245	571,070	772,525
1998 Series F	6.50	N/A	-	3,448	131,578	417,813	873,073
1999 Series B	6.85	N/A	N/A	-	14,297	48,625	630,943
1999 Series D	7.80	N/A	N/A	N/A	-	6,565	200,305
2000 Series B	7.90	N/A	N/A	N/A	N/A	-	765
	Subtotal:	$ 23,495	$ 210,880	$ 1,101,369	$ 1,427,664	$ 1,682,832	$ 3,455,188
	Total:	$ 20,122,090	$ 28,279,370	$ 37,810,711	$ 26,153,601	$ 15,295,113	$ 20,441,694

PART IV

MASTER LEASE CERTIFICATES OF PARTICIPATION

This part of the Annual Report provides information about master lease certificates of participation (**Certificates**) issued under the State of Wisconsin Master Lease Program (**Program**).

Total Outstanding Balance (12/1/2000)	$76,939,981
Certificate Ratings (Fitch/Moody's/Standard & Poors)	AA-/Aa3/A+

The Certificates are issued and secured by a Master Indenture, dated as of July 1, 1996 (**Master Indenture**), among the State of Wisconsin, acting by and through the Department of Administration (**State**), Firstar Bank Milwaukee, N.A., now known as Firstar Bank, National Association (**Lessor**), and Firstar Trust Company, now also known as Firstar Bank, National Association (**Trustee** and **Paying Agent**).

The Certificates evidence a proportionate interest in certain lease payments to be made by the State for the rental of certain equipment items and service contracts. These equipment items and service contracts are purchased under the Third Amended and Restated Master Lease, dated as of April 28, 2000 (**Master Lease**), between the Lessor and the State.

The full faith and credit of the State are not pledged to the payment of the Certificates. The State is not obligated to levy or pledge any tax to make the payments required under the Lease. The Certificates do not constitute debt of the State or any of its subdivisions.

The law firm of Foley & Lardner provides bond counsel services to the State for issuance of the Certificates. The firm of Public Financial Management provides financial advisory services to the State for the Program.

Requests for additional information about the Program or Certificates may be directed as follows:

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

This Annual Report includes information and defined terms for different types of securities issued by the State. The context or meaning of terms used in this Part IV of the Annual Report may differ from that of terms used in another part. Material referred to in this Annual Report is not part of this Annual Report unless expressly included by reference.

OUTSTANDING CERTIFICATES

The State has issued the Certificates shown in Table IV-1. The table also includes the outstanding principal balances as of December 1, 2000.

Table IV-1

OUTSTANDING MASTER LEASE CERTIFICATES OF PARTICIPATION BY ISSUE
(As of December 1, 2000)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
1996- Master Lease COPs Series A				
(Revolving Credit Agreement)	7/1/1996	2009	$ 50,000,000	$ 13,235,362 [a]
Master Lease COPs Series B........................	11/8/1996	1997-2003	38,260,000	980,689 [b]
1999- Master Lease COPs Series A........................	2/18/1999	1999-2005	28,855,000	13,123,930 [b]
Master Lease COPs Series B (Taxable)........	2/18/1999	1999-2005	14,120,000	11,080,000
2000- Master Lease COPs Series A........................	9/27/2000	2001-2007	27,255,000	27,255,000
Master Lease COPs Series B (Taxable)........	9/27/2000	2001-2005	11,265,000	11,265,000
Total Master Lease COPs............................				$76,939,981

[a] The Master Lease Certificate of Participation of 1996, Series A evidences the State's repayment of a revolving line of credit which the State utilizes for acquisition funding for the Program. See "SECURITY FOR CERTIFICATES; Two-Phase Financing Structure". The amount outstanding for this Certificate may include interest that has accrued on this revolving line of credit since the last interest payment on the Certificates.

[b] The Master Lease provides that certain Lease Schedules can be terminated if the State deposits with the Trustee an amount that is equal to the outstanding amount of the Lease Schedule, or in amounts that are sufficient to purchase investments that mature on dates and in amounts to make the Lease Payments when due. The principal amount of Certificates for which payment has been provided is treated as not outstanding for purposes of this table.

THE MASTER LEASE PROGRAM

General

The Program, which was created in 1992, permits the State to acquire tangible property, and in certain situations, intangible property or prepaid service items (**Leased Items**), for State agencies through installment purchase contracts. Particular Leased Items are described in schedules that are prepared under the Master Lease (**Lease Schedules)**. The Program is available for all State agencies. Through the period ending December 1, 2000, 16 of the 18 State departments, the Legislature, the Supreme Court, and various other State bodies have used the Program to acquire approximately $252 million of Leased Items.

Program Structure

The Master Lease and the Master Indenture establish the structure of the Program. The Master Lease contains general terms and conditions applicable to both the Program and Lease Schedules entered into by the Lessor and the State. A supplemental indenture creates a particular series of Certificates. As a result of statutory changes included in the 1999-2001 biennial budget, the Master Lease was amended to allow Leased Items to be incorporated into real estate. The amendment was effective April 28, 2000, and applied to Lease Schedules originated after that date. See "SUMMARY OF THE MASTER LEASE".

The Master Indenture establishes a trust (**Trust**) comprising certain Lease Schedules, rents, and other payments the State is required to make under the Master Lease (**Lease Payments**), Leased Items, and other property and rights related to those Lease Schedules, including the security interest granted in the Master Lease. The Trust serves as a common pool of collateral, ratably securing all present and future Certificates. See "SUMMARY OF THE MASTER INDENTURE".

Program Operations

The Program structure places within the Department of Administration centralized control of day-to-day operations:

- Functions related to Program administration, review of requests to use the Program, and day-to-day Program operations occur in the Capital Finance Office.
- Functions related to reviewing requests to use the Program and biennial budget preparation occur in the State Budget Office.
- Functions related to collecting Lease Payments due under the Master Lease occur in the State Controller's Office.

Each of these offices is part of the Department of Administration's Division of Executive Budget and Finance.

To use the Program to acquire a Leased Item, a state agency submits a written request to the Capital Finance Office. This request is reviewed and approved by the Capital Finance Office, State Budget Office, and the Secretary of the Department of Administration. Requests that include information technology items are also reviewed by the Department of Administration's Division of Technology Management. Requests that include energy performance contracts in State-owned buildings must be for a project that has been approved by the Department of Administration's Division of Facilities Development. The review process includes a determination by the Capital Finance Office that lease financing is the best alternative for the particular circumstance and a determination by the State Budget Office that current resources are available to make the Lease Payments due in the current fiscal year. Upon receiving approval to use the Program, the agency completes procurement of the Leased Item in compliance with State procurement requirements.

Upon acceptance of the Leased Item, the agency forwards all related outstanding invoices to the Department of Administration for payment. Parallel to payment being made to the vendor, a Lease Schedule is prepared by the Department of Administration and executed by the State, the Lessor, and the State agency. This Lease Schedule is then added to the Master Lease. The Lease Schedule also identifies the budgetary appropriation from which the related Lease Payments will be made.

The State currently uses a two-phase financing structure for the Program. See "SECURITY FOR CERTIFICATES; Two-Phase Financing Structure". Payments to the vendors for the Leased Items are made with proceeds from the revolving credit facility.

Lease Payments due under the Master Lease are collected by the State Controller's Office. Scheduled Lease Payments are automatically withdrawn from the appropriations identified by the agency and electronically wired to the Trustee.

State Appropriation Process

Lease Payments due under the Master Lease are not included in the State budget as a separate budget line item; rather, Lease Payments are included with other expenditures in one or more of an agency's existing budget lines. State law establishes procedures for the budget's enactment. See "BUDGETING PROCESS AND FISCAL CONTROLS" in Part II of this Annual Report for a summary of the budget enactment process and other financial procedures of the State. The State Budget Office review and approval of requests to use the Program helps assist in preparation of a biennial budget so that Lease Payments will not be mistakenly omitted.

State law provides that in the event that a budget is not in effect at the start of a fiscal year, the prior year's budget serves as the budget until such time as a new one is enacted.

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

SECURITY FOR CERTIFICATES

General

The Certificates represent a proportionate interest in specified Lease Payments required to be made by the State under the Master Lease. The Master Lease requires the State to make Lease Payments from any source of legally available funds, subject to annual appropriation. The scheduled Lease Payments are sufficient to pay when due the semiannual principal and interest payments on all outstanding Certificates. *The obligation of the State to make Lease Payments does not constitute an obligation for which the State is obligated to levy or pledge any form of taxation or for which the State has levied or pledged any form of taxation. The obligation of the State to make Lease Payments does not constitute debt of the State.* See "RISK FACTORS".

Common Pool of Collateral

Under the Master Indenture, the Lessor has assigned to the Trustee, for the benefit of all holders of Certificates, all its rights in the following:

- The funds and accounts created by the Master Indenture.
- The Lease Schedules specified in supplemental indentures.
- All Lease Payments, Leased Items, and other property and rights related to those Lease Schedules, including the security interest granted in the Master Lease.

All Leased Items serve as a common pool of collateral, ratably securing all present and future Certificates. All Certificates are secured by all Leased Items, regardless of their funding source or the time at which the Program finances them. If the Legislature fails to appropriate necessary funds for the continued performance of the State's obligations under the Master Lease or if an event of default occurs under any Lease Schedule, an event of default exists under all outstanding Certificates. Once a Lease Schedule is fully paid, the Leased Item covered by the Lease Schedule no longer serves as collateral.

In the opinion of Bond Counsel, the transfer of Lease Schedules by the Lessor to the Trustee constitutes a true sale and not a secured transaction. The State's obligation to make Lease Payments does not depend upon any service provided by the Lessor, and thus the transfer of Lease Schedules would be unaffected by any insolvency of the Lessor.

Reserve Fund

The Master Indenture allows a reserve fund to be established for any specific series of Certificates. As of December 1, 2000, no reserve fund has been established for any series of outstanding Certificates. In the event that the Department of Administration establishes a reserve fund under the Master Indenture, the amounts in the reserve fund would only be available to the series of Certificates for which the reserve fund is authorized.

Governmental Use

The State will certify that each Leased Item will be used to perform a governmental function. Examples of Leased Items currently existing in the Trust include modifications to the State's accounting system, expansion of the State's central mainframe computer, and various information technology items that provide various automated services and information technology upgrades for the State. See "TABLE IV-2; Outstanding Master Lease Schedules."

Centralized Control and Review

The Program structure allows one division within the Department of Administration to centrally administer many Program activities. Program functions related to administration, review, and day-to-day operations occur in the Capital Finance Office. Program functions related to review and biennial budget preparation occur in the State Budget Office. Program functions related to collection of Lease Payments occur in the State Controller's Office. Each of these offices is part of the Division of Executive Budget and Finance.

Two-Phase Financing Structure

The State ordinarily uses a two-phase financing structure for the Program. In the first (or acquisition) phase, all Leased Items are initially financed with proceeds from a revolving credit facility. The revolving credit facility is a line of credit, and the State, acting on behalf of the Trustee, requests draws from the revolving credit facility to pay for the acquisition of Leased Items. A Certificate has been issued to the current provider of this revolving credit facility, Bank of America NT&SA, evidencing the State's repayment of balances under the facility. The State pays interest on funds drawn from the facility based on a variable, taxable interest rate.

In the second phase, the State, acting on behalf of the Trustee, sells additional Certificates to refinance the revolving credit facility with proceeds of a fixed-rate, and most often tax-exempt, financing. Since all Leased Items have already been accepted by the State in the first phase, Certificates issued in the second phase do not have any nonorigination risk.

All sources of financing for the Program are issued under the Master Indenture. See "SECURITY FOR CERTIFICATES; Common Pool of Collateral".

Appropriation Process

The central control of the Program provides the State Budget Office with knowledge of all past, current, and pending scheduled Lease Payments due under the Master Lease. Lease Payments due under the Master Lease are not included in the State budget as a separate budget line item. Rather, Lease Payments due under the Master Lease are included with other expenditures in one or more of an agency's existing budget lines. The Secretary of the Department of Administration, under the direction of the Governor and with assistance from the State Budget Office, compiles all budget information and prepares an executive budget consisting of the planned operating expenditures and revenues of all State agencies.

State law establishes procedures for establishing and enacting a State budget. State law also provides that in the event a budget is not in effect at the start of a fiscal year, the prior year's budget serves as the budget until such time a new budget is enacted.

The Secretary of the Department of Administration has statutory power to order reductions in the appropriations of state agencies (which represent less than one-third of the General Fund budget). See "BUDGETING PROCESS AND FISCAL CONTROLS" in Part II of this Annual Report for additional information on the State's budget process.

Priority of Claims

The Master Lease includes representations that, if an emergency arises that requires the Department of Administration to draw vouchers for payment that will be in excess of available moneys, the Secretary of the Department of Administration will establish a priority schedule for payments that gives a high priority to Lease Payments due under the Master Lease, but not higher than the priority given to payments on outstanding general obligations. See "GENERAL FUND INFORMATION; General Fund Cash Flow" in Part II of this Annual Report.

RISK FACTORS

Nonappropriation

The State's obligation to make Lease Payments is subject to appropriation of the necessary funds by Legislature. No assurance is given that sufficient funds will be appropriated or otherwise available to make the Lease Payments. A failure by the State to make a Lease Payment with respect to any Leased Item would cause the Master Lease to terminate with respect to all Leased Items. The State's obligation to make Lease Payments is not a general obligation of the State, and moreover, the obligation does not involve the State of Wisconsin Building Commission. Rather, the Master Lease is a contract entered into by the Department of Administration under separate statutory authority.

The Master Lease does not include a nonsubstitution clause. If the Legislature fails to appropriate necessary funds for the continued performance of the State's obligations under the Master Lease, the State is allowed to acquire and use similar items for the same function as the Leased Item for which no appropriation was made.

While it is possible that failure to make the Lease Payments might hinder the State's subsequent access to the capital markets, it should not be assumed that the Legislature would regard that possible consequence to be a compelling reason to appropriate the money needed for Lease Payments. See "SUMMARY OF THE MASTER LEASE" and "SUMMARY OF THE MASTER INDENTURE" for additional information about remedies available under the Master Lease and Master Indenture if no appropriation is made.

Essentiality of Leased Items

Although the State has made certain representations that each Leased Items serves a governmental function, it should be assumed that the State could function without any of the Leased Items.

Collateral Value of Leased Items

Although the State has provided a security interest in the Leased Items to the Trustee (for the benefit of the owners of Certificates), the Certificates are not offered on the basis of the collateral value of the Leased Items or the value of any other pledged asset (other than the Lease Payments). Though the term of the Lease Schedule is not permitted to exceed the useful life of the Leased Item, it should not be assumed that the value of the Leased Item at any particular time will exceed the portion of the remaining Lease Payments that will be applied to principal or that the existence of any excess would motivate the State to continue making Lease Payments. Typically it is difficult to realize the full value of collateral through sale of the collateral, and some of the Leased Items, such as service contracts, intangible property, or tangible property that is incorporated into real estate, may be impossible or difficult to sell. Records that evidence the security interest are kept by the Department of Administration, separate and apart from the central record system of security interest kept by the Department of Financial Institutions under the Uniform Commercial Code.

Tax Exemption

Should the Master Lease be terminated, no assurance can be given that subsequent payments made by the Trustee with respect to the outstanding Certificates and designated as interest will be excluded from gross income for federal income tax purposes.

Applicability of Securities Law

Should the Master Lease be terminated, the transfer of a Certificate may be subject to compliance with the registration provisions of applicable federal and state securities laws, which could impair the liquidity of the Certificates.

SUMMARY OF THE MASTER LEASE

The following is a summary of certain provisions of the Master Lease. As a result of statutory changes included in the 1999-2001 biennial budget, the Master Lease was amended to allow Leased Items to be incorporated into real estate. The amendment was effective April 28, 2000 and applied to Lease Schedules originated after that date. The following summary reflects these changes.

Acquisition, Delivery and Lease of Leased Items

The Master Lease establishes the process for acquiring property and service items. It requires the State to provide written notice to the Lessor, identifying:

- The items it desires to lease
- The anticipated schedule for making Lease Payments
- The anticipated date or dates on which payments to acquire the Leased Item are due and payable

The notice must also confirm that the State expects that sufficient moneys will be available to pay the acquisition costs, as arranged solely by the State. The State (or the Lessor at the State's request) orders each Leased Item from the contractor selected by the State.

The State is responsible for selecting Leased Items, reviewing the terms of purchase, and arranging for the delivery, installation, testing, servicing, and maintenance of the Leased Items.

Upon delivery and any required installation of any Leased Item that is a Property Item, the State is required to inspect such item, and if it meets the State's specifications, the State, before the end of the acceptance period agreed to by the contractor, must provide the Lessor with a certificate of acceptance. At the time the Property Item is accepted, the State will perfect a security interest therein in favor of the Lessor or any party to which such security interest is assigned with the State's consent. Before the commencement of service for a Leased Item that is a service contract, the State must provide the Lessor with a certificate of acceptance. Any Leased Items thus acquired become subject to the Master Lease, and upon acceptance, the State becomes obligated to make the Lease Payments.

Lease Term and Lease Termination

The Master Lease is in effect until all Lease Payments have been paid, unless the Master Lease is either extended or terminated earlier, as provided in the Master Lease. With respect to any Leased Item, the obligation to make Lease Payments begins:

- On the date of execution of the related Lease Schedule and the certificate of acceptance, or
- On the date that sufficient moneys are received in a particular fund from which the costs of Leased Items are to be paid

Subject to appropriation, the State presently intends to keep the Master Lease in effect for its entire term and to make all Lease Payments. The State agrees that the appropriate budget requests for each fiscal year will include all Lease Payments coming due in the fiscal year. In the event an emergency arises that requires the State to draw vouchers for payments that will be in excess of available moneys and the Secretary of Administration establishes a priority schedule for payments under the Statutes, the Secretary will give a high priority to Lease Payments due under the Master Lease.

In accordance with the Statutes, the continuance of the Master Lease beyond the limits of funds already available to the State is contingent upon appropriation of the necessary funds. If an Event of Nonappropriation occurs for any fiscal year, the State has the right to terminate the Master Lease. Termination would affect all Leased Items and would be effective as of the last day of a fiscal year (that is, June 30).

The State would still be obligated to make any Lease Payments due by the end of the fiscal year but would not be responsible for the payment of any Lease Payments scheduled to come due in any succeeding fiscal year. In the event of termination of the Master Lease based on an Event of Nonappropriation, if the Lessor requests, the State is required to deliver possession of all Lease Items to the Lessor and must convey to the Lessor, or release, its interest in all Leased Items.

With respect to any Leased Item, the respective Lease Schedule terminates when all Lease Payments relating to it are paid under the Lease Schedule or when the State terminates the Lease Schedule by paying the applicable purchase price for the Leased Item.

The Master Lease will terminate in its entirety (which will affect all Leased Items) if an Event of Nonappropriation occurs, or if the State defaults and the Lessor elects to terminate the Master Lease.

Insurance Requirements; Loss or Damage to Leased Items

The State is required to provide insurance coverage against certain risks, through its self-funded liability and property programs, for which sum-sufficient appropriations are made under the Statutes. Insured risks include:

- Damage to or destruction of Leased Items
- Liability for injuries to or death of any person or damage to or loss of property related to use of the Leased Items
- The employer’s costs for worker’s compensation relating to use of the Leased Items

The State assumes all risks and liabilities for loss or damage to any Leased Item and for injury to or death of any person or damage to any other property arising from use of the property items or arising with respect to service items, to the extent such loss, damage, injury, death, or damage to other property is caused by acts committed by an officer or employee of the State while acting within the scope of employment or any agent of the State while acting within the scope of the agency.

If any Leased Item delivered to the State is lost, the State is required to replace the item or pay the applicable purchase price for that Leased Item.

When the State pays the purchase price for any Leased Item, the Master Lease terminates with respect to such Leased Item and the State becomes entitled to such Leased Item, *as is, where is, and without any warranty,* except for any warranty provided by the contractor.

Other Obligations

The Lessor has no responsibility for the use or maintenance of the Leased Items. The State is required to use all Leased Items carefully, properly, and lawfully. The State is required to maintain all Leased Items. The State is required to pay any charges assessed against Leased Items.

Rights in Leased Items; Security Interest

The Lessor does not have legal title to Property Items. Legal title to all Property Items rests in the State. Should the Master Lease terminate due to an Event of Nonappropriation or Event of Default, the State is required to transfer to the Lessor its interest in all Leased Items.

The State has granted to the Lessor a first priority purchase-money security interest in Leased Items to secure the State's payment of all Lease Payments.

The Lessor has no responsibility in connection with the selection of the Leased Items or the contractors providing the Leased Items. The Leased Items and contractors will be selected solely by the State.

The Lessor has no responsibility for the condition or usefulness of the Leased Items. The Leased Items are leased "as is" and "where is." Nor is the Lessor responsible for any damages in connection with the use of the Leased Items.

Assignment, Mortgaging and Selling

The Lessor may not, without the prior written consent of the State, assign its obligations under the Master Lease or its interest in the Leased Items or grant a security interest in or lien upon the Leased Items or enter into any financing for the Leased Items.

Option to Terminate Lease Schedule

Depending on the source of funding for the Lease Schedule, the State may have the option to terminate the Lease Schedule by depositing an amount equal to the applicable purchase price. The amount shall either be:

- An amount equal to the outstanding principal amount of the Lease Schedule, interest to the date of redemption of the source of funding, and any redemption premium, or
- If permitted, an amount sufficient to purchase investments maturing on such dates and in such amounts to pay the Lease Payments when due (or until the source of funding may be redeemed).

Events of Default and Remedies

Each of the following shall be an "Event of Default" under the Master Lease:

- Failure by the State to pay when due any Lease Payments and the continuation of such failure for five business days.
- Failure by the State to observe any covenant with respect to any Leased Item (other than a failure to make Lease Payments) for a period of thirty days after notice, unless the Lessor and the Trustee agree to an extension.
- Any representation or warranty by the State in the Master Lease was untrue in any material respect.
- An "event of default" shall have occurred and be continuing under the Indenture.

If by reason of force majeure the State is unable to carry out its obligations under the Master Lease with respect to any Leased Item (other than its obligation to make Lease Payments, which must still be paid when due), the State shall not be deemed in default during the period of inability.

Whenever any Event of Default occurs, the Lessor has the right to take one or more of the following steps:

- The Lessor, with or without terminating the Master Lease, may declare all Lease Payments due or to become due during the fiscal year to be immediately due and payable.
- The Lessor, with or without terminating the Master Lease, may give the State written notice requiring the State to deliver all the Leased Items to the Lessor. If the State fails to return them within 30 days, the Lessor may exercise all its legal rights to take possession of the Leased Items and to receive damages resulting from the State's failure. Even though the Lessor takes possession of the Leased Items, the State continues to be responsible for Lease Payments during the fiscal year. If the Event of Default is cured and the Master Lease has not been terminated with respect to such Leased Items, the Lessor is required to return the Leased Items to the State at the State's expense.
- If the Lessor terminates the Master Lease and takes possession of Leased Items, the Lessor is required to attempt to sell the Leased Items in a commercially reasonable manner. The Lessor must apply any proceeds of the sale in the following order: (1) all expenses incurred in securing possession of the Leased Items, (2) all expenses incurred in completing the sale, (3) any amounts payable to any party having a security interest in or lien against the Leased Items, (4) the applicable purchase price for the Leased Items, and (5) the balance of any Lease Payments due with respect to such Leased Items for such Fiscal Year. Any remaining proceeds of the sale will be paid to the State.
- The Lessor may use any other remedy available at law or in equity with respect to such Event of Default.

If the Master Lease is terminated before all Lease Payments have been paid, the Lessor may require the State to return the Leased Items.

SUMMARY OF THE MASTER INDENTURE

The following is a summary of certain provisions of the Master Indenture.

General

Pursuant to the Master Indenture, the Lessor has transferred to the Trustee without recourse (but also without limitation on its obligations under the Master Lease) all its right in the funds and accounts established under the Master Indenture, the Lease Schedules specified in supplemental indentures, and all Lease Payments, Leased Items, and other property and rights related to those Lease Schedules, including the security interest granted in the Master Lease. Except as provided in the Master Indenture, all properties and rights received by, and moneys and investments held by, the Trustee under the provisions of the Master Indenture shall be held in trust for the benefit of the holders of the Certificates.

Funds and Accounts; Payments to be Deposited

The Master Indenture creates the following funds and accounts to be held and administered by the Trustee for each series of Certificates: a **Project Fund** (within which is a **Project Account** and an **Earnings Account**), a **Lease Payment Fund** (within which is an **Interest Account** and **Payment Account**), an **Administrative Expense Payment Fund**, and an **Insurance Fund**.

The Trustee will deposit the proceeds from the issuance of Certificates, net of the underwriters' discount:

- If specified in the supplemental indenture, the Trustee will deposit in the Principal Account and the Interest Account of the Certificate Payment Fund an amount to be used for the partial or complete redemption of one or more series of outstanding Certificates, and the Leased Items related with the redeemed Certificates will thereafter relate to the newly issued Certificates.

- If specified in the supplemental indenture, the Trustee will pay to the Lessor the unreimbursed costs of acquiring Leased Items.

- Payment or reimbursement of cost of issuance.

- If specified in the supplemental indenture, the Trustee will deposit an amount in the Lease Payment Reserve Fund.

- The Trustee will deposit into the Project Account of the Project Fund the amount specified in the supplemental indenture.

- The Trustee will deposit the balance of the proceeds, if any, in the Lease Payment Fund.

Earnings on the Project Account of the Project Fund are transferred as received to the Earnings Account of the Project Fund. Moneys in the Earnings Account are transferred and used for payment of amounts due or coming due within 30 days, in the following order: (1) to the Interest Account of the Lease Payment Fund for retransfer to the Interest Account of the Certificate Payment Fund; and (2) to the Administrative Expense Payment Fund.

To the extent moneys in the Earnings Account of the Project Fund exceed amounts payable as described above, the excess is deposited in the Project Account of the Project Fund.

Subject to the requirement that the Trustee shall not invest or reinvest moneys in any Fund or Account in a manner that would cause any of the Certificates to become “arbitrage bonds”, money available in the Project Account of the Project Fund will be disbursed to pay for the acquisition of additional Leased Items, as directed by the State.

Except as provided in the Master Indenture, any money remaining in the Project Account of the Project Fund on the Disbursement Period Expiration Date will be transferred by the Trustee to the Principal Account of the Lease Payment Fund, to be applied as a credit against the Lease Payments required to be paid by the State.

Upon any Event of Nonappropriation or upon an Event of Default under the Lease Schedule requiring the surrender of Leased Items, or upon any other termination of a Lease Schedule other than pursuant to the payment of all Lease Payments, or the exercise by the State of its option to pay the purchase price, the Trustee is required immediately to transfer all amounts on deposit in the Project Account of the Project Fund to the Principal Account of the Lease Payment Fund.

On any day in which Certificates are to be paid or redeemed, the Trustee is required to transfer the aggregate amount on deposit in the Principal Account of the Lease Payment Fund for deposit into the Principal Account of the Certificate Payment Fund. On the date Certificates are to be redeemed in accordance with the Master Indenture as a result of deposit of moneys into the Principal Account of the Lease Payment Fund, the Trustee is required then to transfer the money deposited into the Principal Account of the Certificate Payment Fund. On the date that Certificates are to be redeemed due to the termination of a Lease Schedule as a result of an Event of Nonappropriation, and if funds have been transferred to the Lease Payment Fund, the Trustee is required to transfer all amounts on deposit in such Principal Account for deposit into the Principal Account of the Certificate Payment Fund. On the next succeeding Interest Payment Date after the date of transfer of moneys to the Principal Account of the Lease Payment Fund, the Trustee shall deposit such moneys into the Principal Account of the Certificate Payment Fund.

On each Interest Payment Date with respect to Certificates, the Trustee is required to transfer from the Interest Account of the Lease Payment Fund (and, if necessary, from the Earnings Account of the Project Fund) for deposit into the Interest Account of the Certificate Payment Fund, an amount equal to the interest then due on the Certificates.

Except as provided in the Master Indenture, the Trustee is required to pay to the State any amount remaining in any Fund or Account after full payment (or redemption) of all Certificates outstanding and payment of any fees, expenses or costs owing with respect to the Certificates or the Lease Schedules.

The Trustee is required to invest moneys it holds under the Master Indenture in **Qualified Investments** to be selected at the direction of the State giving consideration, however, to the times at which moneys are required to be disbursed under the Master Indenture and, in that connection, may place moneys in demand or time deposits with any bank or trust company authorized to accept deposits of public funds.

The following are Qualified Investments:

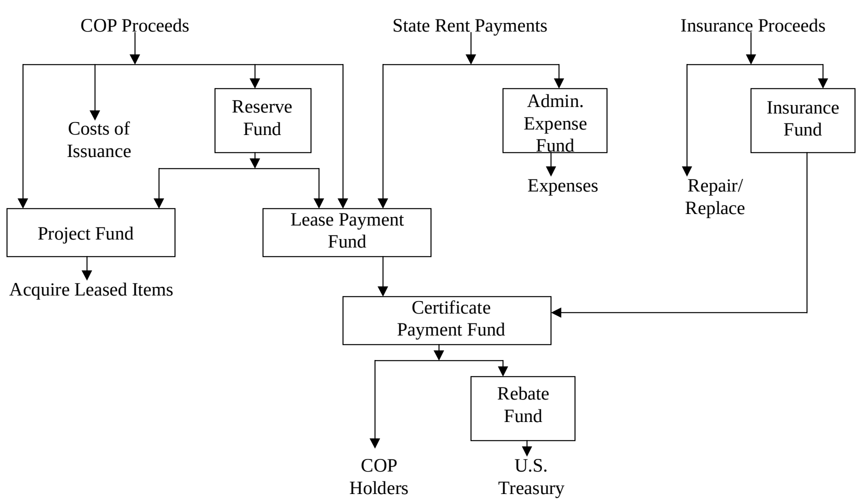
- Obligations of, or obligations guaranteed as to interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States.
- Federal Housing Administration debentures.
- Federal Home Loan Mortgage Corporation participation certificates.
- Farm Credit System consolidated system wide bonds and notes.
- Federal Home Loan Banks consolidated debt obligations.
- Federal National Mortgage Association senior debt obligations and mortgage backed issues.
- Student Loan Marketing Association senior debt obligations and letter-of-credit-backed issues.
- Resolution Funding Corporation debt obligations.
- Unsecured certificates of deposit, time deposits and banker’s acceptances (having maturities of not more than 365 days) of any bank, the short-term obligations of which are rated the highest classification (without regard to any suffix or numerical order) by each of those agencies selected by the State to assign a credit rating to the Certificates or the Program **(Rating Agencies)**.
- Certificates of deposit or time deposits constituting direct obligations of any bank, the full amount of which is insured by the Federal Deposit Insurance Corporation.
- Debt obligations, including pre-refunded municipals, rated in either of the two highest classifications (without regard to any suffix or numerical order) by each of the Rating Agencies.
- Commercial paper rated the highest classification (without regard to any suffix or numerical order) by each of the Rating Agencies.
- Securities issued by those investment companies registered under the Investment Company Act of 1940 commonly known as “money market funds” rated in the highest classification by each of the Rating Agencies that invest solely in securities which are otherwise Qualified Investments.

- Investments made through repurchase agreements with any transferor with debt or commercial paper rated in the highest classification (without regard to any suffix or numerical order) by each of the Rating Agencies provided that each repurchase agreement (1) is acceptable in form and substance to the State and the Trustee, (2) provides for the registration of title to certificated government obligations in the name of the Trustee or any agent of the Trustee and the physical transfer of certificated government obligations to the Trustee or to a custodial account in the name of the Trustee at a Federal Reserve Bank and for the registration of title to "book entry" government obligations in the name of the Trustee, (3) provides that the government obligations acquired pursuant to such repurchase agreement shall be valued at least monthly at the lower of the then current fair market value or the repurchase price in the applicable repurchase agreement (except that the Lease Payment Reserve Fund shall always be valued at the then current fair market value), and (4) is with any state or national bank or foreign bank with a United States branch or agency with short-term obligations rated in the highest classification (without regard to any suffix or numerical order) by each of the Rating Agencies.
- Any stripped securities rated in the highest classification by each of the Rating Agencies, including, but not limited to, U.S. Treasury STRIPS and REFCORP STRIPS.
- Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating from each of the Rating Agencies which is equal to or higher than the rating assigned to the Certificates by the Rating Agencies and the rating is in either of the two highest classifications (without regard to any suffix or numerical order) of each of the Rating Agencies.

Figure IV-1 depicts the sources and uses of the various funds.

Figure IV-1

State of Wisconsin Master Lease Program
Master Indenture - Sources and Uses of Funds



Servicing of Lease Schedules

The Lessor has agreed to service the Lease Schedules, and should the Lessor fail to do so, the Trustee has agreed to do so and enforce their terms.

Events of Default and Remedies

The following shall constitute Events of Default under the Master Indenture:

- Any Event of Nonappropriation or Event of Default under the Master Lease or any Lease Schedule.
- Failure by the Lessor or the State to observe any covenant, under the Master Indenture (other than an event specified above) for a period of 30 days after notice from the Trustee, the Lessor, or the owners of not less than 5% in aggregate principal amount of Certificates then outstanding; provided, however, if the failure cannot be corrected within the applicable period, those parties may not unreasonably withhold their consent to an extension of such time if corrective action is instituted and diligently pursued.
- Any additional event designated as an "Event of Default" under any Supplemental Indenture.

If an Event of Nonappropriation or an Event of Default under the Master Lease has occurred and is continuing, the Trustee is required to cause the Certificates of all series to be redeemed pursuant to the Master Indenture, pro rata, to the extent money is available in the Lease Payment Fund. In addition, if an Event of Nonappropriation or an Event of Default has occurred and is continuing, the Trustee may proceed, and upon written request of owners of not less than a majority in aggregate principal amount of Certificates then outstanding shall proceed, to take any of the remedial steps available under the Master Lease (including acceleration, if applicable) or whatever action at law or in equity may be necessary or appropriate to enforce its rights as assignee under the Master Indenture. All payments received by the Trustee with respect to the Trust upon an Event of Default, whether from the sale of Leased Items, damages or otherwise, shall be applied by the Trustee, *first,* to its reasonable fees and expenses and, *second,* to the Lease Payment Fund.

In the event that no action is taken to eliminate an Event of Default, the owners of a majority in aggregate principal amount of the Certificates then outstanding may institute any suit, action, or other proceeding at law or in equity for the protection or enforcement of any right under the Master Lease or the Master Indenture, but only if such owners have first requested in writing that action be taken, have given a reasonable opportunity for such suit, action, or other proceeding to be instituted, and have offered reasonable indemnity against the costs, expenses, and liabilities to be incurred thereby.

Amendment

The Master Indenture, the Master Lease, or any Lease Schedule (**Operative Documents**) may be amended, or a supplemental indenture created, without the consent of any owners of certificates, in order to provide for the issuance of a series of Certificates, to cure any ambiguity, to correct or supplement any provision in any of the Operative Documents that may be inconsistent with any provision in any other Operative Document, or to add any other provision with respect to matters or questions arising under any Operative Document if it is not inconsistent with the provisions of any Operative Document provided that such action does not, as evidenced by an opinion of counsel, adversely affect in any material respect the interests of any owner of certificates.

Any of the Operative Documents may also be amended from time to time with the consent of the owners of not less than 51% of the aggregate outstanding principal amount of Certificates of any series affected thereby for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Operative Documents, or of modifying in any manner the rights of the owners of not less than 51% of the aggregate outstanding principal amount of Certificates; provided, however, that no amendment shall without the consent of the owners of all Certificates:

- Increase or reduce the amount of, or delay the timing of, or otherwise adversely affect, collections of payments under any Lease Schedule or required to be made on any Certificate
- Release any Lease Schedule or all or substantially all collateral securing a Lease Schedule, or
- Reduce the percentage required for consent to any amendment

Limitation on Rights of Certificate Holders

No owner of a Certificate has any right to vote (except as provided in the Master Indenture) or in any manner otherwise control the operation and management of the Trust, or the obligations of the parties to any of the Operative Documents nor shall anything set forth in the Master Indenture, or contained in the terms of the Certificates, be construed so as to constitute the owners of Certificate as partners or members of an association; nor shall any owner of Certificate be under any liability to any third person by reason of any action taken by the parties to the Master Indenture pursuant to any provision of the Master Indenture.

No owners of Certificate shall have any right by virtue of any provision of the Master Indenture to institute any suit, action, or proceeding at law or in equity under or with respect to the Master Indenture, unless:

- Such owner of a Certificate has previously given to the Trustee a written notice of an Event of Default and of the continuance thereof, as provided in the Master Indenture.
- The owners of not less than 25% of the aggregate outstanding principal amount of Certificates have made written request of the Trustee to institute such action, suit, or proceeding in its own name as Trustee under the Master Indenture and shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses, and liabilities to be incurred therein or thereby.
- The Trustee, for 30 days after its receipt of such notice, request and offer of indemnity, shall have neglected or refused to institute any such action, suit, or proceeding.

Table IV-2
OUTSTANDING MASTER LEASE SCHEDULES
(As of December 1, 2000)

Schedule	Orgin Date	Maturity Date	Leased Item	Amount Financed	Principal Balance
94-040	10/14/1994	09/01/2001	John Deere Combine	$ 93,898.95	$ 16,114.93
95-042	09/19/1995	03/01/2002	Distance Education Network (WONDER)	1,985,260.00	369,950.27
96-003	01/11/1996	09/01/2002	Dairy Processing Equipment	164,140.00	56,331.10
96-009	02/07/1996	03/01/2001	Duplo Booklet Making System	53,010.00	5,963.78
96-026	04/19/1996	03/01/2003	Textile Cutting Machine/CADD	49,600.00	20,339.61
96-029	04/26/1996	03/01/2001	High-Speed Tape Drives	135,000.00	15,842.35
96-030	04/26/1996	03/01/2003	DMV Database Redesign	146,821.55	34,279.66
96-035	05/20/1996	03/01/2003	DMV Database Redesign	121,662.64	43,208.19
96-040	06/04/1996	03/01/2003	Dairy Processing Equipment	74,700.00	31,248.44
96-043	06/14/1996	03/01/2003	Textile Cutting Machine/CADD	31,245.00	13,056.33
96-044	06/14/1996	03/01/2001	Semi-Tractor Truck	59,945.00	7,187.83
96-047	06/27/1996	03/01/2003	DMV Database Redesign	236,615.97	99,318.18
96-049	06/27/1996	03/01/2003	Textile Cutting Machine/CADD	97,715.00	41,015.30
96-052	07/29/1996	03/01/2003	Sewing Machines (Private Industry Initiative)	112,621.50	47,063.96
96-056	08/01/1996	03/01/2003	DMV Database Redesign	129,291.31	54,069.12
96-060	08/01/1996	09/01/2002	Distance Education Network (NEWCS)	158,391.85	58,503.69
96-061	08/15/1996	03/01/2003	Infrastructure for Mobile Data Computers	531,916.34	226,004.61
96-064	09/03/1996	09/01/2003	DMV Database Redesign	221,176.04	103,839.40
96-065	09/03/1996	03/01/2003	Textile Cutting Machine/CADD	17,688.00	7,478.07
96-071	10/01/1996	03/01/2003	Textile Cutting Machine/CADD	5,657.00	2,391.66
96-073	10/01/1996	09/01/2003	DMV Database Redesign	168,597.60	79,154.48
96-075	10/01/1996	09/01/2003	Infrastructure for Mobile Data Computers	163,543.44	76,781.63
96-082	11/01/1996	03/01/2003	Infrastructure for Mobile Data Computers	499,255.33	225,510.19
96-093	12/23/1996	09/01/2003	Infrastructure for Mobile Data Computers	20,974.47	6,540.16
96-094	12/23/1996	09/01/2003	1/2 Pint Milk Carton Filler/Sealer Machine	94,000.00	46,134.81
97-006	01/28/1997	03/01/2002	Automated Tape Drive System	1,065,019.00	342,863.87
97-008	01/28/1997	09/01/2003	Infrastructure for Mobile Data Computers	442,274.97	220,039.58
97-009	01/28/1997	03/01/2001	Video Conferencing Equipment	48,038.50	6,408.53
97-016	02/19/1997	09/01/2003	Infrastructure for Mobile Data Computers	74,258.75	37,202.25
97-023	03/13/1997	09/01/2003	Infrastructure for Mobile Data Computers	208,874.27	105,560.45
97-029	03/27/1997	03/01/2004	Fire Engine	63,853.13	35,125.54
97-032	04/16/1997	03/01/2004	Infrastructure for Mobile Data Computers	155,614.00	86,143.18
97-037	04/25/1997	03/01/2004	Fire Engine	85,143.87	47,259.79
97-040	04/25/1997	03/01/2004	Infrastructure for Mobile Data Computers	274,825.00	152,543.80
97-043	05/16/1997	03/01/2004	Xylox Seating System-Kohl Center	100,000.00	55,891.33
97-046	05/14/1997	03/01/2001	Video Conferencing Equipment-LaCrosse/Waukesha	97,881.28	13,960.15
97-051	05/29/1997	03/01/2001	IT Migration Plan	128,074.45	18,455.09
97-052	05/29/1997	03/01/2001	Video Conferencing Equipment-Madison/EauClaire	45,914.90	6,616.18
97-053	06/13/1997	03/01/2002	Image Scanning System	64,765.00	13,684.37
97-055	06/13/1997	03/01/2001	IT Migration Plan	111,156.00	16,166.53
97-056	06/13/1997	03/01/2002	Tractor - Ashland Research Station	35,845.00	12,335.38
97-058	06/27/1997	03/01/2001	Tractor/Skidloader	83,611.00	11,816.87
97-062	07/10/1997	03/01/2004	Fire Engine	100,924.72	57,455.97
97-066	06/30/1997	03/01/2004	Xylox Seating System-Kohl Center	250,000.00	141,842.05
97-069	07/10/1997	03/01/2001	IT Migration Phase I and II	127,090.75	18,824.22
97-070	07/10/1997	03/01/2004	Xylox Seating System - Kohl Center	733,000.00	417,293.45
97-071	07/10/1997	03/01/2004	Infrastructure for Mobile Data Computers	57,222.11	32,576.29
97-078	07/25/1997	03/01/2004	DMV Database Redesign	269,717.25	93,199.89
97-080	07/25/1997	03/01/2001	IT Migration Plan	96,331.46	14,421.90
97-081	07/25/1997	03/01/2001	Postscript Imagesetter	99,105.00	11,094.34
97-083	08/15/1997	09/01/2001	Tractors	96,112.00	25,611.83
97-086	08/15/1997	09/01/2001	Video Conferencing Equipment-Spooner	54,405.35	14,497.88
97-089	09/03/1997	03/01/2004	Infrastructure for Mobile Data Computers	62,488.00	36,265.58
97-092	09/16/1997	09/01/2003	Dump Truck	67,598.00	36,613.85
97-097	09/16/1997	09/01/2001	Tractor/Agriculture Equipment	46,587.00	12,651.17
97-102	10/16/1997	09/01/2001	Tractor/Agriculture Equipment	49,318.00	13,649.08
97-107	10/31/1997	03/01/2001	IT Migration Plan (PCs, Software, Installation)	416,670.75	66,862.81
97-109	11/14/1997	09/01/2004	Portfolio Management/Operations Software	1,000,000.00	608,283.02
97-112	12/08/1997	03/01/2001	IT Migration	79,081.75	13,066.89

Table IV-2 – Continued
OUTSTANDING MASTER LEASE SCHEDULES
(As of December 1, 2000)

Schedule	Orgin Date	Maturity Date	Leased Item	Amount Financed	Principal Balance
97-117	12/22/1997	09/01/2004	Wood Laminating System	127,251.75	81,240.11
97-118	12/22/1997	03/01/2004	Infrastructure for Mobile Data Computers	150,478.94	90,842.93
98-002	01/09/1998	03/01/2001	Year 2000 Upgrades-Payroll/Leave Accounting Sys	31,596.40	5,358.34
98-004	01/09/1998	09/01/2004	DMV Year 2000 Updates/Redesign	234,945.25	150,830.67
98-006	01/30/1998	03/01/2001	IT Migration Plan	97,384.75	16,796.57
98-007	01/30/1998	03/01/2001	Systems Furniture/IT Equip (Training Facility)	135,394.74	22,423.04
98-008	01/30/1998	03/01/2001	Year 2000 Upgrades-Payroll/Leave Accounting Sys	30,004.80	5,175.13
98-010	01/30/1998	03/01/2003	Systems Furniture-Milwaukee County Child Welfare	345,781.39	181,088.28
98-011	02/06/1998	03/01/2002	Magstar Tape Drives	625,760.00	133,669.45
98-012	02/06/1998	03/01/2001	DEC Alphaserver (Y2K)	55,607.79	9,633.93
98-013	02/06/1998	09/01/2004	DMV Year 2000 Updates/Redesign	130,427.90	84,552.22
98-016	02/27/1998	09/01/2001	Video Conferencing Equipment	97,397.00	29,466.94
98-017	02/27/1998	09/01/2004	DMV Year 2000 Updates/Redesign	112,326.27	73,369.82
98-018	02/27/1998	03/01/2003	University Information System	289,239.55	153,398.74
98-020	03/10/1998	03/01/2004	Xylox Seating System - Kohl Center	307,000.00	191,005.44
98-023	03/16/1998	09/01/2002	Upgrades to TIME System	440,820.13	139,613.05
98-027	03/16/1998	03/01/2004	Infrastructure for Mobile Data Computers	137,445.14	85,706.71
98-028	03/16/1998	03/01/2001	IT Infrastructure (Wilson St Bldg.)	255,357.41	45,758.10
98-030	04/01/1998	03/01/2001	WiSMART Upgrades	566,354.50	102,809.98
98-031	04/01/1998	03/01/2001	PCs	157,371.00	20,398.64
98-033	04/01/1998	03/01/2001	Conversion of WP from Wang to WORD	172,842.68	26,949.36
98-034	04/01/1998	03/01/2005	DMV Year 2000 Updates/Redesign	39,213.73	27,214.10
98-035	04/01/1998	03/01/2001	IT Migration Equipment/Software	265,671.29	48,227.13
98-036	04/01/1998	03/01/2003	University Information System	292,418.35	157,632.59
98-039	04/17/1998	03/01/2001	JetForm Electronic Forms Software	844,000.00	155,347.86
98-040	04/17/1998	03/01/2001	IT Infrastructure Hard (Servers)	223,598.72	41,155.91
98-041	04/17/1998	03/01/2003	Systems Furniture-Milwaukee County Child Welfare	525,255.80	285,326.07
98-042	04/17/1998	03/01/2003	WPDES Permit Streamlining	66,914.00	30,565.95
98-043	04/17/1998	03/01/2001	Personal Computers	89,237.00	16,425.08
98-044	04/17/1998	03/01/2005	DMV Database Redesign	116,233.50	81,076.47
98-045	04/17/1998	03/01/2001	IT Migration Equipment	143,974.50	26,500.16
98-046	05/05/1998	03/01/2005	DMV Database Redesign	83,066.65	58,290.57
98-047	05/05/1998	03/01/2005	DMV Year 2000 Updates/Redesign	150,044.76	105,291.27
98-050	05/05/1998	03/01/2001	Imaging Equipment-Criminal History Records	252,736.33	14,966.91
98-052	05/05/1998	03/01/2001	Systems Furniture-OCTE	29,451.33	5,509.31
98-055	06/02/1998	03/01/2001	IBM Cut Sheet Printers	120,550.00	23,118.28
98-056	06/02/1998	03/01/2004	Infrastructure for Mobile Data Computers	205,006.18	131,757.83
98-057	06/02/1998	03/01/2003	WPDES Permit Streamlining	58,827.75	32,687.19
98-058	06/02/1998	03/01/2005	DMV Database Redesign	101,948.46	72,192.17
98-059	06/02/1998	03/01/2005	DMV Year 2000 Updates/Redesign	104,670.51	74,119.71
98-061	06/02/1998	03/01/2001	IT Migration Equipment	115,042.85	22,062.16
98-062	06/02/1998	03/01/2001	Optical Storage Tapes-Hill Farms State Off Bld.	68,259.60	13,090.38
98-064	06/23/1998	09/01/2001	EtherNet Switching Equipment	817,790.10	165,365.93
98-066	06/23/1998	03/01/2001	DASD	671,000.00	131,272.25
98-067	06/23/1998	03/01/2001	Optical Storage Units-Hill Farms State Off Bld.	106,976.00	20,928.44
98-068	06/23/1998	03/01/2001	WiSMART Upgrades	405,600.00	79,350.26
98-069	06/23/1998	03/01/2003	Systems Furniture-Milwaukee County Child Welfare	30,264.24	16,999.44
98-070	06/23/1998	03/01/2001	IT Hardware-Switching Equipment	53,629.00	10,491.81
98-071	06/23/1998	03/01/2003	WPDES Permit Streamlining	58,000.75	32,579.03
98-072	06/23/1998	03/01/2001	PCs	301,432.98	58,971.36
98-073	06/23/1998	03/01/2002	Vehicle/Truck for Ag. Research and Various Depts.	20,890.00	8,944.30
98-075	06/23/1998	03/01/2005	DMV Year 2000 Updates/Redesign	32,719.82	23,336.74
98-076	06/23/1998	03/01/2005	DMV Database Redesign	70,752.31	50,462.66
98-077	07/08/1998	03/01/2001	IT Equipment-Migration (WORD/Hub Hardware)	113,053.80	22,440.24
98-078	07/08/1998	03/01/2001	IT Equipment-Migration (PCs, Train Facility)	880,695.45	174,810.78
98-079	07/08/1998	03/01/2001	PCs - Delinquent Tax Collection System	273,791.90	54,345.44
98-081	07/08/1998	03/01/2001	IT Equipment-Campground System	396,442.00	39,496.68
98-083	07/08/1998	03/01/2001	Electronic Forms Software	234,667.00	46,579.46
98-084	07/30/1998	03/01/2001	Electronic Forms Software	150,000.00	30,433.49

Table IV-2 – Continued
OUTSTANDING MASTER LEASE SCHEDULES
(As of December 1, 2000)

Schedule	Orgin Date	Maturity Date	Leased Item	Amount Financed	Principal Balance
98-085	07/30/1998	03/01/2001	WiSMART Upgrades	116,465.00	23,629.57
98-086	07/30/1998	03/01/2003	WPDES Permit Streamlining	60,192.00	34,476.25
98-087	07/30/1998	03/01/2001	IT Migration-Servers	773,791.50	156,994.49
98-088	07/30/1998	03/01/2005	DMV Year 2000 Updates/Redesign	104,994.79	75,853.78
98-090	07/30/1998	03/01/2005	DMV Database Redesign	66,011.46	47,705.23
98-091	07/30/1998	03/01/2003	Microwave/Refrigerator Units	339,830.00	171,863.71
98-093	07/30/1998	09/01/2001	Tractor	23,070.00	7,855.39
98-094	07/30/1998	09/01/2001	Ag. Field Sprayer	75,700.00	25,776.03
98-095	08/19/1998	09/01/2001	Personal Computers	309,934.00	83,496.85
98-096	08/19/1998	09/01/2003	WPDES Permit Streamlining	49,982.00	31,273.80
98-099	08/19/1998	03/01/2005	DMV Year 2000 Updates/Redesign	113,400.61	82,500.46
98-100	08/19/1998	03/01/2005	DMV Database Redesign	104,105.65	75,738.26
98-101	09/11/1998	09/01/2001	DEC AlphaServer 4100	231,387.17	81,482.77
98-103	09/11/1998	09/01/2001	Computer Switches	97,245.67	34,244.97
98-104	09/11/1998	09/01/2001	PCs/Laptops/LAN Infrastructure	209,385.71	73,734.98
98-105	09/11/1998	09/01/2003	IBM Multipurpose Mainframe CPU/2GB	2,267,800.00	1,433,614.55
98-106	10/08/1998	03/01/2001	PCs-IT Migration	87,796.00	18,277.01
98-107	10/08/1998	03/01/2003	Systems Furniture	33,966.17	20,182.77
98-108	10/08/1998	03/01/2005	DMV Year 2000 Updates/Redesign	158,790.81	117,493.20
98-109	10/08/1998	03/01/2005	DMV Database Redesign	84,330.13	62,397.92
98-110	10/08/1998	09/01/2003	WPDES Permit Streamlining	54,985.00	35,209.18
98-112	10/08/1998	03/01/2001	IT Migration - PCS, WORD Conversion.	337,893.95	73,554.14
98-113	10/08/1998	09/01/2001	IT Migration Equipment/ WORD	509,553.44	183,622.51
98-114	10/08/1998	09/01/2001	IT Migration - State&Local Finance	171,026.17	61,630.93
98-115	10/08/1998	03/01/2001	Oracle Software for Y2K Server	10,660.00	2,320.51
98-117	10/08/1998	03/01/2001	PCs-IT Migration	97,461.00	20,289.03
98-118	11/06/1998	03/01/2003	University Information System	259,107.86	111,770.90
98-119	11/06/1998	03/01/2005	DMV Database Redesign	148,639.11	111,078.72
98-120	11/06/1998	03/01/2005	DMV Year 2000 Updates/Redesign	49,980.37	37,350.56
98-121	11/06/1998	03/01/2002	Suburban for Dept of Agronomy	28,341.00	13,344.53
98-122	11/06/1998	09/01/2001	CISCO Server-WiscWorld	242,350.50	89,518.09
98-123	11/06/1998	09/01/2001	WiSMART Upgrades	75,570.00	27,913.63
98-124	11/06/1998	09/01/2003	WPDES Permit Streamlining	39,607.00	25,710.27
98-125	11/06/1998	09/01/2001	Data Protocol Converter for Mobile Comp.	109,032.00	40,273.63
98-126	11/06/1998	09/01/2001	Servers for NT Migration	384,829.50	142,146.20
98-127	11/06/1998	09/01/2002	Upgrades to TIME System	222,095.00	121,236.29
98-128	11/06/1998	09/01/2004	Voting Systems	200,000.00	143,408.14
98-129	11/20/1998	09/01/2001	Servers for DHFS use	233,301.50	87,275.08
98-130	11/20/1998	09/01/2004	IT Migration-Infrastructure Components	627,192.01	452,229.51
98-131	11/20/1998	09/01/2001	PCs/IT for Audit Automation	269,577.45	66,962.30
98-132	11/20/1998	03/01/2001	Electronic Forms Software	250,000.00	56,988.49
98-133	11/20/1998	03/01/2005	DMV Database Redesign	97,192.09	72,998.80
98-134	11/20/1998	03/01/2005	DMV Year 2000 Updates/Redesign	58,342.81	43,819.99
98-135	11/20/1998	03/01/2001	Tractor - Rhinelander Research Station	37,858.00	8,629.89
98-136	12/14/1998	09/01/2005	BadgerNet Statewide Telecom Infrastructure Phase 1	7,519,106.05	3,177,012.67
98-137	12/14/1998	09/01/2002	WONDER Codec Upgrades	453,074.00	93,116.29
98-138	12/14/1998	03/01/2001	Electronic Forms Software	144,000.00	33,745.37
98-139	12/14/1998	09/01/2004	IT-Migration Cable/Fiber	1,132,715.74	824,664.59
98-140	12/14/1998	09/01/2001	WiSMART Upgrades	80,520.00	30,799.52
98-141	12/23/1998	09/01/2001	IT Migration - Personal Computers	1,074,802.00	414,639.78
98-142	12/23/1998	09/01/2004	IT Migration - Cable/Fiber and Vote System	123,900.00	90,536.05
99-001	01/22/1999	03/01/2003	DSU/CSU Connectors for BadgerNet System	618,262.50	395,886.99
99-002	01/22/1999	09/01/2002	Point-of-Sale License Terminals	1,204,200.00	702,694.59
99-004	01/22/1999	03/01/2001	IT Equipment-Migration to Standards	99,293.30	24,689.87
99-005	01/22/1999	03/01/2001	IT Equipment-Migration to Standards	57,191.90	13,970.49
99-007	01/22/1999	09/01/2005	DMV Database Redesign	213,044.47	72,471.63
99-008	01/22/1999	03/01/2005	DMV Year 2000 Updates/Redesign	145,267.67	113,150.70
99-009	01/22/1999	03/01/2001	IT Equipment-Campground Reservation System	6,897.00	1,714.99
99-010	01/22/1999	09/01/2004	IT Migration-Network Infrastructure/Laptops	150,348.00	102,949.72

Table IV-2 – Continued

OUTSTANDING MASTER LEASE SCHEDULES

(As of December 1, 2000)

Schedule	Orgin Date	Maturity Date	Leased Item	Amount Financed	Principal Balance
99-011	02/18/1999	09/01/2005	BadgerNet Statewide Telecom Infrastructure Phase 1&2	9,212,723.40	7,474,533.36
99-013	02/25/1999	03/01/2002	FATS-Upgrades to Firearm Train System	34,325.00	17,936.69
99-014	02/25/1999	09/01/2004	IT Migration-Network Infrastructure	207,957.00	138,531.13
99-015	02/25/1999	09/01/2002	Point-of-Sale License Terminals/Printers	745,175.00	445,143.97
99-016	02/25/1999	09/01/2003	WPDES Upgrades	36,983.50	18,623.38
99-017	02/25/1999	03/01/2005	DMV Database Y2K Upgrades	30,021.32	23,685.61
99-018	02/25/1999	09/01/2005	DMV Database Redesign	119,014.90	96,370.60
99-019	02/25/1999	03/01/2001	R72 IBM Mainframe CPU	1,804,251.00	454,217.14
99-021	03/12/1999	03/01/2003	CSU/DSU Connectors for BadgerNet	370,957.50	245,059.80
99-022	03/12/1999	09/01/2004	IT Migration-Network Fiber/Cable	159,214.47	122,643.18
99-023	03/12/1999	03/01/2001	Servers	82,150.00	15,993.83
99-024	03/12/1999	03/01/2002	DEC Server Upgrades-Network	189,665.28	90,401.13
99-025	03/26/1999	09/01/2004	IT Migration-Laptops/Network	746,228.25	373,619.31
99-026	03/26/1999	09/01/2005	DMV Database Redesign	103,317.05	84,666.40
99-027	03/26/1999	03/01/2005	DMV Y2k Database Upgrades	324,463.39	259,360.47
99-029	03/26/1999	03/01/2002	Servers for Univ. Information System	479,389.20	257,647.49
99-030	03/26/1999	03/01/2002	Info Mgmt System - Crime Labs	226,722.50	121,851.89
99-032	03/26/1999	09/01/2003	WPDES Permit Streamlining	34,400.50	24,464.38
99-034	04/20/1999	09/01/2004	IT-Migration/Infrastructure	273,586.27	170,434.77
99-035	04/20/1999	09/01/2002	Point-of-Sale License Terminals	50,570.00	31,494.87
99-036	04/20/1999	03/01/2001	Combine-Dept of Agronomy	119,979.00	18,376.03
99-038	04/20/1999	03/01/2002	Car-Straightening System	33,700.00	18,503.71
99-039	04/20/1999	03/01/2002	Computer Equipment	36,951.80	20,289.17
99-040	05/13/1999	03/01/2002	DASD for DoIT	58,840.00	33,029.02
99-042	05/13/1999	03/01/2002	PC/Laptops/Printers	87,835.95	49,305.51
99-045	05/13/1999	03/01/2002	IT Equipment/Servers GEF III/Bld. L	100,219.95	56,257.10
99-046	05/13/1999	03/01/2002	Systems Furniture - Fox Valley Offices	52,757.96	29,614.96
99-047	05/13/1999	03/01/2002	Systems Furniture - GEF Surge Locations	138,846.00	77,939.30
99-048	05/13/1999	09/01/2005	DMV Database Redesign	149,827.64	125,007.20
99-049	05/13/1999	03/01/2005	DMV Y2k Database Upgrades	188,141.35	153,386.65
99-050	05/13/1999	03/01/2002	Information System - State Crime Labs	226,722.50	127,267.58
99-051	05/13/1999	09/01/2003	WPDES Permit Streamlining	73,342.00	53,609.22
99-053	05/13/1999	03/01/2006	vfh Trunking Infrastructure	311,250.00	36,882.38
99-054	05/13/1999	03/01/2006	vhf Trunking Infrastructure	311,250.00	37,933.70
99-055	05/25/1999	03/01/2002	Escon Connectors	404,669.00	229,739.02
99-056	05/25/1999	03/01/2004	Truck for College of Life and Ag Science	17,032.00	13,110.50
99-058	05/25/1999	03/01/2005	DMV Y2k Database Upgrades	148,513.79	121,688.79
99-059	05/25/1999	09/01/2005	DMV Database Redesign	92,165.37	77,248.88
99-060	08/12/1999	09/01/2005	BadgerNet Statewide Telecom Infrastructure Phase 1&2	2,225,241.00	1,484,236.68
99-061	06/04/1999	03/01/2001	Servers for College of Ag Life Sciences	49,662.00	6,339.19
99-062	06/04/1999	03/01/2002	IT Migration-Miscellaneous Department Use	172,593.75	98,807.26
99-063	06/04/1999	09/01/2002	Point-of-Sale License Terminals	35,035.00	22,595.74
99-064	06/04/1999	09/01/2004	IT Migration/Infrastructure	27,536.68	22,036.30
99-066	06/21/1999	03/01/2002	PCs for Academic Computing	233,250.00	135,833.56
99-067	06/21/1999	03/01/2004	Trucks for CALS/Research Stations	39,128.00	29,144.26
99-068	06/21/1999	03/01/2003	IT Infrastructure for Learning Innovation	120,463.65	85,106.69
99-070	06/21/1999	03/01/2002	PCs for Terrestrial Eco System Research	46,038.00	23,858.09
99-071	06/21/1999	09/01/2003	WPDES Permit Streamlining	48,026.50	35,916.98
99-072	06/21/1999	09/01/2004	Systems Furniture-1 West Wilson St	233,538.68	188,478.95
99-073	06/21/1999	03/01/2003	Software for Statewide UCC System	95,000.00	67,116.81
99-075	07/02/1999	03/01/2002	Spectrometer-Newborn Program	227,348.86	133,901.77
99-078	07/02/1999	03/01/2005	DMV Y2k Database Upgrades	148,737.41	123,879.90
99-079	07/02/1999	09/01/2005	DMV Database Redesign	134,498.65	114,420.52
99-081	07/20/1999	03/01/2002	Personal Computers/IT Equipment	20,096.00	12,052.78
99-082	07/20/1999	03/01/2004	Trucks	33,138.00	25,088.60
99-083	07/20/1999	03/01/2003	Tractor	21,708.00	13,979.31
99-084	07/20/1999	03/01/2004	Front-End Loader/Bucket	50,000.00	39,661.07
99-087	07/20/1999	09/01/2004	Systems Furniture-1 West Wilson St	314,391.44	257,394.51
99-088	07/20/1999	03/01/2002	2.8 TB DASD	528,000.00	316,673.33

Table IV-2 – Continued
OUTSTANDING MASTER LEASE SCHEDULES
(As of December 1, 2000)

Schedule	Orgin Date	Maturity Date	Leased Item	Amount Financed	Principal Balance
99-089	08/12/1999	03/01/2004	Trucks	100,043.00	78,872.78
99-090	08/12/1999	09/01/2002	EtherNet Network Training	16,719.50	10,823.46
99-093	08/12/1999	09/01/2005	DMV Database Redesign	90,222.71	78,024.99
99-094	08/12/1999	03/01/2005	DMV Y2k Database Upgrades	101,451.25	86,038.47
99-095	08/12/1999	09/01/2002	Point-of-Sale License Terminals	60,550.00	41,394.64
99-096	08/12/1999	09/01/2003	WPDES Permit Streamlining	54,102.25	41,800.69
99-097	08/12/1999	09/01/2003	Upgrades to TIME System	115,674.08	89,372.54
99-098	08/12/1999	03/01/2003	Statewide UCC System	250,000.00	183,370.93
99-100	09/02/1999	03/01/2001	Personal Computers- Research	6,882.43	1,544.26
99-101	09/02/1999	09/01/2005	DMV Database Redesign	69,970.84	60,969.96
99-102	09/02/1999	03/01/2005	DMV Y2k Database Upgrades	23,425.32	20,033.43
99-103	09/02/1999	09/01/2001	PC Workstations-LAB	34,321.00	17,952.47
99-104	09/02/1999	09/01/2002	Systems Furniture-FLR 9 Hill Farms State Off. Bldg.	51,330.33	35,676.08
99-106	09/02/1999	09/01/2003	Upgrades to TIME System	115,674.08	90,454.67
99-107	09/02/1999	09/01/2004	Systems Furniture-1 West Wilson St	51,491.57	43,037.17
99-108	09/02/1999	03/01/2003	CSU/DSU Connectors for BadgerNet	164,870.00	121,224.82
99-109	09/02/1999	09/01/2002	Tractors - Arlington/Spooner	92,557.00	64,329.83
99-111	09/20/1999	09/01/2005	BadgerNet Statewide Telecom Infrastructure Aurora	407,992.00	357,707.26
99-112	09/20/1999	03/01/2003	Statewide UCC System	127,600.00	96,137.27
99-113	09/20/1999	03/01/2006	vhF Trunking Project (DOT)	792,578.64	706,073.90
99-114	09/20/1999	03/01/2006	vhF Trunking Project (DNR)	792,578.63	706,073.89
99-116	09/20/1999	03/01/2005	DMV Y2k Database Upgrades	107,130.70	92,326.11
99-117	09/20/1999	09/01/2005	DMV Database Redesign	53,228.36	46,704.39
99-118	09/20/1999	09/01/2002	EtherNet Network Equip	108,538.38	76,597.45
99-119	09/20/1999	09/01/2002	IT Equipment	133,088.50	93,512.48
99-120	10/13/1999	09/01/2002	Tractor-Lancaster	37,276.80	26,843.71
99-121	10/13/1999	09/01/2004	Trucks	26,830.00	22,876.64
99-122	10/13/1999	09/01/2002	Servers for Info System Capacity	114,039.30	82,121.78
99-123	10/13/1999	03/01/2004	Front-End Loader/Bucket	46,100.00	38,279.38
99-124	10/13/1999	09/01/2002	Laptop Computers -LAB	17,169.56	11,980.74
99-127	10/13/1999	09/01/2003	WPDES Permit Streamlining	23,584.00	18,922.75
99-128	10/29/1999	03/01/2005	DMV Y2k Database Upgrades	90,303.22	79,181.05
99-129	10/29/1999	09/01/2001	IT Equipment-Standards Misc.	110,003.18	44,889.01
99-131	10/29/1999	09/01/2002	Mobile Computers-DNR Wardens	387,975.00	283,412.11
99-133	10/29/1999	03/01/2003	Software for Statewide UCC System	100,000.00	77,560.78
99-134	11/19/1999	03/01/2004	Trucks	115,449.00	81,159.45
99-135	11/19/1999	09/01/2004	Laptops LAB/Server	130,348.02	110,427.16
99-136	11/19/1999	03/01/2005	DMV Y2k Database Upgrades	35,242.50	31,176.34
99-138	11/19/1999	09/01/2002	Mobile Computers- DNR Wardens	126,320.80	93,957.91
99-139	11/19/1999	09/01/2003	WPDES Permit Streamlining	12,320.00	10,117.24
99-140	11/19/1999	09/01/2004	Truck-Badger State Industries	63,800.00	55,380.31
99-141	12/13/1999	03/01/2006	vhF Trunking Pilot	141,171.36	35,970.21
99-142	12/13/1999	03/01/2006	vhF Trunking Pilot	141,171.37	35,970.22
99-145	12/13/1999	09/01/2004	Systems Furniture-1 West Wilson St	230,726.74	202,747.39
99-146	12/13/1999	03/01/2001	External Disk Storage/Robotic Tape System	725,815.43	232,443.77
99-149	12/30/1999	03/01/2003	Software for Statewide UCC System	305,000.00	247,845.77
99-150	12/30/1999	09/01/2002	EtheNet IT Equipment	3,017.79	2,331.44
00-001	01/18/2000	03/01/2004	Trucks	41,345.00	36,274.00
00-002	01/18/2000	09/01/2004	Systems Furniture-Learning Innovations	244,494.44	218,818.77
00-004	01/18/2000	09/01/2002	Mobile Computers- DNR Wardens	93,780.00	73,844.35
00-005	01/18/2000	09/01/2002	Laptops/IT Equip-LAB	75,901.82	59,766.70
00-006	02/07/2000	03/01/2005	University Information System	131,315.23	120,390.10
00-007	02/07/2000	03/01/2003	Call Management System-Delinquent Taxes	103,360.49	86,622.10
00-009	02/07/2000	09/01/2005	BadgerNet Statewide Telecom Infrastructure Phase 3&4	11,809,001.00	9,173,638.80
00-010	02/07/2000	09/01/2006	CADD -Computer Aid Dispatch System	478,610.00	290,505.65
00-011	02/29/2000	03/01/2003	IT Migration-Tax Processing PCs/Misc..	100,198.84	85,559.99
00-016	02/29/2000	09/01/2004	Systems Furniture-1 West Wilson St	115,452.49	105,584.11
00-018	03/21/2000	03/01/2003	PCs	57,188.44	32,319.88
00-019	03/21/2000	03/01/2004	LTSB IT Infrastructure - LAB Move	26,975.96	24,570.43

Table IV-2 – Continued
OUTSTANDING MASTER LEASE SCHEDULES
(As of December 1, 2000)

Schedule	Orgin Date	Maturity Date	Leased Item	Amount Financed	Principal Balance
00-020	03/21/2000	03/01/2005	Statewide Child Welfare System-WISACWIS	530,375.54	496,315.01
00-021	03/21/2000	03/01/2003	PCs for BEITA	112,465.00	97,741.53
00-023	03/21/2000	03/01/2003	DASD	426,545.00	304,759.09
00-024	04/13/2000	03/01/2005	University Information System	25,512.50	24,116.55
00-025	04/13/2000	03/01/2003	Wisconsin Waters Initiative - IT Software	123,671.82	109,483.05
00-026	04/13/2000	09/01/2004	Systems Furniture-1 West Wilson St	206,791.47	193,451.26
00-027	04/13/2000	03/01/2003	IT/Develop Graphic Apps	41,770.27	23,880.64
00-028	04/13/2000	03/01/2003	AlphaServers-DNRORACLE/APS	152,642.71	135,130.13
00-029	04/13/2000	03/01/2003	Software for Statewide UCC System	100,000.00	88,527.08
00-030	04/13/2000	03/01/2005	Statewide Child Welfare System-WISACWIS	167,811.20	158,629.14
00-031	04/28/2000	03/01/2015	WEI3 - Energy Perf Contract Charter Street Phase 1	569,400.00	579,687.89
00-032	04/28/2000	03/01/2015	WEI3 - Energy Perf Contract Charter Street Phase 2	1,450,000.00	1,476,198.54
00-034	04/28/2000	03/01/2003	Upgrade/Expand Call Mgmt System	96,130.17	86,216.06
00-035	04/28/2000	03/01/2004	IT Servers/Cabling - LAB Move	113,720.04	105,937.88
00-036	04/28/2000	03/01/2005	Development of State Human Resourse System	82,615.00	78,653.27
00-037	04/28/2000	03/01/2005	Development of State Human Resourse System	82,185.00	78,494.36
00-038	04/28/2000	09/01/2003	Upgrade to TIME System	154,232.09	141,379.13
00-039	04/28/2000	03/01/2003	CISCO EtherNet LAN Equip	711,227.00	637,876.54
00-040	04/28/2000	09/01/2002	IT Upgrades	242,209.54	172,914.42
00-042	05/18/2000	03/01/2005	Development of State Human Resourse System	29,870.00	28,715.12
00-043	05/18/2000	09/01/2003	Wet Ground Suppression Vehicles	196,000.00	146,659.90
00-044	05/18/2000	03/01/2003	IT Equipment-Department-Wide Use	88,185.50	80,511.70
00-045	05/18/2000	03/01/2015	WEI3 - Energy Perf Contract Biotron Facility	74,600.00	75,938.30
00-046	05/26/2000	03/01/2005	Statewide Child Welfare System-WISACWIS	67,054.60	64,708.21
00-047	05/26/2000	03/01/2003	IT/Develop Graphic Applications	54,308.00	49,936.75
00-048	05/26/2000	03/01/2003	PCs	419,000.20	45,496.42
00-049	05/26/2000	03/01/2004	Golf Course Maintenance Equipment	71,489.00	67,787.59
00-050	05/26/2000	03/01/2007	Digital Microwave Communication Infrastructure Equip	1,343,109.85	1,254,079.99
00-052	05/26/2000	03/01/2003	Wisconsin Waters Initiative - GPS Units	52,329.10	36,807.16
00-054	06/20/2000	09/01/2004	Systems Furniture	151,819.10	147,313.62
00-055	06/20/2000	03/01/2003	PCs/Scanning Unit	136,649.78	123,016.77
00-057	06/20/2000	03/01/2005	University Information System	17,971.50	17,542.21
00-058	06/20/2000	03/01/2003	Tractor - Hancock Ag Research	31,698.00	29,785.23
00-059	06/20/2000	03/01/2003	PCs/Hardware/Software	156,716.25	147,259.40
00-060	06/20/2000	03/01/2005	Development of State Human Resourse System	32,972.50	32,184.88
00-061	06/30/2000	03/01/2003	Software for Statewide UCC System	200,000.00	189,699.03
00-062	06/30/2000	03/01/2004	IT LAN Infrastructure-New Build Phase 2	295,204.85	169,785.23
00-063	06/30/2000	09/01/2004	Systems Furniture	167,421.33	163,375.56
00-064	06/30/2000	03/01/2003	PCs/LAN EtherNet	165,162.64	156,655.96
00-065	06/30/2000	03/01/2005	Statewide Child Welfare System-WISACWIS	282,514.40	277,136.92
00-066	06/30/2000	03/01/2003	IT Infrastructure Hard/Software	285,486.27	175,932.82
00-067	06/30/2000	03/01/2003	IT Equipment/Graphic App Development	37,084.20	35,174.19
00-068	06/30/2000	03/01/2015	WEI3 - Energy Perf Contract Marathon County	32,594.00	32,907.30
00-069	07/19/2000	03/01/2005	Statewide Child Welfare System-WISACWIS	77,056.00	76,306.91
00-070	07/19/2000	03/01/2005	Development of State Human Resourse System	24,432.50	24,194.98
00-071	07/19/2000	03/01/2004	IT Infrastrucgture-22 E Mifflin (LAB)	36,450.00	35,769.03
00-072	07/19/2000	03/01/2003	Personal Computers - Academic	62,260.00	60,128.47
00-073	07/19/2000	03/01/2015	WEI3 - Energy Perf Contract Charter Street Phase 1	624,000.00	634,314.56
00-074	07/19/2000	03/01/2015	WEI3 - Energy Perf Contract Charter Street Phase 2	1,800,000.00	1,829,753.54
00-075	07/19/2000	03/01/2003	Wisconsin Waters Initiative - Digital Cameras	18,840.00	18,194.99
00-076	08/07/2000	09/01/2005	BadgerNet Statewide Telecom Infrastructure VOTS	53,661.00	54,714.87
00-077	08/07/2000	03/01/2005	University Information System	146,631.22	149,037.03
00-078	08/07/2000	03/01/2004	Systems Furniture-FLR7 Hill Farms State Off. Bldg.	50,055.45	50,782.24
00-079	08/07/2000	09/01/2005	Statewide Child Welfare System-WISACWIS	261,316.80	265,762.68
00-080	08/07/2000	09/01/2006	Integrated Tax System-Data Warehouse	121,286.00	123,526.92
00-081	08/07/2000	09/01/2015	WEI3 - Energy Perf Contract UW-Milwaukee	501,520.00	514,560.14
00-082	08/07/2000	03/01/2003	IT Equipment-Department Wide Use	83,517.00	84,470.60
00-083	08/25/2000	09/01/2005	BadgerNet Statewide Telecom Infrastructure DeForest	114,352.00	116,208.04
00-084	08/25/2000	03/01/2004	Systems Furniture	61,298.58	61,980.74

Table IV-2 – Continued
OUTSTANDING MASTER LEASE SCHEDULES
(As of December 1, 2000)

Schedule	Orgin Date	Maturity Date	Leased Item	Amount Financed	Principal Balance
00-085	08/25/2000	09/01/2004	Learning Innovations - Video Conference Equipment	72,418.63	73,308.83
00-086	08/25/2000	03/01/2015	WEI3 - Energy Perf Contract Marathon County	102,562.00	104,287.35
00-087	08/25/2000	09/01/2005	Heidelberg 4-Color Press	300,000.00	304,084.08
00-088	08/25/2000	09/01/2003	Systems Furniture-Milwaukee State Office Building	113,126.80	40,019.31
00-089	08/25/2000	03/01/2003	SWEEP Anti-Virus Software	70,000.00	70,562.58
00-090	08/25/2000	09/01/2003	PCs	434,326.80	438,526.18
00-091	08/25/2000	09/01/2005	Statewide Child Welfare System-WISACWIS	236,636.00	239,857.47
00-092	08/25/2000	03/01/2003	IT/Development of Graphic Aps	71,570.00	72,145.20
00-093	08/25/2000	09/01/2007	Vapor Testing Units	94,170.00	65,405.37
00-094	09/29/2000	03/01/2005	Wisconsin Waters Initiative - Data System	18,500.00	18,500.00
00-095	09/29/2000	03/01/2015	WEI3 - Energy Perf Contract Charter Street Phase 1	312,000.00	312,000.00
00-096	09/29/2000	03/01/2015	WEI3 - Energy Perf Contract Charter Street Phase 2	750,000.00	750,000.00
00-097	09/29/2000	09/01/2015	WEI3 - Energy Perf Contract Milwaukee Phase 2	364,820.00	364,820.00
00-098	09/29/2000	09/01/2003	Tape Robot and Tape Drives	1,093,081.60	1,093,081.60
00-099	09/29/2000	03/01/2003	IT Infrastructure Equipment	74,704.18	74,704.18
00-100	09/29/2000	09/01/2007	Petroleum Vapor Testing Equipment	249,889.00	249,889.00
00-101	09/29/2000	03/01/2003	Systems Furniture	194,000.00	194,000.00
00-102	09/29/2000	09/01/2005	Statewide Child Welfare System-WISACWIS	363,733.60	363,733.60
00-103	09/29/2000	03/01/2005	University Information System	29,520.14	29,520.14
00-104	09/29/2000	09/01/2004	Systems Furniture	116,224.02	116,224.02
00-105	09/29/2000	03/01/2005	Auto Hematatology System	110,000.00	110,000.00
00-106	10/16/2000	09/01/2004	IT Infrastructure and Uninterruptable Power Supply	1,466,827.00	1,194,427.00
00-107	10/16/2000	09/01/2007	Mass Spectrometer	298,450.00	248,450.00
00-108	10/16/2000	09/01/2015	WEI3 - Energy Perf Contract Milwaukee Phase 3	413,798.00	413,798.00
00-109	10/16/2000	09/01/2004	Video Conference Equipment	20,079.00	20,079.00
00-110	10/16/2000	09/01/2003	Server for Offender Active Tracking System (OATS)	60,000.00	60,000.00
00-111	10/16/2000	09/01/2003	Network Infrastructure Equipment	201,873.83	201,873.83
00-112	10/16/2000	09/01/2002	Video Conferencing Equipment/EtherNet Upgrades	15,500.00	15,500.00
00-113	11/22/2000	09/01/2005	BadgerNet Statewide Telecom Infrastructure Phase 5	2,662,847.00	2,662,847.00
00-114	11/02/2000	03/01/2003	IT Equipment and Develop Graphic Applications	15,851.24	15,851.24
00-115	11/02/2000	09/01/2003	IT Servers	123,255.00	123,255.00
00-116	11/02/2000	09/01/2005	Heidelberg 4-Color Press	302,900.00	302,900.00
00-117	11/02/2000	09/01/2003	Orchard Sprayer - Peninsula Ag. Research Station	11,802.00	11,802.00
00-118	11/02/2000	09/01/2003	Server for Offender Active Tracking System (OATS)	22,900.00	22,900.00
00-119	11/02/2000	09/01/2005	Statewide Child Welfare System-WISACWIS	260,684.00	260,684.00
00-120	11/02/2000	09/01/2015	WEI3 - Energy Perf Contract Milwaukee Phase 2	276,714.00	276,714.00
00-121	11/02/2000	09/01/2015	WEI3 - Energy Perf Contract Milwaukee Phase 3	292,169.21	292,169.21
00-122	11/02/2000	09/01/2003	Xerox High-Speed Printers	618,465.00	618,465.00
00-123	11/22/2000	09/01/2003	IT Equipment and Develop Graphic Applications	12,000.00	12,000.00
00-124	11/22/2000	09/01/2004	Systems Furniture	156,421.07	156,421.07
00-125	11/22/2000	09/01/2005	Statewide Child Welfare System-WISACWIS	164,251.20	164,251.20
00-126	11/22/2000	09/01/2003	PC Replacement	217,130.58	217,130.58
00-127	11/22/2000	03/01/2005	University Information System	42,473.95	42,473.95
00-128	11/22/2000	09/01/2015	WEI3 - Energy Perf Contract Winnebago	364,307.50	364,307.50
00-129	11/22/2000	03/01/2015	WEI3 - Energy Perf Contract Madison Biotron Fac.	131,710.25	131,710.25
00-130	11/22/2000	03/01/2015	WEI3 - Energy Perf Contract Charter Street Phase 1	450,000.00	450,000.00
00-131	11/22/2000	03/01/2015	WEI3 - Energy Perf Contract Charter Street Phase 2	1,200,000.00	1,200,000.00
00-132	11/22/2000	09/01/2015	WEI3 - Energy Perf Contract UWC-Waukesha	78,880.00	78,880.00
				$ 119,561,233.74	$ 76,939,981.00

PART V

TRANSPORTATION REVENUE OBLIGATIONS

This part of the Annual Report provides information about transportation revenue obligations issued by the State of Wisconsin.

Total Outstanding Balance (12/1/2000)	$1,000,878,000
Amount Outstanding—Fixed Rate Obligations	$ 859,145,000
Amount Outstanding—Variable Rate Obligations	$ 141,733,000
Percentage of Outstanding Obligations in form of Variable Rate Obligations	14.16%
Bond Ratings (Fitch/Moody's/Standard & Poors)	AA/Aa3/AA-
Variable Rate Obligation Ratings	F-1+/P-1/A-1+

APPENDIX A includes audited financial statements for the Transportation Revenue Bond Program and Transportation Commercial Paper Program for the year ended June 30, 2000. The Wisconsin Statutes provide that the State of Wisconsin Building Commission (**Commission**) has supervision over all matters relating to the State's issuance of revenue obligations. Employees of the Division of Executive Budget and Finance serve as the Capital Finance Director and staff responsible for managing the State's borrowing programs.

Transportation revenue obligations are issued pursuant to the State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligations General Resolution, dated June 26, 1986, as amended (**General Resolution**). The State has issued transportation revenue obligations in the form of bonds and commercial paper notes. Bank One Trust Company, National Association serves as Trustee for the transportation revenue bond program (**Trustee**). The Trustee serves as registrar and paying agent for the bonds, and Bankers Trust Company serves as issuing and paying agent for the commercial paper notes. The law firms of Michael Best & Friedrich LLP and Quarles & Brady LLP provide bond counsel services to the State for issuance of transportation obligations. The State has rarely employed a financial advisor for the issuance of transportation revenue obligations, except for advance refunding issues.

The Department of Transportation **(Department)** is responsible for the planning and completion of major highway projects funded in part with the proceeds of obligations issued under the General Resolution.

Requests for additional information about the transportation revenue obligations may be directed as follows:

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

This Annual Report includes information and defined terms for different types of securities issued by the State. The context or meaning of terms used in this Part V of the Annual Report may differ from that of terms used in another part. See "GLOSSARY" for the definition of capitalized terms used in this Part V of the Annual Report. Material referred to in this Annual Report is not part of this Annual Report unless expressly included by reference.

OUTSTANDING OBLIGATIONS

The State has issued the transportation revenue bonds and commercial paper notes shown in Table V-1. The table also includes the outstanding principal balances as of December 1, 2000.

Table V-1
OUTSTANDING TRANSPORTATION REVENUE OBLIGATIONS BY ISSUE
(As of December 1, 2000)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
Fixed Rate Transportation Revenue Bonds				
1984, Series A **(1984 Bonds)**	4/15/84	1985-2004	$ 65,000,000	0
1986, Series A **(1986 Bonds)**	6/15/86	1987-2007	139,055,000	0
1988, Series A **(1988 Bonds)**	4/15/88	1989-2008	51,475,000	0
1989, Series A **(1989 Bonds)**	4/15/89			
Serial Bonds		1990-2004	31,165,000	0
Term Bonds		2009	20,135,000	0
1991, Series A **(1991 Bonds)**	10/1/91	1992-2011	105,660,000	$ 4,735,000 [(a)]
1992, Series A **(1992 Series A Bonds)**	7/1/92			
Serial Bonds		1999-2006	96,945,000	77,745,000 [(a)]
Term Bonds		2009	22,260,000	21,525,000 [(a)]
Term Bonds		2012	3,520,000	0 [(a)]
Term Bonds		2022	16,880,000	15,570,000 [(a)]
1992, Series B **(1992 Series B Bonds)**	7/1/92			
Serial Bonds		1993-2006	55,155,000	18,300,000 [(a)]
Term Bonds		2009	18,395,000	0 [(a)]
Term Bonds		2012	21,770,000	0 [(a)]
Term Bonds		2022	104,390,000	96,280,000 [(a)]
1993, Series A **(1993 Bonds)**	9/1/93	1994-2012	116,450,000	89,355,000
1994, Series A **(1994 Bonds)**	7/1/94			
Serial Bonds		1995-2012	84,320,000	26,870,000 [(a)]
Term Bonds		2014	15,680,000	15,680,000
1995, Series A **(1995 Bonds)**	9/1/95	1996-2015	105,000,000	80,610,000 [(a)]
1996, Series A **(1996 Bonds)**	5/15/96	1997-2016	115,000,000	52,340,000 [(a)]
1998, Series A **(1998 Series A Bonds)**	8/15/98	1999-2016	130,590,000	129,220,000
1998, Series B **(1998 Series B Bonds)**	10/1/98			
Serial Bonds		2000-2017	93,905,000	91,120,000
Term Bonds		2019	16,095,000	16,905,000
2000, Series A **(2000 Bonds)**	9/15/2000	2012-2021	123,700,000	123,700,000
Total Fixed-Rate Transportation Revenue Bonds			$1,552,545,000	$ 859,145,000
Variable Rate Transportation Revenue Obligations				
1997, Commercial Paper Notes, Series A	5/7/97		$ 188,600,000	$ 141,733,000
Total Transportation Revenue Obligations			$1,741,145,000	$1,000,878,000

[(a)] Pursuant to a refunding escrow agreement the principal and interest on all or a portion of the bonds have been or will be paid as it comes due and those bonds will be called for redemption prior to maturity. The principal amount of bonds for which payment is provided is treated as not outstanding for purposes of this table.

The 1986 Bonds, 1988 Bonds, and 1989 Bonds have been redeemed in full and are not Outstanding Bonds within the meaning of the General Resolution. The 1991 Bonds, 1992 Series A Bonds, 1992 Series B Bonds, 1993 Bonds, 1994 Bonds, 1995 Bonds, 1996 Bonds, 1998 Series A Bonds, 1998 Series B Bonds, and 2000 Bonds (collectively, **Prior Bonds**), together with any additional Bonds issued by the State pursuant to the General Resolution, are referred to collectively as the **Bonds**. See "SECURITY; Sources of Payment".

The Commercial Paper Notes of 1997, Series A **(Notes)** are issued pursuant to the General Resolution and are subordinate to the pledge granted to the Bonds. See "VARIABLE RATE OBLIGATIONS". The Commission has adopted a Series Resolution that authorizes the issuance of Bonds to pay for the funding of the Notes. This Series Resolution is required pursuant to the terms of a credit agreement by which a syndicate of banks provide a letter of credit for liquidity and additional security on the Notes. These take-out Bonds, when and if issued, will be issued on a parity with the Prior Bonds and any additional parity Bonds issued by the State pursuant to the General Resolution.

SECURITY

Sources of Payment

The Prior Bonds have been issued on parity with each other. The Prior Bonds and any additional parity Bonds issued by the State pursuant to the General Resolution, are revenue obligations of the State payable solely from the Redemption Fund created by the General Resolution and are secured by a first lien pledge of Program Income, the Funds created by the General Resolution, and any other income of the Program pledged to the payment of interest, principal, and Redemption Price on the Bonds.

The Notes and any other obligation to be issued on parity with the Notes, are also revenue obligations of the State payable from Program Income deposited into the Subordinated Debt Service Fund created by the General Resolution. The pledge of such Program Income to payment of the Notes is subordinate to the pledge of Program Income to payment of Bonds presently outstanding or hereafter issued.

Program Income includes certain vehicle registration fees authorized under Section 341.25 of the Wisconsin Statutes **(Registration Fees)** or any other moneys the State is authorized to pledge. See "REGISTRATION FEES". All Program Income shall be collected by the Trustee, or the Department as agent of the Trustee, and deposited outside the State Treasury in an account with the Trustee defined as the **Redemption Fund**. Program Income is defined to include all the interest earned or gain realized from the investment of the Redemption Fund.

Program Income received or to be received by the Trustee in the Redemption Fund is to be used:

- To pay interest on all Outstanding Bonds
- To pay the principal or Redemption Price of all Outstanding Bonds
- To maintain the Debt Service Reserve Requirement in the Reserve Fund
- To pay Program Expenses
- To pay principal and interest on the Notes

The pledge is effective upon the issuance of the Bonds and remains effective until all Bonds and Notes issued under the General Resolution are fully paid in accordance with their terms. All Program Income, which is in excess of the amounts necessary to meet the requirements outlined above, is transferred to the State for deposit in the Transportation Fund and becomes free of the lien of the pledge. The Department uses moneys in the Transportation Fund for any authorized purpose. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION".

The Bonds shall be revenue obligations of the State payable solely out of the Redemption Fund and each Bond shall contain on its face a statement to that effect. The State is not generally liable on the Bonds, and the Bonds shall not be a debt of the State for any purpose whatsoever.

The Notes shall be revenue obligations of the State payable solely out of the Subordinated Debt Service Fund. The State is not generally liable on the Notes, and the Notes shall not be a debt of the State for any purpose whatsoever.

The State pledges and agrees with the Bondholders and holders of Notes that the State will not limit or alter its powers to fulfill the terms of any agreements (made in the General Resolution, in the Bonds, or in the Notes) with the Bondholders and holders of Notes, or in any way impair the rights and remedies of the Bondholders and holders of Notes until the Bonds and Notes, together with interest, including interest on any unpaid installments of interest thereon, Redemption Price, and all costs and expenses in connection with any action or proceeding by or on behalf of the Bondholders and holders of Notes, are fully met and discharged.

Reserve Fund

The General Resolution creates a Reserve Fund and provides that it shall be used to make up any deficiency in the Redemption Fund for the payment of principal of and interest on the Outstanding Bonds. Each Series Resolution sets forth the Debt Service Reserve Requirement, if any, for that Series. The Debt Service Reserve Requirements for all of the Outstanding Bonds are combined to determine the aggregate Debt Service Reserve Requirement. If all of the Bonds of a Series cease to be Outstanding, then the aggregate Debt Service Reserve Requirement may be reduced by the Debt Service Reserve Requirement attributable to that Series.

Currently, the Reserve Fund has been funded in an amount at least equal to the maximum annual interest due on the Outstanding Bonds. No representation is made as to the Debt Service Reserve Requirement that may be established upon the issuance of additional Series of Bonds. If there is a deficiency in the Reserve Fund, the Trustee shall, after setting aside in the Principal and Interest Account the applicable amounts required to be deposited therein, deposit Program Income into the Reserve Fund in an amount sufficient to remedy such deficiency.

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 which provides for the availability, at the times required pursuant to the provisions of any Series Resolution, of an amount at least equal to such Debt Service Reserve Requirement and such method of funding shall be deemed to satisfy all provisions of the Series Resolution with respect to the Debt Service Reserve Requirement and the amount required to be on deposit in the Reserve Fund with respect to such Series of Bonds.

Surety Bond

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 from Ambac Assurance Corporation (**Ambac Assurance**). Subsequently, each time that Bonds have been issued, the Debt Service Reserve Requirement for the then Outstanding Bonds has been recalculated and the previous Surety Bond exchanged for a new Surety Bond. Currently, the Surety Bond is in an amount of $44,010,000 (**Surety Bond Coverage**), which is greater than the maximum annual interest due on the Outstanding Bonds. The premium for the Surety Bond is paid in full. The Surety Bond is noncancelable until it expires on the earlier of July 1, 2022 or when all Outstanding Bonds issued, now or in the future, under the General Resolution are paid in full. Principal payments or defeasance of Outstanding Bonds does not reduce the Surety Bond Coverage.

The Surety Bond provides that Ambac Assurance will promptly deposit funds with the Trustee sufficient to enable the Trustee to make a payment due on the Bonds, but in no event exceeding the amount of Surety Bond, upon the later of:

- One day after receipt by Ambac Assurance of a demand for payment executed by the Trustee certifying that provision for the payment of principal of or interest on the Bonds when due has not been made, or
- The interest payment date specified in the Demand for Payment submitted to Ambac Assurance.

Pursuant to the terms of the Surety Bond, the Surety Bond Coverage is automatically reduced to the extent of each payment made by Ambac Assurance under the terms of the Surety Bond and the State is required to reimburse Ambac Assurance for any draws under the Surety Bond with interest at a market rate. Upon such reimbursement, the Surety Bond is reinstated to the extent of each principal reimbursement up to but not exceeding the Surety Bond Coverage. The reimbursement obligation of the State is subordinate to the State's obligations with respect to the Bonds.

In the event the amount on deposit, or credited to the Reserve Fund, exceeds the amount of the Surety Bond, any draw on the Surety Bond shall be made only after all the funds in the Reserve Fund have been expended. In the event that the amount on deposit in, or credited to, the Reserve Fund, in addition to the amount available under the Surety Bond, includes amounts available under a letter of credit, insurance policy, surety bond, or other such additional funding instrument, draws on the Surety Bond and the additional funding instrument shall be made on a pro rata basis to fund the insufficiency.

The Surety Bond does not insure against nonpayment caused by the insolvency or negligence of the Trustee.

Ambac Assurance

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately $4,259,000,000 (unaudited) and statutory capital of approximately $2,633,000,000 (unaudited) as of September 30, 2000. Statutory capital consists of Ambac Assurance policyholders' surplus and statutory contingency reserve. Moody's Investors Service, Standard & Poor's Ratings Services and Fitch, Inc. have each assigned a triple-A financial strength rating to Ambac Assurance.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 17th Floor, New York, New York, 10004 and (212) 668-0340.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac

Assurance under policy provisions substantially identical to those contained in its municipal bond insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the issuer.

Ambac Assurance makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, the Annual Report other than the information supplied by Ambac Assurance and presented under the headings "*Surety Bond*" and *"Ambac Assurance"*.

Program Income Covenant

In the General Resolution, the State has covenanted that it will charge and cause to be deposited with the Trustee sufficient Program Income:

- To pay all principal of and interest on the Bonds as the same become due
- To maintain the Reserve Fund at its requirement
- To pay Program Expenses
- To make required deposits into the Subordinated Debt Service Fund
- To maintain the applicable requirements of such other funds and accounts specified under the General Resolution

See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION".

Additional Bonds

The General Resolution authorizes the issuance of additional Bonds for the purpose of paying the costs of Projects and refunding Outstanding Bonds. Additional Bonds may be issued only if Program Income for any 12 consecutive calendar months of the preceding 18 calendar months was at least equal to 2.25 times the maximum aggregate Principal and Interest Requirement in any Bond Year for all Outstanding Bonds. The General Resolution defines Outstanding Bonds, as of any particular date, as all Bonds theretofore and thereupon being delivered except:

- Any Bond canceled by the Trustee, or proven to the satisfaction of the Trustee to have been canceled by the Registrar
- Any Bond deemed to have been defeased pursuant to the General Resolution
- Any Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to the requirements of the General Resolution or any Series Resolution

In addition, upon the issuance of such additional Bonds the amount on deposit in the Reserve Fund must at least equal the Debt Service Reserve Requirement. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION; Additional Bonds".

Forecasted Debt Service Coverage

Table V-2 shows the forecasted coverage of annual debt service on the Outstanding Bonds, based on the Department's estimated Registration Fees for 2001-2010. See "REGISTRATION FEES; Estimated Future Registration Fees". There can be no assurance that the estimated Registration Fees will be realized in the amounts shown. The annual debt service amounts in Table V-2 include an assumed Bond issue for approximately $145 million that would fund the outstanding Notes. Table V-3 provides the expected amortization of the Notes.

Table V-2
Debt Service on Outstanding Transportation Revenue Bonds and Estimated Revenue Coverage

Year Ending (July 1)	Total Current Debt Service [a]	Estimated Revenue[b] (Millions)	Estimated Coverage Ratio[c]
2001	$ 92,842,741.75	313.50	3.38
2002	93,959,296.75	329.80	3.51
2003	93,928,912.50	334.90	3.57
2004	97,943,035.00	352.30	3.60
2005	97,806,485.00	358.80	3.67
2006	97,850,950.00	378.40	3.87
2007	86,146,165.00	386.90	4.49
2008	87,041,495.00	407.90	4.69
2009	82,955,780.00	417.00	5.03
2010	69,979,350.00	438.60	6.27
2011	70,083,967.50		
2012	79,889,700.00		
2013	80,447,870.00		
2014	80,532,580.00		
2015	72,125,055.00		
2016	63,246,650.00		
2017	53,927,685.00		
2018	54,008,112.50		
2019	41,114,887.50		
2020	32,417,800.00		
2021	32,420,500.00		
2022	16,088,750.00		
	$ 1,576,757,769		

[a] Total Debt Service includes assumed issuance of approximately $145 million to fund the currently outstanding transportation revenue commercial paper notes.

[b] Excludes interest earnings.

[c] Assumes that no additional bonds will be issued and continuation of current registration fees. Estimates of revenue and coverage beyond 2010 are not shown.

Source: Wisconsin Department of Administration and Wisconsin Department of Transportation.

Table V-3
Amortization Schedule[(a)]
Amount Due Annually on Transportation Revenue Commercial Paper Notes
Issued to December 1, 2000

Year Ending July 1	Principal
2001	$ 5,060,000
2002	5,295,000
2003	5,550,000
2004	5,825,000
2005	6,110,000
2006	6,425,000
2007	6,760,000
2008	7,120,000
2009	7,500,000
2010	7,905,000
2011	8,345,000
2012	8,810,000
2013	9,310,000
2014	9,840,000
2015	10,410,000
2016	11,010,000
2017	11,655,000
2018	12,340,000
TOTAL..........................	$145,270,000

(a) The State intends to treat each issue of transportation revenue commercial paper as if it were a long-term bond issue by making annual payments on July 1. Each annual payment reflects a principal amortization. The State also intends to make regular payments to the issuing and paying agent; these payment will be applied to pay accrued interest on maturing commercial paper notes.

Source: Wisconsin Department of Administration.

REGISTRATION FEES

Current Fees and Registered Vehicles

Registration Fees as enumerated under Section 341.25, are highway user fees collected by the Department of Transportation from owners of most motor vehicles. Table V-4 summarizes the current types of major Registration Fees authorized under Section 341.25.

Table V-4
Current Section 341.25 Registration Fees

Vehicle	Annual Fee
Automobile	$45
Trucks	Weight-based fee ranging from $48.50 to $1,969.50.
Bus	Fee equal to the fee for a truck of the same weight.
Trailer 12,000 lbs. and under	Fee equal to one-half of the fee for a truck of the same weight.
Trailer over 12,000 lbs.	Fee equal to the fee for a truck of the same weight.
Motor Homes	Weight-based fee ranging from $48.50 to $119.50.
Mobile Homes and Camping Trailers	$15
Motorcycle/Moped	$23 biennial fee.

Source: Wisconsin Department of Transportation

Table V-5 summarizes the number of motor vehicle registrations in the State, subject to Section 341.25 Registration Fees, for the past ten years.

Table V-5
Motor Vehicle Registrations
1991 to 2000
(Millions of Vehicles)

Fiscal Year (June 30)	Automobiles	Trucks [a]	Other Vehicles [a]	Total	% Change
1991	2.47	1.12	.41	4.00	—
1992	2.48	1.18	.39	4.05	1.25%
1993	2.45	1.25	.43	4.13	1.98
1994	2.43	1.31	.41	4.15	0.48
1995	2.42	1.40	.46	4.28	3.13
1996	2.40	1.46	.40	4.26	(0.47)
1997	2.37	1.54	.43	4.34	1.88
1998	2.40	1.67	.44	4.51	3.92
1999	2.40	1.74	.47	4.61	2.22
2000	2.41	1.82	.47	4.70	1.95

[a] "Other Vehicles" include mobile homes, mopeds, buses and several other vehicle types.
"Trucks" include minivans and sport utility vehicles.

Source: Wisconsin Department of Transportation

Table V-6 summarizes the total amount of Section 341.25 registration fee revenues for the past ten years.

Table V-6
Section 341.25 Registration Fee Revenues
1991 to 2000
(Amounts in Millions)

Fiscal Year (June 30)	Non-IRP Fees	Pledged IRP Fees	Total	% Change
1991	$126.3	$31.4	$157.7	—
1992	173.6	34.1	207.7	31.7%
1993	192.7	36.0	228.7	10.1
1994	198.5	37.1	235.6	3.0
1995	203.7	42.3	246.0	4.4
1996	205.4	43.3	248.7	1.1
1997	207.4	46.8	254.2	2.2
1998	232.4	48.2	280.6	10.4
1999	244.6	50.2	294.8	5.1
2000	255.7	55.1	310.8	5.4

Source: Wisconsin Department of Transportation

In recent biennial budgets, the Legislature authorized a number of actions that have had an impact on the Registration Fees over the past ten years. These actions increased the level of Registration Fees.

First, the 1999-2001 biennial budget changed the registration fees for certain vehicles:

- Decrease registration fees for camping trailers 3,000 pounds or more to $15.
- Exempt manufactured homes, also called mobile homes, over 45 feet from vehicle registrations (effective October 29, 1999).
- $10 fee for late registration using the telephone automation program for heavy vehicle registration (effective January 1, 2000).

Second, the 1997–99 biennial budget increased the Registration Fees for most motor vehicles effective December 1, 1997. Registration Fee increases authorized in that budget include:

- $5 increase in the automobile fee to $45
- Increase in truck registration fees ranging from $3.50 to $119.50
- Increase in the motor home registration fees ranging from $3.50 to $8.50
- $3 increase in the biennial motorcycle/moped fee (effective May 1, 1998)
- $10 fee for late registrations (effective October 1, 1998)

Third, the 1991–93 biennial budget increased the Registration Fees for most motor vehicles effective September 1, 1991. Registration Fee increases authorized in that budget include:

- $15 increase in the automobile fee
- Increase in truck registration fees ranging from $15 to $150
- $15 increase in the motor home fee
- $6 increase in the biennial motorcycle/moped fee

Finally, the 1989–91 biennial budget increased Program Income by including interstate truck registration revenues collected through the International Registration Plan (**IRP**) under the statutory pledge of revenues. Starting in Fiscal Year 1990, IRP revenues have been a component of the Program Income and have served to increase the level of pledged Registration Fees. Wisconsin is one of 48 states and three Canadian provinces that participate in the IRP, which is a multi-state compact for the collecting and sharing of large truck registration fees. Under the IRP, the registration fees on trucks involved in multi-state commercial activity are split between the participating states on the basis of proportionate mileage.

When reviewing past Section 341.25 registration fee revenues, it is useful to divide total collections into two categories:

- Non-IRP revenues
- IRP revenues

Table V-6 reflects the steady rate of growth that has occurred in non-IRP Section 341.25 revenues over the past ten years. In Fiscal Years 1992, 1993, and 1998 the percentage changes reflect increases in Registration Fees required in those biennial budgets.

Estimated Future Registration Fees

Future Registration Fee revenues depend on the size of the vehicle fleet in subsequent years and the level of fees imposed on the various vehicle types. The methodology for registration fee revenue projections consists of two components:

- Projection of registration by vehicle type by an econometric model developed by the Department, which relates the size of the vehicle fleet to anticipated changes in certain key economic variables
- Adjustment of the econometric model projections based upon historical fleet information

The Department's model has two distinct components:

- Anticipated changes in the size of the State's automobile fleet
- Anticipated changes in the size of the State's truck fleet

The Department's econometric model relates the size of the automobile fleet to the disposable income in the State, the relative price of new autos, the level of unemployment, the size of the driving age population, historical rates of vehicle scrappage, and a measure of consumer confidence. The model relates the size of the truck fleet to the personal income in the State, industrial outlook, vehicle price, vehicle scrappage rates, and the level of unemployment. The long-range economic data used in the model are based on the projections published by Data Resources, Inc.

Table V-7 summarizes projected Section 341.25 Registration Fee revenues for the next ten years. The projections assume normal growth but no increase in the level of registration fees.

Table V-7
Projected Section 341.25 Registration Fee Revenues
2001 to 2010

Fiscal Year	Revenues[a] (Amounts in Millions)	% Change
2001	$313.5	—
2002	329.8	5.2%
2003	334.9	1.5
2004	352.3	5.2
2005	358.8	1.8
2006	378.4	5.5
2007	386.9	2.2
2008	407.9	5.4
2009	417.0	2.2
2010	438.6	5.2

[a] Includes both IRP and non-IRP Section 341.25 revenues.

Source: Wisconsin Department of Transportation

The Department will monitor Registration Fee revenue as it relates to scheduled debt service payments on the Bonds and payments on the Notes and recommend appropriate adjustments in Registration Fee schedules to the Governor and the Legislature. The State has covenanted in the General Resolution that as long as Bonds and Notes are Outstanding it will charge and cause to be deposited with the Trustee sufficient Program Income, including Registration Fees, to pay principal and interest on such Bonds, as the same become due, to maintain the Reserve Fund at the Debt Service Reserve Requirement, to pay Program Expenses, and to make payments into the Subordinated Debt Service Fund.

Registration Fee Collection Procedures

Registration Fees are collected throughout the fiscal year. In order to smooth out the Department's vehicle registration workload, the Department has staggered vehicle registrations throughout the year. As a result, in Fiscal Year 2000, the flow of quarterly collections of annual Registration Fee revenues ranged from a low of 22.3% to a high of 28.3%. The recent and any future adjustment of Registration Fees may change the monthly distribution of Registration Fees collected.

Pursuant to an agreement between the Department and the Trustee, the Department is the agent of the Trustee with respect to the collection of Registration Fees. The Registration Fees are collected in a number of ways:

- By mail to a lock-box system operated by Firstar Bank, National Association (**Bank**)
- Over the counter in field registration stations
- By mail to the Department's Central office in Madison (**Central Office**)
- Via telephone charge card renewal system
- At vehicle emission testing stations
- By State auto and light truck dealers

- Via internet charge card renewal system
- By financial institutions
- By private financial service centers
- By grocery stores

Regardless of the method of collection, all Registration Fees are initially deposited with the Trustee for deposit in the Redemption Fund.

The principal method of collecting non-IRP Registration Fees is registration renewals by mail, which are sent directly to the Bank operating the lock-box system as agent for the Trustee. Under this lock-box system the vehicle owner mails the renewals to the Bank. The renewal includes a check payable to "Registration Fee Trust" and an enclosure with relevant registration information on it. The Bank is to deposit its receipts of Registration Fees daily with the Trustee for deposit in the Redemption Fund.

Over-the-counter collections take place in 29 field registration stations throughout the State. These offices collect Registration Fees on behalf of the Trustee, as well as driver license fees, title fees, lien fees, salesman's license fees, permit fees, disabled identification card fees, and various other Department charges. The Department's financial system is a transaction-based computer system with the field stations linked to the Department's Central Office by terminal. All transactions are summarized daily and reported to the Central Office. The stations deposit their collections in an account in the Trustee's name for deposit in the Redemption Fund.

Collections at the Central Office differ from field-office collections in that it is primarily IRP payments and mail applications that are processed. IRP payments consist of checks submitted by individual truck operators, as well as checks generated by other states transmitting IRP payments to the State. Mail applications handled through the Central Office are primarily associated with the registration of vehicles that involve the transfer of ownership. All checks and cash collected through the Central Office are delivered to the Trustee for deposit in the Redemption Fund.

Telephone charge card renewal is a system available to motorists who prefer to charge their vehicle registration renewals. Under this system, motorists can renew their registrations through a touch-tone phone. The Department has contracted with a vendor to handle the voice response equipment and transmission of data. The vendor transfers all monies collected daily, from these transactions, through a wire transfer to the Trustee for deposit in the Redemption Fund. A service fee is charged to registrants to use this option.

The Department has a contract with a vehicle emission contractor to collect Registration Fees at emission testing stations. After a successful emission test, a registrant may chose to renew their registrations at a testing station. Under this method, the emission testing station is treated like a field registration station with direct connection to the Central Office's terminal. A service fee is charged to registrants to use this option. All twelve emission inspection locations provide registration renewal service.

The Department also has a series of contracts with car and light truck dealers to process vehicle title and registration and transmit such information electronically to the Department through an interface managed by a third-party vendor. The contracts provide an electronic interface between the Department and the dealer's data processing systems. The dealer collects registration and other fees that are electronically transferred daily from their bank accounts to the Department by the third-party vendor. A service fee is charged to registrants to use this option.

Internet charge card renewal is a system available to motorists who prefer to charge their vehicle registration renewals. Under this system, motorists can renew their registrations through the Internet. The Department has contracted with a vendor to handle the interfaces and transmission of data. The vendor transfers all monies collected from these transactions daily, through a wire transfer to the Trustee for deposit in the Redemption Fund. A service fee is charged to registrants to use this option.

The Department has contracts with financial institutions to process titles and registrations and transmit the information through an electronic interface provided by a separate vendor to the Department and financial institution. The financial institution collects registration and other fees that are electronically transferred daily from the financial institution to the Trustee for deposit into the Redemption Fund. A service fee is charged to registrants to use this option.

Registrants may renew vehicle registrations at private financial service centers. The Department has contracted with a separate vendor to handle the electronic interface and transmission of data. The financial service centers collect registration fees that are electronically transferred daily from the center to the Trustee for deposit into the Redemption Fund. A service fee is charged registrants to use this service.

Registrants may also renew vehicle registration at some grocery stores. The Department has contracted with a separate vendor to handle the electronic interface and transmission of data. The grocery stores collect registration fees that are electronically transferred daily from the center to the Trustee for deposit into the Redemption Fund. A service fee is charged registrants to use this option.

PROJECTS

Security on the Bonds or Notes is not dependent upon projects built with Bond or Note proceeds.

Bond and Note proceeds are used to finance a portion of major highway projects enumerated in the Statutes for construction. A major highway project is defined as a project which has a total cost of more than $5 million and which involves one or more of the following:

- Constructing a new highway 2.5 miles or more in length
- Relocating 2.5 miles or more of an existing highway
- Adding one or more lanes, 5 miles or more to an existing highway
- Improving 10 miles or more of existing multi-lane divided highway to freeway standards

All state highway improvement projects, including authorized major highway projects, are scheduled in the Department's six-year highway improvement program. The six-year program, updated on a biennial basis, serves as a basic tool for the Department's long-term improvement plans and construction programs.

The Department currently has statutory authority to issue a total of $1.447 billion of obligations to finance a portion of such major highway projects. Construction of major highway projects uses moneys from the following sources:

- Bond or Note proceeds
- Federal aid
- Moneys in the Transportation Fund which may be appropriated for such purposes

The major highway projects enumerated by statute for right-of-way acquisition and construction consists of 77 major highway projects and certain transportation administrative facilities. Of the 77 enumerated major highway projects, the Department has completed construction on 45 projects.

Requests for additional information about the major highway projects funded or to be funded with proceeds of transportation revenue obligations may be directed as follows:

Contact:	Wisconsin Department of Transportation Attn: Office of Policy and Budget
Phone:	(608) 261-8628
Mail:	4802 Sheboygan Avenue P.O. Box 7910 Madison, WI 53707-7910
E-mail:	jim.hoelzel@dot.state.wi.us

VARIABLE RATE OBLIGATIONS

The State has issued, and there currently remains outstanding, transportation revenue commercial paper notes **(Notes)**.

General

The State has appointed Lehman Brothers and Bear, Stearns & Co. Inc. to serve as **Dealers** for the Notes. The State has appointed Bankers Trust Company to serve as **Issuing and Paying Agent** for the Notes.

The State has appointed The Depository Trust Company (**DTC**) to serve as **Depository** for the Notes. The State has entered into a **Credit Agreement**, as amended, with the **Banks —** Westdeutsche Landesbank Girozentrale, acting through its New York Branch, and Bayerische Landesbank Girozentrale, acting through its New York Branch . This Credit Agreement provides a commitment **(Commitment)** that the Banks severally provided an irrevocable standby letter of credit for a stated amount of $160,000,000 for the payment of principal of and interest on the Notes **(Liquidity Facility)**.

The State issued one series of Notes in the initial issue amount of $154,750,000 and $141,733,000 remain Outstanding.

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

Description of the Notes

Each Note will be dated the date it is issued. It will be issued as an interest-bearing obligation in a denomination of $100,000 or increments of $1,000 above $100,000.

The Notes are not callable prior to maturity.

Each Note will mature from one to 270 days from its issue date. Also, no Note may be issued with a maturity date later than the expiration date of the Liquidity Facility.

Each Note will bear interest from its date of issuance, at the rate determined at the date of issuance, payable at maturity. Interest is computed on the basis of a year having 365 or 366 days and the actual number of days elapsed. Payment of each Note will be made to the Depository and then distributed by the Depository.

Liquidity Facility

The State and the Banks have entered into a Credit Agreement, dated as of May 7, 1997, as amended, which provides a commitment for the issuance of an irrevocable letter of credit in the stated amount up to $160,000,000. In order to assure timely payment of principal and interest on the Notes and the Notes coming due from time to time, the Banks have issued pursuant to the terms and conditions of the Credit Agreement to the Issuing and Paying Agent, as beneficiary, an irrevocable standby letter of credit in a stated amount of $160,000,000 (the "Letter of Credit"). The stated termination date of the Commitment is currently May 5, 2001, and of the Letter of Credit is currently May 6, 2002, subject to extension as provided for in the Credit Agreement. The obligations of the Banks to make payment under the Letter of Credit are several and not joint.

If any Bank shall make a payment under the Letter of Credit and the State does not reimburse such Bank on the same business day, then such payment shall constitute a Liquidity Advance under the Credit Agreement. If any Bank shall make a payment under the Letter of Credit and (i) the State does not reimburse such Bank on the same business day, and (ii) certain conditions contained in the Credit Agreement are not fulfilled, such payment shall constitute a Default Advance under the Credit Agreement (Liquidity Advances and Default Advances are collectively referred to as an **Advance**). The aggregate principal amount of all Advances made on any date may not exceed the outstanding Stated Amount of the Letter of Credit.

The State's obligation to repay such Advances will be evidenced by its delivery to each Bank of one or more promissory notes **(Promissory Note)** in an aggregate principal amount equal to the amount of all Advances authorized under the Credit Agreement. The Promissory Note is payable solely from Program Income deposited into the Subordinated Debt Service Fund, as set forth in the Supplemental Resolution, and the Promissory Note ranks equally with the Notes.

In addition, if any Event of Default as defined in the Credit Agreement occurs, the Banks may deliver to the State and Issuing and Paying Agent a notice upon receipt of which the State shall cease issuing Notes. Upon receipt of a No-Issuance Notice, the State shall cease issuing Notes unless and until such No-Issuance Notice is rescinded. A No-Issuance Notice shall not affect the obligation of the Banks to make Advances with respect to the payment of Notes issued prior to the receipt by the State of such No-Issuance Notice.

The State is permitted to replace the Credit Agreement with another comparable agreement or agreements with any other liquidity facility provider provided that such substitution meets all required qualifications, including, but not limited to, written evidence from each rating agency which, at the request of the State, is then rating the Notes and which is then also rating the provider (or its guarantor) of the proposed substitute liquidity facility to the effect that the substitution of the Liquidity Facility will not by itself result in a withdrawal, suspension or reduction of its ratings of the Notes from those which then prevail. Any such substituted Liquidity Facility Agreement may have covenants, conditions to borrowing and other provisions different from those referred to above. The State will notify the Dealers of any change in the Liquidity Facility. The State will also notify each nationally recognized municipal securities information repository **(NRMSIR)** of any change in the Liquidity Facility.

Description of the Banks

Westdeutsche Landesbank Girozentrale

Westdeutsche Landesbank Girozentrale **(WestLB)**, which traces its history to 1832, was created by the merger of two central banks, or Landesbanks (German State Banks), in the State of North Rhine-Westphalia, the Federal Republic of Germany **(Germany)** on January 1, 1969. As a German universal bank, WestLB provides commercial and investment banking services regionally, nationally and internationally to public, corporate and bank customers. WestLB is the largest of the Landesbanks and, on the basis of total assets at December 31, 1999, was the fourth largest bank in Germany. At December 31, 1999, WestLB had total assets of approximately Euro (**E** or **Euros**) 308 billion (US$ 309 billion).

WestLB also performs the functions of a state and municipal bank for the State of North Rhine-Westphalia and acts as the central bank of the Sparkassen (savings banks) in North Rhine-Westphalia (Germany's most populous state). It conducts a comprehensive range of wholesale banking business and has the power to issue mortgage bonds, municipal bonds and other bonds and is the largest continuous issuer of long term debt in Germany. In its capacity as central bank, WestLB acts as the clearing and depository bank for the savings banks in North Rhine-Westphalia. As a state bank, WestLB provides trustee services for State-supported lending programs for housing, regional economic assistance, middle market firms and environmental protection. Internationally, the WestLB Group operates through an extensive network of banking subsidiaries, branches and representative offices to provide a range of financial services to its clients.

Pursuant to a guaranty obligation (Gewährträgerhaftung) set forth in Section 37 of the North Rhine-Westphalia Savings Bank Act and Section 5 of the Ordinances of WestLB, North Rhine-Westphalia together with the other guarantors specified therein (including regional authorities and savings bank associations) are jointly and severally liable without restriction for all obligations of WestLB, including all obligations of WestLB New York. The guaranty obligation gives creditors a direct claim against North Rhine-Westphalia only if the claims of the creditors have not first been satisfied out of the assets of WestLB, including the assets of WestLB New York.

In addition to being liable under the guaranty obligation, North Rhine-Westphalia, having established WestLB, is responsible to WestLB for the performance of WestLB's obligations, including all obligations of WestLB New York. This maintenance obligation (Anstaltslast), while not a formal guaranty affording creditors of WestLB a direct claim against North Rhine-Westphalia, requires North Rhine-Westphalia to keep WestLB in a position to perform its functions and to enable it, in the event of financial difficulties, to perform its obligations, when due.

The New York Branch of WestLB **(WestLB New York)** is licensed and subject to supervision and regulation by the Superintendent of Banks of the State of New York. WestLB New York is examined by the New York State Banking Department and is subject to banking laws and regulations applicable to a foreign bank that operates a New York branch. In addition to being subject to New York banking laws and regulations, WestLB and WestLB New York are also subject to the International Banking Act of 1978 **(IBA)** and the Foreign Bank Supervision Enhancement Act of 1991, and WestLB is subject to federal regulation under the IBA and the Bank Holding Company Act of 1956.

In the fiscal year ended December 31, 1999, WestLB's total assets grew by 11% from E 277 billion to E 308 billion (US$ 309 billion). As of December 31, 1999, total deposits and borrowed funds totaled E 280 billion (US$ 281 billion), an increase of 11% from the previous year's amount of E 253 billion. WestLB's capital and declared reserves increased to E 13,963 million (US$ 14,027 million) as of December 31, 1999 (as compared to E 11,472 million as of December 31, 1998).

WestLB's operating profit before risk provisions/reserves of E 776 million (US$ 792 million) decreased by 2% over the previous year. Interest surplus increased by 15% (from E 1,750 million in 1998 to E 2,010 million in 1999. Commission surplus increased by 57% (from E 233 million in 1998 to E 366 million in 1998). Staff expenses went up by 29% to E 911 million (US$ 915 million), with other administrative expenses showing an increase of 22% to E 827 million (US$ 831 million) in 1999.

The financial information for the year ended December 31, 1999 is derived from the audited statements of WestLB, does not include the consolidated subsidiaries of the WestLB Group and has been prepared in accordance with accounting principles, practices, laws and regulations generally accepted in Germany. German accounting principles differ in certain respects from accounting principles generally accepted in the United States.

Unless indicated otherwise, currency amounts are stated in Euro (**E** or **Euros**) or United States dollars (**US$** or **U.S. dollars**). Merely for the convenience of the reader, this summary contains translations of certain Euro amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the Euro amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollar amounts at the rate indicated. Unless otherwise indicated, the translations of Euro into U.S. dollars have been made at E 1.0046 = US$ 1.00, which was the official (Frankfurt fixing) exchange rate on December 30, 1999. In certain instances, figures reflect the effect of rounding.

Bayerische Landesbank Girozentrale

Bayerische Landesbank Girozentrale was incorporated as a public law financial institution (Rechtsfaehige Anstalt des Oeffentlichen Rechts) by the Law Establishing Bayerische Landesbank Girozentrale (Gesetz ueber die Errichtung der Bayerischen Landesbank Girozentrale) of June 27, 1972, as amended, as adopted by the Parliament of the Free State of Bavaria, and is subject to the German Federal Banking Act of July 10, 1961, as amended (Gesetz ueber das Kreditwesen) (the “Federal Banking Act”). Its statutes authorize Bayerische Landesbank Girozentrale to provide universal financial services including both commercial and investment banking as well as brokerage activities. The Free State of Bavaria owns 50% of Bayerische Landesbank Girozentrale’s share capital, the other 50% being owned by the Bavarian Savings Bank and Clearing Association (Bayerischer Sparkassen-und Giroverband) (which is the central organization of the Bavarian Savings Banks).

Bayerische Landesbank Girozentrale is equipped to provide a full range of domestic and international banking services; with regard to local banking functions, Bayerische Landesbank Girozentrale also makes use of the Bavarian Savings Bank’s network. In the domestic field, Bayerische Landesbank Girozentrale places emphasis on wholesale banking, lending to federal and local authorities and mortgage lending, together with industrial credit. Bayerische Landesbank Girozentrale holds the function of a banker of the Free State of Bavaria and its municipalities, and also finances public and private development projects, administers public funds and performs certain treasury functions for the Free State of Bavaria.

The Free State of Bavaria and the Bavarian Savings Bank and Clearing Association are jointly and severally liable for the obligations of Bayerische Landesbank Girozentrale if the liabilities cannot be satisfied from the Bayerische Landesbank Girozentrale’s assets (Gewaehrtraeger). The owners of Bayerische Landesbank Girozentrale also have an obligation to maintain Bayerische Landesbank Girozentrale in a financial position that enables it to carry out its functions. This liability (Anstaltslast), which is peculiar to German law, obliges the owners to provide funds for Bayerische Landesbank Girozentrale that are necessary to enable it to fulfill its functions, to meet its liabilities and to keep its finances sound. As an additional safeguard, it is noted that as a public law institution Bayerische Landesbank Girozentrale can only be put into liquidation through a specific law to this effect.

Bayerische Landesbank Girozentrale established a Representative Office in New York in October 1979 and obtained a license from the office of the Comptroller of the Currency in October 1981 to operate through a branch located in the City of New York.

The New York Branch engages in a diversified banking business, and is a major wholesale lending participant throughout the United States, offering a full range of domestic and international financial services, including loans, foreign exchange and money market operations.

All banking institutions in the Federal Republic of Germany are subject to governmental supervision and regulation exercised by the Federal Banking Supervisory Authority (Bundesaufsichtsamt fuer das Kreditwesen), an independent federal authority with regulatory powers and by the Deutsche Bundesbank (the "German Federal Central Bank") in accordance with the Federal Banking Act. The Federal Banking Act contains major rules for banking supervision and regulates the Bayerische Landesbank Girozentrale's business activities, capital adequacy and liquidity. In addition to the above-mentioned general banking supervision, the group of Landesbanks is subject to special supervision by their respective federal states.

As reported in Bayerische Landesbank Girozentrale's Annual Report for the Fiscal Year ended December 31, 1999, the bank had total assets of E 263.6 billion (E 281.2 billion on a consolidated basis). Business volume (balance sheet total, own drawings charged to borrowers, endorsement liabilities, and guarantees) expanded by 16.7% to E 279.3 billion from the previous year end. Bayerische Landesbank Girozentrale's consolidated lending volume increased by E 29.0 billion to E 193.9 billion from year end 1998. Total equity of Bayerische Landesbank Girozentrale, including, among other items, nominal capital of E 0.8 billion, profits participation rights with a nominal value of E 2.2 billion, and capital contributions of silent partners in an amount of E 2.5 billion, totaled E 9.0 billion, or equal to 3.4% of the unconsolidated balance sheet. Net income after tax was E 457.3 million, an increased of 74.7% compared to year end 1998. E 400 million of such amount has been allocated to revenue reserves, raising the bank's published reserve to E 3.49 billion. The accounting principles applied in the preparation of the Bayerische Landesbank Girozentrale's financial statements comply with generally accepted accounting principles in the Federal Republic of Germany and may not conform to generally accepted accounting principles applied by United States banks.

The rate of exchange between the E and the dollar is determined by the forces of supply and demand in the foreign exchange markets, which, in turn, are affected by changes in the balance of payments and other economic and financial conditions, government intervention, speculation and other factors. The foregoing information relating to Bayerische Landesbank Girozentrale is based upon facts and circumstances present on the dates referenced above. Such facts and circumstances may change from time to time. Bayerische Landesbank Girozentrale shall have no obligation to update the foregoing information to reflect any such change.

Copies of Bayerische Landesbank Girozentrale's Annual Report for the most recent available fiscal year may be obtained at the New York Branch in person during normal business hours or by mail by writing to the New York Branch at: Bayerische Landesbank Girozentrale, 560 Lexington Avenue, New York, New York 10022, Attention: Corporate Finance.

Bayerische Landesbank Girozentrale has supplied the information relating to it in the previous paragraphs. Bayerische Landesbank Girozentrale does not accept responsibility for any information contained in this Annual Report other than the information contained in this Section relating to the Bayerische Landesbank Girozentrale.

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

The General Resolution contains various covenants and security provisions, certain of which are summarized below. In general, this Section does not summarize any provisions of the Series Resolutions. Reference should be made to the General Resolution for a full and complete statement of its provisions.

Resolution to Constitute Contract

The provisions of the General Resolution shall be a part of the contract of the State with the holders of Bonds and shall be deemed to be and shall constitute a contract among the State, the Trustee and the holders from time to time of the Bonds and shall be for the equal benefit, protection and security of the holders of any and all of such Bonds.

Provisions for Issuance of Bonds

The General Resolution authorizes Bonds of a Series to be issued from time to time in accordance with the terms of the General Resolution without limitation as to amount except as provided by law. Bonds shall be issued pursuant to authorization by a Series Resolution containing the provisions specified by the General Resolution. Following issuance of the initial Series of Bonds, the Commission must determine that the additional obligations test set forth in the General Resolution is met prior to adopting any Series Resolution for other than refunding purposes. The Bonds of a Series may be authenticated and delivered only upon receipt by the Trustee of, among other things:

(1) A Bond Counsel's opinion to the effect, among other things, that the Bonds of such Series have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State and in accordance with the General Resolution; and,

(2) The proceeds of the Bonds of such Series to be deposited with the Trustee pursuant to the General Resolution.

Additional Bonds

Following the initial issuance of Bonds, the State will not create or permit the creation of, or issue any obligations or create any indebtedness which shall be secured by a superior or equal charge and lien on the Program Income, except that additional Series of Bonds may be issued from time to time subsequent to the issuance of the initial Series of Bonds on a parity with the Bonds of such initial Series of Bonds and secured by an equal charge and lien on the Program Income. However, no additional Series of Bonds shall be issued subsequent to the initial Series of Bonds unless:

(1) The principal amount of the additional Bonds together with the principal amount of the Outstanding Bonds will not exceed in aggregate principal amount any limitation thereon imposed by law;

(2) Except in the case of refunding Bonds, there shall be filed with the Trustee a Certificate of an Authorized Officer of the Commission and the Department stating that Program Income, including interest earnings on amounts deposited in the Funds or Accounts held by the Trustee and available for debt service, for any twelve (12) consecutive calendar months of the preceding eighteen (18) calendar months, was equal to at least 2.25 times the maximum aggregate Principal Requirement and Interest Requirement for any Fiscal Year for all Outstanding Bonds (the General Resolution defines Outstanding Bonds to include the Bonds being issued upon the delivery of such Certificate);

(3) Upon the issuance and delivery of the additional Bonds, the amount credited to the Reserve Fund shall be at least equal to the Debt Service Reserve Requirement immediately after issuance; and

(4) All requirements with respect to adoption of Series Resolutions have been complied with.

Refunding Bonds

The State may issue refunding Bonds of one or more Series to refund any Outstanding Bonds of one or more Series whether by payment at maturity or by redemption. Refunding Bonds shall be issued pursuant to and in accordance with the provisions of a Series Resolution authorizing such refunding Bonds.

Application of Bond Proceeds

The proceeds of sale of a Series of Bonds shall be deposited as follows:

(1) To the Principal and Interest Account of the Redemption Fund, the amount of any accrued interest on the Series of Bonds to their date of delivery;

(2) To the Principal and Interest Account of the Redemption Fund, the amount of any premium determined by the applicable Series Resolution, or specified in a certificate of an authorized officer of the Commission;

(3) To the Principal and Interest Account of the Redemption Fund, the proceeds of any Series of refunding Bonds to the extent provided in the applicable Series Resolution;

(4) To the Reserve Fund, the amount specified in the Series Resolution as necessary to establish or increase the amount set aside therein to the Debt Service Reserve Requirement;

(5) To any other Fund or Account to the extent permitted by the Revenue Obligations Act provided for by Series Resolution; and

(6) To the Program Capital Fund, the balance of the proceeds of any Series of Bonds, which shall be allocated:

  (a) to the Capitalized Interest Account, the amount of capitalized interest, if any, determined by the applicable Series Resolution to be deposited; and

  (b) to the Program Account, the balance of the proceeds of any Series of Bonds.

Establishment of Funds

All Program Income and other moneys or securities held by the Trustee pursuant to the General Resolution are revenues of the Trustee and are revenues outside of the State Treasury which shall be held in trust and applied only in accordance with the provisions of the General Resolution. The General Resolution establishes and creates the following trust funds that are to be held by the Trustee:

(1) Program Capital Fund, which consists of a Capitalized Interest Account and a Program Account;

(2) Redemption Fund, which consists of a Principal and Interest Account and a Program Income Account;

(3) Reserve Fund; and

(4) Program Expense Fund.

The General Resolution authorizes the creation of other Funds and Accounts for a particular Series of Bonds by the applicable Series Resolution.

Capitalized Interest Account

Amounts in the Capitalized Interest Account, if any, shall be transferred to the Principal and Interest Account of the Redemption Fund to be used for payment of capitalized interest on the Bonds in accordance with the schedule set forth in a Series Resolution or in a Certificate of an Authorized Officer of the Building Commission delivered to the Trustee. Amounts in the Capitalized Interest Account shall also be transferred to the Principal and Interest Account of the Redemption Fund for redemption of

Bonds (1) upon receipt by the Trustee of a Certificate of an Authorized Officer of the Building Commission stating that such redemption is necessary for compliance with the covenants contained in the General Resolution concerning tax exemption of the interest on certain of the Bonds, and (2) in accordance with the provisions of the terms of a Series Resolution with respect to the Series of Bonds authorized by such Series Resolution.

Program Account

Amounts in the Program Account shall be used solely for the following purposes:

(1) Paying the Costs of Issuance;

(2) Financing Projects in accordance with the Act and the General Resolution; and

(3) Transfers to the Principal and Interest Account of the Redemption Fund to pay interest on the principal of or Redemption Price of Outstanding Bonds (a) upon receipt by the Trustee of a Certificate of an Authorized Officer of the Building Commission stating that such redemption is necessary for compliance with the covenants contained in the General Resolution concerning tax exemption of the interest on certain of the Bonds, (b) in accordance with the provisions of the terms of a Series Resolution, and (c) upon receipt by the Trustee of a Certificate of an Authorized Officer of the Building Commission stating that there are no further Projects to be funded from the Program Account.

Redemption Fund

There shall be deposited into the Principal and Interest Account of the Redemption Fund from the proceeds of the sale of the Bonds, immediately upon receipt thereof, an amount equal to the accrued interest and any premium paid upon the sale of the Bonds and the proceeds of any Series of refunding Bonds. All Program Income shall be deposited promptly with the Trustee (or with national banking associations, state banks or trust companies acting as agents of the Trustee for transfer daily to the Trustee) and such amounts shall be deposited in the Program Income Account of the Redemption Fund. There shall also be deposited in the Program Income Account of the Redemption Fund any other amounts required or permitted to be deposited therein pursuant to the General Resolution.

The amounts deposited in the Principal and Interest Account of the Redemption Fund from the proceeds of a Series of Bonds representing accrued interest and any premium shall be set aside and applied to the payment of interest on the next succeeding Interest Payment Date and any additional Interest Payment Dates specified in the Series Resolution or a Certificate of an Authorized Officer of the Building Commission.

The amounts deposited in the Principal and Interest Account of the Redemption Fund from the proceeds of a Series of refunding Bonds shall be applied to the payment or redemption of Bonds as provided in the Series Resolution.

Commencing on the date of issuance of the Bonds and continuing each succeeding business day until the amounts required in (1) through (5) of this paragraph are deposited and thereafter on each Redemption Fund Deposit Day (the first day of January, April, July, and October), and continuing each succeeding business day until the amounts required in (1) through (5) of this paragraph are deposited, the Trustee shall immediately transfer aside from the amounts deposited in the Program Income Account, in the following order of priority:

(1) To the Principal and Interest Account, after giving effect to:

   (a) amounts to be available from accrued interest and in the Capitalized Interest Account, and

(b) any balance in the Principal and Interest Account on each Redemption Fund Deposit Day, and

(c) amounts transferred from the Reserve Fund, and

(d) amounts transferred from the Program Expense Fund, an amount equal to the Interest Requirement with respect to Outstanding Bonds, and

(2) To the Principal and Interest Account, after giving effect to any balance in the Principal and Interest Account in excess of the Interest Requirement an amount equal to the Principal Requirement on the Outstanding Bonds, and

(3) To the Reserve Fund, an amount equal to any deficiency in the Reserve Fund, and

(4) To the Program Expense Fund created in the General Resolution, an amount equal to any unfunded portion of the Program Expenses payable over the next three months according to the General Resolution, and

(5) To the Subordinated Debt Service Fund created for the Notes, an amount equal to the Subordinated Debt Service Fund Requirement.

Immediately upon meeting the requirements set forth above, amounts in the Program Income Account of the Redemption Fund, including any interest earned thereon, in excess of the amounts required to be set aside above, shall be paid by the Trustee to the State Treasury for deposit into the Transportation Fund free and clear of the lien of the General Resolution in accordance with the Revenue Obligations Act and the Act.

To the extent not otherwise provided for in the Series Resolution applicable to any Series of Bonds, on the first day of each Fiscal Year and prior to any of the transfers by the Trustee that day specified above, all amounts in the Principal and Interest Account shall be paid by the Trustee to the State Treasury for deposit into the Transportation Fund free and clear of the lien of the General Resolution in accordance with the Revenue Obligations Act and the Act.

Payment of Bonds

The Trustee is required to pay to the Registrar and Paying Agent for the Bonds on or before each Interest Payment Date, (1) the amount equal to interest due on the Outstanding Bonds on such date, (2) the amount equal to the principal amount of Outstanding Bonds maturing on such date and (3) the amount equal to the Redemption Price of any Outstanding Bonds to be redeemed on such date, and in each such case, such amounts shall be applied by such Registrar and Paying Agent to such payments.

There shall be deposited in the Principal and Interest Account of the Redemption Fund any amounts which are required to be deposited therein pursuant to the General Resolution, a Series Resolution and any other amounts available therefor and determined by the State to be deposited therein for the purpose of redeeming Bonds. Subject to the provisions of the respective Series of Bonds and to the provisions of the respective resolutions authorizing the issuance thereof and authorizing the issuance of refunding Bonds, all amounts deposited in the Principal and Interest Account of the Redemption Fund in accordance with the provisions described in this paragraph shall be set aside and applied to the payment, purchase or redemption of Bonds.

Purchase of Bonds

Except as may be otherwise provided in connection with the issuance of refunding Bonds, at any time prior to the forty-fifth (45th) day upon which Bonds are to be paid or redeemed from the amounts described in the preceding paragraph, the Trustee may upon receipt of written instructions signed by an Authorized Officer of the Building Commission apply such amounts to the purchase of any of the Bonds which may be paid or redeemed by application of amounts on deposit in the Principal and Interest Account of the Redemption Fund. The Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner as the Building Commission shall direct. The purchase price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased shall not exceed the principal amount of such Bond or the Redemption Price of such Bond on the next Redemption Date for such Bonds.

Program Expense Fund

On the first day of January, April, July, and October, the Trustee shall immediately transfer amounts on deposit in the Program Income Account to the Program Expense Fund for the purpose of paying Program Expenses for the succeeding three months as set forth in the annual budget prepared by the Department, but only upon a Certificate of an Authorized Officer of the Department stating that the amounts are required and have been or will be expended for purposes for and to which the Program Expense Fund may be used and applied.

Reserve Fund

If on any Interest Payment Date, Principal Installment Date, or Redemption Date for the Bonds, the amount in the Principal and Interest Account of the Redemption Fund shall be less than the amount required for the payment of interest, principal or Redemption Price on Outstanding Bonds on such date, the Trustee shall apply assets in the Reserve Fund to the extent necessary to make good the deficiency.

In the event there is a deficiency in the Reserve Fund, it shall be made up from the Redemption Fund after both the Interest Requirement and the Principal Requirement with respect to Outstanding Bonds have been met. Monies flow to the Redemption Fund commencing on the date of issuance of a Series of Bonds or on a Redemption Fund Deposit Day, whichever is earlier.

On the first day of each Fiscal Year, income and earnings from Investment Obligations in the Reserve Fund shall be transferred to the Principal and Interest Account to the extent such transfer will not reduce the amount in the Reserve Fund below an amount equal to the Debt Service Reserve Requirement.

Investments and Deposits

Subject to instructions from time to time received from an Authorized Officer of the Building Commission and to the provisions of the General Resolution, moneys in any Fund or Account shall be continuously invested and reinvested or deposited and redeposited by the Trustee in the highest yield Investment Obligations that may be reasonably known to the Trustee to the extent the same are authorized by the applicable Series Resolution and at the time legal for investment of funds under the Act, the Revenue Obligations Act and other applicable law. Investments shall be made with a view toward maximizing yield (with proper preservation of principal) and minimizing the instances of uninvested funds.

Investment Obligations purchased as an investment of moneys in any Fund or Account held by the Trustee under the provisions of the General Resolution shall be deemed at all times to be part of such Fund or Account but the income or interest earned and gains realized from Investment Obligations held by the Reserve Fund and Program Expense Fund in excess of the requirements of said Funds shall be transferred to the Principal and Interest Account on the first day of each Fiscal Year.

The Trustee shall sell at the best price obtainable, or present for redemption or exchange, any Investment Obligations purchased by it pursuant to the General Resolution whenever it shall be necessary in order to provide moneys to meet any payments or transfers from the Fund or Account for which such investment was made.

In computing the amount in the Reserve Fund, obligations purchased as an investment of moneys therein shall be valued at par if purchased at par value or at amortized value if purchased at other than par value. Valuation shall be made on the 20th day of each March, June, September and December and as otherwise required under the General Resolution and on any particular date shall not include the amount of interest then earned or accrued to such date on any deposit or investment.

The Trustee shall invest and reinvest the moneys in any Fund or Account in available Investment Obligations so that the maturity date or date of redemption at the option of the holder thereof shall coincide as nearly as practicable with the times at which monies are needed to be so expended.

Investment Obligations means any of the investments described under "GLOSSARY".

Powers as to Bonds and Pledge

The State covenants that it is duly authorized pursuant to law to authorize and issue the Bonds and to adopt the General Resolution and to pledge the Program Income purported to be pledged by the General Resolution in the manner and to the extent provided in the General Resolution.

Payment Covenant

The State covenants that it will duly and punctually pay or cause to be paid, but solely from sources as provided in the General Resolution, the principal and Redemption Price of every Bond and the interest thereon, on the dates and at the places and in the manner stated in the Bonds according to the true intent and meaning thereof.

Tax Covenants

The State and the Trustee shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds shall, for the purposes of federal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation.

The State and the Trustee shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the State to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in Section 148 of the Code.

The State and the Trustee shall not permit at any time or times any proceeds of any Bonds or any other funds of the State to be used, directly or indirectly, in a manner which would result in the exclusion of any Bond from the treatment afforded by Section 103 of the Code, as from time to time amended, by reason of the classification of such Bond as a "private activity bond" within the meaning of Section 141 of the Code.

The State reserves the right to elect to issue Bonds, the interest on which is not exempt from federal income taxation, if such election is made prior to the issuance of such Bonds, and the covenants as to tax exemption shall not apply to such Bonds.

Funds and Reports

The Department covenants that it will keep, or cause to be kept and maintained proper books of account relating to the Program and within 120 days after the end of each Fiscal Year shall cause such books of account to be audited by an Accountant. A copy of each audit report, annual balance sheet and income and expense statement showing in reasonable detail the financial condition of the Program (including a schedule of monthly Program Income) as of the close of each Fiscal Year, and summarizing in reasonable detail the income and expenses for such year, including the transaction relating to the Funds, shall be filed promptly with the Trustee and shall be available for inspection by any Bondholder. See "AUDITED FINANCIAL STATEMENTS" in this Part V of the Annual Report.

Budgets

The Department must file an annual budget broken down on a quarterly basis covering the fiscal operations of the Program for the succeeding Fiscal Year not later than the first day of each Fiscal Year with the Trustee. Such budget need not be the budget prepared by the Department for the Department's budgeting purposes. The annual budget shall at least set forth for such Fiscal Year the estimated Program Income, the debt service due and payable or estimated to become due and payable during such Fiscal Year and estimated Program Expenses. The Department may at any time file with the Trustee an amended annual budget for the remainder of the then current Fiscal Year in the manner provided for the filing of the annual budget. Copies of the annual budget as then amended and in effect shall be made available by the Trustee during normal business hours in the Trustee's office for inspection by any Bondholder.

The Program

The State covenants from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, the Revenue Obligations Act, the provisions of the General Resolution and sound banking practices and principles to:

(1) Use and apply the proceeds of the Bonds, to the extent not reasonably or otherwise required for other purposes of the Program, to finance Projects, pursuant to the Act, the Revenue Obligations Act and the General Resolution

(2) Do all such acts and things as shall be necessary to charge and cause to be deposited with the Trustee Program Income sufficient to pay interest and principal and redemption premium on all Outstanding Bonds, to maintain the Debt Service Reserve Requirement in the Reserve Fund, to maintain any Credit Support and Liquidity Fund Requirement provided for in a Series Resolution, to pay Program Expenses

(3) Maintain any Subordinated Debt Service Fund Requirement provided for in a Series Resolution.

Power of Amendment

The Building Commission may, from time to time and without the consent and concurrence of any holder of any Bond, adopt a Supplemental Resolution modifying or amending the General Resolution if the modification or amendment does not adversely affect the holders of the Outstanding Bonds.

Any modification of or amendment to the General Resolution which does affect the rights and obligations of the State and of the holders of the Bonds, in any particular, may be made by a Supplemental Resolution with the written consent given as provided in the General Resolution, (1) of the holders of at least two-thirds in principal amount of the Outstanding Bonds at the time such consent is given, (2) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the holders of at least two-thirds in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, and (3) in case the modification or amendment changes the terms of any Sinking Fund Installment, of the holders of at least two-thirds in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Installment and Outstanding at the time such consent is given. If any such modification or amendment will not take effect so long as any Bonds of any specified maturity remain Outstanding, however, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the General Resolution or

Series Resolution. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds, the consent of the holders of which is required to effect any such modification or amendment.

Events of Default

It is an Event of Default if:

(1) Payment of any installment of interest on the Outstanding Bonds shall not be made after the same shall become due

(2) Payment of the principal of, Redemption Price or any Sinking Fund Installment on any Bond when and as the same shall become due and payable, whether at maturity or upon call for redemption or otherwise, shall not be made when and as the same shall become due

(3) The State shall fail or refuse to comply with the provisions of the General Resolution including replenishment of the Reserve Fund, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained in the General Resolution or in any Supplemental or Series Resolution or the Bonds, and such failure, refusal or default shall continue for a period of thirty (30) days after written notice thereof by the Trustee or the holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds.

Remedies

Upon the happening and continuance of any Event of Default specified in clauses (1) and (2) under Events of Default above, the Trustee shall proceed, or upon the happening and continuance of any Event of Default specified in clause (3) under Events of Default above, the Trustee may proceed and, upon the written request of the holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds, shall proceed, in its own name, subject to the General Resolution, to protect and enforce the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel shall deem most effectual to protect and enforce such rights: (a) by mandamus or other suit, action, or proceeding at law or in equity, to enforce all rights of the Bondholders, including the right to require the State to charge and cause to be deposited with the Trustee sufficient Program Income and to require the State to carry out the covenants and agreements with Bondholders and to perform its duties under the Act, the Revenue Obligations Act and the General Resolution; (b) by bringing suit upon the Bonds, by action or suit in equity, to require the State to account as if it were the trustee of an express trust for the holders of the Bonds; (d) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds; (e) by declaring all Bonds due and payable, and if all defaults shall be cured, then, with written consent of the holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences; or (f) in the event that all Bonds are declared due and payable, by selling Investment Obligations.

Before declaring the principal of Bonds due and payable upon an Event of Default, the Trustee shall first give thirty (30) days' notice in writing to the Governor and Attorney General of the State.

Priority of Bonds After Default

In the event that upon the happening and continuance of an Event of Default, the Funds or Accounts held by the Trustee, Registrar and Paying Agent are insufficient for the payment of interest, principal or

Redemption Price then due on the Bonds, such Funds or Accounts (other than portions of Funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other monies received or collected by the Trustee acting pursuant to the Act, the Revenue Obligations Act and the General Resolution, after making provisions for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the holders of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or the Registrar and Paying Agent in the performance of their respective duties under the General Resolution, are to be applied as follows:

(1) If the principal of all of the Bonds has not become or been declared due and payable:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order or maturity of such installments, and, if the amount available is not sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference.

Second: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds has become or been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

Limitation on Rights of Bondholders

No individual Bondholder shall have any right to initiate legal proceedings to enforce rights under the General Resolution unless such holder shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such proceeding is to be taken, and unless the holders of not less than 25% in principal amount of the Outstanding Bonds have made written request of the Trustee after the right to exercise such right of action has occurred, and shall have afforded the Trustee a reasonable opportunity either to exercise the powers granted to it under the General Resolution or to institute such proceedings in its name and unless, also, there has been offered to the Trustee reasonable security and indemnity against costs, expenses and liabilities and the Trustee has refused or neglected to comply with such request within a reasonable time. No provision in the General Resolution on defaults and remedies affects or impairs the right of any Bondholder to enforce the payment of the principal of and interest on his Bonds, or the obligation of the State to pay the same from the source, at the time and place specified in said Bond.

Compensation of Fiduciaries

Each Fiduciary is entitled to such fees and reimbursement as shall be established in an agreement between the Commission and such Fiduciary by the Trustee from the Program Expense Fund (except that the agreement for Registrar shall be between the State Treasurer and the Registrar). Each Fiduciary shall have a lien for such fees and reimbursement on any and all Funds at any time held by it under the General Resolution.

Removal of Trustee

The Trustee is required to be removed if so requested by the holders of a majority in principal amount of the Outstanding Bonds excluding any Bonds held by or for the account of the State. The State may remove the Trustee at any time, except during the existence of an Event of Default, for such cause as the State may determine in its sole discretion. In either such event, a successor is required to be appointed.

Defeasance

If the State shall pay or cause to be paid to the holders of the Bonds, the principal and interest and Redemption Price to become due thereon, at the times and in the manner stipulated therein and in the General Resolution, then the pledge of Program Income and other monies, securities and funds thereby pledged and all other rights granted thereby shall be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which monies have been set aside and shall be held in trust by Fiduciaries (through deposit by the State of funds for such payment or redemption or otherwise) shall, at the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the above paragraph. Any Bonds shall, prior to maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect so expressed if:

(1) In case any of the Bonds to be redeemed on any date prior to their maturity, the State has given to the Trustee in form satisfactory to it, irrevocable instructions to publish, as provided in the General Resolution, notice of redemption on said date of such Bonds

(2) There has been deposited with the Trustee either monies in an amount which are sufficient, or Investment Obligations which are direct obligations of or obligations guaranteed by the United States of America or other obligations, the payment of which is provided for by an irrevocable escrow deposit invested in direct obligations of the United States of America, the principal of and the interest on which when due will provide monies which, together with the monies, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the principal or Redemption Price and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be

(3) In the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the State has given the Trustee, in form satisfactory to it, irrevocable instructions to publish, as soon as practicable, at least once in an Authorized Newspaper a notice to the holders of such Bonds that the deposit required by (2) above has been made with the Trustee and that said Bonds are deemed to have been paid and stating such maturity or Redemption Date upon which monies are to be available for the payment of the principal of and Redemption Price on said Bonds.

Neither the Investment Obligations nor the monies so deposited with the Trustee nor principal or interest payments on any such Investment Obligations shall be withdrawn or used for any purpose other than (and shall be held in trust for) the payment of the principal of, Redemption Price and interest on said Bonds, but any cash received from such principal or interest payments on such Investment Obligations deposited with the Trustee, if not then needed for such purpose may, to the extent practicable and legally permitted, be reinvested in Investment Obligations maturing at times and in amounts sufficient to pay when due the principal of, Redemption Price and interest to become due on said Bonds on and prior to such

Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestments may be paid over to the State, as received by the Trustee, free and clear of any trust, lien or pledge.

GLOSSARY

This Glossary includes definitions from the General Resolution and the Series Resolutions that apply to capitalized terms used in this Part V of the Annual Report.

Accountant means such reputable and experienced independent certified public accountant or firm of independent certified public accountants of nationally recognized standing as may be selected by the Department and be satisfactory to the Trustee which may be the accountant or firm of accountants who regularly audit the books and accounts of the Department.

Act means Section 84.59 of the Statutes.

Authorized Newspaper means either The Wall Street Journal or The Bond Buyer, or such other financial newspaper or financial journal of general circulation, printed in the English language and customarily published (except in the case of legal holidays) at least once a day for at least five days in each calendar week, in the Borough of Manhattan, City and State of New York.

Authorized Officer when used with reference to the Department means the Secretary or other person designated from time to time by the Secretary, and when used with reference to the Commission, means the Chairperson of the Commission or other person designated from time to time by the Chairperson of the Commission and, in the case of any act to be performed or duty to be discharged, any other member, staff, officer or employee of the foregoing Department or Commission then authorized to perform such act or discharge such duty.

Bond or **Bonds** means any bond or any other evidence of revenue obligation authorized under the General Resolution and issued pursuant to a Series Resolution.

Bond Counsel's Opinion means an opinion executed by the Attorney General of Wisconsin or an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by the State.

Bondholder and the term **Holder** or **holder** means the registered owner of any Outstanding Bond or Bonds, if registered to a particular person or persons, or the holder of any Outstanding Bond or Bonds in bearer form or registered as to principal only, or his duly authorized attorney in fact, representative or assigns.

1984 Bonds means the State of Wisconsin Transportation Revenue Bonds, 1984 Series A, issued on May 15, 1984.

1986 Bonds means the State of Wisconsin Transportation Revenue Bonds, 1986 Series A, issued on July 17, 1986.

1988 Bonds means the State of Wisconsin Transportation Revenue Bonds, 1988 Series A issued on April 12, 1988.

1989 Bonds means the State of Wisconsin Transportation Revenue Bonds,1989, Series A, issued on April 19, 1989.

1991 Bonds means the State of Wisconsin Transportation Revenue Bonds,1991, Series A, issued on October 3, 1991.

1992 Series A Bonds means the State of Wisconsin Transportation Revenue Bonds, 1992 Series A, issued on August 20, 1992.

1992 Series B Bonds means the State of Wisconsin Transportation Revenue Bonds, 1992 Series B, issued on August 20, 1992.

1993 Bonds means the State of Wisconsin Transportation Revenue Bonds, 1993 Series A, issued on September 29, 1993.

1994 Bonds means the State of Wisconsin Transportation Revenue Bonds, 1994 Series A, issued on July 13, 1994.

1995 Bonds means the State of Wisconsin Transportation Revenue Bonds, 1995 Series A, issued on September 28, 1995.

1996 Bonds means the State of Wisconsin Transportation Revenue Bonds, 1996 Series A, issued on June 13, 1996.

1998 Series A Bonds means the State of Wisconsin Transportation Revenue Bonds, 1998 Series A, issued on September 17, 1998.

1998 Series B Bonds means the State of Wisconsin Transportation Revenue Bonds, 1998 Series B, issued on October 29, 1998.

2000 Bonds means the State of Wisconsin Transportation Revenue Bonds, 2000 Series A, dated September 15, 2000.

Capitalized Interest Account shall mean the account established by Section 402 of the General Resolution.

Certificate means (i) a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to the General Resolution, or (ii) the report of an Accountant as to audit or other procedures called for by the General Resolution.

Commercial Paper Notes or Notes means the State of Wisconsin Transportation Revenue Commercial Paper Notes, 1997 Series A.

Commission means the State of Wisconsin Building Commission established and existing pursuant to Section 13.48 of the Statutes and any successor thereto to whom the powers and duties granted to or imposed by the General Resolution shall be given by law.

Costs of Issuance means all items of expense, directly or indirectly payable or reimbursable by or to the State which are related to the authorization, sale, credit support, liquidity or issuance of Bonds.

Credit Support and Liquidity Fund means an account established pursuant to Section 511 of the General Resolution.

Credit Support and Liquidity Fund Requirement means as of any date of calculation, an amount equal to the aggregate Credit Support and Liquidity Fund Requirements for each Series of Outstanding Bonds as specified with respect to each such Series in the applicable Series Resolution.

Debt Service Requirement means as of any particular date of calculation, the aggregate Interest Requirement and Principal Requirement for Outstanding Bonds as specified in each Series Resolution authorizing the issuance of a Series of Bonds.

Debt Service Reserve Requirement means, as of any particular date of computation, an amount equal to the aggregate of the amounts specified in each Series Resolution authorizing the issuance of a Series of Bonds (any of which are Outstanding on the date of computation) as the amount to be the Debt Service Reserve Requirement, provided that, with respect to any Series of Bonds, in lieu of a deposit to the Reserve Fund of an amount equal to the applicable Series Debt Service Reserve Requirement, the State may provide for a letter of credit, municipal bond insurance policy, surety bond or other type of agreement or arrangement with an entity having, at the time of entering into such agreement or arrangement, a credit rating equal to or greater than the Bonds which provides for the availability, at the times required pursuant to the provisions of any Series Resolution, of an amount at least equal to such Series Debt Service Reserve Requirement and such method of funding shall be deemed to satisfy all provisions of the Series Resolution with respect to the Debt Service Reserve Requirement and the amount required to be on deposit in the Reserve Fund with respect to such Series of Bonds.

Department means the State of Wisconsin Department of Transportation established and existing pursuant to Section 15.46 of the Statutes and any successor thereto to which the powers and duties granted to or imposed by the General Resolution shall be given by law.

Fiduciary means the Trustee, the Registrar and any Paying Agent, or any or all of them as may be appropriate.

Fiscal Year means the fiscal year of the State as established from time to time.

Fund means one or more, as the case may be, of the funds or accounts created and established pursuant to the General Resolution.

General Resolution means the General Resolution as the same may from time to time be amended, modified or supplemented by a Supplemental Resolution.

Interest Payment Dates means any date on which is due the payment of interest on any Series of Bonds as specified in each Series Resolution authorizing the issuance of the Series of Bonds.

Interest Requirement means as of any particular date of calculation, the amount equal to any unpaid interest then due, plus an amount to the interest accruing or payable during the period between the date of calculation and the next Redemption Fund Deposit Day with respect to each Series of Outstanding Bonds.

Investment Obligations means and includes any of the following obligations to the extent the same are at the time legal for investment of funds of the State under the Act, the Revenue Obligations Act, or under other applicable law:

1. Direct obligations of or obligations guaranteed by the United States of America;
2. Obligations the payment of principal and interest on which, by act of Congress or in the opinion of the Attorney General of the United States in office at the time such obligations were issued, are unconditionally guaranteed by the United States of America;
3. Bonds, debentures, notes, participation certificates or other similar evidences of indebtedness issued by any of the following: Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, the Federal Financing Bank, the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Export Import Bank of the United States, Student Loan Marketing Association, Farmer’s Home Administration, Government National Mortgage Association, Small Business Administration, or any other agency or corporation which has been or may hereafter be created by or pursuant to an Act of Congress

of the United States as an agency or instrumentality thereof or sponsored thereby (including but not limited to the fully guaranteed portion of an obligation partially guaranteed by any of the foregoing, if the State's ownership of such portion is acknowledged in writing by an officer of the guaranteeing agency or instrumentality);

4. Public Housing Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America or temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, in each case, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;
5. Obligations of any state within the United States or of any political subdivision of any state, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by a nationally recognized bond rating agency;
6. Bankers acceptances drawn on and accepted by banks (including the Trustee and Paying Agent) and certificates of deposit by banks (including the Trustee and Paying Agent), with a combined capital and surplus aggregating at least $100,000,000 and securities of which are currently rated within the two highest rating categories assigned by a nationally recognized rating agency, or the international branches or banking subsidiaries thereof;
7. Interest-bearing time deposits, or certificates of deposit of a bank (including the Trustee and Paying Agent) or trust company, continuously secured and collateralized by obligations of the type described in paragraphs (1), (2), (3) and (4) hereof, having a market value at least equal at all times to the amount of such deposit or certificate, to the extent such deposit or certificate is not insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or any successors thereto;
8. Commercial paper given the highest rating by Standard & Poor's Corporation and Moody's Investors Service at the time of such investments;
9. Investment agreements with banks or bank holding companies the senior long-term debt securities of which are rated within the two highest categories by a nationally recognized rating agency and which have a capital and surplus of at least $100,000,000;
10. Repurchase agreements, with banks or other financial institutions (including the Trustee and Paying Agent) (**Repurchaser**) provided that each such repurchase agreement (a) is in a commercially reasonable form and is for a commercially reasonable period, and (b) result in transfer to the Trustee of legal and equitable title to, or the granting to the Trustee of a prior perfected security interest in, identified obligations referred to in paragraphs (1), (2), (3) and (4) above which are free and clear of any claims by third parties and are segregated in a custodial or trust account held either by the Trustee or by a third party (other than the Repurchaser) as the agency solely of, or in trust solely for the benefit of the Trustee, provided that obligations acquired pursuant to such repurchase agreements shall be valued at the lower of the then current market value of such obligations or the repurchase prices thereof set forth in the applicable repurchase agreement, such investments shall be made so as to mature on or prior to the date or dates that the Trustee anticipates that moneys therefrom be required;
11. Shares of beneficial interests in an investment fund or trust substantially all of whose assets consist of those identified obligations referred to in paragraphs (1) and (2) above; and
12. Any short term government fund whose assets consist of those identified obligations referred to in paragraphs (1), (2), (3), (4) and (10) above.

Notes or Commercial Paper Notes means the State of Wisconsin Transportation Revenue Commercial Paper Notes, 1997 Series A.

Outstanding, when used with reference to Bonds and as of any particular date, describes all Bonds that have been delivered and are expected to be delivered except (a) any Bond cancelled by the Trustee, or proven to the satisfaction of the Trustee to have been cancelled by the Registrar, at or before said date, (b) any Bond deemed to have been paid in accordance with the provisions of Section 1201 of the General Resolution, and (c) any Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to the requirements of the General Resolution or any Series Resolution.

Paying Agent for the payment of the principal of, Redemption Price and interest on the Bonds of a particular Series means the Treasurer or any bank or trust company designated as paying agent for the Bonds, and its successor or successors hereafter appointed in the manner provided in the General Resolution.

Principal and Interest Account means the account established by Section 502 of the General Resolution.

Principal Installment means (a) the principal amount of Outstanding Bonds that mature on a single future date, and (b) the amount of any Sinking Fund Installment required to be paid on a single future date.

Principal Installment Dates means any dates designated in a Series Resolution as a day a Principal Installment is to be paid.

Principal Office, when used with respect to a Fiduciary, means the principal, or corporate trust, or head, or principal trust office of such Fiduciary situated in the city in which such Fiduciary is described as being located.

Principal Requirement means, as of any particular date of calculation, the amount of money equal to any unpaid Principal Installment then due with respect to each Series of Outstanding Bonds and the amount of the next succeeding Principal Installment divided by the number of Redemption Fund Deposit Days prior to the next Principal Installment Date with respect to each Series of Outstanding Bonds.

Program means the State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligations Program financed under the Act, the Revenue Obligations Act and the General Resolution in accordance with any other enactment of the State which may hereafter specify an extension, expansion, addition or improvement of and for said Program pursuant to the Act, the Revenue Obligations Act and the General Resolution but not financed under the provisions of any other bond resolution or indenture of trust.

Program Account means the account so designated by Section 402 of the General Resolution.

Program Capital Fund means the Fund that is established and created by Section 402 of the General Resolution and pursuant to Section 18.57 of the Revenue Obligations Act.

Program Expense Fund means the Fund that is established and created by Section 514 of the General Resolution.

Program Expenses means the reasonable and proper costs and expenses of the Department for the operation and maintenance of the Program, including, without limitation, the administrative expenses allocable to the Program and the fees and expenses of the Trustee and the Paying Agents and Registrars of the Bonds.

Program Income means moneys derived under Section 341.25 of the Statutes or any other moneys that the State is authorized to pledge, which is to be deposited by the Department under Section 18.562(3) and (5) of the Revenue Obligations Act in a separate and distinct fund outside of the State Treasury in an account maintained by the Trustee as the Redemption Fund and all interest earned or gain realized from the investment of amounts in said fund.

Program Income Account means the account established by Section 502 of the General Resolution.

Projects means the projects authorized under the Act and funded with proceeds of Bonds authorized by one or more Series Resolutions.

Record Date means with respect to any Series of Bonds, the Record Date established for such Series of Bonds under each Series Resolution pursuant to which such Series is issued (which, with respect to the Bonds, means the fifteenth day of the month preceding an Interest Payment Date on the Bonds).

Redemption Date means the date upon which Bonds are to be called for redemption.

Redemption Fund means the Fund that is established and created by Section 502 of the General Resolution pursuant to Section 18.562(3) of the Revenue Obligations Act.

Redemption Fund Deposit Day means January 1, April 1, July 1 and October 1 of each Fiscal Year.

Redemption Price when used with respect to a Bond or portion thereof, means the principal amount of such Bond or portion plus the applicable premium, if any, payable upon redemption thereof in the manner contemplated in accordance with its terms pursuant to the General Resolution and to the Series Resolution.

Registrar means, with respect to Bonds of a particular Series, the Treasurer or any person with whom he has contracted with for the performance of any of his functions under Section 18.10(5) and (7) of the Statutes.

Reserve Fund means the Fund that is established and created by Section 508 of the General Resolution pursuant to Section 18.562 of the Revenue Obligations Act.

Revenue Obligations Act means Subchapter II of Chapter 18 of the Statutes, as amended.

Secretary means the Secretary of the Department or any other officer, board, body, commission or agency succeeding to the powers, duties and functions thereof.

Serial Bonds means the Bonds so designated in a Series Resolution.

Series, when used with respect to less than all of the Bonds, means and refers to all of the Bonds delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate or other provisions, and any Bond thereafter delivered in lieu of or substitution for any of such Bonds pursuant to the General Resolution or a Series Resolution.

Series Resolution means any resolution adopted by the Commission pursuant to and in accordance with the terms of Article II of the General Resolution, providing for the issuance of a particular Series of Bonds.

Sinking Fund Installment means the amount of money unconditionally required by or pursuant to a Series Resolution to be paid toward the retirement of any particular Term Bonds prior to their respective stated maturities.

State means the State of Wisconsin, including the Commission, or Department, as the case may be, acting on behalf of the State pursuant to the Act or the Revenue Obligations Act, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of any of the foregoing.

Statutes means the Wisconsin Statutes.

Subordinated Debt Service Fund means an account established in Section 5.1 of 1997 State of Wisconsin Building Commission Resolution 7, adopted by the Commission on April 23, 1997, pursuant to Section 714(C) of the General Resolution, and pledged to the payment of the Commercial Paper Notes.

Subordinated Debt Service Fund Requirement means, as of any date of calculation, an amount equal to the aggregate Subordinated Debt Service Fund Requirements for each Subordinated Indebtedness Series of Outstanding Bonds (or Commercial Paper Notes) as specified with respect to each such Series in the applicable Series Resolution, and as of the date of this Official Statement, is the amount specified in 1997 State of Wisconsin Building Commission Resolution 8, adopted by the Commission on April 23, 1997.

Subordinated Indebtedness means a Series of Bonds issued pursuant to Section 714 of the General Resolution, and includes the Commercial Paper Notes.

Supplemental Resolution means any resolution adopted by the Commission pursuant to and in accordance with the terms of Article VIII of the General Resolution amending or supplementing the provisions of the General Resolution as originally adopted or as amended or supplemented prior to the amending or supplementing effected by the particular Supplemental Resolution.

Term Bonds means the Bonds so designated in a Series Resolution.

Transportation Fund means the fund established in Section 25.40 of the Statutes.

Treasurer means the State Treasurer or any other officer, board, body, commission or agency succeeding to any of the powers, duties and functions thereof.

Trustee means the trustee appointed by or pursuant to Section 1101 of the General Resolution, and its successor or successors and any other corporation or association that may at any time be substituted in its place pursuant to the General Resolution.

APPENDIX A

AUDITED FINANCIAL STATEMENTS

The following material for the year ended June 30, 2000 includes, (1) for the Transportation Revenue Bond Program, the Report of Independent Public Accountants, dated October 5, 2000, and supplemental information pertaining to Program Revenues, and (2) for the Transportation Commercial Paper Program, the Report of Independent Public Accountants, dated October 5, 2000.

{This page number is the last sequential page number of the Annual Report to be used in this Part V of the Annual Report. The following uses page numbers from the audited financial statements and Reports of Independent Public Accountants. The sequential page numbers for the Annual Report continue in Part VI.}

Wisconsin Department of Transportation
Revenue Bond Program
1989 Series A, 1991 Series A, 1992 Series A, 1992 Series B, 1993 Series A, 1994 Series A, 1995 Series A, 1996 Series A, 1998 Series A and 1998 Series B

Financial Statements
As of June 30, 2000 and 1999
Together with Report of Independent Public Accountants

Wisconsin Department of Transportation
Revenue Bond Program

Financial Statements
As of June 30, 2000

Report of Independent Public Accountants

To the Directors of the
Wisconsin Department of Transportation
Revenue Bond Program:

We have audited the statement of assets and liabilities of the 1989 Series A, 1991 Series A, 1992 Series A, 1992 Series B, 1993 Series A, 1994 Series A, 1995 Series A, 1996 Series A, 1998 Series A and 1998 Series B bonds of the Wisconsin Department of Transportation Revenue Bond Program (the "Program") as of June 30, 2000, and the related statements of revenue and expenses and cumulative excess of revenue over expenses for the year then ended. These financial statements and supplemental information are the responsibility of the Programs' directors. Our responsibility is to express an opinion on these financial statements and supplemental information based on our audits. The financial statements of the Wisconsin Department of Transportation Revenue Bond Program as of June 30, 1999 and for the year then ended, were audited by other auditors whose report dated September 7, 1999, expressed an unqualified opinion.

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

As described in Note 2, these financial statements were prepared in conformity with the accounting practices prescribed by the State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligation General Resolution which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities of the 1989 Series A, 1991 Series A, 1992 Series A, 1992 Series B, 1993 Series A, 1994 Series A, 1995 Series A, 1996 Series A, 1998 Series A and 1998 Series B bonds of the Wisconsin Department of Transportation Revenue Bond Program as of June 30, 2000, and the revenue and expenses for the year then ended, on the basis of accounting described in Note 2.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required by the State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligations General Resolution on page 13 through 24 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary information on page 25 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information on page 25 has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on it.

ARTHUR ANDERSEN LLP

Milwaukee, Wisconsin
October 5, 2000

Wisconsin Department of Transportation
Revenue Bond Program

Statements of Assets and Liabilities
As of June 30, 2000 and 1999

Assets	2000	1999
Fund Assets:		
Bond Redemption Fund-		
Money Market Investments	$53,875,598	$51,885,609
Accrued Interest Receivable	20,136	6,359
	53,895,734	51,891,968
Debt Service Reserve Fund	-	-
Program Capital Fund-		
Guaranteed Investment Contract	-	63,684,360
Money Market Investments	9,573	154,126
Accrued Interest Receivable	45	1,240,811
	9,618	65,079,297
Program Income Fund-		
Money Market Investments	1,707	4,023
Accrued Interest Receivable	665	15
	2,372	4,038
Program Expense Fund-		
Money Market Investments	140,930	159,945
Accrued Interest Receivable	23	583
	140,953	160,528
Total Fund Assets	54,048,677	117,135,831
Prepaid Expenses	15,833	-
Due from Other Program	1,220,160	787,531
Deferred Debt Costs, Less Accumulated Amortization of $3,271,101 and $2,758,125, respectively	4,852,822	4,339,847
Net Project Costs Incurred	744,118,255	747,111,272
Total Assets	$804,255,747	$869,374,481

Liabilities	2000	1999
Accrued Interest Payable	$20,159,767	$20,902,819
Accounts Payable	96,813	18,829,695
Bonds Payable		
Due within One Year	33,705,000	30,860,000
Due after One Year	735,445,000	769,150,000
Total Liabilities	789,406,580	839,742,514
Cumulative Excess of Revenue over Expenses	14,849,167	29,631,967
Total Liabilities and Cumulative Excess of Revenue Over Expenses	$804,255,747	$869,374,481

The accompanying notes to financial statements are an integral part of these statements.

Wisconsin Department of Transportation
Revenue Bond Program

Statements of Revenue and Expenses and
Cumulative Excess of Revenue over Expenses
June 30, 2000 and 1999

	2000	1999
Revenue:		
Registration Fees	$72,497,788	$67,216,019
Investment Income	2,613,487	4,093,223
	75,111,275	71,309,242
Expenses:		
Interest	40,319,535	38,625,833
Administrative	65,613	49,152
Amortization of Deferred Debt Costs (Premiums)	(512,976)	(264,779)
State Payments	-	26,483
	39,872,172	38,436,689
Excess of Revenue over Expenses Before Extraordinary Item	35,239,103	32,872,553
Extraordinary Item:		
Loss on Extinguishment of Bonds Payable	-	7,936,747
Excess of Revenue over Expenses	35,239,103	24,935,806
Cumulative Excess of Revenue over Expenses at Beginning of Year	29,631,967	187,901,322
Adjustment to Close 1984, 1986, 1988 and Series A Funds	-	(183,205,161)
Adjustment to Close 1989 Series A Funds	(50,021,903)	-
Cumulative Excess of Revenue over Expenses at End of Year	$14,849,167	$29,631,967

The accompanying notes to financial statements are an integral part of these statements.

Wisconsin Department of Transportation
Revenue Bond Program

Notes to Financial Statements
June 30, 2000

(1) Nature of Program-

The Wisconsin Department of Transportation 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. Revenues provided from registration fees are used to service the Program's debt.

(2) Summary of Significant Accounting Policies-

Basis of Accounting-

The Wisconsin Department of Transportation ("Department") has entered into trust agreements with Bank One Trust Company N.A., Milwaukee, Wisconsin, relating to the creation and administration of the State of Wisconsin Transportation Revenue Bonds, 1989 Series A, 1991 Series A, 1992 Series A, 1992 Series B, 1993 Series A, 1994 Series A, 1995 Series A, 1996 Series A, 1998 Series A and 1998 Series B. 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 formula for computing the Debt Service Reserve requirements and the procedure to be followed for the redemption of the bonds. The financial statements are prepared in conformity with the practices prescribed by the General Resolution. These practices, described in the remainder of this note, do not conform with generally accepted accounting principles ("GAAP").

The most significant differences between the accounting practices presented in these financial statements and GAAP is that net project costs incurred would not be reported as an asset under GAAP, and registration fee revenue would be recorded when earned rather than when impounded.

Use of Estimates-

The preparation of financial statements in conformity with the Program's significant accounting policies requires the Program's directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although estimates are considered to be fairly stated at the time that the estimates are made, actual results could differ from those estimates.

Guaranteed Investment Contract, Money Market Investments and Investment Income-

The guaranteed investment contract at June 30, 1999, for each separate fund is stated at cost which approximates market value. The money market investments at June 30, 2000 and 1999 for each separate fund is stated at cost which approximates market value. Investment income is recognized when earned and includes gains and losses on sales or maturities of securities.

Revenue and Expenses-

Interest and administrative expenses are recorded on the accrual basis. Registration fee revenue is recorded at the time of impounding, when transfer of possession occurs from the Transportation Trust Fund. Interest income on investments is recorded on the accrual basis.

Net Project Costs Incurred-

Costs incurred for transportation projects are recorded as an asset, “Net Project Cost Incurred”. This amount continues to be carried as an asset until all bonds of the related bond series have been paid in full. At that time, the related net project costs incurred is eliminated and recorded as a reduction of the cumulative excess of revenues over expenses.

Due From Other Program-

All administrative costs associated with the Revenue Bond Program and the Commercial Paper Program are paid by the Revenue Bond Program. The costs paid on behalf of the Commercial Paper Program are recorded as a receivable from the Commercial Paper Program. These amounts accumulate year-to-year.

Deferred Debt Costs-

Bond issue costs are amortized on a straight-line basis over the remaining terms of the bonds. Any original issue discount or premium is amortized using the effective interest method.

Advanced Refundings-

Gains or losses on advance refundings of revenue bonds are accounted for as an extraordinary item as of the date of the refunding.

(3) Bonds Payable-

Bonds Payable consists of the following at June 30:

	2000	1999
Transportation Revenue Bonds, 1991 Series A, varying fixed interest rates from 6.0% to 6.1%, interest payable semiannually, annual principal payments of variable amounts, due 2001	$9,190,000	$13,390,000
Transportation Revenue Bonds, 1992 Series A and B, varying fixed interest rates from 5.0% to 5.8%, interest payable semiannually, annual principal payments of variable amounts, due 2022	238,590,000	247,325,000
Transportation Revenue Bonds, 1993 Series A, varying fixed interest rates from 4.1% to 5.0%, interest payable semiannually, annual principal payments of variable amounts, due 2012	95,160,000	100,735,000
Transportation Revenue Bonds, 1994 Series A, varying fixed interest rates from 4.9% to 7.5%, interest payable semiannually, annual principal payments of variable amounts, due 2014	46,285,000	49,845,000
Transportation Revenue Bonds, 1995 Series A, varying fixed interest rates from 4.45% to 6.25%, interest payable semiannually, annual principal payments of variable amounts, due 2015	84,380,000	87,985,000

	2000	1999
Transportation Revenue Bonds, 1996 Series A, varying fixed interest rates from 5.0% to 6.0%, interest payable semiannually, annual principal payments of variable amounts, due 2010	$56,325,000	$60,140,000
Transportation Revenue Bonds, 1998 Series A and B, varying fixed interest rates from 4.0% to 5.5%, interest payable semiannually, annual principal payments of variable amounts, due 2019	239,220,000	240,590,000
	769,150,000	800,010,000
Less- Current Maturities	33,705,000	30,860,000
	$735,445,000	$769,150,000

The bonds 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 Bond Redemption Funds 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, 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.

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

Vehicle registration fees in excess of the amount needed to service the Bond Redemption and Debt Service Reserve requirements is to be transferred to the Department free of the first lien pledge of the General Resolution.

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 Fund. These funds are invested by the Trustee in U.S. Treasury obligations and certain other government securities so that sufficient monies were available to pay the principal, interest and redemption price of the defeased bonds. The following is a summary of these defeased bonds outstanding, but not included on the Statement of Assets and Liabilities.

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

Series	Maturity	Principal Amount
1991 Series A	July 1, 2010	$8,495,000
	July 1, 2011	9,085,000
		$17,580,000

The revenue bonds defeased by the 1993 Series A Refunding were as follows:

Series	Maturity	Principal Amount
1992 Series B	July 1, 2007	$5,790,000
	July 1, 2008	6,125,000
	July 1, 2009	6,480,000
	July 1, 2010	6,855,000
	July 1, 2011	7,250,000
	July 1, 2012	7,665,000
		$40,165,000

The revenue bonds defeased by the 1998 Series A Refunding issued in fiscal 1999 were as follows:

Series	Maturity	Principal Amount
1992 Series A	July 1, 2005	$4,295,000
	July 1, 2006	4,880,000
	July 1, 2009	735,000
	July 1, 2010	1,110,000
	July 1, 2011	1,170,000
	July 1, 2012	1,240,000
	July 1, 2013	1,310,000
		14,740,000
1992 Series B	July 1, 2005	5,195,000
	July 1, 2006	5,480,000
	July 1, 2013	8,110,000
		18,785,000
1994 Series A	July 1, 2007	5,375,000
	July 1, 2008	5,685,000
	July 1, 2009	6,020,000
	July 1, 2010	6,375,000
	July 1, 2011	6,760,000
	July 1, 2012	7,170,000
		37,385,000
1995 Series A	July 1, 2012	7,070,000
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	9,100,000
		47,670,000
Total		$125,650,000

This transaction resulted in an extraordinary loss on extinguishment on bonds payable of $7,936,747, cash flow savings of $5,993,000 and an economic gain of $4,168,000.

Additional series of bonds may be issued on a parity with the current bond series outstanding and collateralized by an equal charge and lien on the Program Income. However, no additional series may be issued unless, among other things, Program Income, including interest, for 12 consecutive months within the preceding 18-month period is at least 1.75 times the maximum aggregate principal and interest requirement in any bond year for all outstanding bonds.

Future maturities of bonds payable as of June 30, 2000 are as follows:

Year Ending June 30,	
2000	$33,705,000
2001	36,560,000
2002	38,115,000
2003	40,020,000
2004	46,150,000
Later Years	574,600,000
	$769,150,000

(4) Debt Service Reserve Fund Requirement-

The General Resolution creates a Debt Service Reserve Fund requirement which is provided from bond proceeds and other available monies, and is intended to be used to provide for any deficiency in the Bond Redemption Fund for the payment of principal and interest. Series resolutions authorizing the issuance of additional bonds will set forth the Debt Service Reserve requirements for each issue which will be aggregated to determine the Debt Service Reserve Fund requirement for all outstanding bonds. The General Resolution provides that monies in the Debt Service Reserve Fund are to be provided for any deficiency in the Principal and Interest Account in the Bond Redemption Fund. If there is any deficiency in the Debt Service Reserve Fund, the Trustee shall, after setting aside the principal and interest amount in the Bond Redemption Fund, the principal of and interest on outstanding bonds accruing in such year and an amount in the Program Expense Fund equal to the Department's budgeted program expenses for that year, deposit Program Income into the Debt Service Reserve Fund in an amount sufficient to remedy such deficiency.

The Debt Service Reserve Fund requirement for each of the bond series is an amount equal to the maximum interest due, except for the 1993 Series A, 1998 Series A and 1998 Series B bonds issues which have no Debt Service Reserve Fund requirements. The Debt Service Reserve Fund requirements and the Bond Redemption Fund balances, with securities stated at cost which approximates market value, are as follows at June 30, 2000:

	Debt Service Reserve Fund Requirement	Bond Redemption Fund Balance
1991 Series A	$3,643,000	$4,735,251
1992 Series A	3,799,800	8,405,919
1992 Series B	8,921,978	7,266,497
1993 Series A	-	8,027,087
1994 Series A	2,058,000	5,061,663
1995 Series A	3,425,000	6,033,863
1996 Series A	6,100,000	5,497,156
1998 Series A	-	3,474,065
1998 Series B	-	5,394,212
	$27,947,778	$53,895,733

During the period from May 1993 to June 1999, the Department has acquired a letter of credit, in the form of Surety Bonds, in amounts sufficient to meet the Debt Service Reserve requirements for each series of bonds outstanding.

(5) Commitments-

The Department and the State are currently authorized by State Statutes to use bond proceeds for right-of-way acquisition and construction of projects and certain transportation facilities. The Department has statutory authority (as amended) as of June 30, 2000, to issue a total of $1,070,000,000 of bonds (including those issued under the 1991 Series A, the 1992 Series B, the 1993 Series A, the 1994 Series A, the 1995 Series A, the 1996 Series A, the 1998 Series A and the 1998 Series B), 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) Adjustment to Close 1994, 1986, 1988 and 1989 Series A Funds-

The final repayment of 1989 Series A bonds occurred in fiscal year 2000 and the final payments for 1984 Series A, 1986 Series A and 1988 Series A bonds occurred in fiscal year 1999. In conjunction with the closing of these bond series, assets and cumulative excess of revenue over expenses were reduced as follows:

	2000	1999
1989 Series A Net Project Costs	$50,021,903	$ -
1986 Series A Net Project Costs	-	86,137,489
1988 Series A Net Project Costs	-	49,462,017
Inter-Series Receivables	-	47,605,655
	$50,021,903	$183,205,161

(7) Concentration of Credit Risk-

The Program's sole investment as of June 30, 2000, is in Bank One Group Treasury Only Money Market in the amount of $54,027,808.

(8) Subsequent Event-

On September 27, 2000, the State issued 2000 Series A Transportation Revenue Bonds in the amount of $123,700,000. Interest rates are fixed and range from 5.3% to 5.5% depending on the maturity, interest is payable semiannually. The bonds are due in various maturities beginning in 2001 with final maturity in 2021. The purpose of the bonds are to pay costs for major highway projects and certain transportation facilities.

Wisconsin Department of Transportation
Revenue Bond Program

Cumulative Net Project Costs--1998 Series B
As of June 30, 2000

Administrative Facilities:	
Waukesha DSP/DMV Remodel	$521,000
DTD 5 Waukesha/West Allis Sign Shop	12,000
DOT Printing Renovation	20,000
DMV, Rice Lake Addition	19,000
Truax Complex Renovation	1,330,497
Wisconsin Rapids Sign Shop Facility Construction	6,892
DSP District 7 Headquarters Remodel	803
DSP District 1 DeForest Headquarters Facility	853
DSP Footville Tower, Building and Land	21,000
DSP Wittenberg Tower, Building and Land	300,000
Deerfield Tower	35,000
DTD District 4 Headquarters Remodel	900,000
Statewide DMV Service Center Maintenance	225,000
Milwaukee SW DMV Air Quality	75,000
Sign Shop Renovations in Eau Claire	34,000
DMV Sheboygan Parking Lot	156,500
DSP Evoc	21,000
DMV Beaver Dam Minor	53,000
DTD 5 Yard Expansion	17,000
DTD 3 Green Bay Parking Lot	400,000
Hill Farms Telecommunications	32,005
Total Administrative Facilities	4,180,550
Major Highway Projects:	
U.S. Highway 151 (Columbus to Fond du Lac)	549,000
State Trunk Highway 54 (Dykesville)	1,085,000
State Trunk Highway 64 (Houlton - New Richmond Road)	3,596,000
I-90 to Holmen Project in LaCrosse County	25,273
U.S. Highway 10 (Appleton to Marshfield)	12,130,128
State Trunk Highway 50 between State Trunk Highway 83 and I-94 (Kenosha County)	3,168,000
State Trunk Highway 16 (Oconomowoc to County Highway PP)	177,000
State Trunk Highway 29 (Wausau to Marathon)	7,933,207
U.S. Highway 12 (Sauk City)	1,375,000
U.S. Highway 13 (U.S. Highway 10 to Lincoln Avenue Marshfield)	3,174,000
State Trunk Highway 441 (Tri-County Expressway)	2,005,968
U.S. Highway 12 (Whitewater Bypass in Jefferson and Walworth Counties)	177,000
U.S. Highway 41 (U.S. Highway 41/141 Interchange to State Trunk Highway 145)	1,086,525
U.S. Highway 18/151 (Verona Bypass)	63,245
State Trunk Highway 29 (Shawano Bypass)	9,320,685
State Trunk Highway 31 (Kenosha County)	3,056,000
U.S. Highway 45 (New London Bypass)	4,011
U.S. Highway 151 (Columbus Bypass)	209,627
Lake Arterial Project in Milwaukee County	18,299,468

Wisconsin Department of Transportation
Revenue Bond Program

Cumulative Net Project Costs--1998 Series B
As of June 30, 2000

(Continued)

Major Highway Projects (Continued):	
State Trunk Highway 26 (Fort Atkinson Bypass)	$72,532
U.S. Highway 41 (Abrams to Oconto Counties)	8,231,494
U.S. Highway 41 (State Trunk Highway 114 Breezewood Lane)	4,384,000
State Trunk Highway 29	10,517,979
U.S. Highway 53 (Trego to Solon Springs)	562,796
U.S. Highway 51 (Business 51 to County Trunk Highway S)	3,438,740
Bluemound Road Reconstruction	3,489
State Trunk Highway 36 (Burlington and State Trunk Highway 100)	6,347,575
State Trunk Highway 35 (River Falls Beltline)	1,843,000
U.S. Highway 41 (County Trunk Highway G and T)	249,000
State Trunk Highway 54 (Wisconsin Rapids to Plover)	2,852,036
State Trunk Highway 11 (Burlington Pass)	404,000
Janesville Bypass	168,000
U.S. Highway 45 (New London Bypass)	2,500,000
Total Major Highway Projects	109,009,778
Cumulative Net Project Costs – 1998 Series B	$113,190,328

**Wisconsin Department of Transportation
Revenue Bond Program**

Bonds Outstanding--1991 Series A
As of June 30, 2000

Maturity July 1,	Rate	Principal
2000	6.00%	$4,455,000
2001	6.10	4,735,000
		$9,190,000

**Wisconsin Department of Transportation
Revenue Bond Program**

Bonds Outstanding--1992 Series A
As of June 30, 2000

Maturity July 1,	Rate	Principal
2000	5.00%	$5,135,000
2001	5.10	10,790,000
2002	5.20	11,350,000
2003	5.30	11,945,000
2004	5.40	16,695,000
2005	5.50	13,290,000
2006	5.60	13,675,000
2009	5.80	21,525,000
2022	5.50	15,570,000
		$119,975,000

Wisconsin Department of Transportation
Revenue Bond Program

Bonds Outstanding--1992 Series B
As of June 30, 2000

Maturity July 1,	Rate	Principal
2000	5.00%	$4,035,000
2001	5.10	4,235,000
2002	5.20	4,450,000
2003	5.30	4,685,000
2004	5.40	4,930,000
2022	5.50	96,280,000
		$118,615,000

**Wisconsin Department of Transportation
Revenue Bond Program**

Bonds Outstanding--1993 Series A
As of June 30, 2000

Maturity July 1,	Rate	Principal
2000	4.10%	$5,805,000
2001	4.20	635,000
2002	4.30	665,000
2003	4.40	6,050,000
2004	4.50	6,340,000
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	7,290,000
		$95,160,000

**Wisconsin Department of Transportation
Revenue Bond Program**

Bonds Outstanding--1994 Series A
As of June 30, 2000

Maturity July 1,	Rate	Principal
2000	4.90%	$3,735,000
2001	5.00	3,920,000
2002	5.10	4,125,000
2003	7.50	4,340,000
2004	7.50	4,575,000
2005	5.30	4,820,000
2006	5.40	5,090,000
2014	5.50	15,680,000
		$46,285,000

Wisconsin Department of Transportation
Revenue Bond Program

Bonds Outstanding--1995 Series A
As of June 30, 2000

Maturity July 1,	Rate	Principal
2000	5.25%	$3,770,000
2001	4.45	3,945,000
2002	6.25	4,135,000
2003	6.25	4,345,000
2004	6.25	4,565,000
2005	4.80	4,800,000
2006	4.90	5,055,000
2007	5.00	5,330,000
2008	5.10	5,630,000
2009	5.20	5,950,000
2010	5.25	6,295,000
2011	5.25	6,670,000
2013	5.50	7,495,000
2014	5.50	7,955,000
2015	5.50	8,440,000
		$84,380,000

Wisconsin Department of Transportation
Revenue Bond Program

Bonds Outstanding--1996 Series A
As of June 30, 2000

Maturity July 1,	Rate	Principal
2000	5.00%	$3,985,000
2001	5.00	4,165,000
2002	5.00	4,360,000
2003	5.00	4,570,000
2004	5.00	4,795,000
2005	6.00	5,035,000
2006	6.00	5,290,000
2007	5.25	5,565,000
2008	5.40	5,860,000
2009	5.50	6,180,000
2010	5.50	6,520,000
		$56,325,000

**Wisconsin Department of Transportation
Revenue Bond Program**

Bonds Outstanding--1998 Series A
As of June 30, 2000

Maturity July 1,	Rate	Principal
2002	5.00%	$5,130,000
2003	4.00	35,000
2004	4.12	40,000
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
		$129,220,000

Wisconsin Department of Transportation
Revenue Bond Program

Bonds Outstanding--1998 Series B
As of June 30, 2000

Maturity July 1,	Rate	Principal
2000	4.25%	$2,785,000
2001	4.25	4,135,000
2002	4.25	3,900,000
2003	4.25	4,050,000
2004	4.50	4,210,000
2005	4.25	4,380,000
2006	4.25	4,565,000
2007	4.25	4,755,000
2008	4.25	4,955,000
2009	5.25	5,170,000
2010	5.25	5,400,000
2011	5.25	5,645,000
2012	5.00	5,905,000
2013	5.00	6,180,000
2014	5.00	6,475,000
2015	5.00	6,790,000
2016	5.00	7,125,000
2017	4.75	7,480,000
2019	4.75	16,095,000
		$110,000,000

Wisconsin Department of Transportation
Revenue Bond Program

Schedule of Registration Trust Program Revenue
For the Years Ended June 30, 2000 and 1999

(Unaudited)

	Section 341.25 Registration Fees		Revenue Bond Program On Section 341.25 Registration Fees	Total Program Revenues
	Non-IRP	IRP		
July 1998	$20,028,320	$2,182,501		
August 1998	17,700,935	1,769,596		
September 1998	19,928,115	1,052,090		
October 1998	19,115,078	2,258,871		
November 1998	15,166,631	2,939,018		
December 1998	28,891,912	4,752,718		
January 1999	20,844,590	5,110,673		
February 1999	15,999,718	4,879,555		
March 1999	24,211,881	3,583,733		
April 1999	21,489,768	4,246,452		
May 1999	18,410,837	9,372,193		
June 1999	22,790,862	7,734,123		
Total for the Year Ended June 30, 1999	$244,578,647	$49,881,523	$1,477,522	$295,937,692
July 1999	$19,759,993	$2,997,904		
August 1999	18,079,361	2,504,788		
September 1999	21,489,764	4,469,723		
October 1999	17,919,995	4,511,794		
November 1999	19,167,959	3,264,993		
December 1999	32,230,614	2,649,030		
January 2000	19,013,120	3,013,462		
February 2000	16,507,436	3,097,203		
March 2000	26,258,175	5,845,137		
April 2000	21,169,376	10,035,375		
May 2000	21,174,613	6,834,762		
June 2000	22,939,808	5,916,584		
Total for the Year Ended June 30, 2000	$255,710,214	$55,140,755	$1,834,371	$312,685,340

Wisconsin Department of Transportation
Revenue Bond Program

Schedule of Monthly Program Income
For the Year Ended June 30, 2000

Month	Program Income Fund	1991 Series A	1992 Series A	1992 Series B	1993 Series A	1994 Series A	1995 Series A	1996 Series A	1998 Series A	1998 Series B
July 1999	$59,384	$1,225,870	$2,823,027	$2,616,898	$2,568,273	$1,596,699	$2,076,886	$2,509,107	$1,746,194	$2,024,721
October 1999	165,000	1,212,596	3,230,505	2,568,252	2,494,392	1,554,232	2,027,874	983,720	1,716,086	1,965,237
January 2000	118,545	1,189,306	2,800,269	2,476,435	2,421,316	1,509,886	1,959,403	1,619,736	1,615,854	1,874,585
April 2000	72,665	1,207,234	2,497,923	2,558,629	2,485,761	1,549,746	2,017,691	1,698,132	1,708,734	1,950,985
	$415,594	$4,835,006	$11,351,724	$10,220,214	$9,969,742	$6,210,563	$8,081,854	$6,810,695	$6,786,868	$7,815,528

Wisconsin Department of Transportation
Commercial Paper Program

Transportation Revenue Commercial Paper Notes of 1997, Series A
Financial Statements as of June 30, 2000 and 1999
Together with Report of Independent Public Accountants

Wisconsin Department of Transportation
Commercial Paper Program

Transportation Revenue Commercial Paper Notes of 1997, Series A
June 30, 2000 and 1999

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Report of Independent Public Accountants

To the Directors of the Wisconsin Department of Transportation
Commercial Paper Program:

We have audited the statement of assets and liabilities of the 1997 Series A Commercial Paper Notes of the Wisconsin Department of Transportation Commercial Paper Program (the "Program") as of June 30, 2000 and the related statements of revenue and expenses and cumulative excess of revenue over expenses for the years then ended. These financial statements and supplemental information are the responsibility of the Program's directors. Our responsibility is to express an opinion on these financial statements and supplemental information based on our audit. The financial statements of the Wisconsin Department of Transportation Commercial Paper Program as of June 30, 1999 were audited by other auditors whose report dated September 7, 1999 and the year then ended expressed an unqualified opinion.

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

As described in Note 2, these financial statements were prepared in conformity with the accounting practices prescribed by the State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligations General Resolution which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required by the State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligations General Resolution is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities of the 1997 Series A Commercial Paper Notes of the Wisconsin Department of Transportation Commercial Paper Program as of June 30, 2000 and its revenue and expenses for the year then ended, on the basis of accounting described in Note 2.

ARTHUR ANDERSEN LLP

Milwaukee, Wisconsin
October 5, 2000

Wisconsin Department of Transportation
Commercial Paper Program

Transportation Revenue Commercial Paper Notes of 1997, Series A
Statements of Assets and Liabilities
June 30, 2000 and 1999

Assets	2000	1999
Subordinated Debt Service Fund-		
Money Market Investments	$7,098,000	$ -
U.S. Government Securities	-	9,530,595
Accrued Interest Receivable	4,488	1,167
Total Subordinated Debt Service Fund	7,102,488	9,531,762
Net Project Costs Incurred	160,415,287	160,415,287
Total Assets	$167,517,775	$169,947,049
Liabilities		
Liabilities:		
Accrued Interest Payable	$1,970,521	$5,559,897
Due to Other Program	1,220,160	787,531
Notes Payable	147,316,000	155,389,000
Total Liabilities	150,506,681	161,736,428
Cumulative Excess of Revenue Over Expenses	17,011,094	8,210,621
	$167,517,775	$169,947,049

The accompanying notes to financial statements are an integral part of these statements

Wisconsin Department of Transportation
Commercial Paper Program

Transportation Revenue Commercial Paper Notes of 1997, Series A
Statements of Revenue and Expenses and
Cumulative Excess of Revenue Over Expenses
For the Years Ended June 30, 2000 and 1999

	2000	1999
Revenues:		
Registration Fees	$11,691,287	$14,092,028
Investment Income	236,622	579,184
Total Revenues	11,927,909	14,671,212
Expenses:		
Interest	2,694,807	9,915,879
Administrative	432,629	364,552
Total Expenses	3,127,436	10,280,431
Excess of Revenue Over Expenses	8,800,473	4,390,781
Cumulative Excess of Revenue Over Expenses at Beginning of Year	8,210,621	3,819,840
Cumulative Excess of Revenue Over Expenses at End of Year	$17,011,094	$8,210,621

The accompanying notes to financial statements are an integral part of these statements.

Wisconsin Department of Transportation
Commercial Paper Program

Transportation Revenue Commercial Paper Notes of 1997, Series A
Notes to Financial Statements
June 30, 2000 and 1999

(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. Revenues provided from registration fees are used to service the Program's debt.

(2) Summary of Significant Accounting Policies-

Basis of Accounting-

The Wisconsin Department of Transportation ("Department") has entered into trust agreements with Bank One Trust Company N.A., Milwaukee, Wisconsin, 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, the formula for computing the Debt Service Reserve requirements and the procedure to be followed for the redemption of and paying interest on the notes. The financial statements are prepared in conformity with the practices prescribed by the General Resolution. These practices, described in the remainder of this note, do not conform with generally accepted accounting principles ("GAAP").

The most significant differences between the accounting practices presented in these financial statements and GAAP is that net project costs incurred would not be reported as an asset under GAAP, and registration fee revenue would be recorded when earned rather than when impounded.

Use of Estimates-

The preparation of financial statements in conformity with the Program's significant accounting policies requires the Program's directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although estimates are considered to be fairly stated at the time that the estimates are made, actual results could differ from those estimates.

U.S. Government Securities, Money Market Investments and Investment Income-

U.S. Government securities are stated at aggregate cost. Money market investments are stated at cost which approximates market value. Investment income is recognized when earned and includes gains and losses on sales or maturities of securities.

Revenue and Expenses-

Interest and administrative expenses are recorded on the accrual basis. Registration fee revenue is recorded at the time of impounding, when transfer of possession occurs. Interest income on investments is recorded on the accrual basis.

Net Project Costs Incurred-

Costs incurred for transportation projects are recorded as an asset, “Net Project Costs Incurred”. This amount continues to be carried as an asset until all bonds of the related bond series have been paid in full. At that time, the related net project costs incurred is eliminated and recorded as a reduction of the cumulative excess of revenues over expenses.

Due to Other Program-

All administrative costs associated with the Commercial Paper Program and Revenue Bond Program are paid by the Revenue Bond Program. The costs paid on behalf of the Commercial Paper Program are recorded as a payable to the Revenue Bond Program. These amounts accumulate year-to-year.

Costs of Notes-

Issue costs and administrative expenses related to the notes are being expensed as incurred.

(3) Notes Payable-

Transportation Revenue Commercial Paper Notes of 1997, Series A (1997 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 of $147,316,000 and $155,389,000 at June 30, 2000 and 1999, respectively.

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 series resolutions 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.

The notes are collateralized by a pledge of income derived from vehicle registration fees (Program Income) under Section 341.25 of the Wisconsin Statutes, as collected by the Trustee. The notes are subordinate to the pledge of Program Income to payment of the State Transportation Revenue Bonds outstanding.

The State expects to pay the principal of and interest 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. The permanent financing is not expected to be put in place until long-term interest rates on revenue bonds are advantageous to the State.

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 provides a commitment for the issuance of an irrevocable letter of credit in the stated amount up to $188,600,000. On April 19, 2000, the State reduced this commitment and the stated amount of the irrevocable letter of credit to a stated amount of up to $155,000,000. The stated termination date of the commitment is currently May 5, 2001 and stated date of the letter of credit is currently May 6, 2002, each subject to an extension as provided in the credit agreement.

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). At June 30, 2000, the weighted average interest rate on the notes outstanding was 4.21%.

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 Department has statutory authority (as amended) to issue notes totaling $200,000,000 (including those issued under the 1997, Series A), 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) Concentration of Credit Risk-

The Program's sole investment as of June 30, 2000 is in Bank One Group Treasury Only Money Market in the amount of $7,098,000.

Wisconsin Department of Transportation
Commercial Paper Program

Transportation Revenue Commercial Paper Notes of 1997, Series A
Cumulative Net Project Costs
June 30, 2000

Administrative Facilities:	
DMV Rice Lake Addition	$1,000,000
Hazmat Tank Removal	11,000
DBM Phase 2, Materials Lab, Truax	1,769
Truax Complex Renovation	312,000
DSP District 7 Headquarters Remodel	4,000
DSP District 1 DeForest Headquarters Facility	195,000
DSP Footville Tower, Building and Land	333,000
DSP Wittenberg Tower, Building and Land	18,000
Deerfield Tower	133,985
Total Administrative Facilities	2,008,754
Major Highway Projects:	
State Trunk Highway 54 (Dykesville)	790,000
State Trunk Highway 64 (Houlton--New Richmond Road)	3,554,000
I-90 to Holmen Project LaCrosse County	56,334
U.S. Highway 10 (Appleton and Marshfield)	9,123,919
State Trunk Highway 50 Between State Trunk Highway 83 and I-94 (Kenosha County)	875,811
State Trunk Highway 16 (Oconomowoc to County Highway PP)	14,075
State Trunk Highway 29 (Wausau to Ringle)	188,194
I-94 to Green Bay	24,235,064
U.S. Highway 13 (U.S. Highway 10 to Lincoln Avenue Marshfield)	2,700,000
State Trunk Highway 441 (Tri-County Expressway)	890,062
U.S. Highway 12 (Whitewater Bypass in Jefferson and Walworth Counties)	850,000
River Falls Beltline	29,993
U.S. Highway 41 (U.S. Highway 41/141 Interchange to State Trunk Highway 145)	1,961,797
U.S. Highway 8 (Rhinelander Beltline)	9,008,531
U.S. Highway 18/151 (Verona Bypass)	392,639
State Trunk Highway 29 (Shawano Bypass)	36,806,747
U.S. Highway 45 (New London Bypass)	912,711
U.S. Highway 151 (Columbus Bypass)	4,943,791
Lake Arterial Project in Milwaukee County	31,858,429
State Trunk Highway 26 (Fort Atkinson Bypass)	26,844
Dubuque--U.S. Highway 61/151 (Dickeyville Road)	330,289
U.S. Highway 41 (Abrams to Oconto Counties)	2,800,186
U.S. Highway 41 (State Trunk Highway 114 Breezewood Lane)	700,000
State Trunk Highway 29 (Green Bay to I-94)	13,948,556
U.S. Highway 53 (Trego to Solon Springs)	9,292,099
U.S. Highway 51 (Business 51 to County Trunk Highway S)	607,923
Bluemound Road Reconstruction	87,566
State Trunk Highway 36 (Burlington and State Trunk Highway 100)	1,396,934
U.S. Highway 12 (U.S. Highway 53 Utility Road)	24,039
Total Major Highway Projects	158,406,533
Cumulative Net Project Costs	$160,415,287

PART VI

CLEAN WATER REVENUE BONDS

This part provides information about clean water revenue bonds issued by the State of Wisconsin.

Total Outstanding Balance (12/1/2000)	$545,625,000
Amount Outstanding—Fixed Rate Obligations	$545,625,000
Amount Outstanding—Variable Rate Obligations	$ 0
Percentage of Outstanding Obligations in form of Variable Rate Obligations	0.00%
Bond Ratings (Fitch/Moody's/Standard & Poors)	AA+/Aa2/AA+

APPENDIX A includes the financial statements and independent public accountant's report on the financial statements for the Environmental Improvement Fund as of June 30, 2000. The Wisconsin Statutes provide that the State of Wisconsin Building Commission (**Commission**) has supervision over all matters relating to the State's issuance of revenue bonds. Employees of the Division of Executive Budget and Finance serve as the Capital Finance Director and staff responsible for managing the State's borrowing programs.

Clean water revenue bonds are issued pursuant to the Clean Water Revenue Bond General Resolution, dated March 7, 1991 (**Program Resolution**). Firstar Bank, National Association, as successor to Firstar Trust Company, serves as Trustee for the clean water fund program (**Trustee**) as well as registrar and paying agent. The law firm of Michael Best & Friedrich LLP provides bond counsel services to the State for issuance of clean water revenue bonds.

Requests for additional information about clean water revenue bonds may be directed as follows:

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

This Annual Report includes information and defined terms for different types of municipal securities issued by the State. The context or meaning of terms used in this Part VI of the Annual Report may differ from that of terms used in another part. See "GLOSSARY" for the definition of capitalized terms used in this Part VI of the Annual Report. Material referred to in this Annual Report is not part of this Annual Report unless expressly included by reference.

OUTSTANDING BONDS

The State has issued the clean water revenue bonds **(Bonds)** shown in Table VI-1. The table also includes the outstanding principal balances as of December 1, 2000.

Table VI-1
OUTSTANDING CLEAN WATER REVENUE BONDS
BY ISSUE
(As of December 1, 2000)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
1991, Series 1	3/1/91			
Serial Bonds		1994-2008	$167,555,000	$ 22,070,000 [a]
Term Bonds		2011	57,445,000	57,445,000
1993, Series 1	8/15/93	1996-2013	84,345,000	36,955,000 [a]
1993, Series 2	8/15/93	1994-2008	81,950,000	77,395,000
1995, Series 1	7/1/95	1997-2015	80,000,000	34,080,000 [a]
1997, Series 1	1/15/97	1999-2017	80,000,000	51,105,000 [a]
1998, Series 1	1/15/98	1999-2018	90,000,000	84,015,000
1998, Series 2	8/15/98			
Serial Bonds		1999	1,800,000	-0-
Serial Bonds		2003	12,160,000	12,160,000
Serial Bonds		2009-2017	90,400,000	90,400,000
1999, Series 1	8/15/99			
Serial Bonds		2001-2018	67,965,000	67,965,000
Term Bonds		2020	12,035,000	12,035,000
Total Clean Water Revenue Bonds			$825,655,000	$545,625,000

[a] Pursuant to a refunding escrow agreement the principal and interest on all or a portion of the bonds will be paid as it comes due and those bonds will be called for redemption prior to maturity. The principal amount of bonds for which payment is provided is not treated as outstanding for purposes of this table.

ENVIRONMENTAL IMPROVEMENT FUND

The Environmental Improvement Fund provides for three separate environmental financing programs.

- Clean Water Fund Program. The Clean Water Fund Program is a municipal financial assistance program for wastewater treatment projects and has been in existence since 1990 and includes the State's implementation of a Federal State Revolving Fund Program under the Federal Water Quality Act of 1987 **(Water Quality Act)**.
- Safe Drinking Water Loan Program. The Safe Drinking Water Loan Program is a municipal loan program for drinking water projects and includes the State's implementation of the federal Safe Drinking Water Act Amendments of 1996.
- Land Recycling Loan Program. The Land Recycling Loan Program is a municipal loan program for remediation of contaminated lands.

Under current law the State is authorized to issue revenue obligations only to fund loans under the Clean Water Fund Program. If changes occur to Wisconsin Statutes, Bond proceeds may be used to make loans under the Safe Drinking Water Loan Program.

CLEAN WATER FUND PROGRAM

Overview

The Water Quality Act established a joint federal and state program commonly referred to as the State Revolving Fund (**Federal SRF**) Program. Under the Federal SRF Program, the United States Environmental Protection Agency (**EPA**) is authorized to make grants (**Capitalization Grants**) to states to assist in providing financial assistance to municipalities within the state for governmentally-owned wastewater projects and other water pollution abatement projects. As a condition to receipt of a Capitalization Grant, a state is required to establish a perpetual Federal SRF into which the Capitalization Grant must be deposited, and to provide state matching funds equal to 20% of the Capitalization Grant (**State Match**) for deposit in the Federal SRF. Funds in a Federal SRF are permitted to be applied to provide financial assistance to municipalities for governmentally-owned wastewater projects and other water pollution abatement projects in a number of ways, provided that such assistance is not in the form of a grant.

The State has created the Clean Water Fund Program (which was subsequently placed within the Environmental Improvement Fund) for purposes of providing financial assistance to Municipalities for constructing or improving water treatment facilities. This represents a major commitment of the State to use State funds to assist Municipalities in improving the water quality of the State. In addition to funding that the State provides through the Federal SRF (Direct Loan Portfolio), the State uses proceeds of the Bonds and its general obligation bonds to fund additional loans in the Leveraged Loan and Proprietary Loan Portfolios. Other sources of funding, such as investment earnings or money contributed from other State sources, may be used to fund loans in any of the loan portfolios.

Direct Loan Portfolio

Loans funded through the Federal SRF are referred to as Direct Loans and are segregated in a portfolio referred to as the Direct Loan Portfolio. Federal SRF funds, when available, are deposited in a separate account within the Clean Water Fund Program. Loans in the Direct Loan Portfolio are required to comply with EPA eligibility and reporting requirements, as well as applicable State requirements. Payments of principal of and interest on Direct Loans are either deposited in the Federal SRF to fund additional Direct Loans or are used to pay debt service on the State general obligation bonds issued to provide the State Match. No proceeds of the Bonds will be applied to make Direct Loans, and payments of principal of and interest on Direct Loans are not pledged as security for the Bonds.

Leveraged Loan Portfolio

Loans funded with proceeds of the Bonds are referred to as Leveraged Loans, or Loans, and are segregated in a portfolio referred to as the Leveraged Loan Portfolio. Bond proceeds, when available, are deposited in the Loan Fund established by the General Resolution. Loans in the Leveraged Loan Portfolio must meet applicable State requirements. Payments of principal of and interest on Leveraged Loans (**Leveraged Loan Repayments** or **Loan Repayments**) are pledged to the Trustee to secure the Bonds. The EPA Capitalization Grants, the State Match and payments of principal of and interest on loans in the Direct Loan and Proprietary Loan Portfolios are not pledged to secure the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR BONDS" for a further description of the Leveraged Loan Portfolio.

Proprietary Loan Portfolio

Loans funded primarily by proceeds of State general obligation bonds are referred to as Proprietary Loans and are segregated in a portfolio referred to as the Proprietary Loan Portfolio. Loans in the Proprietary Loan Portfolio must meet applicable State requirements. Payments of principal of and interest on Proprietary Loans are deposited in the same account for further loans or grants under the Proprietary Loan Portfolio. No proceeds of the Bonds will be applied to make Proprietary Loans, and payments of principal of and interest on Proprietary Loans are not pledged as security for the Bonds.

Interest Subsidy

In addition to lending money to directly fund project costs, the Clean Water Fund Program is authorized to subsidize the interest cost on loans made by the State Board of Commissioners of Public Lands to municipalities for construction or improvement of their wastewater facilities. This subsidy is only available on loans of $750,000 or less. The Clean Water Fund Program makes payments to municipalities in March of each year to reduce the municipalities' interest cost on their loans. As of December 1, 2000 the Clean Water Fund Program has agreements with 29 municipalities to provide an annual interest subsidy. Proceeds of the Bonds are not used for this purpose.

Plan of Finance

Under a Financial Assistance Agreement, a Municipality may receive one or more of the following: a Leveraged Loan, a Direct Loan, or a Proprietary Loan. A separate accounting of the loan balances in each portfolio is maintained for each project. The receipts relating to Leveraged Loan Repayments are pledged as security for the Bonds. In any situation where an applicant qualifies for a loan through the Leveraged Loan Portfolio, the Direct Loan Portfolio, or the Proprietary Loan Portfolio, the State may choose whether and to what extent the loan is made through the Leveraged Loan Portfolio. The same general loan underwriting standards are applied to all loans regardless of the portfolio to which they will be assigned.

The State expects to continue to make most of the Direct Loans, Proprietary Loans, and Leveraged Loans to Municipalities at interest rates that are below market rates. As a consequence, Leveraged Loan Repayments are not expected to be sufficient to pay principal of, interest on, or redemption price of the Bonds as they become due. The State has provided additional funds, and expects to continue to provide additional funds, to provide sufficient revenues to fund the difference between debt service payments due on the Bonds and revenues to be derived from Leveraged Loan Repayments. The funds include State general obligation bonds that are purchased by the Environmental Improvement Fund and deposited into the Subsidy Fund.

As additional security for the Bonds, the State has funded and expects to continue to fund a Loan Credit Reserve Fund that will provide funds in the event of a default on a Loan payment. For further information about the Subsidy Fund and the Loan Credit Reserve Fund, see "SECURITY AND SOURCE OF PAYMENT FOR BONDS".

Financial Assistance

Direct Loans, Leveraged Loans, and Proprietary Loans are each made at varying interest rates determined by project type. Currently, projects are segregated into five different project-type categories. The interest rate for each type of project is determined by statute and, except for Transition Projects, is based on the Clean Water Fund Program's cost of borrowing, as determined by reference to a particular Series of Bonds. Setting interest rates by type of project is designed to provide greater incentives for compliance with environmental requirements than for new sewer systems or correcting discharge permit violations.

- *Transition Projects*–Projects that would have otherwise qualified for grants under prior EPA or State grant programs but were unable to receive grant funding because of unavailability of grant funds or failure to adhere to a schedule approved by DNR. The Act authorizes Transition Projects to receive loans that will bear interest at a statutorily designated rate of 2 ½% per annum.
- *Compliance Maintenance Projects*–Projects that are necessary to maintain compliance with permit requirements or to implement new or changed effluent limits required by DNR. These projects may receive loans that bear interest at a per annum rate equal to 55% of the Clean Water Fund Program's cost of borrowing.
- *Stormwater & Nonpoint Projects*–Projects pertaining to urban stormwater and nonpoint pollution sources. These projects may receive loans that bear interest at a per annum rate equal to 65% of the Clean Water Fund Program's cost of borrowing.
- *Unsewered Projects*–Projects involving unsewered areas within Municipalities. These projects may receive loans that bear interest at a per annum rate equal to 70% of the Clean Water Fund Program's cost of borrowing. More than two-thirds of the initial flow must be from wastewater originating from residences in existence before October 17, 1972 in order to qualify for this type of project.
- *Industrial, Violator, & New Growth Projects*–Projects that address violations of a DNR discharge permit or that provide industrial or reserve capacity, or that involve certain other capital costs attributed to industrial or commercial needs, or involve unsewered areas where residences were not in existence before October 17, 1972. These projects may receive loans that bear interest at a per annum rate equal to 100% of the Clean Water Fund Program's cost of borrowing.

In the event a Municipality proposes a project that includes more than one of the above categories, the respective portions of the project may be allocated accordingly, resulting in a loan with a blended interest rate.

In a limited number of cases, the Clean Water Fund Program may provide additional financial assistance in the form of grants or loans with interest rates lower than those indicated above for qualifying projects. Under current law, the maximum amount of financial assistance that any Municipality may receive is a grant equal to 70% of project costs and an interest-free loan for the remaining 30% of project costs. State law allows that, during each biennium, 15% of the present value of all Clean Water Fund Program subsidies may be awarded as grants or further subsidized loans. Between 1989 and September 30, 2000, agreements to fund $161 million in project costs with such grants or further subsidized loans have been entered into.

The majority of Loans made from Bond proceeds have been for Transition and Compliance Maintenance Projects.

Funding Levels

For the period from the commencement of the Clean Water Fund Program through June 30, 2003, the State has identified $2.016 billion of projects likely to receive funding. The Legislature has authorized $1.298 billion of revenue bonds (other than revenue bonds issued for refunding purposes) and $553 million of general obligations for the Clean Water Fund Program through fiscal year 2001.

As of September 30, 2000, the State had closed Leveraged, Direct, and Proprietary Loans totaling $1.251 billion. Of this amount a total of $1.168 billion had been disbursed. Of the amounts disbursed, $603 million were for Leveraged Loans. The amount remaining to be disbursed, $55 million, will be disbursed from the Leveraged Loan, Direct Loan, or Proprietary Loan Portfolios.

Capitalization Grants

The federal government has authorized appropriations for Capitalization Grants for federal fiscal years 1989 through 2000. As of September 30, 2000, the State has been awarded Capitalization Grants from EPA aggregating $462 million for federal fiscal years 1989 through 2000. The amount of federal funding available in the future may affect the amount of Leveraged Loans, Direct Loans or Proprietary Loans to be made by the Clean Water Fund Program and the amount of Bonds to be issued by the State. As of September 30, 2000, the State had issued $92 million in general obligation bonds for the State Match with respect to the Capitalization Grants received as of such date.

Management of Clean Water Fund Program

Management responsibilities for the Clean Water Fund Program are shared between two State agencies. DNR is responsible for the environmental and programmatic management of the Clean Water Fund Program. DOA is responsible for the financial and investment management of the Clean Water Fund Program. DNR and DOA have agreed upon the division of responsibilities and joined in a memorandum of understanding that detail their respective roles. Joint responsibilities between DNR and DOA include issuing Notices of Financial Assistance Commitment (**Commitments**) and entering into Financial Assistance Agreements with Municipalities to finance eligible wastewater projects. DOA and DNR also jointly prepare biennial finance plans which include the estimated wastewater facility needs of municipalities in the State, the amount of financial assistance projected to be provided, the sources of the funding projected to be provided, and the estimated present value of subsidies for all Clean Water Fund Program financial assistance expected to be provided.

Operating Agreement with EPA

In connection with receipt of Capitalization Grants, the State, acting through DNR, has entered into an Operating Agreement with EPA. The Operating Agreement sets forth the objectives and structure, as designed to meet the objectives, of the Clean Water Fund Program and sets forth the responsibilities of DNR and DOA. Among these responsibilities are:

- Financial management
- Management of the environmental and project construction aspects
- Preparation of an intended use plan, setting forth the projects the State expects to finance under the Clean Water Fund Program.

SECURITY AND SOURCE OF PAYMENT FOR BONDS

Revenue Obligations

Each Series of Bonds is issued on a parity with all other Bonds previously issued or to be issued from time to time under the General Resolution. See “OUTSTANDING BONDS”. The Bonds are special obligations of the State, payable solely from the revenues, receipts, funds, and moneys pledged therefor under the General Resolution. *The State is not obligated to pay the principal of, interest on, or redemption price of the Bonds from any funds of the State other than those pledged pursuant to the General Resolution, and neither the faith and credit nor the taxing power of the State or any agency, instrumentality, or political subdivision thereof is pledged to the payment of the principal of, interest on, or redemption price of the Bonds.*

Pledge of Revenues

Pursuant to the General Resolution, the State has pledged the following to the Trustee for the benefit of the Bondowners and any owner of a Parity Reimbursement Obligation for the payment of the principal of, interest on, and redemption price of the Bonds in accordance with the terms and provisions of the General Resolution and the payment of any Parity Reimbursement Obligation:

(1) all Pledged Receipts, which are defined in the General Resolution as follows:

- All Leveraged Loan Repayments, including both timely and delinquent payments
- Fees and Charges held or collected by the State
- Any State payments intercepted by DOA and taxes collected by county treasurers, upon a default under a Municipal Obligation
- Any moneys made available to the Leveraged Loan Portfolio pursuant to a State "moral obligation" for individual Loans
- Any moneys collected by recourse to collateral and security devices under the Municipal Obligations
- Any other moneys held or received by the State or the Trustee relating to the Municipal Obligations; and

(2) all funds and accounts established in connection with the issuance of the Bonds including the Loan Fund, the Subsidy Fund and the Loan Credit Reserve Fund (but not including the Rebate Fund or the State Equity Fund).

Prior to the issuance of additional parity Bonds the State must certify that upon the delivery of such Bonds there will be on deposit in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement and in the Loan Credit Reserve Fund an amount at least equal to the Loan Credit Reserve Fund Requirement.

For a detailed description of the various funds, accounts and revenues securing the Bonds, see "SUMMARY OF CERTAIN PROVISIONS OF GENERAL RESOLUTION". For further discussion of State payments to Municipalities intercepted by DOA, the taxes collected by county treasurers and the State "moral obligation" on individual Loans, see "SECURITY AND SOURCE OF PAYMENT FOR BONDS; Statutory Powers".

Loans

The proceeds of Bonds and other amounts deposited into the Loan Fund are used for the purpose of making Loans to Municipalities. Each Loan must meet the criteria described under "LOANS; Lending Criteria" and must be evidenced by a Municipal Obligation. As of September 30, 2000, $603 million of Bond proceeds have been disbursed for Loans and $476 million is the principal balance of these Loans. In addition, $38 million remain in the Loan Fund.

Table VI-2 identifies all Municipalities that have entered into Financial Assistance Agreements under the Environmental Improvement Fund, the amount that has been disbursed to each Municipality as of September 30, 2000, and the amount that remains to be disbursed pursuant to its Financial Assistance Agreement. Table VI-2 also provides information as to the principal balance outstanding under the Financial Assistance Agreement for each Municipality.

Table VI-2 includes Municipalities that have received loans from the Leveraged, Direct, and Proprietary Portfolios along with Municipalities that have received loans from the Safe Drinking Water Loan

Program. Table VI-2 first presents the Municipalities in order of outstanding Leveraged Loans as of September 30, 2000. Municipalities that do not have Leveraged Loans are then listed alphabetically at the end of Table VI-2. This order will change as Leveraged Loans are disbursed and new Leveraged Loans are originated or as loans are transferred into the Leveraged Loan Portfolio, or as Loans are transferred out of the Leveraged Loan Portfolio. Table VI-2 also provides information as to each Municipality's total debt service (excluding amounts payable after the retirement of the previously issued and Outstanding Bonds) as a percentage of the total debt service on the Outstanding Bonds. These percentages will vary after the disbursement of any remaining proceeds of previously issued Outstanding Bonds.

Leveraged Loan Repayments are the majority of the revenues available to pay debt service on the Bonds. To the extent that one Municipality's Leveraged Loan Repayments represent a greater or lesser percentage of the debt service than another Municipality's, the failure of such Municipality to make its Leveraged Loan Repayments will have a greater or lesser impact on the Clean Water Fund Program's ability to pay debt service on the Bonds than the failure another Municipality. The State believes that the security provisions of the Financial Assistance Agreements, as well as the amounts available from the Loan Credit Reserve Fund and the Subsidy Fund, will limit the effect on Bondowners of a failure by one or more Municipalities to pay debt service on their Loans. Revenues available from amounts in the Subsidy Fund will not be directly affected by the failure of any Municipality to pay debt service on its Loan. However, a persistent failure by one or more Municipalities to pay debt service on Leveraged Loans may adversely affect the ability of the Clean Water Fund Program to pay debt service on the Bonds.

The Milwaukee Metropolitan Sewerage District (**MMSD**) is currently the largest borrower in the Leveraged Loan Portfolio with $118 million in principal amount of loans outstanding as of September 30, 2000. Other Municipalities had Leveraged Loans in outstanding principal amounts ranging from $65 thousand to $31 million as of the same date. For a discussion regarding the information that is available on the Municipalities, see "SECURITY AND SOURCE OF PAYMENT FOR BONDS; Additional Information".

Table VI-2
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING LOANS
September 30, 2000
(Amount in Thousands)

Municipality	Financial Assistance Loan Amount [b]	Total Loan Amount Disbursed	Leveraged Balance	Direct, Drinking Water and Proprietary Balance	Total Outstanding Balance [c]	Loan Amount Remaining to Fund [d]	Leveraged Loans Percent of Revenue Bond Payment [e]
Leveraged Loans [a]							
Milwaukee Met Sewer Dist	$ 286,490,191	$ 281,067,720	$ 117,953,363	$ 82,844,637	$ 200,798,000	$ 3,849,366	17.34%
Madison Met Sewer Dist	48,231	45,277	31,011	5,023	36,034		4.90%
Manitowoc, City	20,216	17,052	17,052		17,052	3,163	2.81%
Green Bay Met Sewer Dist	44,368	41,476	10,508	19,338	29,846	328	1.60%
Stevens Point, City	13,560	13,117	9,747		9,747		1.52%
Fort Atkinson, City	14,594	14,266	9,740		9,740		1.56%
Waupaca, City	10,465	10,099	7,830	726	8,555		1.25%
Menomonie, City	8,732	8,524	7,763		7,763	172	1.36%
Sussex, Village	11,029	10,605	7,196		7,196		1.10%
Marshall, Village	7,744	7,470	6,928		6,928	245	1.11%
Sparta, City	10,726	10,043	6,572		6,572		1.02%
Green Lake SD	8,674	8,388	6,323		6,323		0.93%
Bloomer, City	6,694	6,690	6,154		6,154		0.98%
Stoughton, City	7,662	7,007	5,672	174	5,845	538	0.89%
Hudson, City	7,242	6,857	5,618		5,618	380	0.89%
Jackson, Village	6,130	5,824	5,585		5,585	307	0.88%
Brodhead, City	6,549	5,952	5,494		5,494	365	0.88%
Racine, City	19,573	18,872	5,356	11,636	16,992	84	0.84%
Oconomowoc, City	5,449	5,414	4,971		4,971		0.78%
Dodgeville, City	4,995	4,745	4,745		4,745	250	0.75%
West Salem, Village	4,990	4,624	4,423		4,423	366	0.69%
Chippewa Falls, City	5,335	4,994	4,391		4,391		0.70%
Twin Lakes, Village	5,941	4,042	4,042		4,042	1,899	0.67%
Salem - KENOSHA, Town	5,219	4,696	3,849		3,849	463	0.59%
Black Creek, Village	4,332	4,332	3,814		3,814		0.61%
Rhinelander, City	5,136	5,123	3,704		3,704		0.58%
Antigo, City	4,317	4,273	3,695		3,695	30	0.59%
De Pere, City	5,648	4,441	3,686		3,686	977	0.60%
Richland Center, City	4,998	4,750	3,508		3,508		0.56%
Lodi, City	4,050	3,907	3,441		3,441		0.55%
Edgerton, City	4,186	3,508	3,265		3,265	677	0.52%
Chilton, City	3,418	3,116	3,116		3,116	302	0.49%
Plover, Village	3,404	3,233	3,111		3,111	170	0.50%
Norway SD #1	6,228	3,704	3,032	79	3,111	2,516	0.49%
Bristol - KENOSHA, Town	4,211	3,995	3,013		3,013		0.48%
Marshfield, City (Wood County)	24,170	21,157	2,973	17,925	20,898	3,012	0.46%
New Richmond, City	3,320	3,202	2,924		2,924		0.46%
Sheboygan, City	7,626	7,626	2,878	3,663	6,541		0.46%
Neillsville, City	3,238	3,210	2,823		2,823		0.45%
South Milwaukee, City	3,410	3,410	2,720		2,720		0.42%
Allouez, Village	3,072	3,062	2,698		2,698		0.43%
Merrill, City	4,044	4,033	2,604		2,604		0.40%
Wautoma, City	6,848	6,847	2,554	3,214	5,768		0.35%
New Glarus, Village	3,503	3,434	2,525		2,525		0.39%
Tomahawk, City	3,026	2,864	2,489		2,489		0.39%
Black Wolf SD #1	4,327	4,065	2,482		2,482		0.35%
Reedsville, Village	2,768	2,755	2,354		2,354		0.38%
Freedom SD #1	2,748	2,645	2,329		2,329		0.37%
Ashland, City	11,685	11,142	2,159	5,047	7,207	543	0.34%
Shorewood, Village	2,512	2,298	2,121		2,121	214	0.33%
Belleville, Village (Dane County)	2,563	2,413	2,120		2,120		0.34%
Colby, City (Clark County)	2,837	2,647	2,108		2,108		0.33%
Weyauwega, City	3,285	3,108	2,062		2,062		0.33%
Amery, City	3,060	2,813	2,040	386	2,426	243	0.32%
Janesville, City	2,372	2,225	1,951		1,951	75	0.31%
Beloit, City	2,927	2,610	1,944		1,944	318	0.28%
Kenosha, City	31,513	27,840	1,930	18,825	20,755		0.30%
Baraboo, City	2,382	2,276	1,769		1,769	24	0.27%
Poynette, Village	2,288	2,112	1,768		1,768		0.28%
Chain O'Lakes SD #1	2,082	2,063	1,758		1,758		0.30%
Union Grove, Village	2,192	2,166	1,743		1,743		0.28%
Luxemburg, Village	2,053	1,879	1,725		1,725	175	0.27%
Monticello, Village	2,345	2,319	1,702		1,702		0.22%
Pewaukee, Village	8,191	7,558	1,657	5,427	7,084	633	0.26%
North Fond du Lac, Village	1,741	1,739	1,607		1,607		0.25%
Fremont, Village	1,867	1,815	1,599		1,599		0.26%

Table VI-2 - Continued
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING LOANS
September 30, 2000
(Amount in Thousands)

Municipality	Financial Assistance Loan Amount (b)	Total Loan Amount Disbursed	Leveraged Balance	Direct, Drinking Water and Proprietary Balance	Total Outstanding Balance (c)	Loan Amount Remaining to Fund (d)	Leveraged Loans Percent of Revenue Bond Payment (e)
Mount Horeb, Village	3,436	3,338	1,424	751	2,175		0.21%
Whitewater, City (Walworth County)	1,564	1,564	1,377		1,377		0.22%
Wisconsin Dells - Lake Delton SC	1,935	1,886	1,343		1,343	38	0.21%
Trempealeau, Village	1,559	1,544	1,320		1,320		0.21%
Wrightstown, Village	1,427	1,427	1,317		1,317		0.21%
Lake Nebagamon, Village	1,539	1,456	1,295		1,295		0.21%
Lancaster, City	1,688	1,601	1,279		1,279		0.20%
Crandon, City	1,537	1,454	1,277		1,277		0.20%
Newburg, Village (Washington County)	1,549	1,430	1,271		1,271		0.20%
Menasha, Town	1,659	1,642	1,259		1,259		0.20%
Manawa, City	1,408	1,391	1,169		1,169		0.19%
Potosi/Tennyson SC	1,543	1,543	1,160		1,160		0.18%
Dane, Village	1,228	1,228	1,149		1,149		0.18%
Saukville, Village	1,578	1,554	1,143		1,143		0.18%
Fond du Lac, City	2,022	1,732	1,134		1,134		0.17%
Valders, Village	1,538	1,538	1,121	98	1,219		0.17%
Tomah, City	15,430	14,131	1,101	12,442	13,544	1,266	0.17%
Black River Falls, City	1,894	1,767	1,085		1,085		0.16%
Mount Calvary, Village	1,430	1,430	1,070		1,070		0.13%
Monroe, City	1,580	1,527	1,052		1,052		0.16%
Columbus, City (Columbia County)	1,235	1,235	1,032		1,032		0.16%
Mosinee, City	1,383	1,297	1,030		1,030		0.16%
Bay City, Village	1,224	1,200	1,003		1,003		0.16%
Boscobel, City	1,337	1,182	991		991	105	0.16%
Viroqua, City	1,353	1,314	984		984		0.15%
Watertown, City (Jefferson County)	1,141	1,101	977		977		0.16%
Hewitt, Village	1,467	1,298	947		947		0.14%
Mayville, City	1,006	956	941		941	50	0.15%
Blue Mounds, Village	1,152	1,064	936		936		0.15%
Fontana, Village	2,725	2,471	914	1,422	2,336	181	0.15%
Two Rivers, City	1,608	1,027	875		875	451	0.14%
Argyle, Village	1,467	1,380	870		870		0.12%
Wolf TPC	12,847	9,447	848	8,172	9,020	3,400	0.13%
River Falls, City (Pierce County)	1,009	1,009	848		848		0.13%
Adams, City	2,464	868	825		825	1,542	0.13%
Wrightstown SD #1	1,081	1,036	822		822		0.13%
Kewaunee, City	1,017	1,017	806		806		0.12%
Brokaw, Village	969	891	797		797	71	0.12%
Cross Plains, Village	896	849	788		788	46	0.12%
Spring Green, Village	950	920	781		781		0.12%
Cumberland, City	928	808	774		774		0.12%
Rockland, Village	967	867	771		771		0.12%
Galesville, City	1,143	1,111	766		766		0.12%
Muscoda, Village (Grant County)	898	777	745		745	121	0.12%
Rib Mountain MSD	917	728	728		728	189	0.12%
Silver Lake SD (Washington County)	1,063	1,063	700		700		0.09%
Highland, Village	825	784	698		698		0.11%
Redgranite, Village	997	997	680		680		0.09%
Brazeau SD #1	793	758	671		671		0.11%
Mercer SD #1	787	787	653		653		0.12%
Montfort, Village (Grant County)	779	756	633		633		0.10%
Jefferson, City	1,453	623	623		623	830	0.10%
Cudahy, City	886	839	615		615		0.10%
Rosholt, Village	662	649	597		597		0.10%
Bangor, Village	1,587	592	592		592	995	0.10%
Neenah SD #2	1,057	1,057	589		589		0.07%
Iron River SD #1	717	710	586		586		0.09%
Shullsburg, City	687	626	578		578		0.09%
Plymouth, City	4,586	4,308	576	2,691	3,267		0.10%
Knapp, Village	669	616	564		564	53	0.09%
Abbotsford, City	722	660	561		561		0.09%
Mauston, City	2,905	554	554		554	2,350	0.10%
Beaver Dam, City	819	798	552		552		0.09%
Sextonville SD	589	564	504		504		0.08%
Brownsville, Village	588	534	494		494		0.08%
Laona SD #1	746	746	493		493		0.08%
Chetek, City	528	512	472		472		0.07%
Silver Lake SD (Waushara County)	722	722	470		470		0.06%
New Lisbon, City	1,053	777	436	149	584		0.07%

Table VI-2 - Continued
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING LOANS
September 30, 2000
(Amount in Thousands)

Municipality	Financial Assistance Loan Amount [b]	Total Loan Amount Disbursed	Leveraged Balance	Direct, Drinking Water and Proprietary Balance	Total Outstanding Balance [c]	Loan Amount Remaining to Fund [d]	Leveraged Loans Percent of Revenue Bond Payment [e]
Prescott, City	5,349	4,956	414	3,538	3,952		0.07%
Almond, Village	530	504	384		384		0.06%
Silver Lake, Village	2,318	379	379		379	1,939	0.06%
Prentice, Village	544	447	378		378		0.06%
Sunset Point SD	686	655	367		367		0.06%
Westby, City	417	395	364		364		0.06%
North Freedom, Village	498	473	363		363		0.06%
Pulaski, Village (Brown County)	483	483	360		360		0.05%
Slinger, Village	480	480	353		353		0.06%
Kohler, Village	401	352	352		352	49	0.06%
Campbellsport, Village	405	359	348		348	46	0.06%
Iowa County	486	486	338		338		0.05%
Belmont, Village	458	416	336		336		0.05%
Cottage Grove, Village	506	360	332		332		0.05%
Random Lake, Village	464	441	329		329		0.05%
Goodman SD #1	463	463	318		318		0.04%
Ellsworth, Village	373	373	314		314		0.05%
Mattoon, Village	628	548	296	217	513	78	0.05%
Cassville, Village	442	401	293		293		0.05%
Coleman, Village	507	449	292		292		0.05%
Prairie du Chien, City	4,106	4,050	286	2,819	3,105		0.04%
Wyocena, Village	389	295	284		284	94	0.05%
Walworth, Village	332	305	281		281		0.05%
Iron Ridge, Village	1,441	261	261		261	1,180	0.04%
Osceola, Village	298	298	251		251		0.04%
Pepin, Village	363	281	251		251		0.04%
Montello, City	260	256	248		248		0.04%
Hustisford, Village	446	438	246	45	291		0.04%
New Holstein, City	1,100	239	239		239	861	0.04%
Potosi, Village	291	260	233		233	23	0.04%
Baldwin, Village	262	262	221		221		0.03%
Shawano, City	252	225	216		216		0.03%
Grand Chute - Menasha West SC	11,835	11,227	204	8,325	8,529		0.03%
Blue River, Village	281	272	194		194		0.03%
Plum City, Village	249	249	192		192		0.03%
Footville, Village	1,645	181	181		181	1,465	0.03%
Prairie du Sac, Village	205	183	162		162		0.03%
Gays Mills, Village	180	173	153		153		0.02%
Little Elkhart Lake Rehab District	217	217	130		130		0.02%
Webster, Village	204	194	125		125		0.02%
Hancock, Village	151	120	120		120	31	0.02%
Brillion, City	1,064	118	118		118	946	0.02%
Hillsboro, City	160	129	115		115		0.02%
Linden, Village	165	153	112		112		0.02%
Spring Valley, Village (Pierce County)	120	120	101		101		0.02%
Roberts, Village	81	81	69		69		0.01%
Bowler, Village	115	107	65		65		0.01%
Subtotal	940,123	877,002	476,432	214,978	691,409	40,718	73.84%
Direct, Proprietary, and Drinking Water							
Adell, Village	566	566		343	343		
Albany, Village	536	393		378	378	143	
Algoma, City	5,547	5,432		3,573	3,573		
Appleton, City (Outagamie County)	16,474	13,989		9,895	9,895	2,485	
Arena, Village	1,486	1,416		1,416	1,416	69	
Arlington, Village	1,662	1,579		1,525	1,525	83	
Aurora SD #1	15	15		7	7		
Avoca, Village	359	344		289	289		
Bagley, Village	229	218		210	210		
Bayshore SD	947	899					
Bear Creek, Village	432	387		328	328		
Black Earth, Village	4,278	3,841		3,841	3,841	437	
Blue Spring Lake Mgmt Dist	380	361					
Boaz, Village	106	106		63	63		
Bohners Lake SD #1	8,007	7,857		5,494	5,494		
Brookfield SD #4	5,750	5,523		5,280	5,280	227	
Brookfield, City	23,195	22,223		21,243	21,243	973	
Brule SD	367	299		290	290	68	

Table VI-2 - Continued
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING LOANS
September 30, 2000
(Amount in Thousands)

Municipality	Financial Assistance Loan Amount [b]	Total Loan Amount Disbursed	Leveraged Balance	Direct, Drinking Water and Proprietary Balance	Total Outstanding Balance [c]	Loan Amount Remaining to Fund [d]	Leveraged Loans Percent of Revenue Bond Payment [e]
Burlington, City (Racine County)	18,488	17,855		11,415	11,415		
Butte des Morts Consolidated SD #1	2,144	2,144		862	862		
Calumet SD #1	505	505		373	373		
Caroline SD	83	83		50	50	63	
Christmas Mountain SD	1,265	1,201		1,201	1,201		
Cleveland, Village	3,610	3,452		2,884	2,884		
Clinton, Village	4,962	1,562		1,562	1,562	3,400	
Cloverleaf Lakes SD #1	1,022	977		645	645		
Cochrane, Village	454	41		41	41	413	
Consolidated S.D. #1	155	155		95	95		
Crivitz, Village	1,725	1,725		1,155	1,155		
Cushing SD #1	116	116		111	111		
Denmark, Village	2,241	2,223		1,629	1,629		
Dyckesville SD	3,127	3,127		1,160	1,160		
Eagle River, City	3,563	3,401		2,810	2,810		
Eastman, Village	323	323		195	195		
Edgewood-Shangri La SD	1,011	996		901	901		
Egg Harbor, Village	508	504		467	467		
Elcho SD #1	1,418	1,418		1,349	1,349		
Elk Mound, Village	419	418		281	281		
Fairchild, Village	575	575		529	529		
Forestville, Village	585	552		532	532	33	
Germantown SD	34	34		21	21		
Gordon SD #1	395	395		249	249		
Green Valley SD #1	188	188		155	155		
Hartford, City (Washington County)	13,168	12,510		11,460	11,460	571	
Hartford, Town	742	742					
Hatfield SD #1	1,135	1,135		789	789		
Haugen, Village	285	285		285	285		
Hilbert, Village	2,502	2,475		2,063	2,063	28	
Hub-Rock SD #1	494	494		442	442		
Ironton, Village	107	107		53	53		
Island View SD	2,764	2,480		2,070	2,070		
Ithaca SD #1	412	412		366	366		
Juneau, City	271	237		210	210		
Kelly Lake SD #1	1,914	1,818		1,818	1,818	96	
Kiel, City (Mantiowoc County)	2,470	2,470		2,202	2,202		
Lake Como Beach SD	4,459	4,459		4,013	4,013		
Lake Tomahawk SD #1	1,317	1,313		1,271	1,271		
Lannon, Village	3,824	3,326		2,780	2,780		
Lisbon SD #1	2,849	2,706		1,684	1,684		
Little Suamico SD #1	1,349	1,273		892	892	37	
Lomira, Village	1,932	1,784		1,419	1,419		
Lyndon Station, Village	615	555		535	535	60	
Marathon City, Village	1,890	1,796		1,736	1,736	95	
Mazomanie, Village	4,753	4,256		4,256	4,256	496	
Menomonee Falls, Village	887	859		821	821	28	
Milltown, Village	337	302		271	271		
Milwaukee, City	19,358	17,559		16,836	16,836	1,799	
Morrison SD #1	294	294		37	37		
Morrisonville SD #1	278	278		252	252		
Mukwonago, Village (Waukesha County)	1,886	822		795	795	1,064	
Nekoosa, City	2,435	2,406		2,024	2,024		
Nelson, Village	640	640		512	512		
Niagara, City	181	181		110	110		
North Hudson, Village	641	620		72	72		
Oakdale, Village	45	45		25	25		
Oconomowoc, Town	6,819	3,481		3,481	3,481	3,338	
Oconto, City	3,844	3,725		2,956	2,956		
Ogema SD #1	190	181		127	127		
Oliver, Village	588	588		508	508		
Omro SD #1	992	992		790	790		
Oneida Tribe of Indians	1,210	1,210		700	700		
Onion River Sewage Commission/Adell	721	721		438	438		
Onion River Sewage Commission/Hingham	227	227		142	142		
Oregon, Village	6,785	6,641		5,620	5,620		
Orihula SD	2,522	2,485		1,863	1,863		
Oshkosh, City	45,933	44,521		40,661	40,661	542	
Packwaukee SD #1	242	242		231	231	73	

Table VI-2 - Continued
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING LOANS
September 30, 2000
(Amount in Thousands)

Municipality	Financial Assistance Loan Amount [(b)]	Total Loan Amount Disbursed	Leveraged Balance	Direct, Drinking Water and Proprietary Balance	Total Outstanding Balance [(c)]	Loan Amount Remaining to Fund [(d)]	Leveraged Loans Percent of Revenue Bond Payment [(e)]
Park Falls, City	1,469	1,395		1,395	1,395		
Pell Lake SD #1	5,829	5,829		5,532	5,532		
Pensaukee SD #1	1,279	1,279		1,077	1,077		
Pewaukee, City	8,049	7,764		7,424	7,424	285	
Pleasant Springs SD #1	1,029	934		764	764		
Portage, City	4,341	4,072		3,909	3,909	269	
Readstown, Village	178	178		178	178		
Rockland SD #1	222	222		123	123		
Roxbury SD #1	940	914		879	879		
Royal Scot SD	510	510					
Sherwood, Village	1,500	1,500		1,383	1,383		
South Wayne, Village	1,388	1,266		1,083	1,083		
Stetsonville, Village	1,141	929		929	929	212	
Valley Ridge Clean Water Comm.	749	749		469	469		
Walworth County Met Sewer Dist	19,994	19,088		15,087	15,087		
Washington - DOOR, Town	60	60					
Waukesha, City	42,072	40,531		28,145	28,145		
Wausaukee, Village	1,662	1,662		1,203	1,203		
Wauzeka, Village	128	107		90	90		
Westboro SD #1	51	51		43	43		
Wheeler, Village	37	37					
Williams Bay, Village	885	836		778	778		
Winneconne SD #3	2,079	1,975		1,432	1,432	104	
Winneconne, Village	1,669	1,510		1,427	1,427	157	
Wisconsin Rapids, City	11,670	11,348		7,662	7,662		
Subtotal	374,485	349,817		285,478	285,478	17,647	
Total	$ 1,314,608,454	$ 1,226,818,511	$ 476,431,621	$ 500,455,508	$ 976,887,128	$ 58,365,499	73.84%

(a) Municipalities that have received Financial Assistance Agreements that are funded with both Leveraged Loans and Direct or Proprietary Loans are included in their entirety within the group of Leveraged Loans.

(b) The amount of financial assistance depicts only loans. Grants awarded in the aggregate amount of $97 million are not included.

(c) The principal balance may be less than the total amount disbursed due to repayment of loans.

(d) "Loan Amount Remaining to Fund" is the "Financial Assistance Loan Amount" less "Total Loan Amount Disbursed", except for Loans that have been closed-out or paid-off, in which case the "Loan Amount Remaining to Fund" is zero.

(e) Total loan repayments of outstanding Leveraged Loans (excluding amounts payable after the retirement of the previously issued and Outstanding Bonds) are shown as a percentage of total 1991 Series 1 Bonds, 1993 Series 1 and 2 Bonds, 1995 Series 1 Bonds, 1997 Series 1 Bonds, 1998 Series 1 Bonds, 1998 Series 2 Bonds, and 1999 Series 1 Bonds, less those Bonds that are defeased. Loans with amortization periods of shorter duration than the Bonds will reflect a lower comparative percentage of the Bonds' debt service. Other revenues expected to be available for payment of the Bonds consist of Subsidy Fund transfers and repayments on Loans to be originated in the future from the remaining undisbursed 1999 Series 1 Bond proceeds.

As used in Table VI-2, "SD" refers to a sanitary district, "SC" to sewerage commission, "MSD" to a metropolitan sewerage district, "TPC" to a treatment plant commission, "RD" to a rehabilitation district, "CWC" to a clean water commission "WPCC" to a water pollution control center, and "MD" to a management district. Due to rounding, rows and columns may not add to the totals shown.

Subsidy Fund

Loans are made pursuant to the Clean Water Fund Program to certain Municipalities at interest rates below the Clean Water Fund Program's cost of borrowing. To supplement revenues produced by Leveraged Loan Repayments, the General Resolution creates a Subsidy Fund, a Subsidy Fund Requirement and a Subsidy Fund Transfer Amount.

The Subsidy Fund Requirement is that amount which, when invested as permitted in the General Resolution, is projected by an Authorized Officer to result in an amount being available during each period commencing after an interest payment date and ending on the next interest payment date (**Period**) which is at least equal to the amount by which Aggregate Debt Service payable during the Period exceeds the sum of:

- Scheduled disbursements from the Capitalized Interest Account, and
- Leveraged Loan Repayments scheduled to be received during the Period from sources other than transfers of Loan capitalized interest from the Loan Fund

In making the projections set forth above, the State may treat undisbursed amounts in the Loan Fund as if:

- Such undisbursed amounts are invested at an appropriate rate of interest to the final maturity of Bonds
- Such undisbursed amounts and the earnings thereon are transferred from time to time to the Revenue Fund to pay debt service, and for purposes of calculating the Subsidy Fund Requirement, such amounts may be treated as if they were Leveraged Loan Repayments; provided that prior to each Loan disbursement the State recalculates the Subsidy Fund Requirement assuming for purposes of calculation that the disbursement has been made (and the amount is repayable in accordance with the applicable Municipal Obligations), and if such calculation fails to confirm that following the disbursement the Subsidy Fund Requirement is met, the State refrains from making a requisition for the disbursement

The Subsidy Fund Transfer Amount is that amount equal to the amount by which Aggregate Debt Service payable during a Period exceeds the sum of:

- Leveraged Loan Repayments scheduled to be received and delinquent Leveraged Loan Repayments actually received during the Period
- Earnings on the Loan Credit Reserve Fund deposited in the Revenue Fund during the Period
- Any moneys on deposit in the Revenue Fund, the Interest Account of the Debt Service Fund, or the Principal Account of the Debt Service Fund at the beginning of the Period
- Any amounts in the Loan Fund transferred to the Revenue Fund during the Period as directed in a certificate of an Authorized Officer, and
- Amounts scheduled to be transferred from the Capitalized Interest Account to the Interest Account during such Period

On the business day preceding each interest payment date, the Trustee shall transfer the Subsidy Fund Transfer Amount from the Subsidy Fund to the Debt Service Fund.

Whenever the money in the Debt Service Fund and money available in the Loan Credit Reserve Fund are insufficient to pay the principal of and interest on the Bonds, the Trustee shall transfer amounts from the Subsidy Fund to the Debt Service Fund to the extent necessary to cure the deficiency.

The General Resolution permits the issuance of a Series of Bonds only if, upon such issuance, an Authorized Officer certifies to the Trustee that upon delivery of such Bonds there will be in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement. In addition, except in the case of a default in payment of the Bonds, the General Resolution permits disbursements from the Loan Fund only upon receipt of a certificate from an Authorized Officer stating that after taking into account the disbursement there is on deposit in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement.

As of September 30, 2000, the Environmental Improvement Fund has purchased $110 million of State general obligation bonds that were deposited into the Subsidy Fund and the amortized balance was $91 million.

Loan Credit Reserve Fund

As additional security for the Bonds there has been established a Loan Credit Reserve Fund which will, upon the issuance of any Series of Bonds, be funded in an amount at least equal to the Loan Credit Reserve Fund Requirement. The Loan Credit Reserve Fund Requirement means and is calculated as follows:

- Upon the issuance of the first Series of Bonds or disbursements of funds for Loans from the Loan Fund, an Authorized Officer delivered to the Trustee a schedule of credit quality categories and loan credit reserve fund requirements for each Rating Agency (**Schedule**) approved by such Rating Agency. Each Schedule sets forth the percentage of the annual debt service attributable to each Loan disbursement from the Loan Fund to be deposited in the Loan Credit Reserve Fund with respect to each Loan disbursement. A Schedule may be amended from time to time upon the presentation to the Trustee of a certificate of an Authorized Officer, supported by a certificate from the Rating Agency to which such Schedule applies, confirming that such amendment to the Schedule will not adversely affect the then-outstanding rating assigned to the Bonds by such Rating Agency. For a description of the Schedules currently in effect, see "LOAN CREDIT RESERVE FUND SCHEDULES".

- The amount required in the Schedules for each disbursement from the Loan Fund (and if the Schedules provide for different amounts, then the higher amount) is the **Contribution Amount**.

- The Loan Credit Reserve Fund Requirement shall be, as of any date of calculation, the total Contribution Amount derived from each Schedule (and if the Schedules provide for a different total Contribution Amount, then the higher total Contribution Amount) that would be required were all disbursements from the Loan Fund outstanding to be disbursed on that date, based on the then-current Schedules.

The Trustee may not disburse moneys from the Loan Fund unless, prior to such disbursement, there is deposited in the Loan Credit Reserve Fund concurrently with the disbursement an amount equal to the Contribution Amount, provided, however, that if the amount on deposit would be in excess of the Loan Credit Reserve Fund Requirement, the Contribution Amount may be reduced in an amount equal to such excess. If upon the issuance of a Series of Bonds, there is on deposit in the Loan Credit Reserve Fund an amount in excess of the Loan Credit Reserve Fund Requirement (such excess being the **Funded Amount**), any Contribution Amount required to be deposited into the Loan Credit Reserve Fund upon a disbursement from the Loan Fund shall be deemed to be made from such Funded Amount until the Funded Amount is exhausted. Any Funded Amount shall be available until issuance of a subsequent Series of Bonds, whereupon a new Funded Amount is calculated. The Loan Credit Reserve Fund Requirement is calculated based on disbursements from the Loan Fund. Upon issuance of an additional Series of Bonds, additions to the Loan Credit Reserve Fund Requirement will be zero prior to any additional Loan disbursement. Failure to make deposits in the Loan Credit Reserve Fund (including deemed deposits from the Funded Amount) would consequently preclude making any subsequent disbursements from the Loan Fund.

Whenever moneys in the Debt Service Fund are insufficient to pay the principal of or interest on the Bonds, the Trustee will apply amounts from the Loan Credit Reserve Fund to the extent necessary to cure the deficiency. Except in the event of the issuance of additional Bonds, the State is not required to replenish the Loan Credit Reserve Fund following creation of a deficiency therein, except from surpluses in the Subsidy Fund being transferred to the State Equity Fund.

Whenever moneys and securities in the Loan Credit Reserve Fund (excluding earnings required to be transferred to the Revenue Fund) shall exceed the Loan Credit Reserve Fund Requirement, the Trustee is required, at the written direction of an Authorized Officer, subject to certain conditions, to transfer all or any portion of such surplus from the Federal SRF Account to any account within the Clean Water Fund Program or from the Non-SRF Account to the Revenue Fund. Any withdrawal of surpluses from the Loan Credit Reserve Fund shall reduce the Funded Amount by an amount equal to the amount of such withdrawal.

As of September 30, 2000, the Loan Credit Reserve Fund balance was approximately $59 million. This amount exceeded the Loan Credit Reserve Fund Requirement as of that date, which was $51 million.

As of September 30, 2000, the Loan Credit Reserve Fund was invested as follows:

- $22 million were invested in an investment agreement with AIG Matched Funding Corp. (**AIGMFC**) with the payment obligations of AIGMFC guaranteed by American International Group, Inc., which policy does not guarantee or otherwise provide for payment of amounts due in the event of non-payment by the State.
- $6 million were invested in an investment agreement with MBIA Investment Management Corp. (**IMC**) with the payment obligations of IMC guaranteed by the MBIA Insurance Corporation, which policy does not guarantee or otherwise provide for payment of amounts due in the event of non-payment by the State.
- $8 million were invested in a collateralized investment repurchase agreement with Bayerische Landesbank Girozentrale (**Bayerische**), with the collateral held by Norwest Bank Minnesota, National Association as custodian.
- $21 million were invested in direct obligations of the United States under two forward delivery agreements with First Union National Bank of North Carolina (**First Union**).
- $2 million were invested in a forward delivery agreement with Westduetche Landesbank Girozentrale **(West LB)**.

The investment agreement with AIGMFC, the investment agreement with IMC, the investment repurchase agreement with Bayerische, the forward delivery agreements with First Union, and the forward delivery agreement with West LB each provide for liquidation of the investments if and when required by the terms of the General Resolution.

If one or more Municipalities fail to make their Leveraged Loan Repayments, and the amount of the delinquent payments is in excess of the amount available from the Loan Credit Reserve Fund, this may adversely affect the ability of the Clean Water Fund Program to make timely payments of the principal of, interest on, or redemption price of the Bonds.

Statutory Powers

The Act includes several provisions that may provide additional security for payment of the principal of, interest on, or redemption price of the Bonds.

State Aid Intercept

The Act confers an "intercept power" upon DOA. If a Municipal Obligation to the State is in default, DOA, which is the paying agent for State moneys payable to Wisconsin municipalities, is required to place on file a certified statement of all amounts due under the loan. Thereafter, DOA is authorized to collect all amounts due under the loan by deducting those amounts from any State payments due the Municipality. The State has covenanted in the General Resolution to exercise this intercept power to the extent State payments are available. Certain Municipalities, including town sanitary districts, public inland lake protection rehabilitation districts, metropolitan sewage districts, and intergovernmental cooperation commissions do not receive such State payments. The amount of money realized by the Clean Water Fund Program from the exercise of the intercept power will depend on the level of State payments to the Municipality in relation to the size of the loan. The level of State payments to Municipalities may vary in the future. Although State payments can be intercepted by the State for certain other purposes, current administrative rules require DOA to exercise the Clean Water Fund Program intercept as a first charge against State payments due a particular Municipality.

Collection Through County Treasurers

If a Municipal Obligation to the State is in default, the Act gives DOA the authority, after placing on file the certified statement of amounts due under a loan, to add the amount due on the loan as a special charge to the amount of taxes levied upon the county in which the defaulting Municipality is located. In turn, the county treasurer is required to apportion the amount of such special charges to "any town, city, or village," and the special charges are then collected with the annual property tax. The word "town" in a statute may be construed as including cities, villages, wards and districts, although metropolitan sewerage districts and town sanitary districts are not specifically mentioned. The enforceability of this procedure for collection of special charges has not been tested in court. Accordingly, no assurance can be given as to the enforceability of this procedure.

State Moral Obligation

At the time a loan is made, the Commission may by resolution designate the loan as one to which the State "moral obligation" applies. If such "moral obligation" applies, the Act provides that, if at any time the payments received or expected to be received from a Municipality on any loan are insufficient to pay when due the principal of and interest on such loan, DOA shall certify the amount of such insufficiency to the Secretary of Administration, the Governor, and the Joint Committee on Finance. The Joint Committee on Finance is then required to introduce a bill appropriating the amount so requested for the purpose of payment of the Municipal Obligation secured thereby. Recognizing its "moral obligation" to do so, the Legislature has expressed its expectation and aspiration that, if ever called upon to do so, it would make the appropriation. The "moral obligation" applies to individual loans and not to the Bonds. In addition, the loans to which a "moral obligation" applies must be specifically designated by the Commission at the time the loan is made.

No loan currently financed or expected to be financed from proceeds of the Bonds is expected to be designated as a "moral obligation" Loan. In the opinion of Bond Counsel, the provisions of the Act relating to the State's "moral obligation" do not violate the constitution of the State or any other law of the State, but such provisions do not constitute a legally enforceable obligation or create a debt on behalf of the State.

State Financial Participation

The State has funded and intends to continue to fund all or a substantial portion of the Subsidy Fund through the issuance of State general obligation bonds. Such State general obligation bonds will be sold to the Clean Water Fund Program for deposit in the Subsidy Fund as and when required to meet the Subsidy Fund Requirement. The State general obligation bonds are issued such that the principal and interest will be due and payable on such bonds at the times and in the amounts as are required to satisfy the Subsidy Fund Requirement. The State has authorized the issuance of additional general obligation bonds in an amount expected to exceed the Subsidy Fund Requirement necessary to disburse all Bond proceeds. However, failure of the State to fund the Subsidy Fund at the Subsidy Fund Requirement will preclude the disbursement of Bond proceeds from the Loan Fund (except to pay interest on the Bonds) and preclude the issuance of additional Bonds. Such a failure could adversely affect the ability of the Clean Water Fund Program to make timely payments of the principal of, interest on, or redemption price of the Bonds.

Although the State has no present intent to cause this to happen, State general obligation bonds may also be sold to the Clean Water Fund Program for deposit in the Loan Credit Reserve Fund to meet the Loan Credit Reserve Fund Requirement.

Additional Information

As of September 30, 2000, no single entity was the source of 20 percent or more of the gross cash flow servicing the Bonds. The State, which has issued its general obligation bonds that are currently held in the Subsidy Fund, is expected to provide approximately 18.6 percent of the gross cash flow servicing the Bonds. Information about the State, including its financial statements, is included in Part II of this Annual Report.

Information about Municipalities, other than the amounts of their loans and annual repayments, is not made part of this Annual Report, however, financial statements are required to be provided to the Clean Water Fund Program by any Municipality which has received a Direct Loan, Proprietary Loan or Leveraged Loan.

A copy of any financial statements provided to the Clean Water Fund Program by any Municipality is available upon submitting a request through DOA, Clean Water Fund Program Office, Box 7864, Madison, Wisconsin 53707-7864, phone (608) 267-1836.

Additional Bonds

The General Resolution permits the issuance of additional Bonds, without limitation as to amount, except for any statutory limitations on the aggregate authorized amount of revenue bonds that can be issued for the Program. As of September 30, 2000, $658 million of Bonds are authorized but unissued. Proceeds of these Bonds, if issued, may be used to provide funds for Clean Water Fund Program purposes, including making Loans. As a condition to the issuance of additional Bonds, the General Resolution requires that there will be delivered to the Trustee a certificate of an Authorized Officer that, upon the issuance of such Bonds, there will be in the Loan Credit Reserve Fund an amount at least equal to the Loan Credit

Reserve Fund Requirement and that there will be in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement.

Any additional Bonds issued under the General Resolution will be on a parity with any other Bonds previously issued, and will be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the State set forth in the General Resolution (except for funds pledged to defease any specific Bonds).

Disposition of Loans

DOA may sell, assign, transfer, or otherwise dispose of any loan and the Municipal Obligations evidencing such loan (free and clear of the pledge of the General Resolution or subject to the lien of the General Resolution, at the discretion of the State), at such price as the Commission shall determine, provided that prior to any such sale, assignment, transfer, or disposition the State files with the Trustee a certificate of an Authorized Officer to the effect that, immediately following such sale, assignment, transfer, or disposition, there will be on deposit in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement and there will be on deposit in the Loan Credit Reserve Fund an amount at least equal to the Loan Credit Reserve Fund Requirement.

The State may sell, assign, transfer, or otherwise dispose of any loan and the Municipal Obligation evidencing such loan (but not free and clear of the General Resolution), at such price as the Commission shall determine provided that prior to such sale, assignment, transfer, or disposition the State files with the Trustee a certificate of an Authorized Officer to the effect that, immediately following such sale, assignment, transfer or disposition and the deposit of the proceeds thereof in the applicable account, there will be on deposit in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement and there will be on deposit in the Loan Credit Reserve Fund an amount at least equal to the Loan Credit Reserve Fund Requirement.

The State may sell, assign, transfer, or otherwise dispose of any loan and the Municipal Obligation evidencing such loan (but not free and clear of the General Resolution) and deposit the proceeds thereof in the applicable account if such Loan and such Municipal Obligation is delinquent in payments of principal or interest and if, in the reasonable opinion of the State, as evidenced by a certificate of an Authorized Officer, the proceeds of such sale, assignment, transfer, or disposition are not less than the fair market value of such delinquent Loan or Municipal Obligation.

The State may consent to prepayment of any Loan and the Municipal Obligation evidencing such Loan provided that, prior to such prepayment, the State files with the Trustee a certificate of an Authorized Officer to the effect that, immediately following such prepayment and deposit of the proceeds thereof to the applicable fund or account, the Subsidy Fund Requirement has not been increased.

LOAN CREDIT RESERVE FUND SCHEDULES

Introduction

The General Resolution establishes the amount and timing of funds and securities required to be deposited or on deposit in the Loan Credit Reserve Fund, based on Schedules reviewed by no less than two Rating Agencies. The State, with the consent of a Rating Agency, may from time to time change the Schedule previously approved by such Rating Agency so long as the change does not adversely affect the then-current rating on the Bonds. To the extent the amount of the deposit or amount on deposit required by the Schedule approved by one Rating Agency differs from the amount required by the Schedule approved by another Rating Agency, the larger amount is required. As of September 30, 2000 the amount held in the Loan Credit Reserve Fund was $59 million, and the amount required on such date was $51 million.

Current Schedules

The Bonds are currently rated AA+ by Fitch, Inc. (**Fitch**), Aa2 by Moody's Investors Service, Inc. (**Moody's**) and AA+ by Standard & Poor's Ratings Services (**S&P**). Each of the following Schedules has been approved by the respective Rating Agency indicated.

Fitch, Inc.

Based on certain credit characteristics, each Loan will be assigned to one of six credit categories, which are explained below. Any assignment of a Loan to a credit category other than "Not Rated; Interceptable State Aid Factor 2.0 or Greater" or "Not Rated; Interceptable State Aid Factor Less Than 2.0" is subject to review by Fitch. The amount required to be deposited or on deposit in the Loan Credit Reserve Fund with respect to a particular Loan and any amounts disbursed under that Loan differs, depending on the borrower. The Municipality with total outstanding General Resolution Leveraged Loans in a credit category below that of the Bonds, such that the Municipality's outstanding Loan amount is larger than that of any other Municipality with outstanding Loans in credit categories below that of the Bonds, is the "Largest Borrower Below Bond Credit Quality". The required deposit attributable to the Largest Borrower Below Bond Credit Quality shall equal the total of all debt service payments attributable to the Loan or Loans to that Borrower over the four-year period in which such debt service payments are the greatest. For any Loans to borrowers other than the Largest Borrower Below Bond Credit Quality, the required deposit shall equal the product of the total of all debt service payments attributable to such Loans over the four-year period in which such debt service payments are the greatest times the factor, described below, assigned to Loans of the applicable credit category.

Loans are currently assigned to credit categories based on one or more of the following characteristics, (1) the Fitch rating given to the Municipal Obligation (or its lack of a Fitch rating), (2) the credit quality estimate for the Municipal Obligation based on information available to Fitch from sources it believes to be reliable, or (3) the anticipated amount of annual State payments that can potentially be intercepted by DOA.

The State recognizes that the credit quality estimate, or "shadow rating", is not necessarily the official or public Fitch ratings for the Municipal Obligation and are used solely for purposes of analyzing the credit quality of the Bonds. The intercept power is described under "SECURITY AND SOURCE OF PAYMENT FOR BONDS; State Aid Intercept" in this part of the Annual Report. If the Municipal Obligation is not rated by Fitch, the State may request that Fitch assign a credit quality estimate, or "shadow rating", for the Municipal Obligation.

Credit categories to which Loans may be assigned by Fitch currently include the following:

"AAA" Credit Quality Category. A Loan is assigned to this category if its related Municipal Obligation is deemed to be of the highest credit quality, denoting the lowest expectation of credit risk. Assignments to this category are made only in cases of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

"AA" Credit Quality Category. A Loan is assigned to this category if its related Municipal Obligation is deemed to be of very high credit quality, denoting a very low expectation of credit risk. Assignments to this category are made in cases of very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

“A” Credit Quality Category. A Loan is assigned to this category if its related Municipal Obligation is deemed to be of high credit quality, denoting a low expectation of credit risk. Assignments to this category are made in cases of strong capacity for timely payment of financial commitments. Nevertheless, this capacity may be more vulnerable to changes in circumstances or in economic conditions than is the case for higher credit quality categories.

“BBB” Credit Quality Category. A Loan is assigned to this category if its related Municipal Obligation is deemed to be of good credit quality, denoting a currently low expectation of credit risk. Assignments to this category are made in cases of adequate capacity for timely payment of financial commitments. Adverse changes in circumstances and in economic conditions are more likely to impair this capacity than is the case for higher credit quality categories.

Not Rated; Interceptable State Aid Factor 2.0 or Greater. The anticipated amount of annual State payments that can potentially be intercepted by the State is determined by DOA based on the minimum of the five most recent years for which data are available of one source of State payments to the Municipality: State shared revenue. A Loan is currently assigned to this category if its related Municipal Obligation is: (1) not rated by Fitch or categorized as being of speculative grade credit quality by Fitch, and (2) the anticipated amount of annual State payments that can potentially be intercepted by the State equals or exceeds twice the maximum annual debt service payments on the entire amount of the Loan, whether or not the entire amount has been disbursed.

Not Rated; Interceptable State Aid Factor Less Than 2.0. A Loan is currently assigned to this category if its related Municipal Obligation is: (1) not rated by Fitch IBCA or categorized as being of speculative grade credit quality, and (2) the anticipated amount of annual State payments that can potentially be intercepted by the State is less than twice the maximum annual debt service payments on the entire amount of the Loan, whether or not the entire amount has been disbursed.

The following chart shows the current factor assigned to each of the six credit categories by Fitch.

Category	Factor
‘AAA’ Credit Quality Category	0%
‘AA’ Credit Quality Category	0
‘A’ Credit Quality Category	8
‘BBB’ Credit Quality Category	14
Not Rated; Interceptable State Aid Factor 2.0 or Greater	8
Not Rated; Interceptable State Aid Factor Less Than 2.0	36

The State recognizes that lower factors may be assigned to Loans related to Municipal Obligations that are deemed by Fitch to be general obligations secured by the Municipality’s full faith and credit, based on Fitch’s current rating guidelines for leveraged municipal loan pools. However, the State does not currently opt to assign such lower factors to such Loans, since the above factors result in a more conservative level of funding for the Loan Credit Reserve Fund.

The State recognizes that Fitch’s rating on the Bonds is based only in part upon the level of funding in the Loan Credit Reserve Fund and the credit quality of borrowers from Bond funds. Other factors upon which the Bonds’ rating is based currently include, but are not limited to, Fitch’s general obligation bond rating for the State of Wisconsin, as well as structural and legal characteristics of the Clean Water Fund Program, Clean Water Fund Program management, Clean Water Fund Program loan underwriting practices, Clean Water Fund Program loan monitoring practices, and permitted Clean Water Fund Program investments. The State recognizes that factors upon which the Bonds’ rating is based may change in the future. The State asserts that it expects to maintain the Loan Credit Reserve Fund at approximately the same proportional levels as it has since inception of the Clean Water Fund Program, and the State recognizes that the rating maintained by Fitch may be based on the maintenance of amounts greater than the amounts required under this particular Loan Credit Reserve Fund Schedule. The State agrees to maintain the Loan Credit Reserve Fund investments as either rated or ratable in the same credit rating category as the Bonds. The State further agrees that, if practicable, it will provide Fitch with at least 30 days notice of significant changes in either the credit quality or amounts maintained in the Loan Credit Reserve Fund.

Moody's Investors Service, Inc.

As part of the Schedule submitted to Moody's, the State has indicated that it will maintain the Loan Credit Reserve Requirement at a level that corresponds to certain Loan portfolio credit characteristics. The amount required to be deposited or on deposit in the Loan Credit Reserve Fund is the product of the average annual debt service of the outstanding, disbursed Loans times a factor of 120%, and is based on an evaluation of the Loans shown in Table VI-2 in "SECURITY AND SOURCE OF PAYMENT FOR BONDS; Loans". A different factor may be applied if Loan portfolio credit characteristics change.

Standard & Poor's Ratings Services

Based on certain credit characteristics, each Loan will be assigned one of five categories, which are explained below. The amount required to be deposited or on deposit in the Loan Credit Reserve Fund with respect to a particular disbursement from the Loan Fund is the product of the maximum annual debt service payment on the Loan attributable to the disbursement times the factor assigned to that particular category.

The following chart shows the current factor assigned to each of the five categories by S&P. Following the chart is an explanation of the characteristics of each category.

Category	Factor
Higher Investment Grade Rating	0%
Medium Investment Grade Rating	40
Lower Investment Grade Rating	64
Not Rated; Greater State Aids	40
Not Rated; Lesser State Aids	140

Loans are categorized based on two characteristics: (1) the rating given to the Municipal Obligation (or its lack of a rating), and (2) the anticipated amount of annual State payments that can potentially be intercepted by DOA.

The intercept power is described under "SECURITY AND SOURCE OF PAYMENT FOR BONDS; State Aid Intercept" in this part of the Annual Report. If the Municipal Obligation is not rated by S&P, the State may request permission from S&P to assign the Municipal Obligation to a particular category.

The anticipated amount of annual State payments that can potentially be intercepted by DOA is determined by DOA based on the minimum of the five most recent years for which data are available of one source of State payments to the Municipality–State shared revenue.

Higher Investment Grade Rating. A Loan is assigned to this category if the Municipal Obligation is rated by S&P in either of the two highest rating categories (AAA;AA).

Medium Investment Grade Rating. A Loan is assigned to this category if the Municipal Obligation is rated by S&P in the third highest rating category (A). S&P may also permit a Loan to be assigned to this category, regardless of whether or not the Municipal Obligation is rated, in the event the State designates the Loan as one to which the State “moral obligation” applies. The State “moral obligation” is described in “SECURITY AND SOURCE OF PAYMENT FOR BONDS”.

Lower Investment Grade Rating. A Loan is assigned to this category if the Municipal Obligation is rated by S&P in the minimum investment grade rating category (BBB).

Not Rated; Greater State Aids. A Loan is assigned to this category if the Municipal Obligation is: (1) either is not rated or is rated below investment grade, and (2) the anticipated amount of annual State payments that can potentially be intercepted by the State equals or exceeds twice the average annual debt service payments on the entire amount of the Loan, whether or not the entire amount has been disbursed.

Not Rated; Lesser State Aids. A Loan is assigned to this category if the Municipal Obligation is: (1) either is not rated or is rated below investment grade, and (2) the anticipated amount of annual State payments that can potentially be intercepted by the State is less than twice the average annual debt service payments on the entire amount of the Loan, whether or not the entire amount has been disbursed.

The State recognizes that the rating maintained by S&P is based in part upon the level of funds available in the Loan Credit Reserve Fund. The State asserts that it expects to maintain the Loan Credit Reserve Fund at approximately the same proportional levels as it has since inception of the Clean Water Fund Program, and the State recognizes that the rating maintained by S&P may be based on the maintenance of amounts greater than the amounts required under this Loan Credit Reserve Fund Schedule. The State agrees to maintain the Loan Credit Reserve Fund investments as either rated or ratable in the same rating category as the Bonds. The State further agrees that, if practicable, it will provide S&P with at least 30 days notice of significant changes in either the credit quality or amounts maintained in the Loan Credit Reserve Fund.

The State agrees that if the rating on or ratability of an investment in the Loan Credit Reserve Fund is based on either a credit enhancement policy or financial guarantee, the State will notify S&P not less than 30 days prior to the expiration of such policy and indicate what action, if any, is expected to be taken with respect to the credit quality of the investment.

Ratings on Municipal Obligations

Any explanation of the significance of a rating with respect to a Municipal Obligation may only be obtained from the Rating Agency furnishing the rating. There is no assurance that the rating given to a Municipal Obligation will be maintained for any period of time; a rating may be lowered or withdrawn entirely by the Rating Agency if in its judgment circumstances warrant.

MUNICIPALITIES

Pursuant to the Act, the Clean Water Fund Program is authorized to provide financial assistance in the form of loans to any Municipality. A Municipality may be any city, town, village, county, town sanitary district, public inland lake protection and rehabilitation district, metropolitan sewerage district, or federally recognized American Indian tribe or band located in the State. Due to the diversity of the types of potential recipients of financial assistance, the manner in which the Municipalities raise revenues and issue and secure debt will vary.

Prospective municipal borrowers fall into three general categories

- *General purpose Municipalities*, such as counties, cities, villages, towns and Indian tribes and bands. General purpose Municipalities may borrow for a variety of public purposes, including the construction or improvement of wastewater facilities. Such general purpose Municipalities may incur long-term obligations in the form of general obligation debt secured by property tax levies, revenue obligations secured by user fees and special assessments, and installment lease contracts.

- *Special purpose Municipalities*, such as town sanitary districts, public inland lake protection rehabilitation districts and metropolitan sewage districts. Special purpose Municipalities may borrow for the purpose for which they are created, primarily wastewater facilities. Debt may be incurred by special purpose Municipalities in generally the same forms as may be incurred by general purpose Municipalities. Town utility districts may be utilized by towns to allocate tax levies, but the town is the actual borrower; and any general obligation issued by a town utility district is secured by the full faith and credit of the entire town.
- *Intergovernmental Cooperation Commissions*, which are special purpose intergovernmental bodies formed by agreements authorized under State law between two or more Municipalities. Intergovernmental Cooperation Commissions differ from general purpose Municipalities and special purpose Municipalities in that joint utility systems do not have general taxing powers and typically depend upon their contracting members to collect revenues via user fees or tax levies from individual users of wastewater facilities. In most cases, loans will be made to the individual Municipalities that comprise the Intergovernmental Cooperation Commission.

Constitutional and Statutory Requirements

Municipal powers are derived in some instances from the State Constitution and from a variety of sources within the Wisconsin Statutes. To the extent not inconsistent with the State Constitution and State law, Municipalities may adopt and amend local laws and ordinances relating to their property, affairs or government.

In general, the State Constitution and State law limit the power of Municipalities to issue Municipal Obligations and to otherwise contract indebtedness. As a condition for making a Loan, the State will require an opinion of counsel to the effect that (subject to certain exceptions for bankruptcy, insolvency and similar laws affecting creditors' rights or remedies and equitable principles) the Financial Assistance Agreement and the Municipal Obligation evidencing the Loan constitute legal, valid and binding obligations of the Municipality enforceable against the Municipality in accordance with their respective terms.

Limitations on Indebtedness

Generally, the aggregate general obligation debt that may be incurred by a Municipality may not exceed 5% of the equalized value of all real estate in the Municipality. Municipalities are not limited as to the amount of revenue obligations that they may incur. However, as described under "LOANS; Lending Criteria", the Act requires that a Municipality must comply with a number of requirements, including but not limited to establishing a dedicated source of revenue for the repayment of financial assistance and developing and adopting a system of equitable user charges.

Revenues

Revenues of counties, cities, villages, and towns are principally derived from property taxes, state and federal aids and fees and charges. Counties may levy a sales tax of up to a 0.5% rate. See "Collection of Real Property Taxes and Assessments" below for a discussion of real property taxes and special assessments.

Counties, cities, villages and towns receive financial assistance from the State (**State Aid**). The State is not constitutionally obligated to maintain or continue State Aid. Accordingly, no assurance can be given that present State Aid levels will be maintained in the future. The payment of State Aid by the State is subject to appropriations being made by the State Legislature. As discussed in more detail under "SECURITY AND SOURCE OF PAYMENT FOR BONDS; Statutory Powers", DOA may intercept State Aid payable to certain types of Municipalities if such a Municipality defaults on a Loan.

Certain Municipalities receive financial assistance from the federal government and have in the past received directly or indirectly significant federal aid for the construction of sewer and water improvements. However, other than as discussed under "CLEAN WATER FUND PROGRAM; Overview", significant federal aid is not expected to be available to Municipalities for the purpose of repaying Loans.

A Municipal Obligation to the State may take several forms. See "LOANS; Lending Criteria".

Collection of Real Property Taxes and Assessments

Real property taxes, special assessments, and special charges are collected by the county treasurer and remitted to the proper taxing authority. Special assessments may be levied generally by a taxing authority as an assessment against property to compensate for all or part of the costs of a public work or improvement which benefits the property. The right to levy special assessments may be made under the taxing power of the Municipality or the police power of the Municipality. The clearest difference between the two types of special assessments are that under the taxing power, the amount of the special assessment may not exceed the benefit conferred on the property, while under the police power, the amount of the special assessment need only be determined upon a reasonable basis as determined by the governing body of the Municipality. Costs of any work or improvements that may be reflected in whole or in part by special assessments may include the direct and indirect costs thereof and the anticipated interest on a Municipal Obligation issued in anticipation of the collection of the assessments. Special assessments are collected by county treasurers along with general property taxes.

Although general property taxes may be paid in installments in the year following the levy thereof (so long as all installments are paid no later than July 31) special assessments and special charges that are included in the tax roll must be paid in full on or before January 31, and even though a person elects to pay general property taxes in installments, if any special assessment or special charge entered on the tax roll is delinquent because it is not paid by January 31, the entire annual amount of real property taxes on that parcel that is unpaid becomes delinquent as of February 1. If the county treasurer receives a payment that is not sufficient to pay all general property taxes, special assessment and special charges, the county treasurer applies the payments to the amounts due, including interest and penalties, in the following order:

- Special charges
- Special assessments
- Special taxes
- General property taxes

The county treasurer settles with the appropriate taxation district on January 15 of each year for all payments received through the previous December 31, and on February 15 for all payments received through January 31, including all special assessments and special charges received.

Counties are authorized, but not required, to settle in full with all taxing jurisdictions for special assessments and special charges, and if so directed by the County Board, August 15 would be the date upon which the Municipality would receive the cash in settlement of unpaid special assessments and special charges.

As discussed under "SECURITY AND SOURCE OF PAYMENT FOR BONDS; Statutory Powers", if a Municipality is in default of payment on its Municipal Obligation, the State may, pursuant to the Act, add a special charge to the amount of State taxes levied upon the county. The enforceability of such a procedure has not been tested in court. Therefore, no assurance can be given as to the enforceability of this procedure.

A Municipality issuing a general obligation to the State must levy sufficient taxes, upon the adoption of the resolution authorizing the Municipal Obligation, to pay debt service on the Municipal Obligation, which tax levy will be collected along with other real estate taxes as discussed above. A Municipality may abate such levy, however, to the extent it deposits amounts in its statutorily required debt service fund before the date it carries the levy unto the tax roll. A Municipality issuing a revenue obligation may rely entirely upon user charges to pay the Municipal Obligation or, alternately, may in addition levy special assessments upon property within the boundaries of the Municipality in an amount sufficient to pay all or part of the Municipal Obligation.

LOANS

Requirements Under the Act

The Act sets forth certain requirements for eligibility of a Municipality to receive financial assistance from the Clean Water Fund Program. Each Municipality must be one of the types of governments specified by the Act. The Act further requires that the Municipality comply with a number of other requirements, including, but not limited to, establishing a dedicated source of revenue for the repayment of the financial assistance, complying with the requirements of the Water Quality Act, developing a program of water conservation as required by DNR, and developing and adopting a system of equitable user charges. While the Act permits financial assistance to take forms other than loans, such as guaranteeing or purchasing insurance for Municipal Obligations, awarding grants to certain hardship Municipalities, or subsidizing the interest cost on certain other loans, the State currently makes financial assistance available from the Clean Water Fund Program primarily by making loans to Municipalities at interest rates which are at or below market rates as specified in the Act. For a summary of permissible interest rates, see "CLEAN WATER FUND PROGRAM; Financial Assistance". Although the requirements set forth in the Act and the application process developed by DOA and DNR apply to all loans made under the Clean Water Fund Program, only repayments from Leveraged Loans are pledged to secure the Bonds, and hence the following discussion focuses on Loans.

DNR is responsible for establishing eligibility criteria for determining which applicants and which projects are eligible to receive financial assistance. Among the criteria DNR considers are water quality and public health. A Municipality is eligible for financial assistance from the Clean Water Fund Program for a wastewater project that corrects a DNR discharge violation.

Loan Application Process

DOA and DNR have developed an application form for Municipalities to apply for financial assistance from the Clean Water Fund Program. The application form requires the Municipality to provide technical information regarding the proposed project and the existing wastewater system, a project schedule, financial information relating to the project, and financial and other information relating to the Municipality. The application is reviewed by DNR for items pertaining to technical, administrative and environmental matters, including project eligibility and determination of the interest rate category for which the project is eligible. The application is reviewed by DOA to determine, among other things:

- The financial capability of the applicant to repay its Loan
- The financial terms and conditions of the Loan
- The security that will be required to be pledged by the Municipality for the Loan, and
- Such other special financial conditions as DOA may require

No Loans are made if DOA determines that the Municipality is unlikely to be able to repay the Loan.

Lending Criteria

DOA, in consultation with DNR, has the statutory responsibility to establish the financial terms and conditions of Loans, including what type of Municipal Obligation is required. In establishing these terms and conditions, DOA may consider factors that it finds relevant, including the type of Municipal Obligation or the Municipality's creditworthiness. DOA must be satisfied that the Municipality has the financial capacity to assure sufficient revenues to operate and maintain the project for its useful life and to pay debt service on the Loan according to its terms.

The following is a summary of the current lending criteria of DOA. DOA may change its lending criteria from time to time.

DOA requires each Loan to be evidenced by one of three types of Municipal Obligations:

- A revenue obligation secured by a covenant to assess user fees and a pledge of the utility's revenues
- A revenue obligation secured by special assessments and other utility revenue and a pledge of the utility's revenues, or
- A general obligation secured by a tax levy and a pledge of all available financial resources of the Municipality.

Some Loans may be evidenced by more than one type of Municipal Obligations.

Revenue Obligations

Background
When a local government issues a revenue obligation, the obligation is a limited obligation of the government. Only revenues that are specifically pledged are available to pay the principal of and interest on the revenue obligation.

Revenue Pledge Policy
So long as the following criteria can be met, DOA will accept revenue obligations from all types of Municipalities (except counties and metropolitan sewerage districts). Under the State constitution a county's issuance of revenue obligations is treated as public debt. A metropolitan sewerage district will be required to provide general obligations unless the rating from each Rating Agency on its revenue obligations is equal to or greater than the current rating on the Bonds.

Coverage Ratio
For a revenue obligation, DOA will require the Municipality to covenant to generate "net revenues" each year, that is utility revenues after deducting operating and maintenance expenses (but not deducting depreciation, debt service, tax equivalents, and capital expenditures), equal to at least 110% of the annual

principal of and interest on the Loan and other obligations on a parity with or senior to the Loan (**110% Coverage**). The net revenues from the existing utility revenues or projected net revenues from a newly imposed user fee rate structure may establish the "net revenues". If the Municipality does not have outstanding any other obligations with a lien on pledged revenues, DOA will require the Municipality to covenant to generate "net revenues" sufficient to provide 110% Coverage. In the event the Municipality has other obligations outstanding with a lien on pledged revenues, DOA will require that the Municipality covenant to generate "net revenues" at least equal to the highest level of debt service coverage (but not less than 110% Coverage) then in effect. In the event an outstanding obligation requires a debt service reserve fund for a parity obligation or requires payment dates that do not match the Loan payment dates, or requires other conditions which prevent the Loan from being a parity obligation, DOA will accept a subordinate obligation but will normally require any additional revenue obligations (whether superior, subordinate or on a parity) to meet a coverage test equal to the highest ratio then in effect on any other obligations (including the Loan). During construction periods when the annual principal and semiannual interest payments are based on cumulative amounts drawn under the Financial Assistance Agreement, user fees may be assessed such that the level of coverage available is estimated based on debt service projections.

In the event a Municipality breaches any of the covenants described above, it would be subject to a suit for mandamus to compel performance of such covenants. However, enforcement of the covenants through a suit for mandamus would likely be subject to the delays and costs inherent in litigation.

Collection of Delinquent Sewer User Charges
The Clean Water Fund Program loan documents require that the Municipality take all actions permitted by law to certify any delinquent user fees to the County Treasurer in order that such unpaid user fees will be added as a special charge to the property tax bill of the user.

Senior Revenue Bonds
In most instances the Clean Water Fund Program loan documents limit a Municipality's ability to issue additional bonds payable out of the revenues of the wastewater system that have payment priority over the bonds sold to the Clean Water Fund Program. In some situations this provision has been modified by the Clean Water Fund Program to allow additional senior bonds if the Municipality can demonstrate to the satisfaction of DOA that, following the issuance of the senior bonds, the rating of the Municipality's senior revenue obligations will be no lower than one letter grade below the ratings on the Bonds.

Service Contract
DOA will also require the Municipality to agree to pay for the value of sewerage services provided to it and to stipulate that the value equals any unpaid debt service on the Loan or debt coverage short fall. Although such provisions are often used in revenue obligations from Wisconsin local governments, their enforceability has not been tested in court. Accordingly, no assurance can be given as to the enforceability of such a service contract. Moreover, Statutes or local law may limit the value of the sewerage service and, unless the Municipality has already appropriated money for such payment, it would be necessary for the Municipality to levy and collect a tax, which could result in some delay in payment. In addition, a levy limit applicable to counties may diminish the ability of a county to levy taxes for this purpose.

No Debt Service Reserve Fund or Mortgage
Although Wisconsin municipalities issuing revenue obligations typically establish a debt service reserve fund and often pledge a mortgage to secure the revenue obligations, the current policy of DOA does not

permit a debt service reserve fund to be established and DOA will not require a mortgage on the property the Municipality uses to operate its wastewater facilities.

Special Assessment-Secured Revenue Obligations

Background

Special assessments may be levied by a Municipality to pay the costs of a public improvement. Payments to the Municipality of such special assessments may be used to repay a revenue obligation. The special assessments are paid in annual installments as established by the Municipality. Because special assessments under State law may not exceed the cost of the project, the regularly scheduled special assessment revenue alone will typically not meet the 110% Coverage test. In the event the Municipality receives prepayments of its special assessment installments, or the term of the Clean Water Fund Program loan exceeds the term of the special assessments, or the interest rate on the special assessment exceeds the interest rate on the Clean Water Fund Program loan, the Municipality may have more special assessment revenue in a year than required for debt service on its Clean Water Fund Program loan. In general, excess special assessment revenue collected by the Municipality will be applied to reduce debt incurred for the public improvement project. If special assessments are levied to secure revenue obligations, payments on the special assessments are deposited in the funds and accounts of the revenue-generating enterprise.

Collection of Delinquent Special Assessments

When it secures a revenue obligation, a special assessment constitutes a lien on the property against which it is levied on behalf of the local government that levies it. Delinquent special assessment payments are entered on the tax roll as a delinquent tax on the property against which they are levied and are subject to the same proceedings for collection, return and sale of property that apply to delinquent real estate taxes.

General Obligations

Background

When a local government issues a general obligation, its full faith and credit are pledged to secure payment when due of the principal of and interest on the obligation. State law requires the local government to levy taxes that will be collected in amounts and at times sufficient to make these payments (or to appropriate available funds for payments that are required to be made before taxes can be levied and collected). If the government fails to make a payment when due, the owner of a general obligation can bring a suit for mandamus to require the tax levy to be collected and applied to debt service. A suit for mandamus would likely be subject to the delays and costs inherent in litigation.

Tax Levy

With respect to general obligations:

- The amount of the general obligation may not exceed the constitutional or statutory limits. For an American Indian tribe or band, the amount of the general obligation may not exceed the amount that would be permitted if the constitutional and statutory limits were to apply to the tribe or band.
- The Municipality must levy taxes sufficient to pay when due the principal of and interest on the Loan.

A levy limit applicable to counties may affect the ability of a county to issue general obligations.

Intergovernmental Cooperation Commissions
Wisconsin law permits the creation of a commission by contract pursuant to an intergovernmental cooperation agreement. The Clean Water Fund Program does not make loans to such commissions. Instead, DOA will analyze each member's credit, and the Loan will be apportioned among its members according to their participation in the project.

Loan Terms

Loan Size
The size of each Loan is determined as follows:

- The principal amount of the Loan will not exceed 100% of the estimated project costs, plus a contingency of up to 10% where applicable, plus any allowable amount of capitalized interest on the Loan.
- A contingency may be allowed only if the project has not been completed.
- For a general obligation, capitalized interest may be permitted in an amount equal to debt service payments that are due before the tax levied in support of debt service payments will be collected.
- For a revenue obligation including those with a special assessment pledge, capitalized interest may be permitted to cover Loan debt service payments that will accrue until the expected date of project completion.

Final Maturity and Amortization
The final maturity on a Loan may not exceed 20 years from the date of its origination. DOA requires principal amortization on a level-debt-service basis or, in certain cases, on a level-principal basis, with principal amortization beginning not later than 12 months (except in the case of a refinancing) after the expected date of substantial completion of the Project.

Debt Service Payment Dates
Principal payments are required on May 1 and interest payments on May 1 and November 1. For Loans secured primarily by special assessments, an annual principal and interest payment may be required to match the Municipality's collection of the special assessments and deposit into its debt service fund.

Special Provisions
DOA requires that the Financial Assistance Agreement include certain provisions that apply if there is an event of default. These provisions permit the State to intercept any State aids to the Municipality, appoint a receiver to manage the Municipality's utility operations, and require the Municipality, to the extent it has taxing power, to add delinquent user charges to the tax bill of the respective property.

Levy Limit for Counties

Counties are subject to a tax rate limit. The tax levy of each county is limited, generally to the rate at which taxes were levied in 1992 or a higher rate approved by the voters at referendum. The tax rate limit excludes taxes levied for debt service on general obligations approved by the voters at a referendum or by a three-quarters vote of the county board of supervisors. Further, the tax rate limit excludes taxes levied for debt service on general obligations issued or authorized before the effective date of the legislation. As of September 30, 2000, only a small principal amount ($337,705) is outstanding from the one Loan previously made to a county, and no significant amount of additional Loans to counties is anticipated.

Commitments

Upon approval of an application by DNR and DOA, and satisfaction by DOA that the Municipality meets the financial criteria established by DOA, DNR and DOA may issue a Commitment to the Municipality to finance all or part of the project. The Commitment will include an estimated Loan repayment schedule and other terms of the financial assistance. The Commitment may contain certain conditions that the Municipality must meet to secure a Financial Assistance Agreement.

Financial Assistance Agreements

The Financial Assistance Agreement constitutes the agreement by which the Loan is made and is, in effect, a loan agreement. The Financial Assistance Agreement contains the terms and conditions of the Loan, including the final maturity, maximum principal amount, interest rate, procedures for disbursement of funds to the Municipality, agreements of the Municipality to construct the project, and covenants of the Municipality regarding proper use of Loan proceeds and compliance with Clean Water Fund Program requirements.

Certain Provisions of Financial Assistance Agreements

Prior to Loan disbursements, proceeds expected to be loaned to Municipalities are held by the Trustee in the Loan Fund. Interest earnings on proceeds held in the Loan Fund shall be for the benefit of the Clean Water Fund Program. As proceeds are disbursed from the Loan Fund pursuant to a Municipality's Financial Assistance Agreement, interest on the respective Loan shall accrue and be payable on the amount disbursed from the date of disbursement until the date such amount is repaid.

In most instances, the repayment schedule of each loan disbursed is structured to provide level annual debt service from the disbursement date until the final maturity date specified in the respective Municipality's Financial Assistance Agreement. Upon project completion, a Municipality's Loan repayment schedule under its respective Financial Assistance Agreement will reflect the principal amortization of the cumulative disbursements to the Municipality.

If the final audit of the project reveals that the eligible project costs are less than the amount disbursed to the Municipality, the Municipality agrees to reimburse the State within 60 days after DNR or DOA provides a notice of overpayment.

If the Municipality fails to make any payment when due on the Municipal Obligation or fails to observe or perform any other covenant, condition, or agreement on its part under the Financial Assistance Agreement for a period of 30 days after written notice specifying the default and requesting that it be remedied has been given to the Municipality by DNR, the State shall, to the extent permitted by law, have all remedies provided by law and the Financial Assistance Agreement.

The Financial Assistance Agreement may be modified or amended upon a written agreement between the State and the Municipality.

Loans and Municipal Obligations

Upon execution of a Financial Assistance Agreement, each Municipality is required to issue and deliver to the State a Municipal Obligation evidencing the obligation of the Municipality to repay the Loan. The Municipal Obligation will reflect the terms of the Financial Assistance Agreement. Upon execution of a Financial Assistance Agreement and issuance of a Municipal Obligation, a Municipality will be required to deliver an opinion of counsel.

SUMMARY OF CERTAIN PROVISIONS OF GENERAL RESOLUTION

The General Resolution contains various covenants and security provisions, certain of which are summarized below. Various words or terms used in the following summary are defined in the General Resolution and reference thereto is made for full understanding of their import. See also “GLOSSARY” for definitions of certain capitalized terms.

Resolution to Constitute a Contract

In consideration of the purchase and acceptance of the Bonds by those who shall own the same from time to time, the provisions of the General Resolution shall be a part of the contract of the State with the Bondowners and shall be deemed to be and shall constitute a contract among the State, the Trustee, and the owners from time to time of the Bonds, and such provisions are covenants and agreements with such Bondowners which the State under the General Resolution determines to be necessary and desirable for the security and payment thereof. The provisions, covenants and agreements set forth in the General Resolution (except for those relating to funds pledged to defease any specific Bonds) to be performed by or on behalf of the State shall be for the equal benefit, protection, and security of the owners of any and all of the Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority, or distinction of any of the Bonds over any other thereof except as expressly provided in the General Resolution.

Pledge

The State pledges under the General Resolution to the Trustee for the benefit of all current and future Bondowners with respect to all Bonds and any owner of a Parity Reimbursement Obligation, the Pledged Receipts, all funds and accounts established in connection with the issuance of such Bonds (but not including the Rebate Fund or the State Equity Fund), the investments thereof and the proceeds of such investments, if any, for the payment of the principal and redemption price of and interest on the Bonds in accordance with the terms and provisions of the General Resolution and the payment of any Parity Reimbursement Obligation, subject only to the provisions of the General Resolution permitting or further limiting the application thereof for the purposes and on the terms and conditions set forth in the General Resolution. Subject to the provisions of the General Resolution providing for defeasance of Bonds, the pledge shall be valid and binding from and after the date of adoption of the General Resolution, and the Pledged Receipts and all other moneys and securities in the pledged funds and accounts established by the General Resolution shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and such lien shall be a just lien and shall be valid and binding as against all parties having claims of any kind in tort, contract, or otherwise against the State, irrespective of whether such parties have notice thereof.

Establishment of Funds and Accounts

The following funds and accounts are established and required to be maintained pursuant to the provisions of the General Resolution:

(1) Loan Fund

(2) Revenue Fund

(3) Debt Service Fund

(a) Interest Account

(b) Principal Account

(c) Redemption Account

(d) Capitalized Interest Account

(4) Loan Credit Reserve Fund

(a) SRF Account

(b) Non-SRF Account

(5) Subsidy Fund

(6) Administrative Fund

(a) Costs of Issuance Account

(b) Expense Account

(7) State Equity Fund

(8) Rebate Fund

Each of the above funds shall be deposited with and held by a Depository and maintained by the Trustee pursuant to the provisions of the General Resolution, except for the State Equity Fund, which shall be held and maintained by the State.

Loan Fund

There shall be deposited into the Loan Fund the amount of the proceeds of the Bonds of any Series required to be deposited therein and such other State moneys as shall be specified and determined by the Series Resolution authorizing such Series of Bonds. Moneys in the Loan Fund shall be expended only for the Clean Water Fund Program subject to the provisions and restrictions of the General Resolution. Amounts in the Loan Fund shall be expended and applied by the State from time to time as follows:

(1) For financing Loans to Municipalities under the Clean Water Fund Program, including transfers of Loan capitalized interest to the Revenue Fund;

(2) As directed in a certificate of an Authorized Officer, for deposit into the Revenue Fund; and

(3) To the extent that other moneys are not available, for deposit into the Debt Service Fund.

Moneys may be withdrawn from the Loan Fund for financing a Loan upon a requisition of an Authorized Officer certifying: (1) that the aggregate amount of the requisition is equal to the sum of amounts disbursable to Municipalities pursuant to properly submitted and approved requisitions of such Municipalities; (2) that the amount requisitioned for each Municipality does not exceed the amount available to be disbursed pursuant to that Municipality's Financial Assistance Agreement and Municipal Obligation; (3) the identity of the Municipalities receiving disbursements from the requisition, the amount of the requisition allocable to each such Municipality, and the designation of the Municipal Obligations evidencing the applicable Loan; (4) that there is on deposit in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement; and (5) that the Contribution Amount has been transferred or deemed transferred to the Loan Credit Reserve Fund. Prior to the initial transfer of amounts to a Municipality with respect to a Loan, the State shall deliver to the Trustee: (1) a copy of the original executed Financial Assistance Agreement evidencing the Loan to be so made, and (2) a copy of the original executed Municipal Obligation evidencing or securing such Loan in an aggregate principal amount equal to the maximum permissible Loan amount.

In addition, money and earnings in the Loan Fund may be transferred to the Revenue Fund, provided that the amount in the Subsidy Fund is at least equal to the Subsidy Fund Requirement.

Revenue Fund

The Trustee shall promptly deposit the following into the Revenue Fund:

(1) Transfers of Loan capitalized interest from the Loan Fund (which shall be deemed to be Loan disbursements), as directed in a certificate of an Authorized Officer;

(2) Other transfers of moneys from the Loan Fund;

(3) All Loan Repayments (excluding prepayments of Loans, which shall be deposited in the Redemption Account of the Debt Service Fund) received by the Trustee; and

(4) On the business day preceding an interest payment date, interest earned on Investment Obligations in the Loan Credit Reserve Fund (less amounts required to be transferred to the Rebate Fund).

The Revenue Fund shall be applied as follows:

(1) First, to the Interest Account of the Debt Service Fund for the payment of interest due or to become due on the next succeeding interest payment date;

(2) Second, to the Principal Account of the Debt Service Fund for the payment of principal and sinking fund installments, if any, on the next succeeding interest payment date; and

(3) Third, to the Rebate Fund so that the balance in the Fund shall equal the amount required to be deposited therein.

Debt Service Fund

The Trustee shall promptly deposit the following receipts in the Debt Service Fund:

(1) Any accrued interest received as proceeds of a Series of Bonds as set forth in the applicable Series Resolution, which shall be deposited in the Interest Account;

(2) All amounts required to be transferred from the Revenue Fund, which shall be deposited first in the Interest Account up to the amount of interest due or to become due on the next succeeding interest payment date, and then in the Principal Account up to the amount of principal or sinking fund installments due or to become due on the next succeeding interest payment date;

(3) The Subsidy Fund Transfer Amount transferred from the Subsidy Fund, which shall be deposited first in the Interest Account up to the amount of interest due or to become due on the next succeeding interest payment date, and then in the Principal Account up to the amount of principal or sinking fund installments due or to become due on the next succeeding interest payment date;

(4) All amounts required to be transferred from the Loan Fund, which shall be deposited first in the Interest Account up to the amount of interest due or to become due on the next succeeding interest payment date, and then in the Principal Account up to the amount of principal or sinking fund installments due or to become due on the next succeeding interest payment date;

(5) Any amounts directed by the State to be transferred from the Administrative Fund, which shall be deposited first in the Interest Account up to the amount of interest due or to become due on the next succeeding interest payment date, and then in the Principal Account up to the amount of

principal or sinking fund installments due or to become due on the next succeeding interest payment date;

(6) Any amounts received by the Trustee for the purpose of redeeming Bonds, which shall be deposited in the Redemption Account; and

(7) Any portion of Bond proceeds designated by a Series Resolution as capitalized interest on the Bonds, which shall be deposited into the Capitalized Interest Account.

The Trustee shall transfer from the Capitalized Interest Account to the Interest Account on the business day preceding the interest payment date the amount required for the payment of capitalized interest on such Bonds due on such interest payment date.

The Trustee shall pay out of the Interest Account of the Debt Service Fund (1) on each interest payment date, the amount required for the payment of interest on Bonds due on such interest payment date and (2) on any redemption date, the amount required for the payment of accrued interest on Bonds redeemed, unless the payment of such accrued interest shall be otherwise provided for.

The Trustee shall pay out of the Principal Account on each principal payment date or sinking fund redemption date, as applicable (as set forth in a Series Resolution), the amounts required for the payment of such principal on such date or such sinking fund redemption price on such date, as applicable.

The amount accumulated in the Principal Account for each sinking fund redemption may, and if so directed by the State shall, be applied (together with amounts accumulated in the Interest Account of the Debt Service Fund with respect to interest on the Bonds subject to sinking fund redemption) by the Trustee prior to the 45^{th} day preceding the sinking fund redemption date, or such shorter period as shall be acceptable to the Trustee, to:

(1) the purchase of Bonds of the Series and maturity of such Bonds subject to such sinking fund redemption, at prices (including any brokerage and other charges) not exceeding the redemption price payable for such Bonds pursuant to such sinking fund redemption plus unpaid interest accrued to the date of purchase, such purchases to be made as the Trustee shall determine, or

(2) the redemption of such Bonds if then redeemable by their terms, at the redemption price referred to in paragraph (1) above.

Upon any such purchase or redemption of Bonds of any Series and maturity, for which sinking fund installments shall have been established, an amount equal to the applicable redemption prices thereof shall be credited toward any one or more of such sinking fund installments, as directed by the State in an Authorized Officer's certificate, or failing such direction by the 45th day preceding such sinking fund redemption date, toward such sinking fund installments in inverse order of their due dates. The portion of any such sinking fund installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such sinking fund installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such sinking fund installment for the purpose of the calculation of principal installments due on a future date.

Whenever, after all transfers provided for above have been made, the moneys in the Debt Service Fund are insufficient to pay the interest, principal, and sinking fund installments due on Bonds, the Trustee shall apply amounts from the following funds to the extent necessary to cure the deficiency in the order of priority as provided below:

(1) First, from the Loan Credit Reserve Fund;

(2) Second, from the Subsidy Fund;

(3) Third, from the Loan Fund, which transfers shall not be deemed to be a Loan disbursement subject to the requirements applicable to Loan disbursements; and

(4) Fourth, from any other fund or account (except the Rebate Fund and the State Equity Fund).

As soon as practicable after the 45th day preceding the date of any sinking fund redemption, the Trustee shall proceed to call for redemption on such redemption date Bonds of the Series and maturity for which such sinking fund redemption was established in such amount as shall be necessary to complete the retirement of the principal amount specified for such sinking fund redemption. The State may designate in an Authorized Officer's certificate the amounts, from the SRF Account and Non-SRF Account, respectively, to be applied by the Trustee for such redemption.

The Trustee shall pay out of the Redemption Account of the Debt Service Fund to Paying Agents on each redemption date (as set forth in a Series Resolution) for any such Bonds for which there has not been made sinking fund installments, the amounts required for the payment of such redemption price on the redemption date and such amounts shall be applied by the Paying Agents to such payments.

Loan Credit Reserve Fund

"Loan Credit Reserve Fund Requirement" means and is calculated as follows:

(1) Upon the issuance of the initial Series of Bonds, an Authorized Officer delivered to the Trustee, with respect to each Rating Agency, a schedule of credit quality categories and loan credit reserve fund requirements (each a "Schedule") approved by such Rating Agency. Each Schedule sets forth the percentage of the annual debt service attributable to each Loan disbursement from the Loan Fund to be deposited in the Loan Credit Reserve Fund with respect to each Loan disbursement. A Schedule may be amended from time to time upon the presentation to the Trustee of a certificate of an Authorized Officer, supported by a certificate from the Rating Agency to which such Schedule applies, confirming that such amendment to the Schedule alone will not adversely affect the then-outstanding rating assigned to the Bonds by such Rating Agency.

(2) The amount required in the Schedules for each disbursement from the Loan Fund (and if the Schedules provide for different amounts, then the higher amount) is the "Contribution Amount".

(3) The Loan Credit Reserve Fund Requirement shall be, as of any date of calculation, the total Contribution Amount derived from each Schedule (and if the Schedules provide for a different total Contribution Amount, then the higher total Contribution Amount) that would be required were all disbursements from the Loan Fund outstanding to be disbursed on that date, based on the then-current Schedules.

Whenever the moneys in the Debt Service Fund are insufficient to pay the interest, principal, and sinking fund installments due on Bonds, the Trustee shall apply amounts from the Loan Credit Reserve Fund to the extent necessary to cure the deficiency as provided in the provisions of the General Resolution concerning the Debt Service Fund.

Whenever moneys and securities in the Loan Credit Reserve Fund (excluding earnings required to be transferred to the Revenue Fund) shall exceed the Loan Credit Reserve Fund Requirement, the Trustee may, at the direction of an Authorized Officer, subject to the conditions stated below, transfer all or any portion of such surplus from the SRF Account to any account within the Clean Water Fund or from the Non-SRF Account to the State Equity Fund; provided, however:

(1) If there shall be existing and continuing a default by any Municipality with respect to Loan Repayments, the transfer permitted by this provision shall not be made to the extent it would cause the balance in the Loan Credit Reserve Fund to be less than the sum of the Loan Credit Reserve Fund Requirement plus the amount of Loan Repayments then in default and not otherwise provided for.

(2) Once such defaulting Municipality has cured such default and has fully resumed its payment obligations under the Financial Assistance Agreement, such surplus amounts may be withdrawn from the Loan Credit Reserve Fund.

Subsidy Fund

The Subsidy Fund Requirement is that amount which, when invested as permitted in the General Resolution, is projected by an Authorized Officer to result in an amount being available during each period commencing after an interest payment date and ending on the next interest payment date **(Period)** which is at least equal to the amount by which Aggregate Debt Service payable during the Period exceeds the sum of (1) scheduled disbursements from the Capitalized Interest Account and (2) Loan Repayments scheduled to be received during the Period from sources other than transfers of Loan capitalized interest from the Loan Fund pursuant to the General Resolution. In making the projections set forth above, the State may treat undisbursed amounts in the Loan Fund as if (a) such undisbursed amounts are invested at an appropriate rate of interest to the final maturity of Bonds and (b) such undisbursed amounts and the earnings thereon are transferred from time to time to the Revenue Fund to pay debt service, and for purposes of calculating the Subsidy Fund Requirement, such amounts may be treated as if they were Loan Repayments made pursuant to clause (2) above; provided that prior to each Loan disbursement the State recalculates the Subsidy Fund Requirement assuming for purposes of calculation that the disbursement has been made (and the amount is repayable in accordance with the applicable Municipal Obligations), and if such calculation fails to confirm that following the disbursement the Subsidy Fund Requirement is met, the State refrains from making a requisition for the disbursement.

The Subsidy Fund Transfer Amount is that amount equal to the amount by which Aggregate Debt Service payable during the Period exceeds the sum of (1) Loan Repayments scheduled to be received and delinquent Loan Repayments actually received during the Period, (2) earnings on the Loan Credit Reserve Fund deposited in the Revenue Fund during the Period, (3) any moneys on deposit in the Revenue Fund, the Interest Account of the Debt Service Fund, or the Principal Account of the Debt Service Fund at the beginning of the Period, (4) any amounts in the Loan Fund transferred to the Revenue Fund during the Period as directed in a certificate of an Authorized Officer, and (5) amounts scheduled to be transferred from the Capitalized Interest Account to the Interest Account during such Period. On the business day preceding each interest payment date, the Trustee shall transfer the Subsidy Fund Transfer Amount from the Subsidy Fund to the Debt Service Fund.

Whenever the money in the Debt Service Fund and money available in the Loan Credit Reserve Fund are insufficient to pay the interest, principal, and sinking fund installments due on Bonds, the Trustee shall transfer amounts from the Subsidy Fund to the Debt Service Fund to the extent necessary to cure the deficiency.

The Trustee shall transfer any amount in the Subsidy Fund above the Subsidy Fund Requirement upon the direction of an Authorized Officer:

(1) First, to the Loan Credit Reserve Fund to replenish the Loan Credit Reserve Fund to the then-current Loan Credit Reserve Fund Requirement; and

(2) Second, to the State Equity Fund or for any Program purpose.

Notes

Whenever the Commission shall authorize the issuance of a Series of Bonds, the Commission is authorized to issue Notes (and renewals thereof) in anticipation of such Series. The principal of and interest on such Notes and renewals thereof shall be payable solely from the proceeds of such Notes or renewals thereof or from the proceeds of the sale of the Series of Bonds in anticipation of which such Notes are issued. The proceeds of such Bonds may be pledged for the payment of the principal of and interest on such Notes, and any such pledge shall have a priority over any other pledge of such proceeds created by the General Resolution. Notes shall not be secured by any fund or account established under the General Resolution.

Issuance of Additional Bonds Other Than Refunding Bonds

The State shall not create or permit the creation of or issue any obligations, other than the initial Series of Bonds or Refunding Bonds, which will be secured by a charge and lien on the Pledged Receipts and any other security pledged under the General Resolution, except that additional Series of Bonds may be issued from time to time on a parity with all other Bonds issued pursuant to the General Resolution and secured by an equal charge and lien on the Pledged Receipts and any other security pledged under the General Resolution.

No additional Series of Bonds shall be issued unless:

(1) The principal amount of the additional Bonds then to be issued, together with the principal amount of the Bonds theretofore issued, will not exceed in aggregate principal amount any limitation thereon imposed by law; and

(2) All other requirements applicable to the issuance of Bonds are met including, without limitation, the requirement that there be in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement and there be in the Loan Credit Reserve Fund an amount at least equal to the Loan Credit Reserve Fund Requirement.

The State expressly reserves the right to adopt one or more other general resolutions and reserves the right to issue bonds and notes and any other obligations so long as the same are not a charge or lien on the Pledged Receipts or payable from any fund or account (except for the State Equity Fund or the Rebate Fund) established under the General Resolution.

Refunding Bonds

The General Resolution authorizes the Commission to issue one or more Series of Refunding Bonds to refund all or any part of one or more Series of outstanding Bonds. Refunding Bonds may be issued only upon receipt by the Trustee (in addition to the other requirements applicable to the issuance of Bonds) of:

(1) Irrevocable instructions to the Trustee to give due notice of redemption of all the Bonds which are to be redeemed prior to maturity on the redemption date specified in such instructions;

(2) Irrevocable instructions to the Trustee to give due notice of redemption to the owners of the Bonds being refunded; and

(3) Either (a) obligations described under “Defeasance” in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications, or (b) any moneys, as shall be necessary to comply with the defeasance provisions of the General Resolution.

Payment of Bonds

The State shall duly and punctually pay or cause to be paid the principal or redemption price of and interest on the Bonds, but only from the Pledged Receipts and other revenues or receipts, funds or moneys pledged therefor as provided in the Act and the General Resolution, at the dates and places and in the manner provided in the Bonds according to the true intent and meaning thereof, and shall duly and punctually satisfy all sinking fund installments becoming payable with respect to any Series of Bonds.

Power to Issue Bonds and Make Pledges

The State is duly authorized pursuant to law to authorize and issue the Bonds and to adopt the General Resolution and to pledge the Pledged Receipts and other revenues, receipts, funds, or moneys purported to be pledged by the General Resolution in the manner and to the extent provided in the General Resolution. The Pledged Receipts and other revenues, receipts, funds, and moneys so pledged are and will be free and clear of any pledge, lien, charge, or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the General Resolution, and all action on the part of the State to that end has been duly and validly taken. The Bonds and the provisions of the General Resolution are and will be the valid and legally enforceable obligations of the State in accordance with their terms and the terms of the General Resolution. The State shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Receipts and revenues, receipts, funds, or moneys pledged under the General Resolution and all the rights of the Bondowners under the General Resolution against all claims and demands of all persons whomsoever.

Agreement of the State

The State pledges and agrees with the Bondowners that the State will not limit or alter the terms of any agreements made with Bondowners or in any way impair the rights and remedies of the Bondowners until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the Bondowners, are fully met and discharged.

Federal Tax Covenant

The State shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid on the Bonds shall, for the purposes of federal income taxation, be excluded from the gross income of the recipients thereof.

The State shall not permit at any time any of the proceeds of the Bonds or other funds of the State to be used, directly or indirectly, to acquire any asset or obligation the acquisition of which would cause any Note or Bond to be an “arbitrage bond” for the purposes of Section 148 of the Internal Revenue Code of 1986, as amended.

Notwithstanding the foregoing, the State reserves the right to elect to issue Bonds the interest on which is not exempt from federal income taxation, if such election is made prior to the issuance of such Bonds, and the federal tax covenants contained in the General Resolution shall not apply to such Bonds.

Accounts and Reports

The State shall keep, or cause to be kept, proper books of record and account in which complete and correct entries shall be made of its transactions relating to all Loan Repayments, Municipal Obligations, the Fees and Charges, if any, and all funds and accounts established by the General Resolution.

The State shall annually, on or before January 1 in each year, file with the Trustee and with the Rating Agencies a copy of the audited financial statement for the preceding Fiscal Year with respect to the Leveraged Loan Program, accompanied by an Accountant's Certificate, setting forth in complete and reasonable detail: (1) its receipts and expenditures during such Fiscal Year in accordance with the categories or classifications established by the State for its operating and capital outlay purposes; (2) its assets and liabilities at the end of such Fiscal Year, including a schedule of its Loan Repayments, Municipal Obligations, Fees and Charges, a list of Municipalities in default and the status of the funds and accounts established by the General Resolution; and (3) a schedule of its Bond and Notes outstanding and other obligations outstanding at the end of such Fiscal Year, together with a statement of the amounts paid, redeemed and issued during such Fiscal Year. A copy of the independent public accountant's report and financial statements for the Environmental Improvement Fund as of June 30, 2000 and 1999 is set forth in APPENDIX A.

Clean Water Revenue Bond Program

In order to provide sufficient moneys with which to pay the principal and interest and sinking fund installments when due and payable on its Bonds, the State shall from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act and the Water Quality Act as then amended and as interpreted in regulations adopted by the EPA and DNR and in effect and with the provisions of the General Resolution, use and apply the proceeds of the Bonds for the Leveraged Loan Program, to finance Loans pursuant to such Act as so amended and the General Resolution, to earn sufficient interest on its funds and accounts established within the General Resolution to generate income which when combined with moneys received with respect to the Municipal Obligations shall at least equal the principal and interest and sinking fund installments on the Bonds and shall do all such acts and things necessary to receive and collect the Loan Repayments and the interest on all funds and accounts established within the General Resolution and shall diligently enforce, and take all steps, actions, and proceedings for the enforcement of all terms, covenants, and conditions of the Loans for the enforcement of all terms, covenants and conditions of the Loans.

Events of Default

Each of the following events constitutes an "Event of Default":

(1) The State shall default in the payment of the principal or redemption price of any Bond when and as the same shall become due whether at maturity or upon call for redemption; or

(2) The State shall default in the payment of any installment of interest on any Bonds; or

(3) The State shall fail or refuse to comply with the provisions of the Act or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part in the General Resolution, any Series Resolution, any Supplemental Resolution, or in the Bonds contained, and such failure, refusal or default shall continue for a period of 45 days after written notice thereof by the Trustee or the owners of not less than 25% in principal amount of Bonds outstanding.

Remedies

Upon the occurrence and continuance of any Event of Default specified in paragraphs (1) and (2) immediately above, the Trustee shall proceed, or upon the occurrence and continuance of any Event of Default specified in paragraph (3) immediately above, the Trustee may proceed, and upon the written request of the owners of not less than 25% in principal amount of the outstanding Bonds shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondowners by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(1) By mandamus or other suit, action, or proceeding at law or in equity, enforce all rights of the Bondowners, including the right to require the State to collect Loan Repayments adequate to carry out the covenants and agreements as to, and pledge of, such Loan Repayments, and other properties and to require the State to carry out any other covenant or agreement with Bondowners and to perform its duties under the Act;

(2) By bringing suit upon the Bonds;

(3) By action or suit in equity, require the State to account as if it were the trustee of any express trust for the owners of the Bonds; or

(4) By action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Bonds.

In the enforcement of any remedy under the General Resolution, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the State for principal, redemption price, interest or otherwise, under any provision of the General Resolution or a Series Resolution or of the Bonds, and unpaid, with interest, if any, on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondowners, and to recover and enforce a judgment or decree against the State for any portion of such amounts remaining unpaid, with interest, costs, and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

Program Expenses

The State covenants to pay all program expenses when due and payable, but only from the sources provided in the General Resolution.

The State covenants pay to the Fiduciaries from time to time reasonable compensation for all services rendered under the General Resolution, and also all reasonable expenses, charges, counsel fees, and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under the General Resolution. The State further agrees to indemnify and save each Fiduciary harmless against any liabilities that it may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its willful misconduct, negligence, or bad faith.

Defeasance

If the State shall pay or cause to be paid to the owners of all Bonds then outstanding, the principal or redemption price and interest to become due thereon, at the times and in the manner stipulated therein and in the General Resolution, then, at the option of the State, expressed in an instrument in writing signed by an Authorized Officer and delivered to the Trustee, the covenants, agreements, and other obligations of the State to the Bondowners shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the State, execute and deliver to the State all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the State all money, securities, and funds held by them pursuant to the General Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Bonds or interest installments for the payment or redemption of which moneys or securities shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by the State of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with effect expressed in the immediately preceding paragraph. All outstanding Bonds of any Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the immediately preceding paragraph if:

(1) In case any of said Bonds are to be redeemed on any date prior to their maturity, the State shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to give notice of redemption of such Bonds on said date as provided in the General Resolution

(2) There shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Investment Obligations, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or redemption price and interest on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be

(3) In the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the State shall have given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in Authorized Newspapers a notice to the owners of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that said Bonds are deemed to have been paid and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price on said Bonds. Neither Investment Obligations nor moneys deposited with the Trustee nor principal or interest payments on any such Investment Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or redemption price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Investment Obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Investment Obligations maturing at times and in amounts sufficient to pay when due the principal or redemption price and interest die and to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the State, as received by the Trustee, free and clear of any trust, lien or pledge.

For the purposes of the defeasance provisions of the General Resolution, Investment Obligations shall mean and include direct general obligations of the United States of America and obligations (including obligations of any federal agency or corporation) the payment of the principal and interest on which, by act of the Congress of the United States or in the opinion of the Attorney General of the United States in office at the time such obligations were issued, are unconditionally guaranteed by the full faith and credit of the United States of America, or so long as such investments will not adversely affect the then current ratings, if any, assigned to the Bonds by each Rating Agency, any other evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this paragraph.

Anything in the General Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for six years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for six years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds became due and payable, shall, at the written request of the State, be repaid by the Fiduciary to the State, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondowners shall look only to the State for the payment of such Bonds; provided, however, that before being required to make any such payment to the State, the Fiduciary shall, at the expense of the State, cause to be published at least once in Authorized Newspapers, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the State.

GLOSSARY

The following definitions apply to capitalized terms used in this Part VI of the Annual Report.

Accreted Value means, with respect to any Capital Appreciation Bond, the initial principal amount at which such Capital Appreciation Bond is sold to the initial purchaser by the State without reduction to reflect underwriter’s discount, compounded from the date of delivery of such Bonds semiannually on each interest payment date prior to the date of calculation (and including such date of calculation if such date of calculation shall be an interest payment date) at the original issue yield to maturity less, with respect to Bonds with interest payable on a current basis, interest paid and payable during such period plus, if such date of calculation shall not be an interest payment date, a portion of the difference between the Accreted Value as of the immediately preceding interest payment date and the Accreted Value as of the immediately succeeding interest payment date calculated based upon an assumption that Accreted Value accrues during any semiannual period in equal daily amounts (based on a 360-day year of twelve 30-day months); provided, however, that the calculation of Accreted Value for purposes of determining whether Bondowners of the requisite amount of Outstanding Bonds have given any requisite demand, authorization, direction, notice, consent or waiver under the General Resolution shall be based upon the Accreted Value calculated as of the interest payment date immediately preceding such date of calculation (unless such date of calculation shall be an interest payment date, in which case shall be calculated as of the date of calculation).

Act means Sections 281.58 and 281.59 of the Wisconsin Statutes, as amended.

Administrative Fund means the fund of that name established by the General Resolution.

Aggregate Debt Service for any period means, with respect to the Bonds, as of any date of calculation, the sum of the amounts of Debt Service for such period.

Authorized Officer means the Capital Finance Director of the State and any other person designated in writing to the Trustee by the Capital Finance Director or by the Commission as an Authorized Officer.

Bond or **Bonds** means any bond or bonds, as the case may be, authenticated and delivered under the General Resolution pursuant to a Series Resolution.

Bond Depository means, initially, The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York or any other bond depository appointed by the Commission to act as bond depository for the Bonds in connection with a book-entry-only system of distributing Bonds.

Bondowners or **Owner of Bonds** or **Owner** (when used with reference to Bonds) or any term of similar import means the person or party in whose name the Bond is registered.

Business Day means any day other than a Saturday or Sunday or other day on which commercial banks in the city in which the principal office of the Trustee is located are not open for business, except as may be provided in a Series or Supplemental Resolution.

Capital Appreciation Bond means Bonds that provide for the addition of all or any part of accrued and unpaid interest thereon to the principal due thereon upon such terms and for such periods of time as may be determined by the applicable Series Resolution.

Capitalized Interest Account means the account of that name established within the Debt Service Fund by the General Resolution.

Clean Water Fund Program means the program established pursuant to the Act and operated and administered as part of the Environmental Improvement Fund.

Code means the Internal Revenue Code of 1986, as amended from time to time, and all regulations promulgated thereunder to the extent applicable to any Bonds, Loans or Municipal Obligations, as the case may be.

Commission means the State of Wisconsin Building Commission or any successor body having the power under the Subchapter II of Chapter 18 of the Statutes to authorize and direct the issuance of Bonds.

Commitment means a notice of financial assistance commitment entered into between DNR, DOA and a Municipality.

Contribution Amount has the meaning set forth in the definition of "Loan Credit Reserve Fund Requirement."

Costs of Issuance means, except as limited in any Series Resolution, any items of expense directly or indirectly payable by or reimbursable to the State and related to the authorization, sale and issuance of Bonds or Notes and the investment of the proceeds thereof, including, but not limited to, printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of Fiduciaries, legal fees and charges, professional consultants' fees, costs of credit ratings, premiums for insurance of the payment of Bonds or Notes, or any fees and expenses payable in connection with any entity insuring the State, the Trustee or the owners of the Bonds or Notes against loss on Loans or Municipal Obligations, fees and charges for execution, transportation and safekeeping of Bonds or Notes, costs and expenses of refunding of Bonds or Notes, fees and expenses payable in connection with any Credit Facility, remarketing agreements, tender agent agreements or interest rate indexing agreements, and other costs, charges and fees in connection with the original issuance of Bonds or Notes.

Costs of Issuance Account means the account of that name established within the Administrative Fund by the General Resolution.

Counsel's Opinion means an opinion signed by an attorney or firm of attorneys selected by or satisfactory to the State (who may be counsel to the State); provided, however, that for the purposes of

Article II of the General Resolution (addressing authorization and issuance of Bonds) such term means an opinion signed by an attorney or firm of attorneys of recognized standing in the field of law relating to municipal bonds selected by the State and provided, further, that for the purposes of Section 8.08 of the General Resolution (addressing conditions for delivery of Municipal Obligations), such term means an opinion signed by an attorney or firm of attorneys selected by the Municipality and approved by the State.

Credit Facility means a letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy, guaranty or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution or the federal government or an agency thereof which (1) provides for payment of all or a portion of the principal of, Redemption Price of, or interest on any Series of Bonds, (2) provides funds for the purchase of such Bonds or portions thereof, (3) provides deposits for a fund or account under the General Resolution, or (4) provides for or further secures payment of Loans or Municipal Obligations, provided that with respect to (3) above, the issuer of which Credit Facility is rated, or the effect of which Credit Facility would cause bonds insured or secured thereby to be rated, in a rating category by each Rating Agency no lower than the then current rating on the Bonds (without such Credit Facility).

Debt Service for any period means, as of any date of calculation and with respect to any Series, an amount equal to the sum of (1) interest payable during such period on Bonds of such Series, (2) that portion of the Principal Installments for such Series which are payable during such period, and (3) any "Reimbursement Obligation" or "Parity Reimbursement Obligation" as defined in the General Resolution. Such interest and Principal Installments for such Series shall be calculated on the assumption that no Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof.

Debt Service Fund means the fund of that name established by the General Resolution.

Depository means any bank, trust company, or national banking association, which may be the Trustee, selected by the Commission and approved by the Trustee as a depository of moneys and securities held under the provisions of the General Resolution and its successor or successors.

Direct Loan means loans made primarily from the proceeds of federal Capitalization Grants, the State Match, or repayments of Direct Loans, and excludes any Leveraged Loan.

DNR means the State of Wisconsin Department of Natural Resources.

DOA means the State of Wisconsin Department of Administration.

DTC means The Depository Trust Company, New York, New York.

Environmental Improvement Fund means the nonlapsible trust fund of that name created by Section 25.43 of the Statutes.

EPA means the United States Environmental Protection Agency.

Expense Account means the account of that name established within the Administrative Fund established by the General Resolution.

Fees and Charges means all fees and charges, if any, charged by the State to Municipalities pursuant to the terms and provisions of Loans or Municipal Obligations but does not include principal of and interest on such Municipal Obligations.

Fiduciary or **Fiduciaries** means the Trustee, any Paying Agent, any Depository or any or all of them, as may be appropriate.

Financial Assistance Agreement means any agreement entered into between DNR, DOA, and a Municipality for financial assistance.

Fiscal Year means any 12 consecutive calendar months commencing with the second day of June and ending on the first day of the following June.

General Resolution means the Clean Water Revenue Bond General Resolution adopted by the Building Commission on March 7, 1991, as the same may be amended and supplemented from time to time.

Information Services means an institution or other service providing information with respect to called bonds, which shall include but not be limited to those identified in the General Resolution and others designated by an Authorized Officer.

Interest Account means the account of that name established within the Debt Service Fund by the General Resolution.

Investment Obligation means any of the following that at the time are legal investments for moneys of the State:

(1) direct general obligations of the United States of America and obligations (including obligations of any federal agency or corporation) the payment of the principal and interest on which, by act of the Congress of the United States or in the opinion of the Attorney General of the United States in office at the time such obligations were issued, are unconditionally guaranteed by the full faith and credit of the United States of America, or so long as at the time of their purchase such investments will not adversely affect the then current ratings, if any, assigned to the Bonds by each Rating Agency, any other evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this clause (1);

(2) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, (b) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (1) hereof which fund may be applied only to the payment of interest when due, principal of and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (1) hereof which have been deposited in such fund along with any cash on deposit in such fund is sufficient to pay interest when due, principal of and redemption premium, if any, on the bonds or other obligations described in this clause (2) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (2), as appropriate, and (d) which at the time of their purchase under the General Resolution bear the highest rating available from each Rating Agency;

(3) bonds, debentures, participation certificates (representing a timely guaranty of principal and interest), notes or similar evidences of indebtedness of any of the following: Federal Financing Bank, Federal Home Loan Bank System, Federal Farm Credit Bank, Federal National Mortgage Association (excluding “stripped” securities), Federal Home Loan Mortgage Corporation, Resolution Funding Corporation, Government National Mortgage Association, Student Loan Marketing Association or Tennessee Valley Authority;

(4) public housing bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or temporary notes, preliminary notes or project notes issued by public agencies or municipalities, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America; provided, however, that any investment purchased pursuant to this clause shall be rated at the time of its purchase by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency;

(5) obligations of any state of the United States of America or of any political subdivision or public agency or instrumentality thereof, including the State, provided that at the time of their purchase under the General Resolution such obligations are rated by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency;

(6) direct obligations of the State or obligations guaranteed by the State that have the same rating as direct obligations of the State;

(7) prime commercial paper of a corporation incorporated under the laws of any state of the United States of America, having at the time of their purchase under the General Resolution the highest rating available from each Rating Agency;

(8) interest-bearing time deposits, certificates of deposit or other similar banking arrangements with banks (which may include any Fiduciary), provided such deposits are made with banks rated by each Rating Agency at the time the deposit is made no lower than the rating assigned to the Bonds by such Rating Agency;

(9) shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, which are rated at the time of their purchase by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency;

(10) repurchase agreements for obligations of the type specified in clauses (1) and (3) above, provided either (a) the repurchase agreement is an unconditional obligation of the counterparty and such counterparty is rated at the time of its purchase by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency or (b) the repurchase agreement is an obligation of a counterparty that is rated at the time of its purchase by each Rating Agency in an investment grade category and is collateralized by obligations which are marked to market daily and have a value equal to not less than the percentage of the amount thereby secured specified by each Rating Agency, taking into account the maturity of such obligations;

(11) any investment obligation or deposit the investment in which will not, at the time such investment is made, adversely affect the then current ratings, if any, assigned to the Bonds by each Rating Agency;

(12) any investment agreement with a bank, bank holding company, insurance company or other financial institution rated at the time such investment is made by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency or guaranteed by an entity rated by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency; and

(13) the Local Government Pooled–investment Fund of the State established under Chapter 25 of the Wisconsin Statutes.

Loan or Leveraged Loan means a loan heretofore or hereafter made by the State to a Municipality from the Loan Fund pursuant to a Financial Assistance Agreement and the Act and funded from the Loan Fund.

Loan Credit Reserve Fund means the fund of that name established by the General Resolution.

Loan Credit Reserve Fund Requirement means and is calculated as follows:

(1) Upon the issuance of the initial Series of Bonds, an Authorized Officer delivered to the Trustee, with respect to each Rating Agency, a schedule of credit quality categories and loan credit reserve fund requirements (a "Schedule") approved by such Rating Agency. Each Schedule sets forth the percentage of the annual debt service attributable to each Loan disbursement from the Loan Fund to be deposited in the Loan Credit Reserve Fund with respect to each Loan disbursement. A Schedule may be amended from time to time upon the presentation to the Trustee of a certificate of an Authorized Officer, supported by a certificate from the Rating Agency to which such Schedule applies, confirming that such amendment to the Schedule will not adversely affect the then-outstanding rating assigned to the Bonds by such Rating Agency.

(2) The amount required in the Schedules for each Loan disbursement from the Loan Fund (and if the Schedules provide for different amounts, then the higher amount) is the "Contribution Amount".

(3) The Loan Credit Reserve Fund Requirement shall be, as of any date of calculation, the total Contribution Amount derived from each Schedule (and if the Schedules provide for a different total Contribution Amount, then the higher total Contribution Amount) that would be required were all disbursements from the Loan Fund outstanding to be disbursed on that date, based on the then-current Schedules.

Loan Fund means the fund of that name established by the General Resolution.

Loan Repayments or Leveraged Loan Repayments means any payment on a Loan pursuant to a Financial Assistance Agreement, or on the Municipal Obligations evidencing and securing the same, on account of the principal, interest, and premium, if any, due on such Loan, including without limitation scheduled payments of principal and interest on such Loan or Municipal Obligation, any payment made to cure a default, prepayments of principal or interest, and any additional amounts payable upon prepayment of such Loan or Municipal Obligations, and any amounts paid with respect to such Loan or Municipal Obligation on account of (1) acceleration of the due date of such Loan or such Municipal Obligation, (2) the sale or other disposition of such Loan or the Municipal Obligations and other collateral securing such Loan, (3) the receipt of proceeds of any insurance or guaranty of such Loan or Municipal Obligations or any Credit Facility applicable to such Loan or Municipal Obligations, and (4) the exercise of any right or remedy granted to the State and available under law or the applicable

Financial Assistance Agreement upon default on such Loan or Municipal Obligations but specifically excluding Fees and Charges.

Municipal Obligations means the bonds, notes, or other evidence of debt issued by any Municipality and authorized by law and which have heretofore been or will hereafter be acquired by the State as evidence of indebtedness of a Loan, Direct Loan, or Proprietary Loan to the Municipality pursuant to the Act. Municipal Obligations may constitute any of a combination of the following: a revenue obligation secured by a covenant to assess user fees and a pledge of the utility's revenues, a revenue obligation secured by special assessments and other utility revenue and a pledge of the utility's revenues, a general obligation secured by a tax levy and a pledge of all available financial resources of the Municipality.

Municipality means a political subdivision of the State constituting a "municipality" within the meaning of the Act, duly organized and existing under the laws of the State and any successor entity or a Federally recognized American Indian tribe or band in the State.

Non-SRF Account means account of that name established within the Loan Credit Reserve Fund.

Notes means any bond anticipation notes issued by the State pursuant to the Act.

NRMSIR means nationally recognized municipal securities information repository.

Outstanding, when used with reference to Bonds, other than Bonds referred to in Section 10.05 of the General Resolution (addressing Bonds owned or held by or for the account of the State), means, as of any date, Bonds theretofore or then being delivered under the provisions of the General Resolution, except: (1) any bonds cancelled by the Trustee or any Paying Agent at or prior to such date, (2) any Bonds for the payment or redemption of which moneys equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held by the Trustee or the Paying Agents in Trust (whether at or prior to the maturity or redemption date), provided that if such Bonds are to be redeemed, irrevocable notice of such redemption shall have been given as provided in the General Resolution or provision satisfactory to the Trustee shall have been made for the giving of such notice, (3) any Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to the General Resolution, and (4) Bonds deemed to have been paid as provided in Article 12 of the General Resolution (addressing defeasance). In determining whether Bondowners of the requisite amount of Outstanding Bonds have given any requisite demand, authorization, direction, notice, consent or waiver under the General Resolution, the principal amount of a Capital Appreciation Bond that shall be deemed Outstanding for such purposes shall be the Accreted Value thereof.

Paying Agent for the Bonds of any Series means the bank, trust company, or national banking association, which may be the Trustee, and its successor or successors, appointed pursuant to the provisions of the General Resolution and a Series Resolution or any other resolution of the Commission adopted prior to authentication and delivery of the Series of Bonds for which such Paying Agent or Paying Agents shall be so appointed.

Pledged Receipts means (1) all Loan Repayments, including both timely and delinquent payments, (2) Fees and Charges held or collected by the State, (3) any moneys received by the State under Section 281.59 (11)(b) of the Wisconsin Statutes (that is, State payments intercepted by DOA, and taxes collected by county treasurers) upon a default under a Municipal Obligation, (4) any moneys made available to the Clean Water Fund Program pursuant to Section 281.59 (13m) of the Wisconsin Statutes (that is, the State "moral obligation" for individual Loans), (5) any moneys collected by recourse to collateral and security devices under the Municipal Obligations, and (6) any other moneys held or received by the State or the Trustee relating to the Municipal Obligations.

Principal Account means the account of that name established within the Debt Service Fund by the General Resolution.

Principal Installment means, as of any date of calculation and with respect to any Series of Bonds Outstanding, (1) the principal amount or Accreted Value of Bonds of such Series due on any payment date for which no Sinking Fund Installments have been established, or (2) the Sinking Fund Installment due on a date for Bonds of such Series, or (3) if such dates coincide, the sum of such principal amount or Accreted Value of Bonds and of such Sinking Fund Installment(s) due on such future date; in each case in the amounts and on the dates as provided in the Series Resolution authorizing such Series of Bonds; provided, however, that Principal Installments shall not include the principal of Notes.

Project means any municipal project for the design, acquisition, construction, improvement, repair, reconstruction, renovation, or expansion of any municipal wastewater collection or treatment system or water supply system that is eligible for financing by the State pursuant to the Act.

Proprietary Loan means financial assistance made primarily from the proceeds of State general obligation bonds or repayment of Proprietary Loans, and excludes any Direct Loan or Leveraged Loan.

Rating Agency means a credit rating agency which is nationally recognized for skill and expertise in rating the credit of obligations similar to the Bonds and which has assigned and currently maintains a rating on any Outstanding Bonds at the request of the State (which request may be withdrawn by the State so long as following such withdrawal of request, the Bonds are rated by at least two Rating Agencies), and any successor to any such agency by merger, consolidation or otherwise.

Rebate Fund means the fund of that name established by the General Resolution.

Record Date means, unless otherwise determined by a Series Resolution for a Series of Bonds, the close of business on the 15th day proceeding a payment date or, if such day shall not be a business day, the immediately preceding business day.

Redemption Account means the account of that name established within the Debt Service Fund by the General Resolution.

Redemption Price, when used with respect to a Bond other than a Capital Appreciation Bond, or a portion thereof to be redeemed, means the principal amount of such Bond or such portion thereof plus the applicable premium, if any, payable upon redemption thereof, plus interest to the redemption date, pursuant to the General Resolution and the applicable Series Resolution, but, when used with respect to a Capital Appreciation Bond, "Redemption Price" means the Accreted Value on the date of redemption of such Bond or portion thereof plus the applicable premium, if any.

Refunding Bonds means all Bonds constituting the whole or a part of a Series of Bonds delivered on original issuance to refund other Bonds.

Revenue Fund means the fund of that name established by the General Resolution.

Series of Bonds or Bonds of a Series or words of similar meaning means the series of Bonds authorized by a Series Resolution.

Series Resolution means a resolution of the Building Commission authorizing the issuance of a Series of Bonds in accordance with the terms and provisions of the General Resolution.

Sinking Fund Installment means, as of any particular date of calculation, (i) the amount required by the General Resolution and a Series Resolution to be deposited by the State for the retirement of Bonds which are stated to mature subsequent to such date or (ii) the amount required by the General Resolution and a Series Resolution to be deposited by the State on a date for the payment of Bonds at maturity on a subsequent date.

SRF Account means the account of that name established within the Loan Credit Reserve Fund by the General Resolution.

State means the State of Wisconsin.

State Equity Fund means the fund of that name established by the General Resolution.

Subsidy Fund means the fund of that name established by the General Resolution.

Subsidy Fund Requirement means that amount which, when invested as permitted in the General Resolution, is projected by an Authorized Officer to result in an amount being available during each period commencing immediately following the dated date of the initial Series of Bonds and thereafter an interest payment date and ending on the next interest payment date **(Period)** which is at least equal to the amount by which Aggregate Debt Service payable during the period exceeds the sum of (1) scheduled disbursements from the Capitalized Interest Account and (2) Loan Repayments scheduled to be received during the Period from sources other than transfers of Loan capitalized interest from the Loan Fund. In making the projections set forth above, the State may treat undisbursed amounts in the Loan Fund as if (a) such undisbursed amounts are invested at an appropriate rate of interest to the final maturity of Bonds and (b) such undisbursed amounts and the earnings thereon are transferred from time to time to the Revenue Fund to pay debt service, and for purposes of calculating the Subsidy Fund Requirement, such amounts may be treated as if they were Loan Repayments made pursuant to clause (2) above; provided that prior to each Loan disbursement the State recalculates the Subsidy Fund Requirement assuming for purposes of calculation that the disbursement has been made (and the amount is repayable in accordance with the applicable Municipal Obligations), and if such calculation fails to confirm that following the disbursement the Subsidy Fund Requirement is met, the State refrains from making a requisition for the disbursement.

Subsidy Fund Transfer Amount means that amount equal to the amount by which Aggregate Debt Service payable during the Period (as such term is used in the definition of Subsidy Fund Requirement) exceeds the sum of (1) Loan Repayments scheduled to be received and delinquent Loan Repayments actually received during the Period, (2) earnings on the Loan Credit Reserve Fund deposited in the Revenue Fund during the Period, (3) any moneys on deposit in the Revenue Fund, the Interest Account of the Debt Service Fund, or the Principal Account of the Debt Service Fund at the beginning of the Period, (4) any amounts in the Loan Fund transferred to the Revenue Fund during the Period as directed in a certificate of an Authorized Officer, and (5) amounts scheduled to be transferred from the Capitalized Interest Account to the Interest Account during such Period.

Supplemental Resolution means a resolution supplemental to or amendatory of the General Resolution, adopted by the Commission in accordance with the General Resolution.

Trustee means Firstar Bank, National Association, as successor to Firstar Trust Company, and its successor or successors and any other bank, trust company or national banking association at any time substituted in its place pursuant to the General Resolution.

APPENDIX A

AUDITED FINANCIAL STATEMENTS

The following are the independent public accountant's report and financial statements for the Environmental Improvement Fund as of June 30, 2000 and 1999.

Financial statements present the financial position of an entity at a specific point in time. These financial statements are not intended to predict future cash flows that will be available for the benefit of bondholders pursuant to the bond resolutions.

{This page number is the last sequential page number of the Annual Report to be used in this Part VI of the Annual Report. The following uses page numbers from the financial statements and independent public accountant's report. The sequential page numbers for the Annual Report continue in Part VII.}

State of Wisconsin
Environmental Improvement Fund

Financial Statements
As of June 30, 2000 and 1999
Together with Report of Independent Public Accountants

Report of Independent Public Accountants

To the Secretary of the Department of Administration
and the Secretary of the Department of Natural Resources
of the State of Wisconsin:

We have audited the accompanying balance sheets of the State of Wisconsin Environmental Improvement Fund (an enterprise fund of the State of Wisconsin) as of June 30, 2000 and 1999, and the related statements of revenues and expenses, changes in fund equity and cash flows for the years then ended. These financial statements and the supplementary information referred to below are the responsibility of management. Our responsibility is to express an opinion on these financial statements and supplementary information based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State of Wisconsin Environmental Improvement Fund as of June 30, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. This information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Milwaukee, Wisconsin
September 21, 2000

State of Wisconsin
Environmental Improvement Fund

Balance Sheets
As of June 30, 2000 and 1999

Assets	2000	1999
Cash and Cash Equivalents	$196,942,759	$162,043,804
United States Treasury Notes, Purchased in Connection with Forward Delivery Agreements, at Cost	23,386,253	14,281,024
Investments, State of Wisconsin General Obligation Clean Water Bonds, at Fair Value	94,854,081	99,433,819
Receivables:		
Loans to Wisconsin Municipalities	946,710,585	879,709,530
Due from State of Wisconsin	278,916	845
Due from Other Governmental Entities	4,875,097	5,549,518
Accrued Investment Income	289,083	286,858
Restricted Assets--Cash Equivalents	49,722,800	46,274,067
Deferred Debt Expense	3,023,260	2,831,077
Other Assets	7,426	27,664
Total Assets	$1,320,090,260	$1,210,438,206
Liabilities and Fund Equity		
Revenue Obligation Bonds, Net (Including Deferred Charge)	$543,618,059	$486,554,794
Accrued Interest on Bonds	2,470,877	2,215,915
Due to Other Funds	1,520,507	1,233,234
Due to Other Governmental Entities	1,940,646	1,460,781
Accrued Expenses	228,929	279,446
Total Liabilities	549,779,018	491,744,170
Fund Equity:		
Contributed Capital	768,469,195	717,728,959
Retained Earnings	1,842,047	965,077
Total Fund Equity	770,311,242	718,694,036
Total Liabilities and Fund Equity	$1,320,090,260	$1,210,438,206

The accompanying notes to financial statements are an integral part of these statements.

State of Wisconsin
Environmental Improvement Fund

Statements of Revenues and Expenses
For the Years Ended June 30, 2000 and 1999

	2000	1999
Operating Revenues:		
Loan Interest	$28,600,647	$26,010,170
Operating Expenses:		
Interest	30,904,790	28,184,053
Salaries and Benefits	3,053,600	3,613,402
Contractual Services and Other	1,031,905	891,879
Depreciation	9,833	16,753
Total Operating Expenses	35,000,128	32,706,087
Net Operating (Loss)	(6,399,481)	(6,695,917)
Other Income (Expense):		
Investment Income	16,864,152	16,926,627
Operating Grants Received	1,490,680	2,008,471
Hardship Grants Awarded	(11,076,908)	(11,977,696)
Other	(1,473)	-
Total Other Income	7,276,451	6,957,402
Net Income	$876,970	$261,485

The accompanying notes to financial statements are an integral part of these statements.

State of Wisconsin
Environmental Improvement Fund

Statements of Changes in Fund Equity
For the Years Ended June 30, 2000 and 1999

	Contributed Capital	Retained Earnings	Total Fund Equity
Fund Equity, June 30, 1998	$641,122,431	$703,592	$641,826,023
Net Income	-	261,485	261,485
Capital Contributions:			
State of Wisconsin	27,000,000	-	27,000,000
U.S. Environmental Protection Agency	49,606,528	-	49,606,528
Fund Equity, June 30, 1999	717,728,959	965,077	718,694,036
Net Income	-	876,970	876,970
Capital Contributions:			
State of Wisconsin	17,000,000	-	17,000,000
U.S. Environmental Protection Agency	33,740,236	-	33,740,236
Fund Equity, June 30, 2000	$768,469,195	$1,842,047	$770,311,242

The accompanying notes to financial statements are an integral part of these statements.

State of Wisconsin
Environmental Improvement Fund

Statements of Cash Flows
For the Years Ended June 30, 2000 and 1999

	2000	1999
Cash Flows from Operating Activities:		
Payments to Employees for Services	$(1,044,576)	$(1,633,079)
Payments to Suppliers and Change in Receivables	(3,193,510)	(2,835,294)
Net Cash Used in Operations	(4,238,086)	(4,468,373)
Cash Flows from Noncapital Financing Activities:		
Operating Grants Received	2,502,561	1,857,687
Grants Paid	(11,076,908)	(11,977,696)
Contributed Capital—State of Wisconsin	21,000,000	31,000,000
Return of Contributed Capital—State of Wisconsin	(4,000,000)	(4,000,000)
Contributed Capital—U.S. Environmental Protection Agency	33,740,236	49,606,528
Proceeds from Issuance of Long-Term Debt	79,859,096	112,690,471
Defeasance Escrow Deposit	-	(111,464,242)
Retirement of Long-Term Debt	(23,530,000)	(24,200,000)
Interest Payments	(29,987,644)	(26,651,306)
Other Cash Flows from Noncapital Financing Activities	-	(207,658)
Net Cash Provided by Noncapital Financing Activities	68,507,341	16,653,784
Cash Flows from Investing Activities:		
Origination of Loans	(119,461,112)	(151,613,732)
Collection of Loans	52,460,058	43,373,201
Interest on Loans	28,263,186	25,603,565
Purchase of Investments	(58,553,395)	(28,416,270)
Liquidation of Investments	48,615,870	31,644,454
Increase in Restricted Assets	(3,448,733)	(5,518,994)
Investment Income Receipts	22,753,826	22,279,712
Net Cash Used in Investing Activities	(29,370,300)	(62,648,064)
Net Increase (Decrease) in Cash and Cash Equivalents	34,898,955	(50,462,653)
Cash and Cash Equivalents, at Beginning of Year	162,043,804	212,506,457
Cash and Cash Equivalents, at End of Year	$196,942,759	$162,043,804

The accompanying notes to financial statements are an integral part of these statements.

State of Wisconsin
Environmental Improvement Fund

Statements of Cash Flows
For the Years ended June 30, 2000 and 1999

(Continued)

	2000	1999
Reconciliation of Operating (Loss) to Net Cash (Used in) Operations:		
Operating (Loss)	$(6,399,481)	$(6,695,917)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used in) Operations:		
Depreciation	9,833	16,753
Amortization	1,027,758	1,091,735
Interest Income Classified as Investing Activity	(28,600,647)	(26,010,105)
Interest Expense Classified as Noncapital Financing Activity	29,694,056	26,060,643
Changes in Assets and Liabilities-		
Decrease (Increase) In Prepaid Items	8,932	(2,696)
(Increase) Decrease in Deferred Charges	(192,183)	347,668
(Increase) Decrease in Due from Other Funds	(85,472)	2,948,808
(Decrease) Increase in Accounts Payable	(32,945)	37,049
Increase (Decrease) in Interest Payable	254,963	(122,126)
(Decrease) Increase in Compensated Absences	(17,573)	31,647
Increase (Decrease) in Due to Other Funds	94,673	(2,171,832)
Total Adjustments	2,161,395	2,227,544
Net Cash Used in Operations	$(4,238,086)	$(4,468,373)

The accompanying notes to financial statements are an integral part of these statements.

(1) Nature of Operations and Summary of Significant Accounting Policies-

(a) Reporting Entity-

The State of Wisconsin Environmental Improvement Fund (the "Fund") is an enterprise fund of the State of Wisconsin (the "State") administered by the State of Wisconsin Department of Natural Resources (the "DNR") and the State of Wisconsin Department of Administration (the "DOA").

The Fund was established with the adoption of the 1997-1999 State of Wisconsin budget. The Fund replaced and expanded the Clean Water Fund Program. The financial statements of all periods presented prior to the adoption of the 1997-1999 budget are those of the Clean Water Fund Program. The Fund provides for three separate environmental financing programs; the Clean Water Fund Program, the Safe Drinking Water Loan Program, and the Land Recycling Loan Program.

The Clean Water Fund Program was established in 1990 and provides financial assistance to municipalities at subsidized interest rates for the purpose of constructing or improving municipal wastewater facilities. The following three subprograms comprise the Clean Water Fund Program:

- Leveraged Loan Program--This program is funded by proceeds of revenue obligation bonds and capital contributions from the State. Assets in this program are used for loans for Wisconsin municipal wastewater projects that meet applicable State eligibility and reporting requirements.

- Direct Loan Program--This program is funded by the U.S. Environmental Protection Agency (the "EPA") capitalization grants and capital contributions from the State (i.e., a minimum 20% match of EPA capitalization grant). Loans in this program are made for wastewater projects that comply with EPA eligibility and reporting requirements.

- Proprietary Program--This program is funded by capital contributions from the State. Assets of this program are used for other various wastewater projects including both loans and hardship grants.

The Safe Drinking Water Loan Program was established in 1997 and provides municipal loans for the construction or repair of drinking water facilities.

The Land Recycling Loan Program is a municipal loan program for the remediation of contaminated lands. This program had one loan during the current year for $628,758 and management does anticipate modest activity in this program during the next fiscal year.

(b) Net Operating Losses-

The Fund incurred net operating losses of $6.4 million and $6.7 million in 2000 and 1999, respectively. Management expects the Fund will generally incur net operating losses for the foreseeable future. As explained in Note 2, these losses result from the Fund's statutory mission to provide loans to municipalities at interest rates below the Fund's own cost of funds. The losses have historically been funded by capital contributions. Capital contributions were approximately $51 million and $77 million in 2000 and 1999, respectively. Management expects capital contributions will continue for the foreseeable future sufficient to fund both the future net operating losses and, together with additional borrowing, to fund additional loans to municipalities.

(c) Interest on Loans Receivable-

Interest on loans receivable is recognized on an accrual basis and recorded within Due From Other Governmental Entities on the balance sheet.

(d) United States Treasury Notes, Purchased in Connection with Forward Delivery Agreements-

The Fund holds United States Treasury Notes as investments at June 30, 2000 and records the notes at amortized cost. The Fund purchased these securities which mature on November 30, 2000, in accordance with the Forward Delivery Agreements (see Note 4).

GASB Statement No. 31 (GASB 31) states that investments in participating interest-earning investment contracts must be reported at fair value. Management is uncertain as to whether the three forward delivery agreements described at Note 4 meet the definition of participating investment contracts under GASB 31. At June 30, 2000, management has accounted for the agreements as investments in short-term U.S. treasury notes, at cost. Had the agreements been accounted for as participating interest-earning investment contracts, management would have reported the investment contracts (at fair value) as an asset on the Fund's balance sheet, rather than reporting the cost of the treasury securities that the Fund owns at June 30, 2000. Management estimates that at June 30, 2000, the fair value of its interest in the three agreements is less than the cost of the treasury securities owned by approximately $2,200,000. Management believes that the determination as to whether the agreements should be accounted for as participating interest earning investment contracts or as short-term treasury securities does not have a material impact on the financial statements.

(e) Investments-

Investments that are stated at fair value include the State of Wisconsin Investment Board Local Government Investment Pool (see Note 3) and the State of Wisconsin General Obligation Clean Water Bonds (see Note 7). The Fund has received fair value information for investments from external sources. Changes in the fair value of investments are included in investment income. All other investments are reported at cost. Accrued interest on investments is recorded as earned. To the extent interest income on investments exceeds applicable arbitrage limits specified in the Internal Revenue Code, the amount that must be rebated ("estimated arbitrage") to the U.S. Treasury is recorded as a reduction of investment income (see Note 8). Investment transactions are recorded on the trade date.

(f) Deferred Debt Expense-

Issuance costs relating to the revenue obligation bonds were capitalized and are being amortized using the effective rate method.

(g) Revenue Obligation Bonds-

Interest expense on revenue obligation bonds is recognized on an accrual basis.

(h) Deferred Charge-

The Fund defers the difference between the reacquisition price and the net carrying amount of defeased debt and amortizes it as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt. The unamortized deferred charge related to debt defeasance is classified as a reduction of revenue obligation bonds.

(i) Cash Equivalents-

The Fund considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The Fund also considers as cash equivalents guaranteed investment contracts or repurchase agreements permitting withdrawals required by the bond resolution to meet insufficiencies in debt service payments. Repurchase agreements and guaranteed investment contracts are valued at cost because they are nonparticipating contracts due to the non-negotiability of these investments and because the amount of any withdrawals made do not consider market interest rates.

(j) Reclassifications-

Certain reclassifications were made to the 1999 financial statements in order to conform with the 2000 presentation.

(2) Loans to Wisconsin Municipalities-

Loans to Wisconsin municipalities at June 30, 2000 and 1999, represent loans for waste water treatment projects or drinking water treatment projects and are for terms of up to 20 years. These loans are made at a variety of prescribed interest rates based on project type categories. In order to effectuate statutory policy, a majority of the loans issued by the Clean Water Fund Program are at interest rates that are below the State's cost of borrowing. The net loss and retained deficits that can result from this negative interest margin is funded by State contributions. Interest rates ranged from 0% to 5.8% in both 2000 and 1999. The weighted average interest rate was 3.05% and 3.06% at June 30, 2000 and 1999, respectively. The loans contractually are revenue obligations or general obligations of the municipalities, or both. Additionally, various statutory provisions exist which provide further security for payment. In the event of a default, the State can intercept State aid payments due to the applicable municipality, induce an additional charge to the amount of property taxes levied by the county in which the applicable municipality is located, or both. Accordingly, no reserve for loan loss is deemed necessary.

Of the loans outstanding at June 30, 2000 and 1999, $198,551,367 and $199,058,012 (21% and 23%), respectively, were loans due from the Milwaukee Metropolitan Sewerage District.

The Clean Water Fund Program has made additional financial assistance commitments of $157,670,656 as of June 30, 2000. From July 1, 2000 to September 21, 2000, the Fund made loan disbursements of $25,933,390 from these additional commitments. These loan commitments are generally met through the proceeds from additional Federal grants and from the issuance of additional revenue obligation bonds. (See Note 5.)

(3) Cash and Cash Equivalents-

As of June 30, 2000 and 1999, cash and cash equivalents consisted of the following:

	2000	1999
State of Wisconsin Investment Board ("SWIB") Local Government Investment Pool ("LGIP"), at fair value	$210,975,276	$172,627,588
Investments reported at cost:		
MBIA guaranteed investment agreement	6,250,292	6,250,292
Repurchase agreement with Bayerische Landesbank	7,597,910	7,597,910
American International Group Matched Funding Corp. (AIG) guaranteed investment agreement	21,842,081	21,842,081
	246,665,559	208,317,871
Less- Amounts classified as restricted assets (see Note 5)	(49,722,800)	(46,274,067)
Total cash and cash equivalents	$196,942,759	$162,043,804

The LGIP is an investment fund managed by SWIB that accepts investment deposits from over 1,000 municipalities and other public entities in the State of Wisconsin. The objectives of the LGIP are to provide safety of principal, liquidity, and a reasonable rate of return. The LGIP is insured as to credit risk. The LGIP functions in a manner similar to a money market fund in that the yield earned changes daily and participants may invest or withdraw any or all amounts on a daily basis at par value. The LGIP is strategically managed with a longer average life than a money market fund. The LGIP is not a SEC registered investment, but is regulated by Wisconsin Statutes 25.14 and 25.17. At June 30, 2000, the current yield on the LGIP was 6.3%. The LGIP is stated at fair value.

The investment with MBIA Investment Management Corporation is secured by a financial guarantee insurance policy issued by the MBIA Insurance Corporation. At June 30, 2000, the agreement was accruing interest at the rate of 6.2%. The investment with AIG is secured by a financial guarantee insurance policy issued by the parent of AIG, American International Group. At June 30, 2000, the agreement was accruing interest at the rate of 8.10%.

The repurchase agreement with Bayerische Landesbank is collateralized by U.S. Treasury notes, bonds and debentures with a market value of $9,766,172 at June 30, 2000. The collateral is held by Wells Fargo Bank pursuant to a custody agreement. The repurchase agreement contains a fixed yield of 6.5%. Both the repurchase agreement along with the MBIA and AIG investment agreements provide for liquidation of investments at par if and when required by the terms of the Clean Water Revenue Bond General Resolution.

(4) <u>Forward Delivery Agreements</u>-

The Fund has entered into four agreements for the future delivery and purchase of securities to be held as investments of the loan credit reserve fund of the Revenue Obligation Bonds (see Note 5). Three of the agreements are with First Union National Bank (“First Union”) and one is with Westdeutsche Landesbank Girozentrale (“WLG”) and each provides for the delivery to, and purchase by, the Fund, securities with a maturity value equal to the purchase price plus earnings calculated at the rate of the agreement. The agreements were entered into in conjunction with the 1993 series 1, 1997 series 1, 1998 series 1, and 1999 series 1 revenue bonds.

Every six months during the term of the agreements, First Union and WLG are required to deliver United States Treasury securities to the Fund for purchase. The Treasury securities are held as investments by the Fund. The price paid by the Fund for the Treasury securities is determined under the contract. That price is that which results in the predetermined annual earnings rate computed on the notional amount, taking into account the coupon interest on the delivered Treasury securities. The redemption value of the securities purchased for investment must equal at least the purchase price of the securities plus earnings calculated by multiplying the notional amount times the annual earnings rate as calculated for the term until the next bond payment date. The First Union agreements may be terminated at the option of the Fund and a payment between the parties will be made to compensate for the difference in present value of the earnings expected under each agreement and the earnings available on similar agreements at the time of the termination. Management has asserted that it does not anticipate terminating the agreements at a time when a payment would be required from the Fund to First Union. If the agreements were terminated at a time when a payment would be due to First Union, management has also asserted that it would be able to enter into similar agreements that would have consistent present values as the agreements are valued in relation to prevailing Treasury security rates. In addition, if the agreements are terminated in whole or in part due to the need to use funds at the maturity date for making a debt service payment on the bonds, then there is no compensating payment between the parties.

The Agreement with WLG may be terminated at the option of the Fund and no compensation payment is made by either party; at termination the Fund would receive cash based on the cost of the Treasury Securities plus accrued interest to the termination date.

By the GASB Statement No. 3 definition, these securities are classified as category one investments. The par values and coupon rates and the amortized cost and rate at which the Treasury Notes accrue interest in accordance with the Forward Delivery Agreements at June 30, 2000, are as follows:

	Par Value	Coupon Rate	Cost	Agreement Rate
Series 1997-1 Agreement	$7,024,000	4.63%	$6,991,281	5.58%
Series 1998-1 Agreement	7,306,000	4.83%	7,292,156	5.01%
Series 1993-1 Agreement	2,250,000	6.25%	2,184,209	5.22%
Series 1999-1 Agreement	6,942,000	5.83%	6,918,607	6.32%

(5) Revenue Obligation Bonds and Restricted Assets-

Revenue obligation serial and term bonds as of June 30, 2000 and 1999, consisted of the following:

	2000	1999
1991 Series 1:		
Serial Bonds, optional redemption for bonds at 102% of par, June 1, 2001, declining to 100% of par, June 1, 2003	$22,070,000	$32,130,000
Term Bonds, mandatory redemption of bonds at 100% of par, June 1, 2009 through June 1, 2011	57,445,000	57,445,000
	79,515,000	89,575,000
Unamortized discount on bonds	(231,746)	(247,549)
	79,283,254	89,327,451
1993 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2004	36,955,000	40,720,000
Unamortized discount on bonds	(213,122)	(259,972)
	36,741,878	40,460,028
1993 Series 2:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2004	77,395,000	77,995,000
Unamortized premium on bonds	1,359,903	1,527,118
	78,754,903	79,522,118
1995 Series 1		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2006	34,080,000	37,380,000
Unamortized premium on bonds	570,289	753,690
	34,650,289	38,133,690

	2000	1999
1997 Series 1		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2008	$51,105,000	$53,865,000
Unamortized premium on bonds	243,654	294,499
	51,348,654	54,159,499
1998 Series 1		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2008	84,015,000	87,060,000
Unamortized premium on bonds	513,263	627,692
	84,528,263	87,687,692
1998 Series 2		
Serial Bonds, no optional redemption	102,560,000	102,560,000
Unamortized premium on bonds	6,798,546	7,305,399
	109,358,546	109,865,399
1999 Series 1		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2009	80,000,000	-
Unamortized premium on bonds	4,499	-
	80,004,499	-
Total of all series	554,670,286	499,155,877
Unamortized deferred charge related to debt defeasance (Note 6)	(11,052,227)	(12,601,083)
Revenue obligation bonds, net of deferred charge	$543,618,059	$486,554,794

The original issue discount or premium and weighted average yield at June 30, 2000, on the following bonds were:

Series	Original Issue Discount/(Premium)	Weighted Average Yield
1991 Series 1	$1,366,407	6.76%
1993 Series 1	907,852	4.92%
1993 Series 2	(2,349,252)	5.02%
1995 Series 1	(1,253,936)	5.08%
1997 Series 1	(288,312)	5.09%
1998 Series 1	(811,362)	4.55%
1998 Series 2	(7,739,808)	4.56%
1999 Series 1	(58,061)	5.34%

Yields range from 3.85% to 6.88% on the remaining maturities of the bonds.

Principal maturities of the bonds, net of advance refundings, as of June 30, 2000, are as follows:

Years Ending June 30,	1991 Series 1	1993 Series 1	1993 Series 2	1995 Series 1	1997 Series 1	1998 Series 1	1998 Series 2	1999 Series 1	Total
2001	$10,695,000	$3,925,000	$625,000	$3,450,000	$2,880,000	$3,165,000	$ -	$2,505,000	$27,245,000
2002	11,375,000	4,095,000	650,000	3,640,000	3,010,000	3,285,000	-	2,610,000	28,665,000
2003	-	4,280,000	680,000	3,870,000	3,150,000	3,415,000	12,160,000	2,715,000	30,270,000
2004	-	4,480,000	13,610,000	4,110,000	3,290,000	3,555,000	-	2,830,000	31,875,000
2005		4,690,000	14,255,000	4,365,000	3,445,000	3,705,000	-	2,955,000	33,415,000
2006-2020	57,445,000	15,485,000	47,575,000	14,645,000	35,330,000	66,890,000	90,400,000	66,385,000	394,155,000
	$79,515,000	$36,955,000	$77,395,000	$34,080,000	$51,105,000	$84,015,000	$102,560,000	$80,000,000	$545,625,000

The revenue obligation bonds are collateralized by a security interest in all assets of the Leveraged Loan Program. At June 30, 2000 and 1999, the total assets of the Leveraged Loan Program were $677,572,695 and $617,344,242, respectively. Neither the full faith and credit nor the taxing power of the State is pledged for the payment of the revenue obligation bonds. However, as the loans granted to the municipalities are at an interest rate which is less than the Revenue Bond rate, the State is obligated by the Clean Water Fund General Resolution to fund, prior to each loan disbursement, a reserve which subsidizes the Leveraged Loan Program in an amount which offsets this interest rate disparity.

Among other restrictions under the revenue obligation bond agreements are provisions that require that a specified amount of cash and investments be held by an independent trustee in a reserve account for the purpose of paying bond interest and principal when due. The restricted assets on the balance sheet, which consists substantially all of the MBIA, AIG, and Bayerische Landesbank investments (Note 3), represent the amounts restricted under the agreements and an equal amount, as defined, to maintain a prescribed minimum credit quality rating for the loans outstanding.

(6) Advance Refunding-

On September 23, 1998, the State issued $104,360,000 in State of Wisconsin Clean Water Refunding Bonds, 1998 Series 2, dated August 15, 1998, with a weighted average interest rate of 5.4%. The refunding bonds were issued at a premium, resulting in proceeds of $112,690,471, including accrued interest of $590,664. The purpose of the issue was primarily to advance refund $104,105,000 of outstanding Revenue Obligation Bonds from various previously issued series with a weighted average interest rate of 5.6%. Approximately $111,464,000 of the proceeds were used to purchase United States Treasury Securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on a portion of the 1991 Series 1, 1993 Series 1, 1995 Series 1 and 1997 Series 1 Revenue Obligation Bonds. As a result, $104,105,000 of Revenue Obligation Bonds are considered to be defeased; the liability for those bonds has been removed from the Fund's balance sheet as of the date of defeasance and the Treasury securities in the irrevocable trust are not reported on the Fund's balance sheet.

As a result of the defeasance, the Fund reduced its aggregate debt service payments by approximately $4,778,000 and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately $3,208,000.

The new bonds, issued at a premium of $7,739,808, consisted of the following:

	Principal Amount
1998 Series 2 Bonds, maturities beginning June 1, 1999 through June 1, 2017, with no optional redemption	$104,360,000

The Revenue Obligation Bonds defeased by the 1998 Series 2 Refunding Bonds were as follows:

Series	Maturity	Principal Amount
1991 Series 1	June 1, 2003	$12,120,000
1993 Series 1	June 1, 2009	5,690,000
	June 1, 2010	5,985,000
	June 1, 2011	6,300,000
	June 1, 2012	6,635,000
	June 1, 2013	6,985,000
		31,595,000
1995 Series 1	June 1, 2009	$5,400,000
	June 1, 2010	5,695,000
	June 1, 2011	6,110,000
	June 1, 2012	4,760,000
	June 1, 2013	4,395,000
	June 1, 2014	6,195,000
	June 1, 2015	4,340,000
		36,895,000
1997 Series 1	June 1, 2014	5,545,000
	June 1, 2015	5,850,000
	June 1, 2016	6,170,000
	June 1, 2017	5,930,000
		23,495,000
	Total	$104,105,000

In accordance with GASB 23, Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities, the Fund deferred $7,571,888 related to the defeasance of debt described above which will be amortized over the life of the 1998 Series 2 Bonds.

In 1993, the Fund defeased a portion of the 1991 Series 1 Revenue Obligation Bonds by placing proceeds of the issuance of the 1993 Series 2 Refunding Bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Fund's financial statements. As of June 30, 1999, $73,765,000 of 1991 Series 1 Bonds were outstanding that had been defeased by the issuance of the 1993 Series 2 Refunding Bonds.

(7) Contributed Capital-

State of Wisconsin--For fiscal year 2000, Capital Contributions from the State consisted of $21,000,000 in cash reduced by the return of capital of $4,000,000 (all of which was statutorily mandated). The statutorily mandated return of capital is based on amounts the State general fund requires for debt service payments on obligations the State incurred to fund certain capital contributions to the fund. The Fund will be required to return capital to the State in fiscal 2001 and 2002 of $4,000,000 each year. Using cash contributed by the State, the Fund owned $91,199,128 (par value) of State of Wisconsin General Obligation Bonds ($55,000,000 of Clean Water Fund Series 1 Bonds of 1991, $5,000,000 of Clean Water Fund Series A Bonds of 1993, $20,000,000 of Clean Water Fund Series 1 Bonds of 1994, $5,000,000 of Clean Water Fund Series 1 Bonds of 1995, $5,000,000 of Clean Water Fund Series A Bonds of 1996, $10,000,000 of Clean Water Fund Series A Bonds of 1997, $5,000,000 of Clean Water Fund Series A Bonds of 1998 and $5,000,000 of Clean Water Fund Series A Bonds of 1999) as of June 30, 2000. The full faith, credit and taxing power of the State are irrevocably pledged for payment of the principal of and interest on the General Obligation Bonds. Although the intent of the Fund is to hold the Bonds to maturity, the Bonds can be sold without restriction. The estimated market value and the stated weighted average interest rate of the State of Wisconsin General Obligation Bonds-Clean Water Fund Series are as follows:

	Fair Value		Weighted Average Interest Rate	
	2000	1999	2000	1999
1991 Series 1	$47,441,804	$52,692,018	9.5%	9.4%
1993 Series A	4,022,292	4,455,920	8.2%	8.1%
1994 Series 1	16,609,582	18,216,695	6.7%	6.7%
1995 Series 1	4,103,659	4,498,203	7.4%	7.4%
1996 Series A	4,713,501	4,908,867	7.4%	7.4%
1997 Series A	8,848,258	9,899,302	7.5%	7.4%
1998 Series A	4,319,016	4,762,814	6.1%	6.1%
1999 Series A	4,795,969	-	7.6%	-
Total	$94,854,081	$99,433,819		

The Bonds are registered in the name of the Fund and held by an independent trustee. By the GASB Statement No. 3 definition these securities are classified as category one (insured or registered with securities held by the Fund's agent in the Fund's name).

Principal maturities of the Bonds as of June 30, 2000, are as follows:

Years Ending June 30,	1991 Series 1	1993 Series A	1994 Series 1	1995 Series 1	1996 Series A	1997 Series A	1998 Series A	1999 Series A	Total
2001	$2,409,495	$206,860	$660,100	$180,055	$ -	$595,634	$205,467	$300,000	$4,557,611
2002	2,624,301	222,391	691,928	192,571	346,889	351,552	181,742	170,000	4,781,374
2003	2,866,085	254,008	1,029,652	184,185	333,141	374,683	181,646	175,000	5,398,400
2004	3,127,933	269,728	1,139,119	176,883	330,529	393,770	180,371	197,500	5,815,333
2005	3,417,123	294,573	1,151,359	212,909	386,320	425,401	178,158	195,000	6,260,843
2006-2019	28,376,605	2,595,082	12,563,570	3,195,443	3,286,267	6,742,592	3,863,008	3,762,500	64,385,067
	$42,821,542	$3,842,642	$17,235,728	$4,142,046	$4,683,146	$8,883,632	$4,790,392	$4,800,000	$91,199,128

U.S. Environmental Protection Agency--The Federal Water Quality Act of 1987 (the "Water Quality Act") established a joint Federal and State program to assist in providing financial assistance to municipalities within the states for governmentally owned waste water treatment projects. Reauthorization of the Water Quality Act of 1987 is not expected to be acted upon by the present Congress of the United States, although the allocation of capitalization grants to states are expected to result in a grant to Wisconsin of approximately $35 million for federal fiscal year 2000. Authorization levels for years after 2000 are unknown at this time. $35,230,916 was received in fiscal year 2000 through this grant, of which $33,740,236 was reflected as contributed capital and $1,490,680 as operating grants. In fiscal year 1999, $51,614,999 was received, of which $49,606,528 was reflected as contributed capital, and $2,008,471 as operating grants. Under the terms of the EPA grant, the State was required (1) to establish the Clean Water Fund Program, a perpetual state revolving fund into which the grant monies must be deposited, (2) to provide State matching funds equal to 20% of the grant and (3) to use the monies to provide financial assistance to municipalities for governmentally owned waste water treatment projects in a number of ways, provided that such assistance is not in the form of a grant.

(8) Investment Income-

Investment income is recorded net of estimated required arbitrage relating to outstanding State of Wisconsin Clean Water Revenue Bonds and consisted of the following for the fiscal years ended June 30, 2000 and 1999:

	2000	1999
Interest:		
State of Wisconsin Investment Board Local Government Investment Pool	$11,136,539	$9,261,878
MBIA Guaranteed Investment Agreement	387,518	387,518
Repurchase Agreement with Bayerische Landesbank	493,864	493,864
AIG Guaranteed Investment Agreement	1,768,771	1,931,386
United States Treasury Notes	1,193,036	1,419,557
State of Wisconsin General Obligation Bonds	7,516,999	7,651,341
Total Interest	22,496,727	21,145,544
Changes in Unrealized Gains and Losses:		
State of Wisconsin Investment Board Local Government Investment Pool	259,323	744,504
State of Wisconsin General Obligation Bonds	(5,412,033)	(3,762,447)
Total Changes In Unrealized Gains and Losses	(5,152,710)	(3,017,943)
Total Interest and Changes in Unrealized Gains and Losses	17,344,017	18,127,601
Estimated Rebatable Arbitrage Liability	(479,865)	(1,200,975)
Total Investment Income	$16,864,152	$16,926,626

(9) Transactions with Related Parties-

The DNR and DOA have statutory duties to manage the Fund. Expenses relating to the management of the Fund are allocated to and paid by the Fund. Total allocated expenses from DNR and DOA which are reflected in the statement of revenues and expenses for the years ended June 30, 2000 and 1999, were $3,366,243 and $3,296,118, respectively. The Fund charges all DNR and DOA expenses to the Direct Loan Program, the Proprietary Program, and the Safe Drinking Water Loan Program. Thus, certain expenses have been allocated to the Leveraged Loan Program to more accurately reflect the expenses incurred by each program.

The following details total salaries and benefits by agency for the fiscal years ended June 30, 2000 and 1999

	2000	1999
DNR	$2,584,915	$3,102,981
DOA	468,685	510,421
Total Salaries and Benefits	$3,053,600	$3,613,402

(10) Hardship and Other Grants-

Wisconsin statutes require that the Fund provide financial hardship assistance for those communities that qualify under Wisconsin Statute 281.58(13). This assistance may come in the form of reduced interest rates (as low as 0%) or grants subject to limitations prescribed by the statute. In 2000, the fund expended hardship grants of $10,858,186. At fiscal year end, the Fund had committed to award $8,655,972 of additional hardship grants. In addition, the Fund expended $218,722 of other grants.

State of Wisconsin
Environmental Improvement Fund

Balance Sheet by Program
As of June 30, 2000

	Clean Water Fund Program					
	Direct Loan Program	Proprietary Program	Leveraged Loan Program	Safe Drinking Water Loan Program	Eliminations	Total
Cash and Cash Equivalents	$121,532,506	$19,565,960	$43,809,102	$12,035,191	$ -	$196,942,759
United States Treasury Notes	-	-	23,386,253	-	-	23,386,253
Investments, State of Wisconsin General Obligation Clean Water Bonds	-	-	94,854,081	-	-	94,854,081
Receivables:						
Loans to Wisconsin Municipalities	413,846,386	20,880,242	460,173,723	51,810,234	-	946,710,585
Due from Other Funds and the State of Wisconsin	-	1,733,728	-	-	(1,454,812)	278,916
Due from Other Governmental Entities	2,110,981	69,143	2,314,393	380,580	-	4,875,097
Accrued Investment Income	-	-	289,083	-	-	289,083
Restricted Assets	-	-	49,722,800	-	-	49,722,800
Deferred Debt Expense	-	-	3,023,260	-	-	3,023,260
Other Assets	-	7,426	-	-	-	7,426
Total Assets	$537,489,873	$42,256,499	$677,572,695	$64,226,005	$(1,454,812)	$1,320,090,260
Revenue Obligation Bonds, Net (Including Deferred Charge)	$ -	$ -	$543,618,059	$ -	$ -	$543,618,059
Accrued Interest on Bonds	-	-	2,470,877	-	-	2,470,877
Due to Other Funds	368,806	892,337	1,454,812	259,364	(1,454,812)	1,520,507
Due to Other Governmental Entities	-	-	1,940,646	-	-	1,940,646
Accrued Expenses	51,839	118,396	-	58,694	-	228,929
Total Liabilities	420,645	1,010,733	549,484,394	318,058	(1,454,812)	549,779,018
Fund Equity	537,069,228	41,245,766	128,088,301	63,907,947	-	770,311,242
Total Liabilities and Fund Equity	$537,489,873	$42,256,499	$677,572,695	$64,226,005	$(1,454,812)	$1,320,090,260

State of Wisconsin
Environmental Improvement Fund

Statement of Revenues, Expenses and Changes in Fund Equity by Program
For the Year Ended June 30, 2000

	Clean Water Fund Program			Safe Drinking Water Loan Program		
	Direct Loan Program	Proprietary Program	Leveraged Loan Program		Eliminations	Total
Operating Revenues:						
Loan Interest	$12,834,136	$441,091	$14,103,747	$1,221,673	$ -	$28,600,647
Operating Expenses:						
Interest	-	-	30,904,790	-	-	30,904,790
Salaries and Benefits	1,191,140	257,424	1,029,694	575,342	-	3,053,600
Contractual Services and Other	138,767	106,278	466,791	320,069	-	1,031,905
Depreciation	-	9,833	-	-	-	9,833
Total Operating Expenses	1,329,907	373,535	32,401,275	895,411	-	35,000,128
Net Operating Income (Loss)	11,504,229	67,556	(18,297,528)	326,262	-	(6,399,481)
Other Income (Expense):						
Investment Income	6,765,567	901,034	9,139,963	57,588	-	16,864,152
Operating Grants	465,237	-	-	1,025,443	-	1,490,680
Hardship Grants and Other	-	(11,078,381)	-	-	-	(11,078,381)
Total Other Income (Expense)	7,230,804	(10,177,347)	9,139,963	1,083,031	-	7,276,451
Net Income (Loss) Before Operating Transfers	18,735,033	(10,109,791)	(9,157,565)	1,409,293	-	876,970
Operating Transfers in (Out)	(7,607,296)	-	-	7,607,296	-	-
Net Income (Loss)	11,127,737	(10,109,791)	(9,157,565)	9,016,589	-	876,970
Fund Equity, Beginning of Year	508,720,733	47,941,451	125,465,342	36,566,510	-	718,694,036
Capital Contributions:						
State of Wisconsin	(196,150)	3,414,106	11,780,524	2,001,520	-	17,000,000
U.S. Environmental Protection Agency	17,416,908	-	-	16,323,328	-	33,740,236
Fund Equity, End of Year	$537,069,228	$41,245,766	$128,088,301	$63,907,947	$ -	$770,311,242

State of Wisconsin
Environmental Improvement Fund

Statement of Cash Flows by Program
For the Year Ended June 30, 2000

	Clean Water Fund Program					
	Direct Loan Program	Proprietary Program	Leveraged Loan Program	Safe Drinking Water Loan Program	Eliminations	Total
Cash Flows from Operating Activities:						
Payments to Employees for Services	$(143,517)	$18,959	$(641,306)	$(278,712)	$ -	$(1,044,576)
Payments to Suppliers and Other	(1,182,379)	(329,559)	(1,167,977)	(513,595)	-	(3,193,510)
Net Cash Provided by Used in Operations	(1,325,896)	(310,600)	(1,809,283)	(792,307)	-	(4,238,086)
Cash Flows from Noncapital Financing:						
Operating Grants Received	1,353,840	-	-	1,148,721	-	2,502,561
Grants Paid	-	(11,076,908)	-	-	-	(11,076,908)
Contributed Capital--State of Wisconsin	3,803,850	3,414,106	11,780,524	2,001,520	-	21,000,000
Return of Contributed Capital--State of Wisconsin	(4,000,000)	-	-	-	-	(4,000,000)
Contributed Capital--U.S. Environmental Protection Agency	17,416,908	-	-	16,323,328	-	33,740,236
Proceeds from Issuance of Long Term Debt	-	-	79,859,096	-	-	79,859,096
Defeasance Escrow Deposit	-	-	-	-	-	
Retirement of Long-Term Debt	-	-	(23,530,000)	-	-	(23,530,000)
Interest Payments	-	-	(29,987,644)	-	-	(29,987,644)
Other Cash Flows from Noncapital Financing Activity	-	-	-	-	-	
Operating Transfers in/(Out)	(7,607,296)	-	-	7,607,296	-	-
Net Cash Provided by (Used in) Noncapital Financing Activities	10,967,302	(7,662,802)	38,121,976	27,080,865	-	68,507,341
Cash Flows from Investing:						
Loans Originated	(55,061,465)	(1,396,612)	(44,678,188)	(18,324,847)	-	(119,461,112)
Collection of Loans	23,358,147	1,605,975	25,378,156	2,117,780	-	52,460,058
Interest on Loans	12,687,334	440,347	13,994,310	1,141,195	-	28,263,186
Purchase of Investments	-	-	(58,553,395)	-	-	(58,553,395)
Liquidation of Investments	-	-	48,615,870	-	-	48,615,870
Increase in Restricted Assets	-	-	(3,448,733)	-	-	(3,448,733)
Investment Income Received	6,765,567	901,034	15,029,637	57,588	-	22,753,826
Net Cash Provided by (Used in) Investing Activities	(12,250,417)	1,550,744	(3,662,343)	(15,008,284)	-	(29,370,300)
Net Increase (Decrease) in Cash and Cash Equivalents	(2,609,011)	(6,422,658)	32,650,350	11,280,274	-	34,898,955
Cash and Cash Equivalents, at Beginning of Year	124,141,517	25,988,618	11,158,752	754,917	-	162,043,804
Cash and Cash Equivalents, at End of Year	$121,532,506	$19,565,960	$43,809,102	$12,035,191	$ -	$196,942,759

State of Wisconsin
Environmental Improvement Fund

Statement of Cash Flows by Program
For the Year Ended June 30, 2000

	Clean Water Fund Program					
	Direct Loan Program	Proprietary Program	Leveraged Loan Program	Safe Drinking Water Loan Program	Eliminations	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operations:						
Operating Income (Loss)	$11,504,229	$67,556	$(18,297,528)	$326,262	$ -	$(6,399,481)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used In) Operations:						
Depreciation	-	9,833	-	-	-	9,833
Amortization	-	-	1,027,758	-	-	1,027,758
Interest Income Classified as Investing Activity	(12,834,136)	(441,091)	(14,103,747)	(1,221,673)	-	(28,600,647)
Interest Expense Classified as Noncapital Financing Activity	-	-	29,694,056	-	-	29,694,056
Changes in Assets and Liabilities-						
Increase in Prepaid Items	-	8,932	-	-	-	8,932
(Decrease) in Deferred Charges	-	-	(192,183)	-	-	(192,183)
(Decrease) in Due from Other Funds	-	(85,472)	-	-	-	(85,472)
Increase (Decrease) in Accounts Payable	24,855	(111,661)	-	53,861	-	(32,945)
Increase in Interest Payable	-	-	254,963	-	-	254,963
Increase in Compensated Absences	-	(17,573)	-	-	-	(17,573)
(Decrease) Increase in Due to Other Funds	(20,844)	258,876	(192,602)	49,243	-	94,673
Total Adjustments	(12,830,125)	(378,156)	16,488,245	(1,118,569)	-	2,161,395
Net Cash Used in Operations	$(1,325,896)	$(310,600)	$(1,809,283)	$(792,307)	$ -	$(4,238,086)

State of Wisconsin
Clean Water Fund Program

Leveraged Loan Program
Balance Sheet
As of June 1, 2000

Assets	
Cash and Cash Equivalents	$45,857,994
United States Treasury Notes	23,386,251
Investments—State of Wisconsin General Obligation Clean Water Bonds	93,643,141
Receivables:	
Loans to Wisconsin Municipalities	457,437,519
Due from Other Governmental Entities	1,183,089
Accrued Investment Income	653,524
Restricted Assets	49,485,573
Deferred Debt Expense	3,056,580
Total Assets	$674,703,671
Liabilities and Fund Equity	
Revenue Obligation Bonds, Net (Including Deferred Charge)	$543,581,109
Due to Other Funds	1,333,577
Due to Other Governmental Entities	1,900,424
Total Liabilities	546,815,110
Fund Equity:	
Contributed Capital	144,975,793
Retained (Deficit)	(17,087,232)
Total Fund Equity	127,888,561
Total Liabilities and Fund Equity	$674,703,671

State of Wisconsin
Clean Water Fund Program

Leveraged Loan Program
Statement of Revenues and Expenses
For the Year Ended June 1, 2000

Operating Revenues:	
Loan Interest	$14,057,895
Operating Expenses:	
Interest, Including Discount Amortization	30,630,834
Salaries and Benefits	1,041,217
Contractual Services and Other	465,386
Total Operating Expenses	32,137,437
Operating (Loss)	(18,079,542)
Other Income:	
Investment Income	7,907,828
Net (Loss)	$(10,171,714)

State of Wisconsin
Clean Water Fund Program

Leveraged Loan Program
Changes in Loans Receivable
For the Year Ended June 1, 2000

Loans Receivable, June 1, 1999	$438,076,778
Loans Disbursed	44,658,498
Loan Principal Payments Received	(25,297,757)
Loans Receivable, June 1, 2000	$457,437,519

There were no fees or charges during the period from June 2, 1999 through June 1, 2000. As of June 1, 2000, no loans receivable were in default status.

State of Wisconsin
Clean Water Fund Program

Leveraged Loan Program
Changes in Revenue Bonds
For the Year Ended June 1, 2000

Revenue Bonds at June 1, 1999	$489,155,000
Revenue Bonds Issued	80,000,000
Principal Payments	(23,530,000)
Revenue Bonds at June 1, 2000	$545,625,000

PART VII

PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS

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

Total Outstanding Balance (12/15/2000)	$248,500,000
Amount Outstanding—Fixed Rate Obligations	168,500,000
Amount Outstanding—Variable Rate Obligations	80,000,000
Percentage of Outstanding Obligations in form of Variable Rate Obligations	32.19%
Bond Ratings (Fitch/Moody's/Standard & Poor's)	AA–/Aa3/AA–
Extendible Municipal Commercial Paper Ratings	F-1+/P-1/A-1+

APPENDIX A includes the audited financial statement for the Petroleum Inspection Fee Revenue Obligation Program for the year ended June 30, 2000. The Wisconsin Statutes provide that the State of Wisconsin Building Commission (**Commission**) has supervision over all matters relating to the issuance by the State of revenue obligations. Employees of the Division of Executive Budget and Finance serve as the Capital Finance Director and staff responsible for managing the State's borrowing programs.

Petroleum inspection fee revenue obligations are issued pursuant to the Program Resolution for State of Wisconsin Petroleum Inspection Fee Revenue Obligations, dated January 19, 2000, as amended and restated on May 2, 2000 **(Program Resolution)**. The State has issued petroleum inspection fee revenue obligations in the form of bonds and extendible municipal commercial paper. The Bank of New York serves as Trustee for the petroleum inspection fee revenue obligation program **(Trustee)**. The Trustee serves as registrar and paying agent for the bonds, and U.S. Bank Trust National Association serves as issuing and paying agent for the extendible municipal commercial paper. The law firm of Foley & Lardner provides bond counsel services to the State for issuance of petroleum inspection fee revenue obligations. The firm of First Albany Corporation has provided financial advisor services for the program.

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

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

This Annual Report includes information and defined terms for different types of securities issued by the State. The context or meaning of terms used in this Part VII of the Annual Report may differ from that of terms used in another part. See "DEFINITIONS OF CERTAIN TERMS" for the definition of capitalized terms used in this Part VII of the Annual Report. Material referred to in this Annual Report is not part of this Annual Report unless expressly included by reference.

OUTSTANDING OBLIGATIONS

The State has issued the petroleum inspection fee revenue obligations shown in Table VII-1. The table also includes the outstanding principal balances as of December 15, 2000.

Table VII-1
OUTSTANDING PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS BY ISSUE
(As of December 15, 2000)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
Fixed Rate Obligations				
2000, Series A	3/2/2000			
Serial Bonds		2000	$ 1,750,000	-0-
Serial Bonds		2002-2012	168,500,000	$ 168,500,000
Total Fixed Rate Obligations			$ 170,250,000	$ 168,500,000
Variable Rate Obligations				
2000, Extend. Municipal Commercial Paper	5/9/2000		$ 80,000,000	$ 80,000,000
Total Petroleum Inspection Fee Revenue Obligations			$ 250,250,000	$ 248,500,000

The Program Resolution defines the $170,250,000 Petroleum Inspection Fee Revenue Bonds, 2000 Series A **(2000 Series A Bonds)** as **Senior Bonds** and the Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper **(EMCP)** as **Bond Anticipation Notes**. All the same, the payment of interest on the EMCP is on a parity with payment of principal and interest on the 2000 Series A Bonds. See "SECURITY".

FINANCING THE PECFA PROGRAM

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

Prior to the issuance of these obligations, claims approved under the PECFA Program were paid with Petroleum Inspection Fees, as they were collected; however, the timing of the collections did not permit all claims to be paid at the time they were presented. Prior to issuance of the 2000 Series A Bonds, the backlog of approved but unpaid claims was about $200 million, up from a backlog of $44 million that existed on June 30, 1997. The issuance of these petroleum inspection fee revenue obligations provides economic savings to the State, since the debt service costs on the obligations are expected to be less than the interest costs that accrue on the unpaid claims.

The Wisconsin Legislature has authorized revenue obligations to be issued to pay $270 million of claims under the PECFA Program. The Commission has adopted Supplemental Resolutions that authorize the issuance of this entire amount. As of December 15, 2000, approximately $250 million of this authorized amount has been issued. Any increase to this authorized amount requires further legislative action.

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

SECURITY

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

Debt service payments on the 2000 Series A Bonds are on a parity with the interest payments on the EMCP and any additional parity Bonds that may be issued under the Program Resolution (which are collectively referred to as the **Senior Bonds**) and are payable from Petroleum Inspection Fees deposited into the Redemption Fund created for the Senior Bonds.

The pledge provided for the payment of principal on the EMCP is junior to the pledge provided to the Senior Bonds. The source of payment for principal on the EMCP is different than the expected source of payment for interest on the EMCP. See "SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION". The Commission at the same time it authorized the EMCP, authorized the issuance of Senior Bonds that may be issued at the State's discretion to fund the EMCP.

The petroleum inspection fee revenue obligations are revenue obligations of the State. The State is not generally liable for these obligations, and they shall not be a public debt of the State for any purpose whatsoever.

Non-Impairment Clause

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

In addition, the Legislature has expressed its expectation and aspiration that, if it reduces the rate of the Petroleum Inspection Fee and if the funds in the Petroleum Inspection Fund are insufficient to pay the principal and interest on the petroleum inspection fee revenue obligations, the Legislature shall make an appropriation from the general fund sufficient to pay the principal and interest on the obligations. The statutory statement recognizes this as a moral obligation. In the opinion of Bond Counsel, this is not a legally enforceable obligation.

Additional Senior Bonds

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

The additional bonds test must be met prior to the initial issuance of Bond Anticipation Notes (such as EMCP) *but compliance with the additional bonds test is not required with respect to the issuance of Senior Bonds to refund the Bond Anticipation Notes*. If Senior Bonds are issued to refund Bond Anticipation Notes, under certain circumstances (including among others a decline in Petroleum Inspection Fees or an increase in interest rates) the Projected Annual Revenues at that time may be less than 2.0 times Maximum Annual Debt Service.

See "SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION" and "DEFINITIONS OF CERTAIN TERMS" for a description of the additional bonds test and a complete definition of capitalized terms used for the additional bonds test.

Variable Rate Take-Out Capacity Test

So long the EMCP or any other Variable Rate Debt is Outstanding under the Program Resolution, the State will, by the 15th day of each month, provide the Trustee with the results of a Variable Rate Take-Out Capacity Test. Key terms for completing the Variable Rate Take-Out Capacity Test are described in "SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION" and "DEFINITIONS OF CERTAIN TERMS".

Using present value calculations, the test estimates the maximum amount of Variable Rate Debt that, if Outstanding, could be refunded by Senior Bonds while maintaining a Debt Service Coverage Ratio of 2.0. This test then compares the Variable Rate Take-Out Capacity with the Variable Rate Debt Exposure. For purposes of this test, any Senior Bonds assumed to refund Variable Rate Debt are assumed to be repaid within 20 years from the date the Variable Rate Take-Out Capacity Test is completed and bear interest at a rate of The Bond Buyer Revenue Bond Index plus 3%.

Meeting the Variable Rate Take-Out Capacity Test is not a condition to issuing any petroleum inspection fee revenue obligations.

If the monthly Variable Rate Take-Out Capacity Test shows that the Variable Rate Take-Out Capacity is equal to or exceeds the Variable Rate Debt Exposure, the State is only required to provide the Trustee with the results of the test. However, if the monthly test shows that the Variable Rate Take-Out Capacity is less than the Variable Rate Debt Exposure, then the State is deemed to have failed the Variable Rate Takeout Capacity Test and is required under the Program Resolution to do the following:

- Immediately notify the Trustee and each Rating Agency.
- Submit to the Trustee and each Rating Agency, within 45 days after the test date, a plan to cause the Variable Rate Take-Out Capacity to equal or exceed the Variable Rate Debt Exposure within 90 days following the test date. If at any subsequent time the State is able to demonstrate that the Variable Rate Take-Out Capacity is equal to or exceeds the Variable Rate Exposure, any of the above requirements arising from the failure of a previous Variable Rate Takeout Capacity Test no longer apply.

Failure to meet the Variable Rate Take-Out Capacity Test or failure to implement a submitted plan are not Events of Default under the Program Resolution. Accordingly, the Trustee has no enforcement power with respect to such occurrences. Failure to submit the completed test or any required plan to the Trustee does not initially constitute an Event of Default; however, if the failure is not corrected within 30 days of any notice from the Trustee, it then constitutes an Event of Default.

The Variable Rate Takeout Capacity Test computation as of December 15, 2000 shows a Variable Rate Takeout Capacity of $299,310,732 and a Variable Rate Debt Exposure of $100,200,000; therefore, no notification to the Rating Agencies is required under the terms of the Program Resolution.

Debt Service on Outstanding Senior Bonds

The following provides the annual debt service amounts, as of December 15, 2000, on Outstanding Senior Bonds. Interest on the outstanding $80,000,000 of EMCP, which is on a parity with the Outstanding Senior Bonds, is not included in the following table.

Year (July 1)	Principal	Interest	Total Annual Debt Service
2001		$ 9,600,240	$ 9,600,240
2002	$ 11,440,000	9,600,240	21,040,240
2003	12,070,000	8,971,040	21,041,040
2004	12,735,000	8,307,190	21,042,190
2005	13,495,000	7,543,090	21,038,090
2006	14,305,000	6,733,390	21,038,390
2007	15,115,000	5,926,378	21,041,378
2008	15,980,000	5,057,265	21,037,265
2009	16,885,000	4,152,415	21,037,415
2010	17,800,000	3,240,625	21,040,625
2011	18,790,000	2,247,125	21,037,125
2012	19,885,000	1,153,675	21,038,675
Totals	$ 168,500,000	$ 72,532,673	$ 241,032,673

PETROLEUM INSPECTION FEES

General

Petroleum Inspection Fees are paid by suppliers on all petroleum products distributed in the State. The current rate of the Petroleum Inspection Fee is $0.03 per gallon. The petroleum products include:

- Gasoline products, which include gasoline and gasoline-alcohol fuel blends
- Oil products, which include fuel oil, burner oil, diesel fuel oil, kerosene, and other refined oils

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

Collection and Deposit of Petroleum Inspection Fees.

The Petroleum Inspection Fees and other motor fuel taxes paid by suppliers are received by the State Department of Revenue by the 15th of each month, or the next business day if the 15th falls on a weekend or holiday. This is a combined payment for both Petroleum Inspection Fees and motor fuel taxes due from the suppliers for activity during the previous month. At the time the fees are remitted, there is no separation of the Petroleum Inspection Fees and other motor fuel taxes. The allocation is not known until the tax returns evidencing the payments are processed, usually within 30 to 35 days after receipt of the fees and taxes.

As an example, by about December 15 suppliers submit the amount of fees and taxes due for petroleum products shipped in the month of November. By the end of December, suppliers submit tax returns delineating the payments previously made. By about the next January 20, the State Department of Revenue processes the tax returns.

Due to the 30 to 35 day period between receipt of the combined fees and taxes and tabulation of the returns reporting such fees, the State Department of Revenue will transfer to the Trustee on the Revenue Payment Date an estimated portion of the current month's collection, adjusted upward or downward to reflect the tabulations from the previous month's returns. Currently, the monthly transfer, before adjustment, is $8.8 million. The amount of this monthly transfer may be changed from time to time to reflect actual collection experience.

The State Department of Revenue has available to it the same enforcement powers relating to the collection of Petroleum Inspection Fees as it has for the collection of motor vehicle fuel taxes, including the ability to revoke suppliers' licenses, impose penalties, assess interest on late payments, and enforce criminal penalties for the failure to report or pay Petroleum Inspection Fees. Wisconsin Statutes establish the State as a preferred creditor and the fees as preferred claims in any state court action.

History of Petroleum Inspection Fees

Table VII-2 provides the number of gallons of petroleum products that have been inspected and were subject to the Petroleum Inspection Fee since fiscal year 1979. Table VII-3 provides the number of gallons of gasoline and oil products that have been inspected since fiscal year 1996.

Table VII-2
TOTAL GALLONS OF PETROLEUM PRODUCTS INSPECTED AND CHARGED PETROLEUM INSPECTION FEE: 1979 to 2000
(Actual Basis)

Fiscal Year	Total Gallons Inspected	% Increase (Decrease) From Previous Year
1979	3,803,809,150	4.49%
1980	3,348,799,850	(11.96)
1981	3,050,479,850	(8.91)
1982	2,961,559,050	(2.91)
1983	2,841,628,350	(4.05)
1984	2,976,804,150	4.76
1985	2,972,360,950	(0.15)
1986	3,056,385,750	2.83
1987	3,065,786,550	0.31
1988	3,173,206,200	3.50
1989	3,210,139,550	1.16
1990	3,227,476,450	0.54
1991	3,180,472,450	(1.46)
1992	3,213,011,750	1.02
1993	3,261,833,100	1.52
1994	3,393,473,050	4.04
1995	3,376,822,650	(0.49)
1996	3,486,947,828	3.26
1997	3,466,068,221	(0.60)
1998	3,563,817,293	2.82
1999	3,673,141,195	3.07
2000	3,728,554,474	1.51

Source: Wisconsin Department of Commerce and Legislative Fiscal Bureau.

Table VII-3
GALLONS INSPECTED PER PETROLEUM PRODUCT AND CHARGED PETROLEUM INSPECTION FEE
1996 to 2000
(Actual Basis)

Fiscal Year	Total Gallons of Gasoline Products Inspected	% Increase (Decrease) From Previous Year	Total Gallons of Oil Products Inspected	% Increase (Decrease) From Previous Year
1996	2,342,177,191	2.12%	1,144,770,637	5.68%
1997	2,337,339,029	(0.21)	1,128,729,192	(1.40)
1998	2,424,076,532	3.71	1,139,740,761	0.98
1999	2,485,279,200	2.52	1,187,861,995	4.22
2000	2,561,717,395	3.08	1,166,837,079	(1.77)

Source: Wisconsin Department of Commerce and Legislative Fiscal Bureau.

The total amount of Petroleum Inspection Fees collected for the past five fiscal years are summarized in Table VII-4. The annual percentage change in the amount of collected Petroleum Inspection Fees in Table VII-4 may not correlate to the annual percentage change in the number of gallons inspected in Table VII-2. This is due to many reasons, among others are (1) the collected Petroleum Inspection Fees are reported on an accrual basis while the amount of inspected gallons is reported on an actual fiscal year basis, and (2) allowable adjustments to and refunds from the collected Petroleum Inspection Fees.

Table VII-4
TOTAL PETROLEUM INSPECTION FEES
1996 to 2000
(Amounts in Millions; Accrual Basis)

Fiscal Year (June 30)	Total	% Increase (Decrease) From Previous Year
1996	$104.9	3.66%
1997	105.8	0.84
1998	103.8	(1.81)
1999	110.7	6.65
2000	111.6	0.74

Source: Wisconsin Comprehensive Annual Financial Reports, 1996-2000

Table VII-5 provides the maximum, average, and minimum monthly amount of collected Petroleum Inspection Fees for the past five fiscal years. The maximum, average, and minimum monthly amounts in Table VII-5 may not correlate to the annual amount of collected Petroleum Inspection Fees in Table VII-4. This is due to the annual amounts being reported on an accrual basis while the minimum, average, and maximum amounts are reported on a cash basis.

Table VII-5
MAXIMUM, AVERAGE, AND MINIMUM MONTHLY COLLECTION
PETROLEUM INSPECTION FEES
1996 to 2000
(Amounts in Millions; Cash Basis)

Fiscal Year (June 30)	Maximum Monthly Amount	Average Monthly Amount	Minimum Monthly Amount
1996	$11.3	$9.1	$7.4
1997	9.4	8.7	7.8
1998	9.8	8.9	7.5
1999	10.5	9.2	7.5
2000[a]	13.0	9.2	3.1

Source: Wisconsin Department of Commerce and Wisconsin Department of Revenue

[a] Department of Revenue staff has indicated that the maximum and minimum collection amounts for fiscal year ending June 30, 2000 reflect problems with a data reporting system that have been subsequently corrected.

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

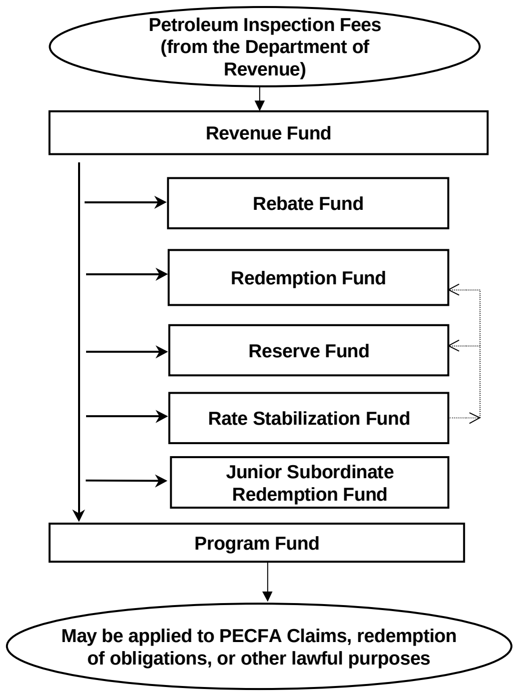
Application of Petroleum Inspection Fees

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

- To pay arbitrage rebate, if any, due on any Outstanding Bonds
- To pay interest on all Outstanding Senior Bonds and other parity obligations, including the EMCP (amounts for payment of interest on the EMCP are transferred to an Interest Subaccount held by U.S. Bank Trust National Association, the **Issuing and Paying Agent** for EMCP)
- To pay the principal and redemption price, if any, of all Outstanding Senior Bonds, and other parity obligations, as the same become due
- To maintain the Debt Service Reserve Requirement, if any, in the Reserve Fund
- To make any deposits, at the State's discretion, into the Rate Stabilization Fund
- To make deposits, at the State's discretion or if required, into the Junior Subordinate Redemption Fund (amounts for payment of principal on the EMCP are further transferred to a Junior Subordinate Principal Account, held by the Issuing and Paying Agent for the EMCP). See "SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION; Junior Subordinate Principal Account".
- To pay any expenses payable from the Program Fund

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

Figure VII-1
Application of Petroleum Inspection Fees



The Program Resolution permits the issuance of Subordinate Bonds, which would have a pledge of Petroleum Inspection Fees that is subordinate to the pledge provided the Senior Bonds yet senior to the pledge provided the Junior Subordinate Bonds.

The pledge of the Petroleum Inspection Fees remains effective until all Bonds (including the EMCP) issued under the Program Resolution are fully paid in accordance with their terms. All Petroleum Inspection Fees deposited with the Trustee on each Revenue Payment Date in excess of the amounts required above are transferred at the direction of and to the State for deposit in the Petroleum Inspection Fund and become free of the pledge.

See "SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION" for further information on the required transfer of Petroleum Inspection Fees to these various Funds and Accounts.

EXTENDIBLE MUNICIPAL COMMERCIAL PAPER

The State has issued, and there currently remains outstanding, petroleum inspection fee revenue EMCP.

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

The State issued one series of EMCP in the initial issue amount of $80,000,000, all of which remain outstanding.

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

Description of EMCP

Each EMCP note is dated the date it is issued. It will be issued as an interest-bearing obligation in a denomination of $100,000 or increments of $1,000 above $100,000. Interest is computed on the basis of a year having 365 or 366 days and the actual number of days elapsed (actual/actual basis). Payment of principal of and interest on each EMCP note will be made to the Depository and then distributed by the Depository.

Each EMCP note will mature on its **Original Maturity Date,** which may range from 1 to 180 days from its original issue date, unless the State exercises its option to extend the maturity date. In that case the EMCP note will mature on the **Extended Maturity Date,** which will be the date that is 270 days after its original issue date.

Each EMCP note will bear interest from its original issue date until the Original Maturity Date at the rate determined on the original issue date, payable on the Original Maturity Date, unless the maturity date is extended, in which case interest will be paid on the date described below. If the State exercises its option to extend the maturity date of an EMCP note, it will bear interest after the Original Maturity Date at the Reset Rate and payable on the dates described below.

If the maturity date of an EMCP note is extended, accrued but unpaid interest to the Original Maturity Date will not be paid on the Original Maturity Date but will be payable on the following date (or any earlier redemption date):

> (1) if the Original Maturity Date is before the 15^{th} day of the month, interest will next be payable on the first **Business Day** (which is a day on which banks located in Madison, Wisconsin and in each of the cities that the Principal Office of the Issuing and Paying Agent and Dealers are located are not required or authorized by law or executive order to close for business and a day the New York Stock Exchange is not closed) of the next month, or
>
> (2) if the Original Maturity Date is on or after the 15^{th} day of the month, interest will next be payable on the first Business Day of the second succeeding month after the Original Maturity Date.

For example, if the Original Maturity Date is November 14, the first interest payment will be the first Business Day of December, and if the Original Maturity Date is November 15, the first interest payment will be the first Business Day of January.

Each EMCP note will bear interest from the Original Maturity Date at the **Reset Rate** and will be payable first on the date described above and thereafter, on the first Business Day of each month and on any redemption date or the Extended Maturity Date.

The Reset Rate will be a rate of interest per annum determined by the following formula:

$$(1.35 \text{ x BMA}) + \text{E}$$

As used in the formula, the *BMA* variable will be The Bond Market Association Municipal Swap Index, which is calculated weekly and released each Wednesday afternoon, effective Thursday. The *E* variable will be a fixed percentage rate expressed in basis points that is determined based on the ratings assigned to the

EMCP **(Prevailing Ratings)**, as follows:

Prevailing Ratings			
Fitch	Moody's Investors Service, Inc.	Standard & Poor's Ratings Services	*E* Variable
F-1+	P-1	A-1+	100 basis points
F-1	–	A-1	150
F-2	P-2	A-2	200
F-3	P-3	A-3	300
Lower than F-3 (or rating discontinued)	Lower than P-3 (or rating discontinued)	Lower than A-3 (or rating discontinued)	400

Pursuant to the Program Resolution, if at any time any rating agency announces that a lower rating is under consideration for the EMCP, then the Prevailing Rating from such rating agency will not be the rating then assigned to the EMCP; rather, it will be the next lower rating of such rating agency. If the Prevailing Ratings would indicate different *E* variables as a result of split ratings assigned to the EMCP, the *E* variable will be the arithmetic average of those indicated by the Prevailing Ratings.

The Reset Rate applicable to EMCP will be determined weekly by the Issuing and Paying Agent based on the *BMA* variable and the Prevailing Ratings as of 11:00 a.m. (New York time) on its Original Maturity Date and each Thursday thereafter and will apply through the following Wednesday.

SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION

Certain provisions of the Program Resolution are summarized below. Reference should be made to the complete Program Resolution for a full and complete statement of its provisions. A copy of the Program Resolution may be obtained by contacting the State at the address provided on the first page of this part of the Annual Report.

Additional Senior Bonds

The State may issue additional Senior Bonds, upon compliance with certain conditions, including, in some instances, meeting the additional bonds test. In the case of Bond Anticipation Notes, the conditions need be met only on the first date of issuance of any of the Bond Anticipation Notes authorized under the Supplemental Resolution providing for such Bond Anticipation Notes. These conditions include the following:

- Immediately after issuance, there cannot be a deficiency in the Reserve Fund.
- Except with respect to the issuance of Refunding Bonds issued to fund Bond Anticipation Notes that are also Bonds, the State must certify that, as of the date of issuance, the Debt Service Coverage Ratio will be at least 2 to 1; *provided*, that in connection with the issuance of Refunding Bonds, the State may instead certify that the issuance of the Refunding Bonds will not increase Maximum Annual Debt Service.

For this purpose:

"Debt Service" means the aggregate principal payments (whether at stated maturity or pursuant to sinking fund redemption requirements), interest payments, and other payments of the State on all

Outstanding Bonds and Other Obligations for any Fiscal Year (including any State Swap Payments, less any Counterparty Swap Payments unless the Swap Counterparty is in default with respect to its payment obligations under the related Swap Agreement, and including any fees with respect to Credit Enhancement Facilities); *provided*, however, that for purposes of calculating such amount:

- Any Variable Rate Bonds shall, for any future period for which the actual interest rate is not known on the date of determination (that is, on the date on which Debt Service is being calculated), be assumed to bear interest at the Projected Interest Rate.
- All Outstanding Bond Anticipation Notes (such as the EMCP) shall be assumed to be funded at or before the stated maturity thereof, and all Bond Anticipation Notes which have been authorized by a Supplemental Resolution but not yet issued shall be assumed to be issued and immediately funded on the date of determination, in each case by the issuance of Senior Refunding Bonds bearing interest at the Projected Interest Rate and maturing according to such amortization schedule as the State may determine; *provided*, that the final maturity must not be later than 20 years from the original issuance of the Bond Anticipation Notes.
- Amounts of principal or interest due on a particular date shall be excluded from the determination of Debt Service to the extent that such amounts are payable from amounts deposited in trust, escrowed, or otherwise set aside for the payment thereof with the Trustee or another Person approved by the Trustee (including, without limitation, amounts in an Escrow Account established in the Redemption Fund or amounts in the Capitalized Interest Account of the Proceeds Fund).
- State Swap Payments, Counterparty Swap Payments, and payments with respect to Credit Enhancement Facilities shall be determined based upon such assumptions as may be set forth in the Supplemental Resolution authorizing the related Swap Agreement or the Credit Enhancement Facility, as the case may be, or in a State Certificate provided to the Trustee with respect to such Swap Agreement or Credit Enhancement Facility.
- For purposes of applying the additional bonds test in connection with the issuance of Refunding Bonds, the proceeds of such Refunding Bonds shall be assumed to have been applied on their issuance date for the purposes provided in the Supplemental Resolution authorizing such Refunding Bonds.
- Except to the extent provided in a Supplemental Resolution adopted to provide for the issuance of Subordinate Bonds, with respect to the determination of Debt Service for purposes of limitations relating to Subordinate Bonds or Subordinate Other Obligations, debt service payments with respect to Subordinate Bonds and Other Obligations shall not be taken into account.

"Debt Service Coverage Ratio" means the ratio of Projected Annual Revenues to Maximum Annual Debt Service.

"Projected Annual Revenues" are the largest amount of Petroleum Inspection Fees collected in any twelve consecutive months during the eighteen most recent months for which such information is available. If legislation changes the rate of the Petroleum Inspection Fee, the new rate will be assumed to be in effect for all months included in calculating Projected Annual Revenues.

Variable Rate Take-Out Capacity Test

On each Monthly Reporting Date while any Variable Rate Debt is Outstanding, the State shall provide to the Trustee a State Certificate setting forth the Variable Rate Take-Out Capacity and the Variable Rate Debt Exposure based on the most current available information. If the Variable Rate Take-Out Capacity is less than the Variable Rate Debt Exposure, the State agrees to (1) promptly notify the Rating Agencies of such fact, and (2) submit to the Trustee and each Rating Agency, no later than 45 days after such Monthly Reporting Date, a plan to cause the Variable Rate Take-Out Capacity to exceed the Variable Rate Debt Exposure by the third Monthly Reporting Date following the Monthly Reporting Date that made the notification and plan necessary.

For this purpose:

> *"Debt Service"* shall, except as specifically provided, be calculated consistently with the provisions set forth above with respect to the additional bonds test.
>
> *"Monthly Reporting Date"* means, in each month, a date on or before the fifteenth day of the month, as selected by an Authorized Commission Representative.
>
> *"Projected Monthly Revenues"* means the average of the Petroleum Inspection Fees collected in each of the twelve most recent months for which such information is available; *provided*, that if the rate of the Petroleum Inspection Fee that will be in effect for any future month will be higher or lower than the rate of Petroleum Inspection Fee in effect for any corresponding prior month, "Projected Monthly Revenues" shall be adjusted to take such change into account.
>
> *"Senior Bond Anticipation Notes"* includes all Bond Anticipation Notes for which the funding Bonds have been authorized as Senior Bonds.
>
> *"Variable Rate Debt"* (1) includes all Senior Variable Rate Bonds and Senior Bond Anticipation Notes, and (2) includes any Principal Amount of Bonds with respect to which the State shall have entered into Senior Swap Agreements that have the effect of shifting the State's fixed rate liability to a variable rate liability.
>
> *"Variable Rate Take-Out Capacity"* means an amount equal to the present value of the net revenue stream that would be available after the collection of 50% of the Projected Monthly Revenues in each of the 240 succeeding months and the payment of Debt Service due in each such month with respect to all Outstanding Senior Bonds which do not constitute Variable Rate Debt (assuming the receipt of revenues and the payment of Debt Service on the first day of the month), discounted (on the basis of a 360-day year consisting of twelve 30-day months, and semi-annual compounding) using a discount rate equal to the Projected Interest Rate.
>
> *"Variable Rate Debt Exposure"* means the difference, if any, of (1) the actual aggregate Outstanding Principal Amount of Variable Rate Debt, less (2) the sum of the balance in the Principal Account allocable to Variable Rate Debt plus the balance of the Rate Stabilization Fund.

Funds and Accounts

The Program Resolution establishes the following Funds and Accounts:

- Proceeds Fund (and within it, a Capitalized Interest Account, an Issuance and Administrative Account, and a Claims Account).
- Revenue Fund.

- Rebate Fund.
- Redemption Fund (and within it, an Interest Account and a Principal Account).
- Reserve Fund.
- Rate Stabilization Fund.
- Junior Subordinate Redemption Fund (and within it, a Junior Subordinate Principal Account).
- Program Fund (and within it, a Program Expense Account).

Proceeds Fund

Upon the delivery of any series of Bonds, the Trustee will credit to the Proceeds Fund the amount specified in the resolution authorizing the Bonds. The amounts, if any, so designated in the resolution will be credited to the Capitalized Interest Account and the Issuance and Administrative Account, respectively, and the remainder will be credited to the Claims Account.

Moneys in the Capitalized Interest Account will be applied only for the payment of interest on the Bonds. Moneys in the Issuance and Administrative Account will be applied to the payment of costs of issuance of the Bonds and administrative expenses. Moneys in the Claims Account will be applied to costs of the petroleum storage remedial action program.

Revenue Fund

The Trustee will credit all Petroleum Inspection Fees received from the Department of Revenue to the Revenue Fund. On each Revenue Payment Date, the Trustee will transfer the money so credited, as follows:

- *First*, to the Rebate Fund.
- *Second*, to the Interest Account for the payment of interest on Senior Bonds or Senior Other Obligations payable therefrom.
- *Third*, to the Principal Account for the payment of principal of Senior Bonds or the payment of Senior Other Obligations payable therefrom.
- *Fourth*, to the Reserve Fund.
- *Fifth*, to the Rate Stabilization Fund.
- *Sixth*, to the Junior Subordinate Principal Account within the Junior Subordinate Redemption Fund for the payment of principal of Junior Subordinate Bonds or the payment of Other Obligations payable therefrom.
- *Seventh*, to the Program Fund. If the Building Commission creates Funds and Accounts for Subordinate Bonds or Subordinate Other Obligations, it may apply money to Funds and Accounts established for those obligations before applying the money to the Program Fund.

The Program Resolution does permit the issuance of Subordinate Bonds, which would have a pledge of Petroleum Inspection Fees that is subordinate to the pledge provided the Senior Bonds yet senior to the pledge provided the Junior Subordinate Bonds.

Rebate Fund

The State will periodically determine, for each issue of Bonds, the arbitrage rebate liability under federal tax law. The State may specify an amount that should be held in the Rebate Account for arbitrage rebate payments. Any amount not required for arbitrage rebate payments will be transferred to the Interest Account.

If the Trustee is furnished with a written opinion of Bond Counsel to the effect that amounts held in the Rebate Fund are not needed to make arbitrage rebate payments, those amounts will be transferred to the Interest Account.

Redemption Fund

The Redemption Fund will be used only for the payment when due of principal of, premium, if any, and interest on the Senior Bonds and Other Obligations.

Interest Account

The Trustee will credit to the Interest Account any premium or accrued interest paid as part of the purchase price for a series of Senior Bonds. The Trustee will also deposit in the Interest Account:

- The portion of the sale proceeds from the State's borrowings to be used to pay interest on the Senior Bonds (unless those proceeds are deposited into an Escrow Account).
- All Counterparty Swap Payments.
- All investment earnings from money in the Redemption Fund (unless they are required to be in an Escrow Account), the Reserve Fund, the Rate Stabilization Fund, and the Junior Subordinate Redemption Fund.
- Amounts transferred, at the State's direction, from the Rate Stabilization Fund.
- Amounts transferred from the Rebate Fund.
- Other amounts required to be transferred thereto from the Funds and Accounts.

The Trustee will make periodic deposits to the credit of the Interest Account, at least 30 days before payment is due, of amounts determined or estimated to aggregate the full amount of each installment of interest which falls due upon Outstanding Senior Bonds on each regularly scheduled Interest Payment Date, and the reimbursement to all Credit Facility Providers for payments of interest on the Senior Bonds pursuant to Credit Enhancement Facilities.

If money in the Interest Account is insufficient when needed to pay the accrued interest due on the Senior Bonds, all State Swap Payments, and all reimbursements and fees payable to a Credit Facility Provider, or any portion of the purchase price of Senior Bonds to be so purchased attributable to accrued interest, the Trustee will immediately deposit to the credit of the Interest Account an amount equal to such deficiency. Each deposit required to pay the foregoing amounts shall be made by transfer from the following Funds and Accounts, in the following order of priority: the Capitalized Interest Account, the Revenue Fund, the Rate Stabilization Fund, the Reserve Fund, and the Principal Account.

If money in the Interest Account is insufficient when needed to pay amounts payable therefrom, the money shall be applied, *pro rata*, among such obligations based upon such amounts then owing to Beneficiaries and to be paid from the Interest Account.

Principal Account

With respect to each series of Senior Bonds, the Trustee will deposit to the credit of the Principal Account:

- The portion of the sale proceeds from the State's borrowings to be used to pay principal of the Senior Bonds on a Principal Payment Date (unless those proceeds are deposited into an Escrow Account).
- Amounts transferred, at the State's direction, from the Rate Stabilization Fund or the Program Fund.
- Amounts required to be transferred thereto from the Revenue Fund, the Rate Stabilization Fund, and the Reserve Fund.

To provide for the payment of each installment of principal which falls due upon Senior Serial Bonds (other than certain Bond Anticipation Notes) at the stated maturity thereof or Senior Term Bonds on a Sinking Fund Payment Date therefor, the Trustee will make periodic deposits, to aggregate the full amount of such installment at least 30 days before such payment is due. To provide for the payment of the redemption price of Senior Bonds to be redeemed on any other Redemption Date, the Trustee shall make deposits, as directed by the State, to aggregate the full amount of such redemption price at least 5 days before such redemption price is due.

Money in the Principal Account will be applied to the payment of Senior Bonds on a Principal Payment Date or for the payment of reimbursements for amounts paid under a Credit Enhancement Facility to pay principal of and premium, if any, on Senior Bonds, to such payment when due.

Each deposit required to be made to the credit of the Principal Account shall be made by transfer from the following Funds and Accounts, in the following order of priority: the Revenue Fund, the Rate Stabilization Fund, and the Reserve Fund.

When the balance in the Principal Account is not sufficient to pay all amounts payable therefrom on such date, the amounts in the account will be applied in the following order of priority: *first,* to the Interest Account; and *second,* to the payment of Senior Bonds at their stated maturity or on a Redemption Date or the reimbursement of such payments made by a Credit Facility Provider, *pro rata,* among such obligations based upon such amounts then owing to Beneficiaries.

Money in the Principal Account may also be applied to the purchase of Senior Bonds if no deficiencies exist at such time in the Interest Account, the Principal Account, or the Rebate Fund. Any such purchase will be limited to those Senior Bonds whose stated maturity or Sinking Fund Payment Date is the next succeeding Principal Payment Date.

Reserve Fund

From the proceeds of any series of Bonds or, at the option of the State, from any other available moneys under the Program Resolution, the Trustee will credit to the Reserve Fund the amount, if any, specified in a resolution providing for the issuance of a series of Bonds, such that upon issuance of such Senior Bonds, the balance in the Reserve Fund shall not be less than the Reserve Fund Requirement. There is no Reserve Fund Requirement for the 2000 Series A Bonds or the EMCP.

If on any Revenue Payment Date the balance in the Reserve Fund is less than the Reserve Fund Requirement, the Trustee will transfer an amount equal to the deficiency from the Revenue Fund (to the extent not required for credit to the Rebate Fund or the Redemption Fund).

Money in the Reserve Fund will be applied solely for the payment when due of principal of and interest on the Senior Bonds and amounts owing under Senior Other Obligations. It will be so applied by transfer to the Redemption Fund, if the amounts therein and available in the Revenue Fund, the Capitalized Interest Account, and the Rate Stabilization Fund are insufficient to meet the deposit required at that time. Such amounts will be applied first to interest and then to principal. Money in excess of the Reserve Fund Requirement may be applied to the payment or redemption of Senior Bonds or be transferred to the Rate Stabilization Fund or the Program Fund. At any time when the aggregate of the amounts in the Redemption Fund, the Capitalized Interest Account, the Reserve Fund, and the Rate Stabilization Fund is sufficient and available to discharge and satisfy the obligations of the State with respect to all of the Outstanding Senior Bonds and Other Senior Obligations and to make arbitrage rebate payments, such amounts will, if the State directs, be so applied.

Rate Stabilization Fund

The Trustee will credit to the Rate Stabilization Fund such amounts as the State directs, from the Revenue Fund, from the Reserve Fund, or from the Program Fund.

On any date on which the balance in the Redemption Fund (after transfers thereto from the Revenue Fund and the Capitalized Interest Account) is not sufficient to pay all amounts payable therefrom on such date, the Trustee will transfer money in the Rate Stabilization Fund, as follows:

- *First,* to the Interest Account for the payment on interest on Senior Bonds or Other Obligations payable therefrom; and
- *Second,* to the Principal Account for the payment of the principal of Senior Bonds or the payment of Other Obligations payable therefrom.

In addition, the Trustee shall transfer from the Rate Stabilization Fund to the Interest Account or the Principal Account such amounts as the State directs.

Junior Subordinate Redemption Fund

The Trustee, or another Fiduciary if directed by a Supplemental Resolution, shall deposit to the credit of the Junior Subordinate Principal Account that portion of the proceeds from the sale of the State's bonds, notes or other evidences of indebtedness, if any, to be used to pay principal of the Junior Subordinate Bonds (such as principal on the EMCP) on a Principal Payment Date (unless those proceeds are deposited into an Escrow Account) or other funds provided by the State.

To provide for the payment of each installment of principal which falls due upon such series of Junior Subordinate Bonds, the Trustee shall make deposits from the Revenue Fund only as directed by a Supplemental Resolution or State Certificate.

The Supplemental Resolution authorizing the EMCP provides that deposits of Petroleum Inspection Fees into the Junior Subordinate Principal Account are required to be made if there is a default by the State in the payment of principal on any EMCP on its Extended Maturity Date. The Trustee is required from that time forward to make transfers from the Revenue Fund to the Junior Subordinate Principal Account to aggregate the full amount due to holders of the EMCP. The amount of these transfers are limited to the amount of Petroleum Inspection Fees deposited into the Revenue Fund and not transferred to Funds and Accounts that are senior to that of the Junior Subordinate Principal Account. Prior to any default by the State, discretionary deposits of Petroleum Inspection Fees may be made at any time into the Junior Subordinate Principal Account. These deposits may be applied to reduce the outstanding principal balance of EMCP while it is outstanding.

The moneys in the Junior Subordinate Principal Account required for the payment of Junior Subordinate Bonds on the maturity date (after taking into account any authorized extension of maturity or any acceleration of maturity) shall be transferred to the Paying Agent for such series of Junior Subordinate Bonds and applied by the Paying Agent to such payment when due without further authorization or direction.

When the balance in the Junior Subordinate Principal Account is not sufficient to pay all amounts payable therefrom on such date, the Trustee shall make periodic deposits from the Revenue Fund, prior to making any deposits to the Program Fund, to aggregate the full amount due on such maturity date from such date to the date of payment, *pro rata,* among such obligations based upon such amounts then owing to Holders of the Junior Subordinate Bonds.

The Program Resolution may be amended to establish Funds and Accounts that are senior in priority to the Junior Subordinate Principal Account.

Program Fund

Any amount in the Revenue Fund that is not required to be transferred to the Rebate Fund, the Redemption Fund, the Reserve Fund, the Rate Stabilization Fund, or any Fund created with respect to a Subordinate class of Bonds or Other Obligations will be transferred to the Program Fund.

Amounts that the State designates will be deposited in the Program Expense Account and will be disbursed for costs of the program of Bond issuance. Money in the Program Fund may be transferred to the Redemption Fund or the Junior Subordinate Redemption Fund, transferred to the Rate Stabilization Fund, or used for the purchase of Bonds. Money in the Program Fund may also be applied to any purpose permitted by law.

Investments

Money in any Fund or Account may be invested in Permitted Investments that mature or are redeemable at the option of the holder before the money is needed for the purpose for which it is held.

Pledge and Security Interest

The Building Commission has pledged the Petroleum Inspection Fees to the payment of the Senior Bonds and Other Obligations. The Wisconsin Statutes create a security interest, for the benefit of the Holders of the Senior Bonds and the Other Beneficiaries, in the Revenue Fund, the Redemption Fund, the Reserve Fund, and the Rate Stabilization Fund.

Nonimpairment

The Program Resolution and each Supplemental Resolution will constitute a contract with the Holders of the Bonds and the other Beneficiaries. The State pledges and agrees with the Holders of the Bonds and the Other Beneficiaries that the State will not limit or alter its powers to fulfill the terms of any agreements made with the Holders of the Bonds and the Other Beneficiaries or in any way impair the rights and remedies of the Holders of the Bonds or the Other Beneficiaries until the Bonds, together with interest and all costs and expenses in connection with any action or proceeding by or on behalf of the Holders of the Bonds are fully met and discharged and the Other Beneficiaries are fully discharged or provided for.

Rating

The State covenants that it will, at all times Bonds are Outstanding, request at least one nationally recognized securities rating agency to maintain a rating on the Bonds.

Termination

If the State pays the principal, premium, if any, and interest payable upon any Bond, the Bond will no longer be entitled to any benefit under the Program Resolution. If all Bonds and Other Obligations are paid, or are deemed to be paid, the pledge of the Petroleum Inspection Fees and the security interest in the Funds and Accounts will cease.

Any Outstanding Bond will be deemed to be paid when there shall have been deposited (in an Escrow Account) either moneys in an amount which, or Federal Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide money sufficient to pay when due the principal of and premium, if any, and interest due and to become due on the Bond at or prior to the stated maturity thereof.

Events of Default

If any of the following events occur, it constitutes an Event of Default:

- Default in the due and punctual payment of any interest on any Bond.
- Default in the due and punctual payment of the principal of, or premium, if any, on, any Bond, whether at the stated maturity or a redemption date.
- Default by the State in its obligation to purchase any Bond (or Beneficial Ownership Interests in a Bond) on a Tender Date.
- Default in the due and punctual payment of any amount owed by the State to any Other Beneficiary under a Swap Agreement or Credit Enhancement Facility.
- Default in the performance of any of the State's obligations to transmit money to be credited to the Revenue Fund, the Rebate Fund, or the Redemption Fund as required by the Program Resolution and such default shall have continued for a period of 30 days.
- Default in the performance or observance of any other of the covenants, agreements, or conditions on the part of the State contained in the Program Resolution, or in the Senior Bonds, and such default shall have continued for a period of 30 days after written notice; *provided* that, except with respect to the State's arbitrage rebate covenants, if the default is such that it can be corrected, but not within such 30 days, it shall not constitute an Event of Default if corrective action is instituted by the State within such 30 days and is diligently pursued until the default is corrected.

Acceleration

Whenever any Event of Default has occurred and is continuing, the Trustee may, and upon the written request of the Acting Beneficiaries Upon Default (and for this purpose the specified percentage shall be 25% of the aggregate Principal Amount of Outstanding Bonds of the pertinent class), the Trustee shall, by notice in writing delivered to the State, declare the principal of and interest accrued on all Bonds then Outstanding due and payable.

Before a judgment or decree for payment of the money due has been obtained by the Trustee, the Acting Beneficiaries Upon Default may rescind and annul such declaration and its consequences if there has been paid to or deposited with the Trustee by or for the account of the State, or provision satisfactory to the Trustee has been made for the payment of, a sum sufficient to pay:

- All overdue installments of interest on all Bonds of the most senior class Outstanding.

- The principal of (and premium, if any, on) any Bonds of the most senior class Outstanding which have become due otherwise than by such declaration of acceleration, together with interest thereon at the rate or rates borne by such Bonds.
- To the extent that payment of such interest is lawful, interest upon overdue installments of interest on the Bonds of the most senior class Outstanding at the rate or rates borne by such Bonds.
- All Other Obligations on a parity with Bonds of the most senior class Outstanding which have become due other than as a direct result of such declaration of acceleration.
- All other sums required to be paid to satisfy the State's obligations to transmit money to be credited to the Revenue Fund, the Rebate Fund and the redemption fund established for payment of Bonds of the most senior class Outstanding as required by the Program Resolution.
- All sums paid or advanced by the Trustee or any other Fiduciary under the Program Resolution and the reasonable compensation, expenses, disbursements and advances of the Trustee or other Fiduciaries, their agents, and their counsel.

Similarly, before a judgment or decree for payment of the money due has been obtained by the Trustee, the Acting Beneficiaries Upon Default may rescind and annul such declaration and its consequences if all Events of Default, other than the non-payment of the principal of Bonds of the most senior class Outstanding or Other Obligations on a parity with Bonds of the most senior class Outstanding which have become due solely by, or as a direct result of, such declaration of acceleration, have been cured or waived.

No rescission and annulment will affect any subsequent default or impair any right consequent thereon.

Other Remedies; Rights of Beneficiaries

If an Event of Default has occurred and is continuing, the Trustee may bring legal proceedings to collect money due or to enforce the covenants made by the State.

If an Event of Default has occurred and is continuing, and if it is requested so to do by the Acting Beneficiaries Upon Default (and for this purpose the specified percentage shall be a majority of the aggregate Principal Amount of Outstanding Bonds) or any Other Beneficiary and is indemnified, the Trustee will be obliged to exercise such of the rights and powers as the Trustee, being advised by its counsel, deems most expedient in the interests of the Beneficiaries.

If a default occurs under a Swap Agreement or a Credit Enhancement Facility, the Other Beneficiary may exercise such remedies as are provided therein.

Remedies are not exclusive, and delay in acting is not a waiver.

Application of Moneys

All moneys received by the Trustee pursuant to any right given or action taken will, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities, and advances incurred or made by the Trustee with respect thereto, be applied as follows (except that money received with respect to Credit Enhancement Facilities shall be applied only to the purposes for which such Credit Enhancement Facilities were provided, and shall be so applied prior to the application of other money):

(A) In every case, the Trustee shall apply the amounts to each class in order of priority, namely, Senior Bonds and Senior Other Obligations shall be paid in full before any payment shall be made with respect to Junior Subordinate Bonds and Junior Subordinate Other Obligations.

(B) Unless the principal of all the Outstanding Bonds of a particular class shall have become or shall have been declared due and payable, all such money will be applied to the payment to the Beneficiaries of all installments of principal and interest then due on the Bonds and all Other Obligations, and if the amount available is not sufficient to pay all such amounts in full, then to the payment ratably, in proportion to the amounts due, without regard to due date, to the Holders and to each Other Beneficiary, without any discrimination or preference (being applied first to interest and then to principal).

(C) If the principal of all Outstanding Bonds of a particular class shall have become due or shall have been declared due and payable and such declaration has not been annulled and rescinded, all such moneys will be applied to the payment to the Beneficiaries of the principal and interest then due and unpaid upon the Bonds and all Other Obligations, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Beneficiary over any Other Beneficiary, ratably, according to the amounts due, to the Persons entitled thereto without any discrimination or preference.

(D) If the principal of all the Outstanding Bonds of a particular class shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled, then (subject to the provisions of paragraph (C) above, in the event that the principal of all the Outstanding Bonds shall later become or be declared due and payable) the money held by the Trustee hereunder will be applied in accordance with the provisions of paragraph (B) above.

Whenever money is to be applied by the Trustee as described above, the money will be applied by it when the Trustee determines, having due regard to the amount of such money available and the likelihood of additional money becoming available in the future. Whenever the Trustee shall apply such funds, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposits with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Limitation on Suits by Beneficiaries

Except as may be permitted in a Supplemental Resolution with respect to an Other Beneficiary, no Holder of any Bond or Other Beneficiary shall have any right to institute any suit, action, or proceeding in equity or at law for the enforcement of the Program Resolution or for the execution of any trust or for the appointment of a receiver or any other remedy unless all of the following conditions apply:

- An Event of Default shall have occurred and be continuing.
- The Acting Beneficiaries Upon Default (and for this purpose the specified percentage shall be 25% of the aggregate Principal Amount of Outstanding Bonds) shall have made written request to the Trustee.

- Such Beneficiary or Beneficiaries shall have offered to the Trustee indemnity.
- The Trustee shall have thereafter failed for a period of 60 days after the receipt of the request and indemnification or refused to exercise the powers hereinbefore granted or to institute such action, suit, or proceeding in its own name.
- No direction inconsistent with such written request shall have been given to the Trustee during such 60-day period by such Acting Beneficiaries Upon Default

No one or more Holders of the Bonds or any Other Beneficiary shall have any right in any manner whatsoever to affect, disturb, or prejudice the security interest created in the Revenue Fund, the Redemption Fund, the Rate Stabilization Fund, the Reserve Fund, and the Junior Subordinate Redemption Fund or to enforce any right except in the manner provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of the Holders of all Outstanding Senior Bonds and Other Beneficiaries hereunder as their interests may appear hereunder. The Acting Beneficiaries Upon Default may institute any suit, action, or proceeding permitted hereunder in their own names for the benefit of the Holders of all Outstanding Senior Bonds and Other Beneficiaries hereunder.

Supplemental Resolutions Without Holder Consent

The Building Commission may, without the consent of or notice to the Beneficiaries, adopt Supplemental Resolutions as follows:

- To cure any formal defect, omission, inconsistency, or ambiguity in the Program Resolution; *provided,* that no such action shall adversely affect the interests of the Beneficiaries who have not consented thereto.
- To add other covenants or agreements, or to surrender any right or power reserved or conferred upon the State, and which shall not adversely affect the interests of the Beneficiaries who have not consented thereto.
- To issue a particular series of Senior Bonds or enter into a Swap Agreement or obtain a Credit Enhancement Facility and, in connection therewith, to establish provisions for making deposits to the Redemption Fund to provide for the payment of any Senior Bonds, or Other Obligations and to establish assumptions for computing the Debt Service obligations with respect thereto.
- To cause the Program Resolution to comply with the requirements of the Trust Indenture Act of 1939.
- To provide for the removal of a Fiduciary or the Securities Depository, or the appointment of an additional or successor Fiduciary or a successor Securities Depository.
- To make any change in the Program Resolution required by any Rating Agency in order to maintain the current, or restore the previous, rating by such Rating Agency on the Senior Bonds, and which shall not adversely affect the interests of the Beneficiaries who have not consented thereto.
- To provide for the creation of Funds or Accounts, to which amounts in the Revenue Fund may be credited on any Revenue Payment Date prior to transfer of such amounts to the Junior Subordinate Redemption Fund, but only after all transfers therefrom to the Rebate Fund, the Redemption Fund, the Reserve Fund, the Rate Stabilization Fund, or the creation of one or more subordinate classes of Bonds payable solely from Funds and Accounts created under that or

another Supplemental Resolution; *provided,* that no such subordinate class of Bonds or Other Obligations may be senior in any respect to any previously created class of Senior Bonds or Other Obligations any of which are then Outstanding, except to the extent specifically authorized or permitted by the Supplemental Resolution authorizing such previously created class or except to the extent consented to by each Beneficiary who would be adversely affected thereby.

- To modify, alter, amend, or supplement the Program Resolution in any other respect which is not materially adverse to the Beneficiaries who have not consented thereto or which is permitted for Senior Bonds of one or more particular series, as provided in the Supplemental Resolution for Senior Bonds of those series and affects only (1) the Holders of such Senior Bonds and (2) any other Beneficiaries who have consented thereto.
- To modify, alter, amend, or supplement the Program Resolution in any other respect so long as each Rating Agency shall have confirmed that no outstanding ratings on any of the Outstanding Bonds will be reduced or withdrawn as a result of such modification, alteration, amendment, or supplement, as evidenced by written confirmations thereof delivered from each Rating Agency.

In connection with the adoption of any Supplemental Resolution without Bondholder consent, the Trustee must be given an opinion of Bond Counsel to the effect that such Supplemental Resolution is authorized or permitted by the Program Resolution and the Revenue Obligations Act, complies with their respective terms, will be valid and binding upon the State in accordance with its terms, and will not adversely affect the exclusion of the interest payable on the Bonds from gross income of the Holders of the Bonds for federal income tax purposes pursuant to the Code.

Supplemental Resolutions With Holder Consent

The Building Commission may, with the prior written consent of the Holders of a majority of the principal amount of Bonds Outstanding, and with the prior written consent of the Other Beneficiaries, adopt a Supplemental Resolution to modify, alter, amend, or supplement the Program Resolution in any respect. No Supplemental Resolution, however, may permit any of the following:

- An extension of the stated maturity or reduction in the principal amount of, a reduction in the rate or extension of the time for paying interest on, a reduction of any premium payable on the redemption of, a reduction in the purchase price payable on a Tender Date for, or a reduction in the amount or extension of the time for any principal payment required for any sinking fund or otherwise applicable to, any of the Bonds without the consent of the Holders of all the Bonds and Other Beneficiaries which would be affected by the action to be taken.
- The creation of any security interest prior to or on a parity with the security interest in the Funds and Accounts for the benefit of the Holders of the Bonds and the Other Beneficiaries without the consent of the Holders of all the Bonds Outstanding and the Other Beneficiaries which would be adversely affected by such creation.
- A reduction in the aggregate principal amounts of Bonds the Holders of which are required to consent, or the elimination of a requirement that any Other Beneficiary consent, to any Supplemental Resolution without the consent of the Holders of all Bonds at the time Outstanding, and any Other Beneficiary which would be affected by the action to be taken.
- A modification of the rights, duties, or immunities of the Trustee or any Fiduciary without the written consent of the Trustee or Fiduciary.

- The creation of a privilege or priority of any Obligation over any other Obligation of the same class, or of any other class except as provided in the Program Resolution, or the surrender of a privilege or a priority granted hereby, to the detriment of another Beneficiary.

DEFINITIONS OF CERTAIN TERMS

The following definitions apply to capitalized terms used in this Part VII of the Annual Report.

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

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

"Account" means any of the accounts in the Funds.

"Acting Beneficiaries Upon Default" means:

- for purposes of the provisions of the Program Resolution concerning acceleration of maturity, the Holders of not less than the specified percentage of the aggregate Principal Amount of Senior Bonds Outstanding if Senior Bonds are Outstanding and otherwise the Holders of not less than the specified percentage of the most senior class of Bonds Outstanding, and

- for all other purposes under the Program Resolution, any Senior Other Beneficiary or the Holders of not less than the specified percentage of the aggregate Principal Amount of Senior Bonds Outstanding if Senior Bonds or Senior Other Obligations are Outstanding and otherwise the Holders of not less than the specified percentage of Bonds of the most senior class of any Bonds or Other Obligations of which are Outstanding and Other Beneficiary of such class.

"Authorized Commission Representative" means any person at the time designated to act on behalf of the State by written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the State by the Capital Finance Director, and also includes the Capital Finance Director.

"Authorized Department Representative" means any person at the time designated to act on behalf of the Department by written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Department by the Secretary of the Department, and also includes the Secretary.

"Beneficial Owner" means the Person in whose name a Bond is recorded as beneficial owner of such Bond by the Securities Depository, Participant, or Indirect Participant, as the case may be.

"*Beneficial Ownership Interest"* means the right to receive payments and notices with respect to Bonds which are held by the Securities Depository under a Book-Entry System and for which the Securities Depository does not act on behalf of the Beneficial Owner in connection with the optional or mandatory tender of Bonds on a Tender Date.

"Beneficiary" means any Holder of Bonds, any Swap Counterparty, and any Credit Facility Provider.

"Bond Anticipation Notes" means obligations for the funding of which the Building Commission has authorized the issuance of Bonds in a Supplemental Resolution.

"Bond Counsel" means any Independent Counsel selected by the State and nationally recognized as an attorney or firm of attorneys whose opinions are generally accepted in the municipal bond market and who is familiar with the transactions contemplated under this Program Resolution. Unless specifically otherwise provided, any opinion of Bond Counsel required by this Program Resolution shall be in writing.

"Bonds" means revenue obligations of the State, however designated and whether Senior, Subordinate, or Junior Subordinate, that are issued pursuant to this Program Resolution and payable, in whole or in part, from the Petroleum Inspection Fees and does not include Bond Anticipation Notes that are payable solely from the proceeds of Bonds authorized in a Supplemental Resolution.

"The Bond Buyer Revenue Bond Index" means the 25-Bond Revenue Bond Index as published by The Bond Buyer.

"Book-Entry System" means a book-entry system established and operated for the recordation of Beneficial Owners of Bonds.

"Building Commission" means the State of Wisconsin Building Commission.

"Business Day" or *"business day"* means, with respect to any series of Bonds, a day on which (a) banks located in the city in which the Principal Office of any Fiduciary with responsibilities for that series of Bonds is located are not required or authorized by law or executive order to close for business, and (b) the New York Stock Exchange is not closed; *provided*, that a Supplemental Resolution may provide for a different meaning with respect to Bonds of any series issued pursuant thereto.

"Capitalized Interest Account" means the Capitalized Interest Account created within the Proceeds Fund.

"Claims Account" means the Claims Account created within the Proceeds Fund.

"Code" means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code herein shall be deemed to include the United States Treasury Regulations in effect or proposed from time to time with respect thereto and applicable to the Bonds or the use of the proceeds thereof.

"Counterparty Swap Payment" means a payment due to or received by the State from a Swap Counterparty pursuant to a Swap Agreement (including, but not limited to, payments in respect of any early termination of such Swap Agreement) and amounts received by the State under any related Swap Counterparty Guaranty.

"Credit Enhancement Facility" means, if and to the extent provided for in a Supplemental Resolution, with respect to Bonds of one or more series, (1) an insurance policy insuring, or a letter of credit, surety bond, or other guaranty providing a direct or indirect source of funds for, the payment of principal of and interest on such Bonds (but not necessarily principal due upon acceleration of maturity) or (2) a letter of credit, standby purchase agreement, or similar instrument, providing for the purchase of such Bonds (or the Beneficial Ownership Interests therein) on a Tender Date, and in either case, all agreements entered into by the State or the Trustee and the Credit Facility Provider with respect thereto.

"Credit Facility Provider" means any Person or Persons engaged by the State pursuant to a Credit Enhancement Facility, to provide credit enhancement or liquidity for the payment of the principal of and interest on Bonds or the State's obligation to purchase Bonds (or the Beneficial Ownership Interests therein) on a Tender Date.

"Debt Service" means the aggregate principal payments (whether at stated maturity or pursuant to sinking fund redemption requirements), interest payments and other payments of the State on all Outstanding Bonds and Other Obligations for any Fiscal Year (including any State Swap Payments, less any Counterparty Swap Payments unless the Swap Counterparty is in default with respect to its payment obligations under the related Swap Agreement, and including any fees with respect to Credit Enhancement Facilities); *provided*, however, that for purposes of calculating such amount:

- Any Variable Rate Bonds shall, for any future period for which the actual interest rate is not known on the date of determination (that is, on the date on which Debt Service is being calculated), be assumed to bear interest at the Projected Interest Rate.
- All Outstanding Bond Anticipation Notes shall be assumed to be funded at or before the stated maturity thereof, and all Bond Anticipation Notes which have been authorized by a Supplemental Resolution but not yet issued shall be assumed to be issued and immediately funded on the date of determination, in each case by the issuance of Senior Refunding Bonds bearing interest at the Projected Interest Rate and maturing according to such amortization schedule as the State may determine; *provided* that the final maturity must not be later than 20 years from the original issuance of the Bond Anticipation Notes.
- Amounts of principal or interest due on a particular date shall be excluded from the determination of Debt Service to the extent that such amounts are payable from amounts deposited in trust, escrowed, or otherwise set aside for the payment thereof with the Trustee or another Person approved by the Trustee (including, without limitation, amounts in an Escrow Account established in the Redemption Fund or amounts in the Capitalized Interest Account of the Proceeds Fund).
- State Swap Payments, Counterparty Swap Payments, and payments with respect to Credit Enhancement Facilities shall be determined based upon such assumptions as may be set forth in the Supplemental Resolution authorizing the related Swap Agreement or the Credit Enhancement Facility, as the case may be, or in a State Certificate provided to the Trustee with respect to such Swap Agreement or Credit Enhancement Facility.
- For purposes of applying the additional bonds test in connection with the issuance of Refunding Bonds, the proceeds of such Refunding Bonds shall be assumed to have been applied on their issuance date for the purposes provided in the Supplemental Resolution authorizing such Refunding Bonds.
- Except to the extent provided in a Supplemental Resolution to provide for a subordinate class of Bonds or other obligations with respect to the determination of Debt Service for purposes of limitations relating to Subordinate Bonds or Subordinate Other Obligations, debt service payments with respect to Subordinate Bonds and Other Obligations shall not be taken into account.

"Debt Service Coverage Ratio" means the ratio of Projected Annual Revenues to Maximum Annual Debt Service.

"Department" means the State of Wisconsin Department of Commerce.

"EMCP" means, collectively, the State of Wisconsin Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper of all series issued pursuant to the 2000 Notes Supplemental Resolution

"Escrow Account" means a separate and distinct Account created within the Redemption Fund hereof in connection with the defeasance of any Bonds.

"*Event of Default*" means one of the events described as such in the Program Resolution.

"Extended Maturity Date" means, for each Bond designated as an EMCP, the date that is 270 days after the original issue date.

"Federal Securities" means noncallable, direct obligations of the United States of America.

"Fiduciary" means each of the Trustee, and any co-trustee, Registrar, Issuing Agent, Paying Agent, or other fiscal agent and includes any agent designated by or on behalf of the Building Commission or a Fiduciary to perform the functions of a Fiduciary. One entity may perform multiple Fiduciary functions, and multiple entities may perform a particular Fiduciary function.

"Fiscal Year" means the annual period beginning on July 1 of each year and ending on June 30 of the following year.

"Fund" means any of the funds created by the Program Resolution.

"Holder" means the registered owner of any Bond (which shall be the Securities Depository Nominee so long as a Book-Entry System is being used), as shown on the registration books of the State maintained by the Registrar, except that to the extent and for the purposes provided in a Supplemental Resolution for a series of Bonds (including, without limitation, for purposes of the definition of "Acting Beneficiaries Upon Default"), a Credit Facility Provider that has delivered a Credit Enhancement Facility with respect to such series of Bonds may instead be treated as the Holder of the Bonds of such series.

"Independent Counsel" means an Independent Person duly admitted to practice law before the highest court of any state of the United States of America or the highest court of the District of Columbia, or with respect to opinions relating to the law of a country other than the United States of America, an Independent Person duly admitted to the practice of law in such country. Unless specifically otherwise provided, any opinion of Independent Counsel required by this Program Resolution shall be in writing.

"Independent Person" means a Person designated by the State and not an employee of the State.

"Indirect Participant" means a broker-dealer, bank, or other financial institution for which the Securities Depository holds Bonds as a securities depository through a Participant.

"Interest Account" means the Interest Account created within the Redemption Fund.

"Interest Payment Date" means any date on which interest is due on any Bond pursuant to this Resolution.

"Interest Subaccount" means the Interest Subaccount of the Interest Account of the Redemption Fund, created by the 2000 Notes Supplemental Resolution and held by the Issuing and Paying Agent.

"Issuance and Administrative Account" means the Issuance and Administrative Account created within the Proceeds Fund.

"Issuing Agent" means the entity designated by or on behalf of the Building Commission to perform such duties as may be required of the Issuing Agent under this Program Resolution or any Supplemental Resolution.

'Issuing and Paying Agent" means, for purposes of the EMCP, the issuing and paying agent for the EMCP as appointed by the 2000 Notes Supplemental Resolution.

"Junior Subordinate" means, a junior subordinate class of Bonds or Other Obligations that is subordinate to Senior Bonds and to Subordinate Bonds, (1) when used with respect to a Bond, a Bond of a series designated as such pursuant to the Supplemental Resolution pursuant to which such series of Bonds is issued, (2) when used with respect to a Credit Enhancement Facility, a Credit Enhancement Facility designated as such pursuant to the Supplemental Resolution pursuant to which such Credit Enhancement Facility is obtained by the State, and (3) when used with respect to a Swap Agreement, a Swap Agreement designated as such pursuant to the Supplemental Resolution pursuant to which such Swap Agreement is obtained by the State.

"Junior Subordinate Principal Account" means the Junior Subordinate Principal Account created within the Junior Subordinate Redemption Fund.

"Junior Subordinate Redemption Fund" means the Junior Subordinate Redemption Fund created under the Program Resolution.

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

"Maximum Annual Debt Service" means, as of the date of determination, the maximum annual Debt Service, as computed for the then current or any future Fiscal Year.

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

"Original Maturity Date" means, for each Bond designated as an EMCP, the date that is from 1 to 180 days from the original issue date, specified as such in the confirmation sent to the Holder of the EMCP.

"Other Beneficiary" shall mean a Person who is a Beneficiary of an Other Obligation.

"Other Obligation" shall mean the State's obligations to pay any amounts under any Swap Agreements and any Credit Enhancement Facilities.

"Outstanding" means, (1) when used in reference to the Bonds as at any given date, all Bonds which have been duly authenticated and delivered by the Registrar or Issuing Agent under this Program Resolution *except*:

- Bonds which have been canceled by the Registrar at or before such date or which have been delivered to the Registrar at or before such date for cancellation;
- Bonds deemed to be paid because their payment has been provided for;
- Bonds in lieu of which other Bonds have been authenticated;
- Bonds not surrendered for payment when due (unless the State shall default in the payment thereof); and
- Bonds which are otherwise not treated as Outstanding pursuant to the terms of the Supplemental Resolution providing for their issuance; and

(2) when used with respect to Other Obligations, means any Other Obligations which have become, or may in the future become, due and payable and which have not been paid or otherwise satisfied.

"Participant" means a broker-dealer, bank, or other financial institution for which the Securities Depository holds Bonds as a securities depository.

"Paying Agent" means an agent of the State designated by or on behalf of the Building Commission to process payments to Holders of the Bonds.

"PECFA Program" means the Petroleum Environmental Cleanup Fund Award Program, which is a petroleum storage remedial program provided for in the Wisconsin Statutes.

"Permitted Investments" means any of the following:

- Direct obligations of the United States and of agencies of and corporations wholly owned by the United States, and direct obligations of federal land banks, federal home loan banks, central bank for cooperatives and banks for cooperatives, international bank for reconstruction and development, the international finance corporation, inter-American development bank, African development bank and Asian development bank, in each case maturing within one year or less from the date of investment;

- Commercial paper maturing within one year or less from the date of investment and rated prime by the national credit office, if the issuing corporation has one or more long-term senior debt issues outstanding, each of which has one of the three highest ratings issued by Moody's Investors Service Inc., Standard & Poor's Ratings Services, or Fitch IBCA;
- Certificates of deposit maturing within one year or less from the date of investment, issued by banks, credit unions, savings banks or savings and loan associations located in the United States and having capital and surplus of at least $40,000,000; and
- Any other investment permitted by law, so long as each Rating Agency shall have confirmed that no outstanding ratings on any of the Outstanding Unenhanced Bonds will be reduced or withdrawn as a result of such investment, as evidenced by written confirmations thereof delivered from each Rating Agency, or if no Unenhanced Bonds are then Outstanding, but Other Obligations are Outstanding, the Beneficiaries holding such Other Obligations consent to such investment, as evidenced in writing to the Trustee by each such Beneficiary.

"Person" means any natural person, firm, association, corporation, company, trust, partnership, public body, or other entity.

"Petroleum Inspection Fees" means the fees imposed under Section 168.12 (l) of the Wisconsin Statutes, the payments under Section 101.143 (4) (h) lm. of the Wisconsin Statutes, the payments under Section 101.143 (5) (a) of the Wisconsin Statutes, and the net recoveries under Section 101.143 (5) (c) of the Wisconsin Statutes.

"Petroleum Inspection Fund" means the separate nonlapsible trust fund created under Section 25.47, Wisconsin Statutes, which includes all the funds and accounts created under this Program Resolution and a separate fund held in the state treasury.

"Principal Account" means the Principal Account created within the Redemption Fund.

"Principal Amount" when used with respect to a Bond, shall mean the then outstanding principal amount of such Bond; *provided*, that to the extent provided in the Supplemental Resolution for Bonds of such series that pay interest less frequently than semiannually, accrued interest or amortized original issue discount with respect to such Bond shall be treated as principal, and to the extent provided in the Supplemental Resolution for Bonds of such series that bear no interest, only the purchase price plus amortized original issue discount shall be treated as principal.

"Principal Office" means, with respect to any Fiduciary, the office which may be designated as such, from time to time, by the Fiduciary in writing to the State and (in the case of any Fiduciary which is not the Trustee) to the Trustee.

"Principal Payment Date" means the stated maturity date of principal of any Serial Bond, the Sinking Fund Payment Date for any Term Bond, and any other Redemption Date for any Bond.

"Proceeds Fund" means the Proceeds Fund created under the Program Resolution.

"Program Expense Account" means the Program Expense Account created within the Program Fund.

"Program Fund" means the Program Fund created under the Program Resolution.

"Program Resolution" means the Program Resolution for State of Wisconsin Petroleum Inspection Fee Revenue Obligations, as adopted by the Building Commission on January 19, 2000, as amended and restated by the 2000 Notes Supplemental Resolution, together with any and all Supplemental Resolutions.

"Projected Annual Revenues" means the largest amount of Petroleum Inspection Fees collected in any twelve consecutive months during the eighteen most recent months for which such information is available; *provided,* that if, as a result of legislation enacted prior to the time of determination, the rate of the Petroleum Inspection Fee for any future month will be higher or lower than the rate of Petroleum Inspection Fee in effect for any corresponding prior month, "Projected Annual Revenues" shall be adjusted to take such change into account.

"Projected Interest Rate" means the sum of the Bond Buyer Revenue Bond Index, as most recently compiled and published in *The Bond Buyer* as of the date of determination, plus 3% per annum, or if such index is no longer published, "Projected Interest Rate" shall mean an interest rate determined in such alternate manner as the State may establish by State Certificate or Supplemental Resolution; *provided,* that each Rating Agency shall have confirmed that no outstanding ratings on any of the Outstanding Unenhanced Bonds will be reduced or withdrawn as a result of the use of such alternate manner of determination, as evidenced by written confirmations thereof delivered from each Rating Agency, or if no Unenhanced Bonds are then Outstanding, but Other Obligations are Outstanding, the Beneficiaries holding such Other Obligations consent to the use of such alternate manner of determination, as evidenced in writing by each such Beneficiary.

"Rate Stabilization Fund" means the Rate Stabilization Fund created under the Program Resolution.

"Rating Agency" means, at any time, any nationally recognized securities rating agency that is then maintaining a rating on the Bonds at the request of the State. *"Rating Agency"* includes the successors and assigns of such agency.

"Rebate Fund" means the Rebate Fund created under the Program Resolution.

"Redemption Date" means the date fixed for redemption of any Bond pursuant to this Resolution.

"Redemption Fund" means the Redemption Fund created under the Program Resolution.

"Refunding Bonds" means Bonds issued or to be issued to provide for the payment of principal of (and, to the extent provided by the Supplemental Resolution authorizing the issuance thereof, premium, if any, and interest on) Bonds previously issued under this Resolution or to fund Bond Anticipation Notes.

"Registrar" means the State Treasurer or an agent of the State designated by or on behalf of the State Treasurer to maintain the registration books for the Bonds.

"Reserve Fund" means the Reserve Fund created under the Program Resolution.

"Reserve Fund Requirement" means, at any time, an amount equal to the greatest amount established as such in any Supplemental Resolution, which may be expressed as a percentage of Outstanding Bonds, as a stated dollar amount, or in any other manner. In calculating the Reserve Fund Requirement, all Bonds to be redeemed or defeased by a series of Refunding Bonds shall be deemed not Outstanding as of the date of calculation.

"Revenue Fund" means the Revenue Fund created under the Program Resolution.

"Revenue Payment Date" shall mean each Business Day on which Petroleum Revenue Fees are received by the Trustee.

“Securities Depository” means the securities depository and any substitute for or successor to such securities depository that shall, at the request of the Building Commission, maintain a Book-Entry System with respect to the Bonds.

“Securities Depository Nominee” means the Securities Depository or the nominee of the Securities Depository in whose name the Bonds are registered during the continuation with such Securities Depository of participation in its Book-Entry System.

“Senior” (1) after the adoption of a Supplemental Resolution hereof to provide for the creation of a subordinate class of Bonds or Other Obligations, means (a) when used with respect to a Bond, a Bond of a series designated (or deemed to have been designated) as such pursuant to the Supplemental Resolution pursuant to which such series of Bonds is issued, (b) when used with respect to a Credit Enhancement Facility, a Credit Enhancement Facility designated (or deemed to have been designated) as such pursuant to the Supplemental Resolution pursuant to which such Credit Enhancement Facility is obtained by the State, and (c) when used with respect to a Swap Agreement, a Swap Agreement designated (or deemed to have been designated) as such pursuant to the Supplemental Resolution pursuant to which such Swap Agreement is obtained by the State, and (2) prior to the adoption of such a Supplemental Resolution, means, when used with respect to a Bond or an Other Obligation, any Bond or Other Obligation.

“Senior Variable Rate Debt” means Variable Rate Debt.

“Senior Variable Rate Debt Exposure” means Variable Rate Debt Exposure.

“Serial Bonds” means all Bonds other than Term Bonds.

“Sinking Fund Payment Date” means the date on which any Term Bond is to be called for redemption pursuant to the sinking fund requirements of the Supplemental Resolution providing for the issuance thereof or, if not redeemed, the stated maturity date thereof.

“State” means the State of Wisconsin.

“State Certificate” means a certificate signed by an Authorized Commission Representative and delivered to the Trustee or, if required by the context in which such term is used, to any other Fiduciary.

“State Direction” means a direction to the Trustee or, if required by the context in which such term is used, to any other Fiduciary and signed by an Authorized Commission Representative.

“State Swap Payment” shall mean a payment due to a Swap Counterparty from the State pursuant to the applicable Swap Agreement (including, but not limited to, payments in respect of any early termination of such Swap Agreement).

“Subordinate” means, after the adoption of a Supplemental Resolution to provide for the creation of a subordinate class of Bonds or Other Obligations that is subordinate to Senior Bonds and prior to Junior Subordinate Bonds, (1) when used with respect to a Bond, a Bond of a series designated as such pursuant to the Supplemental Resolution pursuant to which such series of Bonds is issued, (2) when used with respect to a Credit Enhancement Facility, a Credit Enhancement Facility designated as such pursuant to the Supplemental Resolution pursuant to which such Credit Enhancement Facility is obtained by the State, and (3) when used with respect to a Swap Agreement, a Swap Agreement designated as such pursuant to the Supplemental Resolution pursuant to which such Swap Agreement is obtained by the State.

“Supplemental Resolution” means a resolution adopted by the Building Commission to supplement or amend the Program Resolution.

"Swap Agreement" means an interest rate exchange agreement or other interest rate hedge agreement between the State and a Swap Counterparty, as originally executed and as amended or supplemented, for the purpose of (1) converting, in whole or in part, (a) the State's fixed interest rate liability on all or a portion of any Bonds to a variable interest rate liability, (b) the State's variable interest rate liability on all or a portion of any Bonds to a fixed interest rate liability, or (c) the State's variable interest rate liability on all or a portion of any Bonds to a different variable interest rate liability, or (2) providing a maximum or minimum with respect to the State's variable interest rate liability on all or a portion of any Bonds.

"Swap Counterparty" means any Person with whom the State shall, from time to time, enter into a Swap Agreement.

"Swap Counterparty Guaranty" means a guaranty in favor of the State given in connection with the execution and delivery of a Swap Agreement under this Program Resolution.

"Tender Date" means, with respect to any Bond or Beneficial Ownership Interest, a date on which such Bond or Beneficial Ownership Interest is required to be tendered for purchase by or on behalf of the State, or has been tendered for purchase by or on behalf of the State pursuant to a right given the Holder or Beneficial Owner of such Bond, in accordance with the provisions in the Supplemental Resolution providing for the issuance thereof.

"Term Bonds" means Bonds that are subject to mandatory redemption on Sinking Fund Payment Dates according to a schedule provided in or pursuant to the Supplemental Resolution providing for the issuance of such Bonds.

"Trustee" means The Bank of New York or the entity designated by or on behalf of the Building Commission to have custody of the Funds and Accounts and to perform such other duties as may be required of the Trustee under this Program Resolution or any Supplemental Resolution.

"Unenhanced Bond" means a Bond the payment of the principal of and interest on which is not provided for or secured by a Credit Enhancement Facility.

"Variable Rate Bonds" means Bonds whose interest rate is not fixed for the entire remaining term of such Bonds, but varies on a periodic basis as specified in the Supplemental Resolution providing for the issuance thereof.

"Variable Rate Debt" means (1) all Senior Variable Rate Bonds and Senior Bond Anticipation Notes, and (2) includes any Principal Amount of Bonds with respect to the which the State shall have entered into Senior Swap Agreements that have the effect of shifting the State's fixed rate liability to a variable rate liability.

"Variable Rate Debt Exposure" means the difference, if any, of (1) the actual aggregate Outstanding Principal Amount of Variable Rate Debt, less (2) the sum of the balance in the Principal Account allocable to Variable Rate Debt plus the balance of the Rate Stabilization Fund.

APPENDIX A

AUDITED FINANCIAL STATEMENT

The following are the auditor's report and financial statement for the Petroleum Inspection Fee Revenue Obligations Program as of June 30, 2000.

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

AN AUDIT

Petroleum Inspection Fee Revenue Obligations Program

00-16

December 2000

LEGISLATIVE AUDIT BUREAU

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

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

State Auditor - Janice Mueller

Editor of Publications - Jeanne Thieme

Audit Prepared by

Bryan Naab, Director and Contact Person
Lisa King
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State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

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December 15, 2000

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

Dear Senator George and Representative Kelso:

At the request of the departments of Commerce and Administration, and to meet our audit responsibilities under s. 13.94, Wis. Stats., we have completed a financial audit of the State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program for the period March 2, 2000 through June 30, 2000. We were able to express our unqualified opinion on the Program's Statement of Changes in Program Assets and related notes.

The Petroleum Inspection Fee Revenue Obligations Program provides financing for payment of claims under the Wisconsin Petroleum Environmental Cleanup Fund Award (PECFA) program. In a previous evaluation of the PECFA program (report 98-14), we noted a large backlog of approved but unpaid PECFA claims and identified options for the Legislature's consideration. To address the backlog, the Legislature authorized the State to issue up to $270 million of revenue obligations to be repaid by a $0.03 per gallon fee charged suppliers for petroleum products sold in Wisconsin. These revenue obligations, which may include bonds, commercial paper, or other obligations, are not general obligations of the State.

Between March 2, 2000, when the Petroleum Inspection Fee Revenue Obligations Program started, and June 30, 2000, the State issued $230 million of revenue obligations. An additional $20 million was issued in December 2000. Proceeds from the sale of this debt, along with petroleum inspection fees collected from suppliers in excess of debt service requirements, have allowed the State to reduce the December 31, 1999 backlog from almost $196 million in approved but unpaid PECFA claims to less than $16 million as of June 30, 2000. However, as of June 30, 2000, the Department of Commerce had yet to review for approval approximately $25 million in claimed costs, and it continues to receive new claims every month.

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

Respectfully submitted,

Janice Mueller
State Auditor

JM/BN/cm

INDEPENDENT AUDITOR'S REPORT ON THE STATEMENT OF CHANGES IN PROGRAM ASSETS OF THE STATE OF WISCONSIN PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS PROGRAM

We have audited the accompanying Statement of Changes in Program Assets of the State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program from March 2, 2000 through June 30, 2000. This financial statement is the responsibility of the Program's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Statement of Changes in Program Assets presents only the Petroleum Inspection Fee Revenue Obligations Program and is not intended to present fairly the financial position and activity of the State of Wisconsin.

The Petroleum Inspection Fee Revenue Obligations Program began on March 2, 2000. As a result, the Statement of Changes in Program Assets for this period presents activity for less than a full year.

As described in Note 2, to provide a meaningful presentation to bondholders and noteholders regarding resources available to pay debt service, the Program's policy is to prepare its financial statement on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the Statement of Changes in Program Assets referred to above presents fairly, in all material respects, the Program's assets as of June 30, 2000, and the receipts and disbursements of the Petroleum Inspection Fee Revenue Obligations Program for the period from March 2, 2000 through June 30, 2000, on the cash basis of accounting.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 2000 on our consideration of the Program's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grants.

LEGISLATIVE AUDIT BUREAU

December 11, 2000 by

Bryan Naab
Audit Director

State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program
Statement of Changes in Program Assets
for the Partial Year Ended June 30, 2000

	March 2, 2000 through June 30, 2000		
Program Assets, March 2, 2000			$ 0
Receipts			
Proceeds from Sale of Bonds		$ 173,041,306	
Proceeds from Sale of Extendible Municipal Commercial Paper		60,000,000	
Petroleum Inspection Fees Remitted by the State of Wisconsin to the Trustee	$ 32,502,522		
Less: Petroleum Inspection Fees Transferred from the Trustee to the State of Wisconsin Petroleum Inspection Fund	(27,847,429)		
Petroleum Inspection Fees Retained by the Trustee		4,655,093	
Interest and Investment Income		1,003,789	
Total Receipts			238,700,188
Total Program Assets Available			238,700,188
Disbursements			
Transfers to the State of Wisconsin for Payment of Petroleum Environmental Cleanup Fund Award Claims		207,434,297	
Debt Service--Principal		0	
Debt Service--Interest		0	
Debt Issuance Costs		1,386,712	
Other Costs		52,837	
Total Disbursements			208,873,846
Program Assets Reserved for Debt Service		6,467,185	
Unreserved Program Assets		23,359,157	
Program Assets, June 30, 2000			$ 29,826,342

The accompanying notes are an integral part of this statement.

1. Description of the Program

The State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program originated in January 2000, pursuant to the State of Wisconsin Building Commission Program Resolution for State of Wisconsin Petroleum Inspection Fee Revenue Obligations, adopted on January 19, 2000 and amended and restated on May 2, 2000 (the Program Resolution). The purpose of the Program is to provide financing for the payment of claims under the State of Wisconsin Petroleum Environmental Cleanup Fund Award (PECFA) program, which is administered by the State of Wisconsin Department of Commerce.

The Program Resolution establishes special trust funds and accounts and fiduciary responsibilities that are to be undertaken by a corporate trustee for the benefit of the bondholders, extendible municipal commercial paper noteholders, and holders of any other obligations that may be issued. The Bank of New York has been appointed as the trustee for the revenue obligations. The trustee is responsible for maintaining the trust funds in accordance with the Program Resolution, which requires investments of trust fund balances to be in accordance with directives established by the Program Resolution. The Bank of New York is also the registrar and paying agent for revenue bonds. The U.S. Bank Trust National Association is the issuing and paying agent and registrar for extendible municipal commercial paper.

Pursuant to the Program Resolution, the State of Wisconsin issued $170,250,000 of 2000 Series A Petroleum Inspection Fee Revenue Bonds on March 2, 2000, and $60,000,000 of Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper beginning on May 9, 2000. Revenue bond and extendible municipal commercial paper proceeds are held by the trustee until the Department of Commerce requests the trustee to remit specific amounts to the State to pay PECFA claims.

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

The financial statement presents only the Petroleum Inspection Fee Revenue Obligations Program and is not intended to present fairly the financial position and activity of the State of Wisconsin.

2. Summary of Significant Accounting Policies

Basis of Presentation - The accompanying Statement of Changes in Program Assets of the Petroleum Inspection Fee Revenue Obligations Program presents the Program's receipts and disbursements on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under the cash basis of accounting, receipts are recorded when received and disbursements are recorded when paid. The Program's assets include cash, consisting of demand deposits held by the Bank of New York and the U.S. Bank Trust National Association, and investments. The financial position and activity of the Program is presented on the cash basis of accounting to provide a meaningful presentation to bondholders and extendible municipal commercial paper noteholders regarding resources available to pay debt service.

Unreserved Program Assets - Program assets in excess of those required to be reserved for debt service are reported as Unreserved Program Assets. The Program's unreserved assets are available to pay PECFA claims, debt issuance costs, or administrative costs of the Program. Periodically, the State requests the trustee to remit the Program's unreserved assets to the State to pay for these costs.

3. Deposits and Investments

The Program's deposit and investment policies are governed by the Program Resolution and Wisconsin Statutes. The Program is authorized by statute to invest in direct obligations of the United States maturing within one year from the date of investment. In addition, statutes allow those funds not reserved for debt service to be invested in direct obligations of the United States, its agencies and corporations, and certain banks; high-quality corporate commercial paper; and certificates of deposit.

From March 2, 2000 through June 30, 2000, the trustee maintained the Petroleum Inspection Fee Revenue Obligations Program's funds in demand deposit accounts with the Bank of New York and the U.S. Bank Trust National Association and in investments consisting of U.S. treasury bills. As of June 30, 2000, the demand deposit accounts totaled $29,026,858, of which $200,000 was covered by FDIC insurance and is categorized as risk category 1 deposits in accordance with Governmental Accounting Standards Board (GASB) Statement No. 3. The remaining $28,826,858 is not insured or collateralized and, therefore, is categorized as risk category 3.

As of June 30, 2000, the Program held investments, purchased for $799,484, consisting of U.S. treasury bills with a face value of $824,000 and maturing on December 21, 2000. The investments were registered and held by the Program's agent in the Program's name. Therefore, the Program's investments are categorized as risk category 1 investments in accordance with GASB Statement No. 3.

As of June 30, 2000, the Program's assets totaled $29,826,342. Of this amount, $6,467,185, consisting of $5,667,701 of cash and $799,484 of investments, was reserved for debt service. The remaining $23,359,157 was reported as Unreserved Program Assets.

4. Revenue Bonds and Extendible Municipal Commercial Paper

The Program's revenue obligations are issued pursuant to Subchapter II of Chapter 18 of the Wisconsin Statutes; s. 101.143(9m), Wis. Stats.; and the Program Resolution and supplemental resolutions adopted by the State of Wisconsin Building Commission. The revenue obligations are payable solely from, and secured by, petroleum inspection fees that suppliers are charged on all petroleum products received for sale in the State of Wisconsin, as received by the trustee (see note 5). The revenue obligations are not general obligations of the State.

The $170,250,000 of State of Wisconsin Petroleum Inspection Fee Revenue Bonds, 2000 Series A, are senior bonds that bear interest at rates from 5.00 percent to 6.00 percent, payable semiannually commencing July 1, 2000. The bonds mature in scheduled installments on July 1, 2000, and annually from July 1, 2002 to July 1, 2012. The bonds are subject to optional redemption, prior to their maturity, on or after July 1, 2005, at prices ranging from 102 to 100 percent of the face value plus accrued interest.

The bond redemption and debt service requirements for the Petroleum Inspection Fee Revenue Bonds, 2000 Series A, in the years subsequent to June 30, 2000, are as follows:

Fiscal Year Ending June 30	Principal Amount	Interest Amount	Total Debt Service
2001	$ 1,750,000	$ 8,002,456	$ 9,752,456
2002	0	9,600,240	9,600,240
2003	11,440,000	9,285,640	20,725,640
2004	12,070,000	8,639,115	20,709,115
2005	12,735,000	7,925,140	20,660,140
2006	13,495,000	7,138,240	20,633,240
2007	14,305,000	6,329,884	20,634,884
2008	15,115,000	5,491,821	20,606,821
2009	15,980,000	4,604,840	20,584,840
2010	16,885,000	3,696,520	20,581,520
2011	17,800,000	2,743,875	20,543,875
2012	18,790,000	1,700,400	20,490,400
2013	19,885,000	576,838	20,461,838
Totals	$170,250,000	$75,735,009	$245,985,009

Additional series of senior bonds may be issued on a parity with the current bond series outstanding and collateralized by an equal lien on the petroleum inspection fees. However, no additional series, other than refunding bonds, may be issued unless, among other things, the debt service coverage ratio, as defined in the Program Resolution, is at least 2.0.

The $60,000,000 of extendible municipal commercial paper has maturities from 1 to 180 days and is not callable prior to maturity. The principal of and interest on the extendible municipal commercial paper will be paid at maturity unless the State exercises its option to extend the maturity date to a date that is up to 270 days after the original issue date. New (roll-over) extendible municipal commercial paper may be issued to pay the principal due on maturing extendible municipal commercial paper. Each note bears interest from its date of issuance, at the rate determined on the date of issuance. As of June 30, 2000, the outstanding extendible municipal commercial paper had interest rates ranging from 4.625 percent to 4.9 percent and maturities ranging from July 19, 2000 to August 25, 2000.

Interest payments on extendible municipal commercial paper are on a parity with the payments on the senior bonds. Principal on extendible municipal commercial paper is subordinate to these pledges and is payable from proceeds of rollover notes, issuance of refunding senior bonds, certain moneys held by the trustee, or other funds made available by the State for this purpose.

Each month that variable rate debt, such as the extendible municipal commercial paper, is outstanding, the State is required by the Program Resolution to provide to the trustee a certificate setting forth the State's "variable rate takeout capacity" and "variable rate debt exposure." The "variable rate takeout capacity" measures the State's ability, given certain conservative interest rate assumptions, to convert variable rate debt to fixed rate debt. "Variable rate debt exposure" measures the State's outstanding variable rate debt. During fiscal year (FY) 1999-2000, this certification was required and performed for the months of May and June. Because the State's ability to convert variable rate debt to fixed rate debt was higher than the amount of variable rate debt outstanding for both months, the State needed to take no further action.

5. Petroleum Inspection Fees

Petroleum inspection fees result from a $0.03 per gallon fee imposed by the State under s. 168.12(1), Wis. Stats., on suppliers for all petroleum products received for sale in the State of Wisconsin. The fees are paid to the State of Wisconsin Department of Revenue by suppliers along with motor fuel taxes. The Department of Revenue determines the amount collected for the fees and remits it to the program trustee on a monthly basis. The trustee transfers the fees in excess of the amount needed to service the bond redemption and debt service requirements to the State of Wisconsin Petroleum Inspection Fund, free of the first lien pledge of the Program Resolution. The Department of Commerce uses the net fees to pay PECFA claims, PECFA program administrative costs, and other costs.

Through June 2000, the following amounts of petroleum inspection fees were remitted by the State of Wisconsin Department of Revenue to the trustee, retained by the trustee to meet debt service requirements of the Program, and transferred by the trustee to the State of Wisconsin Petroleum Inspection Fund.

Month, 2000	Fees Remitted by the State to the Trustee	Fees Retained by the Trustee	Fees Transferred by the Trustee to the State
March	$ 8,800,000	$1,068,358	$ 7,731,642
April	8,800,000	1,718,358	7,081,642
May	6,102,522	1,068,358	5,034,164
June	8,800,000	800,020	7,999,980
Total	$32,502,522	$4,655,094	$27,847,428

For purposes of additional analysis, the petroleum inspection fees collected by the State for the past five fiscal years are provided below.

Fiscal Year	Fees Earned
1999-2000	$111,564,000
1998-99	110,742,000
1997-98	103,842,000
1996-97	105,761,000
1995-96	104,822,000

6. Debt Service Coverage

There are alternative methods to calculate debt service coverage. For purposes of additional analysis, the debt service coverage ratio provided below is the ratio of petroleum inspection fees remitted to the trustee during FY 1999-2000, divided by the debt service payments made during the fiscal year.

		Debt Service					
FY[(A)]	Fees Remitted to the Trustee[(B)]	Bond Principal	Bond Interest	Commercial Paper Principal	Commercial Paper Interest	Total Debt Service	Debt Service Coverage[(C)]
99-00	$32,502,522	$0	$0	$0	$0	$0	N/A

(A) The program began on March 2, 2000.

(B) This includes petroleum inspection fees remitted by the State of Wisconsin to the Program Trustee for the four-month period March 2000 through June 2000. In contrast, the fees collected by the State of Wisconsin for the 12-month period ended June 30, 2000, totaled $111,563,668.

(C) The debt service coverage ratio is not applicable for FY 1999-2000 since there was no debt service paid prior to July 1, 2000. However, the ratio of remitted fees to debt service payments to be made on July 1, 2000, is 6.56: the $32,502,522 in fees remitted to the trustee, divided by $4,952,336 of debt service payments.

7. Contingencies and Commitments

In addition to the $230,250,000 of petroleum inspection fee revenue obligations issued through June 30, 2000, Wisconsin Statutes and the State of Wisconsin Building Commission have authorized the Program to issue an additional $40,160,000, plus issuance and administrative costs and accrued interest, of extendible municipal commercial paper. Further, the Building Commission has authorized the Program to issue revenue bonds to refund any or all of the outstanding extendible municipal commercial paper.

The Petroleum Inspection Fee Revenue Obligations Program was established and the Program's bonds and extendible municipal commercial paper were issued to reduce a backlog that had accumulated in recent years because approved PECFA claims significantly exceeded the petroleum inspection fee revenues available to pay the claims. As of December 31, 1999, the backlog of approved but unpaid PECFA claims had reached $195.5 million. As summarized below, the bonds and extendible municipal commercial paper issued during FY 1999-2000 provided funding to reduce the backlog.

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

Approved but unpaid PECFA claims as of December 31, 1999		$195.5
Claims approved for payment January 1–June 30, 2000		70.0
Less claims paid:		
Paid from proceeds of revenue obligations	$207.4	
Paid from net petroleum inspection fees	42.3	249.7
Approved but unpaid PECFA claims as of June 30, 2000		$ 15.8

As of June 30, 2000, there existed $15.8 million in approved claims waiting for payment. In addition, as of June 30, 2000, the Department of Commerce had yet to review for approval approximately $25 million in claimed costs. The Department expects that new PECFA claims will continue for at least the next few years to exceed the amount of fees available to pay them. As a result, the State may issue additional revenue obligations to reduce or prevent increases in the backlog in the future.

8. Subsequent Events

On December 4, 2000, the Program issued an additional $20,000,000 of extendible municipal commercial paper to pay approved PECFA claims.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF A FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the Statement of Changes in Program Assets of the Petroleum Inspection Fee Revenue Obligations Program for the period from March 2, 2000 through June 30, 2000 and have issued our report thereon dated December 11, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Program's Statement of Changes in Program Assets is free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

LEGISLATIVE AUDIT BUREAU

December 11, 2000 by

Bryan Naab
Audit Director