STATE OF WISCONSIN
CONTINUING DISCLOSURE
ANNUAL REPORT

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

GENERAL OBLIGATIONS
(Base CUSIPs 977053, 977055, and 977056)

MASTER LEASE CERTIFICATES OF PARTICIPATION
(Base CUSIP 977087)

TRANSPORTATION REVENUE OBLIGATIONS
(Base CUSIP 977123)

CLEAN WATER REVENUE BONDS
(Base CUSIP 977092)

PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS
(Base CUSIP 977109)

DECEMBER 23, 2002

WISCONSIN DEPARTMENT OF
ADMINISTRATION

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GOVERNOR
GEORGE LIGHTBOURN
SECRETARY
Division of Executive Budget and Finance
Capital Finance Office
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December 23, 2002

Thank you for your interest in the State of Wisconsin.

Each year we prepare a Continuing Disclosure Annual Report for the State's securities. *This is the Annual Report for the fiscal year ending June 30, 2002.* It provides information on different securities that the State issues and fulfills the State's continuing disclosure undertakings. These undertakings of the State are intended to help dealers and brokers comply with Rule 15c2-12 under the Securities Exchange Act of 1934. As of this date, the State has filed the Annual Report with each nationally recognized municipal securities information repository.

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

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

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

- **Part II** presents **general information about the State**, including its operations and financial results. This part includes the audited general purpose external financial statements for the fiscal year ending June 30, 2002 and the State Auditor's report. This part also includes the results of the 2001-02 fiscal year and the current status of the budget for the 2002-03 fiscal year, including information on the revenue estimates released by the State of Wisconsin Department of Revenue on November 20, 2002.

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

- **Part III** — **General obligations (including bonds, commercial paper, and extendible municipal commercial paper)**

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

- **Part V** — **Transportation revenue obligations (including bonds and commercial paper)**

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

- **Part VII** — **Petroleum inspection fee revenue obligations (including bonds and extendible municipal commercial paper)**

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

Ratings on the State's Securities

The following chart presents a summary of the long-term ratings currently assigned to different types of securities that the State issues. Your attention is called to rating changes highlighted below.

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

(1) Outlook changed to "negative" on March 4, 2002.

(2) Downgraded from AA on May 27, 2002.

(3) Outlook changed to "negative" on March 4, 2002.

(4) Downgraded from AA– on May 27, 2002.

How to Get Additional Information

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

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

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

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

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

Sincerely,

Frank R. Hoadley
Capital Finance Director

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

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

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

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

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

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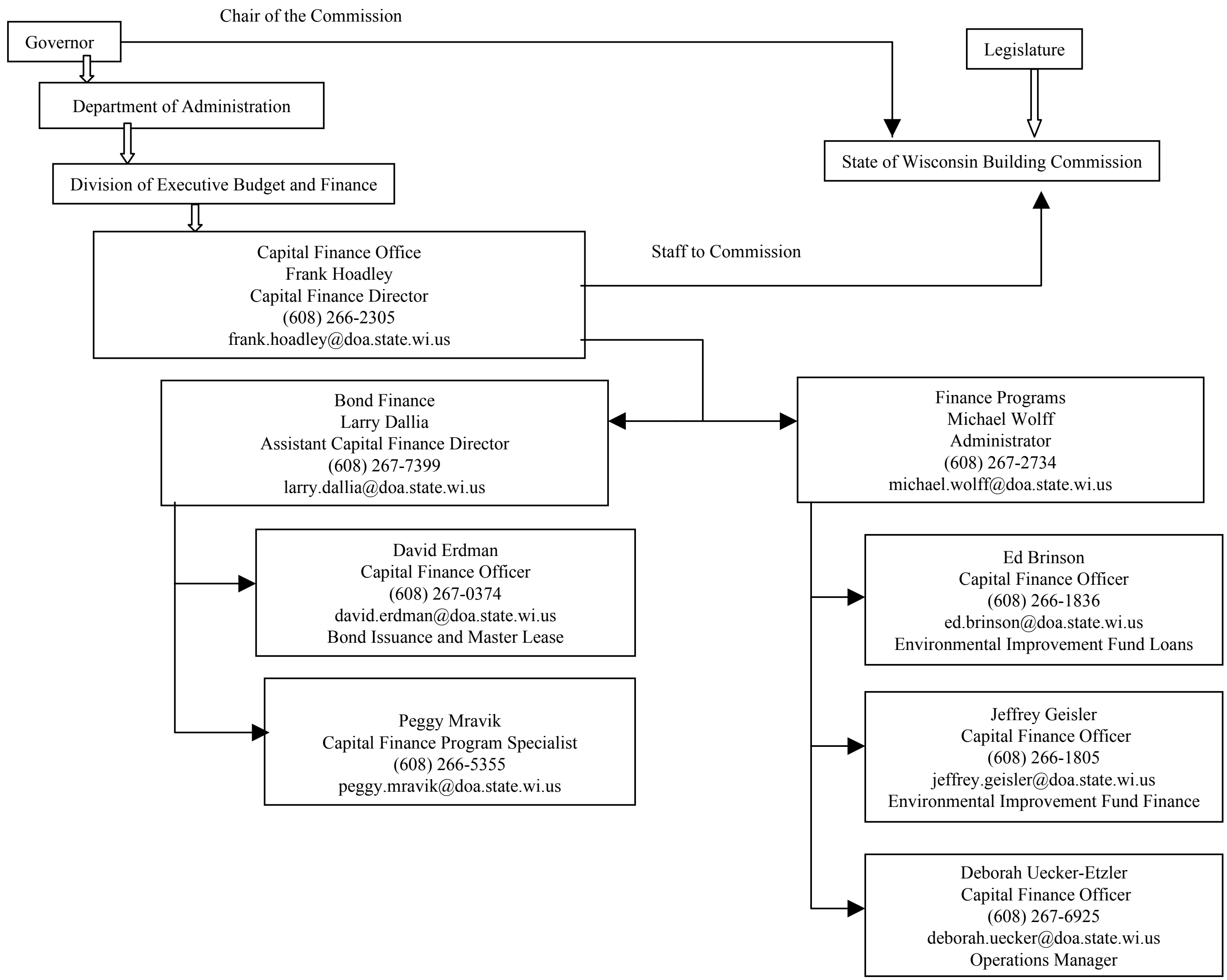
PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS

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



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

BUILDING COMMISSION MEMBERS

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

OTHER PARTICIPANTS

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

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

DEBT MANAGEMENT AND DISCLOSURE

Department of Administration
Capital Finance Office
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Madison, WI 53707-7864
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capfin@doa.state.wi.us

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Mr. Lawrence K. Dallia
Assistant Capital Finance Director
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Mr. Michael D. Wolff
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david.erdman@doa.state.wi.us

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 Bonds
- 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 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. <u>Reporting of Significant Events</u>.

(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. <u>Termination of Reporting Obligation</u>. 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. <u>Amendment; Waiver</u>. 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. <u>Additional Information</u>. 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

EXHIBIT A

FORM OF ADDENDUM DESCRIBING ANNUAL REPORT

ADDENDUM DESCRIBING ANNUAL REPORT
FOR [TYPE OF OBLIGATIONS]

This Addendum Describing Annual Report for [Type of Obligation] (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.

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

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

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

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

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

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

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

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

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

Date: ___________, ____

STATE OF WISCONSIN
Issuer

By _________________________________

Name: _________________________
Title: __________________________

EXHIBIT B

FORM OF SUPPLEMENTAL AGREEMENT

SUPPLEMENTAL AGREEMENT

This Supplemental Agreement is executed and delivered by the State of Wisconsin (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 (**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 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 (**Addendum**) is delivered by the State of Wisconsin, acting by and through its Department of Administration (**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 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 (**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 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 (**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 clean water revenue bonds. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Disclosure Agreement.

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

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

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

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

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

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

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

(a) List of outstanding loans

(b) List of financial assistance commitments

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

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

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

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

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

Date: 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 2001-02 Fiscal Year
- State Budget–See "State Budget; Budget for 2001-03" in this part of the Annual Report for information on the current status of the State's Budget
- General Fund Information
- State Government Organization
- State Obligations
- Statistical Information

APPENDIX A to this part includes the audited general purpose external financial statements for the fiscal year ending June 30, 2002 and the independent auditor's report that is provided by the State Auditor.

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

Contact: Capital Finance Office
Attn: Capital Finance Director
Phone: (608) 266-2305
Mail: 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
- 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.

Table II-1

REVENUES (ALL [a]

1997-98 TO 2001-02

	2001-02	2000-01	1999-2000	1998-99	1997-98
State Collected Taxes					
Individual Income	$ 4,979,661,843	$ 5,156,565,325	$ 5,959,818,943	$ 5,162,238,865	$ 5,047,324,479
General Sales and Use	3,695,795,708	3,609,895,359	3,501,658,965	3,284,694,814	3,047,406,215
Corporate Franchise and	503,007,920	537,159,154	644,625,016	635,202,891	627,024,134
Public Utility	252,297,980	239,298,968	259,991,437	287,093,752	288,376,893
Excise	348,282,067	299,775,120	301,851,909	308,921,713	299,091,574
Inheritance and Gift	82,634,627	77,084,123	133,261,148	116,898,047	80,110,729
Insurance	96,055,400	89,041,589	86,877,861	97,045,435	88,065,247
Motor Fuel	954,147,642	918,449,310	914,673,547	907,722,042	740,209,790
Forest	65,885,102	58,648,511	58,061,250	52,253,055	49,561,411
Miscellaneous	113,979,522	112,312,779	104,617,943	129,848,806	235,983,488
Subtotal	11,091,747,811	11,098,230,239	11,965,438,019	10,981,919,420	10,503,153,960
Federal Aid					
Medical	2,663,987,093	2,395,438,874	1,961,769,304	1,679,110,792	1,578,071,534
AFDC/W2	490,161,681	403,990,150	263,964,530	148,879,361	154,334,829
Transportation	769,221,794	671,344,340	608,670,820	525,360,773	421,841,928
Education	1,120,807,676	1,028,557,046	957,144,633	870,817,978	805,930,081
Other	2,158,980,902	1,727,232,553	1,055,061,747	1,154,327,827	972,945,870
Subtotal	7,203,159,146	6,226,562,962	4,846,611,034	4,378,496,731	3,933,124,242
Fees					
University of Wisconsin [b]	84,006,675	2,155,613,345	632,110,050	578,407,190	552,167,916
Other	356,048,754	300,580,123	282,404,664	267,718,834	244,291,725
Subtotal	440,055,429	2,456,193,468	914,514,714	846,126,024	796,459,641
Licenses and Permits					
Vehicles and Drivers	340,205,268	324,531,760	326,133,108	304,346,133	290,782,206
Hunting and	81,747,187	78,929,285	132,906,803	84,829,913	56,268,405
Other	383,584,407	328,027,538	243,832,829	260,410,783	273,800,793
Subtotal	805,536,862	731,488,582	702,872,740	649,586,829	620,851,404
Miscellany					
Service Charges	625,265,992	524,635,878	500,897,911	423,557,725	407,273,543
Sales of Products	682,332,141	679,562,010	687,203,049	684,788,382	675,171,110
Investment	(3,541,516,552)	(4,003,889,358)	8,119,031,124	5,825,766,448	8,626,768,140
Gifts and Grants	337,321,976	373,700,027	349,206,053	281,312,163	301,417,790
Employee Benefit Contributions [c]	1,768,712,369	1,847,520,797	1,558,509,041	1,697,287,871	1,484,849,345
General Obligation	785,363,834	1,012,418,625	702,676,279	490,002,803	444,985,883
Other Revenues [d]	5,265,115,871	709,942,714	1,867,986,094	1,184,536,265	847,094,578
Subtotal	5,922,595,630	1,143,890,693	13,785,509,551	10,587,251,657	12,787,560,389
Summary					
TOTAL NET	25,463,094,878	21,656,365,944	32,214,946,058	27,443,380,661	28,641,149,636
Transfers	1,307,219,152	620,137,706	658,364,767	656,836,667	956,781,647
Gross Revenue	$ 26,770,314,030	$ 22,276,503,650	$ 32,873,310,825	$ 28,100,217,328	$ 29,597,931,283

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

[b] The decrease in 2001-02 is the result of certain fees being erroneously posted under "Miscellany; Other Revenues" in this

[c] Figures include all State and non-State employer and employee contributions. State contributions for State employees totaled $824,268,843 for $758,283,014 for 2000-01;$668,926,218 for 1999-2000; $641,535,593 for 1998-99; and $608,663,836 for 1997-

[d] The increase from 2000-01 to 2001-02 reflects sale of rights to tobacco settlement revenues, an increase in child support collections, certain University of Systems fees being erroneously posted to this category, and other intergovernmental transfers or miscellaneous

Source: Wisconsin Department of Administration.

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 certain taxes that appear in Table II-1.

Individual Income Tax

The tax brackets and rates for the 2002 and 2003 tax years are as follows. The taxable income brackets have been indexed for changes in the consumer price index.

2002 Taxable Income Brackets		2002 Marginal Tax Rate
Single	Married Filing Jointly[a]	
$0 to 8,280	$0 to 11,040	4.60%
8,281 to 16,560	11,041 to 22,080	6.15
16,561 to 124,200	22,081 to 165,600	6.50
124,201+	165,601+	6.75

2003 Taxable Income Brackets		2003 Marginal Tax Rate
Single	Married Filing Jointly[a]	
$0 to 8,430	$0 to 11,240	4.60%
8,431 to 16,860	11,241 to 22,480	6.15
16,861 to 126,420	22,481 to 168,560	6.50
126,421+	168,561+	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.

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. An ad valorem tax on the real and tangible personal property is used for telephone companies.

The gross receipts tax is 3.19% for electric cooperatives. 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 is deposited to the General Fund; however, revenue from railroads and airlines is deposited in the segregated Transportation Fund. Car line companies, which are businesses that furnish or lease car line equipment to a railroad but do not operate a railroad, are subject to a 3% gross receipts tax, which is also deposited into the Transportation Fund.

Excise Taxes

Cigarettes are taxed at the rate of 77 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 28.1 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 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 was $24,000 for 2000 and increased to $24,500 for 2001 and thereafter. The maximum amount of aidable property taxes is $1,450, and the amount of farm acreage on which the property tax is based is 120 acres. For renters, the amount of rent allocated as property tax is 25%, or 20% if heat is included in rent. In the 2001-02 fiscal year, low-income homeowners and renters received $104 million in homestead tax credit relief.

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 2001 ranged from $94 for one child, $544 for two children, and $1,672 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. The farmland preservation tax credits twill total $17 million in the 2001-02 fiscal year.

School Levy Tax Credit

The school levy tax credit is distributed based on each municipality's share of statewide levies for school purposes and is provided to all classes of taxpayers (residential, commercial, industrial, and others). For property taxes levied in December 2002, $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. The lottery credit will total $106 million in December 2002.

School Property Tax/Rent Credit

The school property tax/rent credit is equal to 12% of the first $2,500 in property taxes, or rent relating to allocable property taxes, for a maximum credit of $300. The school property tax/rent credit will total $343 million in the 2001-02 fiscal year and is expected to total $350 million in the 2002-03 fiscal year..

Tax Collection Procedure (Delinquencies)

If a taxpayer does not file a valid return when requested, the State of Wisconsin Department of Revenue **(DOR)** 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.

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

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 DOR, the refund is applied to the delinquent balance. Beginning in calendar year 2001, federal tax refunds were 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-26 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 2002-03 fiscal year, over 62% 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 (22%).

Table II-2

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

1997-98 TO 2001-2002

	2001-02	2000-01	1999-2000	1998-99	1997-98
Commerce					
State Operations	$ 170,184,711	$ 171,267,613	$ 162,895,100	$ 150,658,080	$ 147,344,847
Aids to Individuals and Organizations	174,212,058	215,454,938	346,664,701	155,481,162	151,694,308
Local Assistance	74,407,965	51,631,378	56,346,765	58,646,694	53,076,585
Subtotal	418,804,734	438,353,929	565,906,566	364,785,936	352,115,740
Education					
State Operations	3,115,399,765	3,075,483,311	2,804,394,458	2,622,619,858	2,502,704,172
Aids to Individuals and Organizations	427,268,613	391,871,206	342,821,711	323,423,408	280,565,768
Local Assistance	5,118,756,509	4,941,446,927	4,676,809,090	4,435,185,215	4,163,022,316
Subtotal	8,661,424,887	8,408,801,444	7,824,025,259	7,381,228,481	6,946,292,256
Environmental Resources					
State Operations	1,669,826,629	1,689,461,785	1,471,082,344	1,427,889,702	1,289,397,451
Aids to Individuals and Organizations	32,409,367	25,802,608	25,185,553	27,519,834	11,458,404
Local Assistance	1,009,292,244	1,011,992,606	1,039,528,614	967,912,080	851,469,438
Subtotal	2,711,528,240	2,727,256,998	2,535,796,511	2,423,321,616	2,152,325,292
Human Relations and Resources					
State Operations	2,201,627,675	1,972,235,028	1,863,099,973	1,726,775,813	1,573,507,826
Aids to Individuals and Organizations	7,002,052,675	5,711,855,259	5,220,672,714	3,971,027,191	3,484,623,091
Local Assistance	722,778,120	697,998,641	676,100,856	699,232,414	650,326,226
Subtotal	9,926,458,471	8,382,088,927	7,759,873,543	6,397,035,418	5,708,457,143
General Executive					
State Operations	4,507,929,098	3,870,708,222	3,356,742,192	2,925,101,503	2,885,868,362
Aids to Individuals and Organizations	326,682,917	357,195,805	302,438,911	300,649,421	304,857,854
Local Assistance	104,908,224	59,560,427	40,962,042	35,229,960	36,173,254
Subtotal	4,939,520,239	4,287,464,453	3,700,143,145	3,260,980,884	3,226,899,470
Judicial					
State Operations	84,149,092	85,292,057	78,820,982	74,014,002	69,616,266
Local Assistance	23,716,900	23,726,900	23,666,900	21,416,900	21,410,600
Subtotal	107,865,992	109,018,957	102,487,882	95,430,902	91,026,866
Legislative					
State Operations	62,114,318	62,220,008	59,819,385	58,081,525	55,051,282
Subtotal	62,114,318	62,220,008	59,819,385	58,081,525	55,051,282
General					
State Operations	1,320,960,416	564,306,377	656,616,891	709,978,546	725,825,981
Aids to Individuals and Organizations	1,179,940,690	837,938,682	884,416,569	178,777,552	185,874,167
Local Assistance	1,693,443,439	1,675,208,599	1,779,060,238	1,639,701,767	1,701,484,672
Subtotal	4,194,344,545	3,077,453,657	3,320,093,698	2,528,457,865	2,613,184,820
General Obligation Bond Program					
State Operations	622,061,731	675,100,374	576,493,991	453,827,797	435,910,841
Subtotal	622,061,731	675,100,374	576,493,991	453,827,797	435,910,841
Summary Totals					
State Operations	13,754,253,435	12,166,074,774	11,029,965,316	10,148,946,826	9,685,227,028
Aids to Individuals and Organizations	9,142,566,320	7,540,118,497	7,122,200,159	4,956,878,568	4,419,073,591
Local Assistance	8,747,303,402	8,461,565,478	8,292,474,505	7,857,325,030	7,476,963,090
GRAND TOTAL	$31,644,123,157	$28,167,758,749	$26,444,639,980	$22,963,150,424	$21,581,263,709

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

Source: Wisconsin Department of Administration.

ACCOUNTING AND FINANCIAL REPORTING

Statutory Basis

The State accounts for, reports, and budgets its operations as set forth in the 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

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.
- Encumbrances are treated as expenditures in the year of initiation.

Generally Accepted Accounting Principles

The State also accounts for and reports on its operations using generally accepted accounting principles (**GAAP**). For the fiscal year ended June 30, 2002 the State has prepared a Comprehensive Annual Financial Report (**CAFR**) in accordance with GAAP. The General Purpose External Financial Statements section of the CAFR for the fiscal year ended June 30, 2002 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, 2002 was a surplus of $54 million on a budgetary basis. Under GAAP, the balance for the fiscal year ended June 30, 2002 was a deficit of $1.484 billion. The difference results primarily because GAAP recognizes accrued liabilities that are not taken into account under the statutory basis. The single largest accrued liability for the fiscal year ended June 30, 2002 was $659 million and related to the State's unpaid income tax refunds.

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 take actions to address 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. While no amount was specified for the 2001-02 fiscal year, the specified percentage for the 2002-03 fiscal year is 1.2%, or $134 million. State law currently requires that, beginning with the 2003-04 fiscal year, the statutory required reserve be 1.6% and gradually increase each year so that it is 2.0% by the 2005-06 fiscal year.

The budget could move out of balance if estimated revenues are less than anticipated in the budget or if expenditures for open-ended appropriations are greater than anticipated. 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 approval of expenditure estimates can occur. Further, the Secretary of Administration must notify the Governor and the Legislature, and the Governor must submit a bill correcting the imbalance. If the Legislature is not in session, the Governor must call a special session to take up the matter. *As a result of the revenue estimates released on November 20, 2002 by DOR, the Secretary of Administration has determined that budgeted expenditures will exceed revenues by more than one-half of one percent of general purpose revenues in the 2002-03 fiscal year.*

The Secretary of Administration provided notification of this determination to the Governor, the Governor-Elect, and the Legislature on November 20, 2002.

The Secretary of Administration also has statutory power to order reductions in the appropriations of state agencies (which represent less than one-fourth of the General Fund budget). The Secretary of Administration may also temporarily reallocate free balances of certain funds to other funds that have insufficient balances and, further, may prorate or defer certain payments in the event current or projected balances are insufficient to meet current obligations. 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 2001-02 FISCAL YEAR

The Annual Fiscal Report (Budgetary Basis) for the fiscal year ending June 30, 2002 was published October 15, 2002. It reports that the State ended the 2001-02 fiscal year on a statutory and unaudited basis with an unreserved, undesignated balance of $54 million. This is $181 million less than the $235 million that was in the projected general fund condition statement for all fiscal bills signed into law through the budget adjustment bill for the 2001-03 biennium (2001 Wisconsin Act 109). The State issued $800 million of operating notes during the 2001-02 fiscal year.

The Annual Fiscal Report is not part of this Annual Report. A complete copy of the Annual Fiscal Report may be obtained from the State at the following address:

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

Table II-3 in the section "STATE BUDGET" summarizes the results from the 2001-02 fiscal year.

STATE BUDGET

Budget for 2001-03

The State is in the last year of a biennial budget. See "RESULTS OF 2001-02 FISCAL YEAR" for information from the Annual Fiscal Report (Budgetary Basis) for the 2001-02 fiscal year, which was the first year of the biennial budget.

Revenue Estimates - November 20, 2002

On November 20, 2002, DOR released estimates of general-purpose tax revenues for the 2002-03 fiscal year. This estimate is $10.401 billion, which is approximately $115 million less than the amount estimated in January 2002 by the Legislative Fiscal Bureau. A copy of the DOR report may be obtained from:

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

Current Status; 2002-03 Fiscal Year Budget

Based on the revenue estimates that were released by DOR on November 20, 2002 and as required by Wisconsin Statutes, the Secretary of the Department of Administration has notified the Governor, the Governor-Elect, and the Legislature of an imbalance in the 2002-03 fiscal year between estimated revenues and authorized expenditures. Wisconsin Statutes require the Governor to submit a bill containing recommendations for correcting the imbalance between projected revenues and authorized expenditures. If the Legislature is not in session, the Governor is required to call a special session of the Legislature to take up the matter of the imbalance.

Taking into account the undesignated balance available at the end of the 2001-02 fiscal year and the revenue estimates for the 2002-03 fiscal year released by DOR on November 20, 2002, the estimated gross balance (not including the statutory required reserve) at the end of the 2002-03 fiscal year is estimated to be negative $186 million. This is approximately $320 million less than the balance included in the general fund condition statement previously prepared to reflect all fiscal bills signed into law through the budget reform bill for the 2001-03 biennium (2001 Wisconsin Act 109). *The Wisconsin Constitution requires the Legislature to enact a balanced biennial budget, and the Wisconsin Constitution also requires that if final budgetary expenses of any fiscal year exceed available revenues, the Legislature must take actions to balance the budget in the succeeding fiscal year.*

Revenue Estimates – January 16, 2002

On January 16, 2002, the Legislative Fiscal Bureau provided estimates of general-fund revenues and gross ending estimates for the 2001-02 and 2002-03 fiscal years, taking into account economic forecasts and actual tax collections and expenditures. At that time, the estimates showed the following differences from estimates used in developing the 2001-03 biennial budget:

- 2001-02 general-fund tax revenues were estimated to be $443 million lower at $10.218 billion.
- 2002-03 general-fund tax revenues were estimated to be $596 million lower at $10.535 billion.
- 2001-03 departmental revenues (non-tax receipts) were estimated to be $10 million lower.

Budget Reform Bill for 2001-03

On July 26, 2002, the Governor signed into law the budget reform bill for the 2001-03 biennium (2001 Wisconsin Act 109). A copy of the approved budget reform bill, which incorporates vetoes made by the Governor, along with the Governor's veto message, may be obtained from:

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

Table II-3 provides a general summary, and Tables II-4 and II-5 provide a more detailed summary of all fiscal bills signed into law through the budget reform bill for the 2001-03 biennium (2001 Wisconsin Act 109), the Annual Fiscal Report (Budgetary Basis) for the fiscal year ended June 30, 2002, and the revenue estimates released on November 20, 2002.

Table II-3

General Fund Basis
(Amounts in Millions)

	Actual 2001-02	Budget 2001-02	Revised Budget 2002-03[a]
Beginning Balance	$ 208	$ 208	$ 54[b]
Tax Revenues	10,036	10,210	10,401
Tobacco Securitization Proceeds	681	681	n/a
Tobacco Settlement Payments	156	156	158
Nontax Revenues	9,976	8,8040	8,218
Total Amount Available	$21,057	$19,295	$18,831
Total Disbursements/Reserves	$20,980	$19,060	$19,017
Estimated Gross Balance	$ 77	$ 235	$ (186)[c]
Designated for Expenditure	33	n/a	n/a
Required Statutory Reserve	n/a	0	134
Net Balance	$ 44[b]	$ 235	$ (320)

All-Funds Basis[d]
(Amounts in Millions)

	Actual 2001-02	Budget 2001-02	Revised Budget 2002-03[a]
Beginning Balance	$ 208	$ 208	$ 54[b]
Tax Revenues	11,092	10,210	10,401
Tobacco Securitization Proceeds	681	681	n/a
Tobacco Settlement Payments	156	156	158
Nontax Revenues	14,840	20,214	20,819
Total Amount Available	$26,977	$31,469	$31,432
Total Disbursements/Reserves	$26,900	$31,234	$31,618
Estimated Gross Balance	$ 77	$ 235	$ (186)[c]
Designated for Expenditure	33	n/a	n/a
Required Statutory Reserve	n/a	0	134
Net Balance	$ 44[b]	$ 235	$ (320)

[a] Reflects ending balance for the 2001-02 fiscal year, revenue estimates for the 2002-03 fiscal year released by DOR on November 20, 2002, and other adjustments outlined in a budget report issued by the Department of Administration on November 20, 2002.

[b] The net balance for the 2001-02 fiscal year reflects a negative $9 million balance in the Program Revenue portion of the General Fund. The beginning balance for the revised budget 2002-03 fiscal year reflects the general-purpose revenue portion of the undesignated balance, as represented in the Annual Fiscal Report (Budgetary Basis) for the 2001-02 fiscal year.

[c] The Wisconsin Constitution requires the Legislature to enact a balanced budget, and the Wisconsin Constitution also requires that, if final budgetary expenses of any fiscal year exceed available revenue, the Legislature must take actions to balance the budget in the succeeding fiscal year.

[d] The all-funds budget assumes that federal funds, revenues paid into specific funds (other than the General Fund) for a specified program or purpose or which are credited to an appropriation to finance a specific program or agency, and proceeds of general obligation debt are expended in a like amount. In any given fiscal year, there may be a balance at year-end in the funds, specific program, or agency.

Table II-4
State Budget–General Fund[a]

	Actual 2001-2002 [b]	Budget 2001-2002 2001 Act 109	Budget 2002-2003 2001 Act 109	Revised (c) Budget 2002-2003 2001 Act 109
RECEIPTS				
Fund Balance from Prior Year	$ 207,508,000	$ 207,508,000	$ 235,056,200	$ 53,800,000 [d]
Tax Revenue				
State Taxes Deposited to General Fund				
Individual Income	4,979,662,000	5,211,450,000	5,310,600,000	5,247,800,000
General Sales and Use	3,695,796,000	3,680,000,000	3,830,200,000	3,793,400,000
Corporate Franchise and Income	503,008,000	480,000,000	535,000,000	509,100,000
Public Utility	252,237,000	253,700,000	257,400,000	260,300,000
Excise				
Cigarette/Tobacco Products	302,701,000	310,400,000	320,100,000	308,500,000
Liquor and Wine	35,984,000	35,100,000	36,200,000	36,300,000
Malt Beverage	9,597,000	9,400,000	9,400,000	9,500,000
Inheritance, Estate & Gift	82,635,000	85,000,000	67,000,000	74,000,000
Insurance Company	96,055,000	87,000,000	90,000,000	97,000,000
Other	79,028,000	57,600,000	59,600,000	65,000,000
Subtotal	10,036,703,000	10,209,650,000	10,515,500,000	10,400,900,000
Nontax Revenue				
Departmental Revenue				
Tobacco Settlement	156,215,305	155,526,000	157,602,800	157,602,800
Tobacco Securitization	681,000,000	681,000,000	NA	NA
Other	216,528,695	243,803,700	257,177,100	257,177,100
Program Revenue-Federal	6,372,653,000	4,777,029,000	4,860,982,500	4,860,982,500
Program Revenue-Other	3,386,974,000	3,020,118,400	3,100,962,000	3,100,962,000
Subtotal	10,813,371,000	8,877,477,100	8,376,724,400	8,376,724,400
Total Available	$ 21,057,582,000	$ 19,294,635,100	$ 19,127,280,600	$ 18,831,424,400
DISBURSEMENTS AND RESERVES				
Commerce	$ 212,449,000	227,466,600	229,610,200	229,610,200
Education	8,603,653,000	8,627,420,500	8,857,403,500	8,857,403,500
Environmental Resources	227,949,000	255,966,000	256,362,000	256,362,000
Human Relations and Resources	8,538,786,000	7,414,039,100	7,546,331,400	7,546,331,400
General Executive	614,520,000	636,302,000	640,955,900	640,955,900
Judicial	107,534,000	104,611,000	105,143,800	105,143,800
Legislative	62,114,000	64,189,400	60,590,500	60,590,500
General Appropriations	2,881,603,000	1,951,084,400	1,387,111,500 [e]	1,387,111,500 [e]
Subtotal	21,248,608,000	19,281,079,000	19,083,508,800	19,083,508,800
Less: (Lapses)	NA	(252,921,200)	(186,675,700)	(161,675,700) [f]
Compensation Reserves	NA	25,388,800	79,815,500	79,815,500
Required Statutory Balance	NA	- [g]	134,416,600	134,300,000
Transfer to Tobacco Control Board	NA	6,032,300	15,345,100	15,345,100
Changes in Continuing Balance	(268,454,000)	NA	NA	NA
Total Disbursements & Reserves	$ 20,980,154,000	$ 19,059,578,900	$ 19,126,410,300	$ 19,151,293,700
Fund Balance	$ 77,428,000	$ 235,056,200	$ 870,300	$ (319,869,300)
Undesignated Balance	$ 44,469,000 [h]	$ 235,056,200	$ 135,286,900	$ (185,569,300) [i]

(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 dollars.
(c) The Department of Administration prepared a modified fund condition statement for the 2002-03 fiscal year based on revised tax collection estimates and the ending balance for the fiscal year ending June 30, 2002.
(d) This is the General Purpose Revenue portion of the General Fund undesignated balance as of June 30, 2002.
(e) Tobacco securitization proceeds in the amount of approximately $598 million were used to fund a portion of the shared revenue payments to local governmental units.

(f) The lapse has been revised downward to reflect the realization of $25 million from restructuring a portion of the State's general obligation debt, which previously had been assumed to occur in the 2002-03 fiscal year.
(g) A required balance for the 2001-02 fiscal year was not specified.
(h) The General Fund balance reported in the Annual Fiscal Report, Budgetary Basis, for the fiscal year ending June 30, 2002, includes a negative $9 million ending balance in the Program Revenue portion of the General Fund.
(i) The Wisconsin Constitution requires the Legislature to enact a balanced biennial budget, and the Wisconsin Constitution also requires that, if final budgetary expenses of any fiscal year exceed available revenues, the Legislature must take actions to balance the budget in the succeeding fiscal year.

Sources: Legislative Fiscal Bureau and Wisconsin Department of Administration.

Table II-5
State Budget–All Funds[a]

	Actual 2001-2002 [b]	Budget 2001-2002 2001 Act 109	Budget 2002-2003 2001 Act 109	Revised [c] Budget 2002-2003 2001 Act 109
RECEIPTS				
Fund Balance from Prior Year	$ 207,508,000	$ 207,508,000	$ 235,056,200	$ 53,800,000 [d]
Tax Revenue				
Individual Income	4,979,662,000	5,211,450,000	5,310,600,000	5,247,800,000
General Sales and Use	3,695,796,000	3,680,000,000	3,830,200,000	3,793,400,000
Corporate Franchise and Income	503,008,000	480,000,000	535,000,000	509,100,000
Public Utility	252,237,000	253,700,000	257,400,000	260,300,000
Excise				
Cigarette/Tobacco Products	302,701,000	310,400,000	320,100,000	308,500,000
Liquor and Wine	35,984,000	35,100,000	36,200,000	36,300,000
Malt Beverage	9,597,000	9,400,000	9,400,000	9,500,000
Inheritance, Estate & Gift	82,635,000	85,000,000	67,000,000	74,000,000
Insurance Company	96,055,000	87,000,000	90,000,000	97,000,000
Other	1,134,073,000	57,600,000 [e]	59,600,000 [e]	65,000,000 [e]
Subtotal	11,091,748,000	10,209,650,000	10,515,500,000	10,400,900,000
Nontax Revenue				
Departmental Revenue				
Tobacco Settlement	156,215,305	155,526,000	157,602,800	157,602,800
Tobacco Securitization	681,000,000	681,000,000	NA	NA
Other	216,528,695	243,803,700	257,177,100	257,177,100
Total Federal Aids	7,203,159,000	5,493,709,000	5,606,106,100	5,606,106,100
Total Program Revenue	3,386,974,000	3,020,118,400	3,100,962,000	3,100,962,000
Total Segregated Funds	4,847,843,000	3,496,396,200	3,582,769,100	3,582,769,100
Bond Authority	785,364,000	500,000,000	383,000,000	383,000,000
Employee Benefit Contributions [f]	(1,598,517,000)	7,461,324,917	7,889,603,973	7,889,603,973
Subtotal	15,678,567,000	21,051,878,217	20,977,221,073	20,977,221,073
Total Available	$ 26,977,823,000	$ 31,469,036,217	$ 31,727,777,273	$ 31,431,921,073
DISBURSEMENTS AND RESERVES				
Commerce	$ 428,003,000	$ 421,596,400	$ 418,614,500	418,614,500
Education	8,863,016,000	8,696,353,000	8,930,245,000	8,930,245,000
Environmental Resources	2,803,318,000	2,683,416,100	2,757,712,700	2,757,712,700
Human Relations and Resources	10,147,579,000	7,817,267,000	8,076,729,800	8,076,729,800
General Executive	5,007,479,000	770,619,400	774,435,400	774,435,400
Judicial	107,866,000	105,320,100	105,852,900	105,852,900
Legislative	62,114,000	64,189,400	60,590,500	60,590,500
General Appropriations	4,224,747,000	2,935,393,800	2,287,220,700 [g]	2,287,220,700 [g]
General Obligation Bond Program	542,938,000	500,000,000	383,000,000	383,000,000
Employee Benefit Payments [f]	3,963,334,000	3,377,515,809	3,830,081,149	3,830,081,149
Reserve for Employee Benefit Payments [f]	NA	4,083,809,108	4,059,522,824	4,059,522,824
Subtotal	36,150,394,000	31,455,480,117	31,684,005,473	31,684,005,473
Less: (Lapses)	NA	(252,921,200)	(186,675,700)	(161,675,700) [h]
Compensation Reserves	NA	25,388,800	79,815,500	79,815,500
Required Statutory Balance	NA	- [i]	134,416,600	134,300,000
Transfer to Tobacco Control Board	NA	6,032,300	15,345,100	15,345,100
Change in Continuing Balance	(9,249,999,000)	NA	NA	NA
Total Disbursements & Reserves	$ 26,900,395,000	$ 31,233,980,017	$ 31,726,906,973	$ 31,751,790,373
Fund Balance	$ 77,428,000	$ 235,056,200	$ 870,300	$ (319,869,300)
Undesignated Balance	$ 44,469,000 [j]	$ 235,056,200	$ 135,286,900	$ (185,569,300) [k]

(a) The amounts shown are based on statutorily required accounting and not on GAAP. The all-funds budget assumes that federal funds, revenues paid into specific funds (other than the General Fund) for a specified program or purpose or which are credited to an appropriation to finance a specific program or agency, and proceeds of general obligation debt are expended in a like amount. In any given fiscal year, there may be a balance at year-end in the funds, specific program, or agency.

(b) The amounts shown are unaudited and rounded to the nearest thousand dollars.

(c) The Department of Administration prepared a modified fund condition statement for the 2002-03 fiscal year based on revised tax collection estimates and the ending balance for the fiscal year ending June 30, 2002.

(d) This is the General Purpose Revenue portion of the General Fund undesignated balance as of June 30, 2002.

(e) The budgeted amounts do not include taxes collected for segregated funds. The largest such tax is the motor fuel tax. The State collected $865 million of motor fuel taxes in the 2001-02 fiscal year.

(f) State law separates the accounting of employee benefits from the budget. They are included for purposes of comparability to the figures presented in this table and Tables II-1 and II-2 in Part II of the 2001 Annual Report.

(g) Tobacco securitization proceeds in the amount of approximately $598 million were used to fund a portion of the shared revenue payments to local governmental units.

(h) The lapse has been revised downward to reflect the realization of $25 million from restructuring a portion of the State's general obligation debt, which had been previously assumed to occur in the 2002-03 fiscal year.

(i) A required balance for the 2001-02 fiscal year was not specified.

(j) The General Fund balance reported in the Annual Fiscal Report, Budgetary Basis, for the fiscal year ending June 30, 2002, includes a negative $9 million ending balance in the Program Revenue portion of the General Fund.

(k) The Wisconsin Constitution requires the Legislature to enact a balanced biennial budget, and the Wisconsin Constitution also requires that, if final budgetary expenses of any fiscal year exceed available revenues, the Legislature must take actions to balance the budget in the succeeding fiscal year.

Sources: Legislative Fiscal Bureau and Wisconsin Department of Administration.

Budget for 2003-05

The revenue estimates released by DOR on November 20, 2002 also included estimates of general-purpose tax revenues for the 2003-05 biennium. These estimates are $10.956 billion for the 2003-04 fiscal year and $11.597 billion for the 2004-05 fiscal year. A copy of the DOR report may be obtained from:

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

The Governor is required to submit a proposed biennial budget to the Legislature on or about the last Tuesday in January, 2003.

Sale of Tobacco Settlement Revenues

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

The Corporation issued $1,591,095,000 principal amount of bonds to finance the purchase and to fund necessary reserves, operating costs, and costs of issuance. The State received $1.275 billion for selling its right to receive the tobacco settlement revenues. Of this amount, $681 million was transferred to the general fund in 2001-02 fiscal year, and the balance was used in lieu of general fund money to make shared revenue payments to local municipalities in the 2002-03 fiscal year.

The tobacco settlement revenues sold to the Corporation are generally those that the State expects to receive after June 30, 2003. The tobacco settlement revenues received by the State on or prior to June 30, 2003 are part of the general fund budget for the respective fiscal years. The State expects to receive $158 million of tobacco settlement revenues in the 2002-03 fiscal year. See "STATE BUDGET; Budget for 2001-03".

The Corporation is a special purpose nonstock, nonprofit corporation, organized under the general nonstock corporation law of the State by the Secretary of Administration pursuant to authority granted under Section 16.63 of the Wisconsin Statutes. The Corporation is governed by a board of directors that consists of three directors. All directors are appointed by the Secretary of Administration. Financial reports and further information can be obtained from the Corporation, 10 East Doty Street, Suite 800, Madison, WI 53703. The e-mail address for the Corporation is btasc@btasc.org.

Potential Effect of Litigation

APPENDIX A to this part of the Annual Report includes the General Purpose External Financial Statements for the fiscal year ended June 30, 2002. The notes to the General Purpose External Financial Statements include a description of various legal proceedings, claims, and tax refunds that may have a potential budgetary effect. The potential budgetary impact of these legal proceedings and claims, and any updates to those proceedings subsequent to June 30, 2002, are outlined below.

Corporate Tax Measured by Interest from U.S. Securities

The 2002-03 budget does not provide for payment of any claim.

Federal Pension Income

The refunds resulting from this case are essentially complete. Subsequent litigation with other retirees on a variety of issues has occurred, with DOR prevailing in all instances. Litigation is still in process on a limited number of cases. The 2002-03 budget does not provide for payment of refunds in the event that the State should fail to prevail on this matter.

Environmental Clean-Up Actions

The State is involved in the environmental clean-up of property owned by the State that has the potential to cause soil and groundwater contamination and that does not involve releases from underground storage tanks. The estimated remediation costs of these properties is $5.6 million. The 2002-03 budget does not specifically provide for payment of these costs; however, the payment would be made from certain funds already established by the State.

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 40,000 civil service employees, approximately 34,000 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 expired on June 30, 2001, but have been extended while the State continues to negotiate the agreements for the period ending June 30, 2003.

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 budget adjustment bill for the 2001-03 biennium are based on January 16, 2002 estimates from the Legislative Fiscal Bureau. 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–November 20, 2002 Revenue Estimates

The economic forecast underlying the revenue estimates provided by DOR on November 20, 2002 was based primarily on certain projections presented in a November 8, 2002 report by Global Insight (previously known as DRI-WEFA), which provides national economic forecasts, data base support, and consulting services. See Table II-6 for a summary of the November 8, 2002 Global Insight report and subsequent results of DOR's Wisconsin Econometric Model.

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 DOR 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 first designed by a predecessor of Global Insight (Standard & Poor's Data Resources Inc.). DOR has redesigned the Model to correspond to changes in national modeling concepts in the Global Insight Macro Model of the U.S. economy.

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, Global Insight 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, which in turn is used 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.

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

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-6

ECONOMIC FORECASTS
U.S. ECONOMIC FORECAST

	Calendar Year				
	2002	**2003**	**2004**	**2005**	**2006**
Real GDP and its Components					
(Amounts in Billions of Chain Weighted 1996 Dollars)					
GDP	$9,425.5	$9,670.0	$10,070.0	$10,449.6	$10,819.5
Percent Change	2.3	2.6	4.1	3.8	3.5
Consumption	6,563.5	6,705.1	6,946.3	7,193.1	7,459.5
Investment (including inventory)	1,583.6	1,645.2	1,798.3	1,927.0	2,015.3
Nonresidential Structures	228.7	216.6	230.6	258.5	273.6
Business Equipment	969.5	1,035.7	1,144.4	1,246.9	1,325.9
Residential Fixed	385.9	379.9	388.4	399.6	402.9
Change in Inventory	0.8	26.6	59.5	52.4	51.3
Exports	1,062.4	1,118.3	1,208.8	1,313.2	1,421.6
Imports	1,540.7	1,595.2	1,700.4	1,818.5	1,932.5
Federal Government	610.4	648.2	661.1	665.1	669.9
State and Local Government	1,097.5	1,102.4	1,118.2	1,137.7	1,156.9
GDP (Current Dollars)	10,434.0	10,926.0	11,649.7	12,347.0	13,027.6
Money and Interest Rates					
Money Supply (M2) (billions)	$5,596.7	$5,833.5	$6,108.4	$6,359.9	$6,607.3
Percent Change	7.2	4.2	4.7	4.1	3.9
Prime Commercial Rate	4.7	4.7	6.3	7.2	7.9
3-Month Treasury Bills (rate)	1.6	1.7	3.1	3.9	4.6
10-Year Treasury Note Yield (rate)	4.6	4.6	5.7	6.0	6.3
G.O. AAA Municipals (rate)	4.9	5.1	5.4	5.6	5.7
30-Year Mortgage (rate)	6.6	6.5	7.2	7.5	7.7
Income, Profits and Savings					
(Amounts in Billions)					
Personal Income	$8,942.3	$9,313.6	$9,865.2	$10,443.7	$11,022.0
Percent Change	3.0	4.2	5.9	5.9	5.5
Personal Income ($ 1996)	$8,049.9	$8,213.3	$8,502.7	$8,816.4	$9,127.6
Percent Change	1.5	2.0	3.5	3.7	3.5
Savings Rate (%)	3.9	4.0	3.8	3.8	3.5
Corporate Profits Before Tax	779.3	832.0	853.3	878.6	922.6

Source: Global Insight, November 8, 2002

Table II-6 - Continued

WISCONSIN EMPLOYMENT FORECAST

	Calendar Year				
	2002	**2003**	**2004**	**2005**	**2006**
Annual Industry Detail Average (Thousands of Workers)					
Mining	2.8	2.9	2.9	2.8	2.7
Percent Change	1.2	4.6	(0.5)	(3.3)	(3.7)
Construction	123.4	124.5	128.9	134.4	139.0
Percent Change	0.7	0.9	3.5	4.3	3.4
Durable Goods	337.8	331.7	338.2	347.2	352.4
Percent Change	(4.6)	(1.8)	2.0	2.6	1.5
Nondurable Goods	230.4	231.7	234.5	238.1	239.4
Percent Change	(1.5)	0.6	1.2	1.5	0.6
Transportation and Utilities	131.3	134.7	140.3	144.0	146.6
Percent Change	(2.0)	2.6	4.2	2.6	1.8
Finance, Insurance, Real Estate	153.1	157.8	163.9	169.2	171.1
Percent Change	2.0	3.1	3.8	3.2	1.2
Retail Trade	505.9	511.1	518.6	521.7	521.8
Percent Change	0.5	1.0	1.5	0.6	0.0
Wholesale Trade	137.2	139.1	144.6	146.8	147.6
Percent Change	(0.2)	1.4	3.9	1.6	0.5
Services	793.7	820.6	852.6	872.3	887.5
Percent Change	2.4	3.4	3.9	2.3	1.7
Government	414.8	415.9	419.4	423.7	427.0
Percent Change	0.3	0.3	0.8	1.0	0.8
Total Nonfarm	2,830.4	2,870.0	2,943.8	3,000.2	3,035.3
Percent Change	0.1	1.4	2.6	1.9	1.2

Source: Wisconsin Department of Revenue, Economic Outlook, November 2002

WISCONSIN INCOME FORECAST

	Calendar Year				
	2002	**2003**	**2004**	**2005**	**2006**
Components of Personal Income (Amounts in Billions)					
Wages and Salaries	92.207	95.836	102.047	107.781	112.663
Other Labor Income	11.367	12.078	12.641	13.172	13.604
Proprietor's Income	9.164	9.879	10.284	10.619	10.867
Rental Income	2.496	2.700	2.906	3.083	3.238
Personal Dividend Income	9.168	9.782	10.100	10.571	11.374
Personal Interest Income	20.804	20.775	21.911	23.642	25.611
Transfer Payments	22.770	23.343	23.814	24.654	25.767
Residence Adjustment	2.731	2.903	3.165	3.432	3.697
Contributions to Social Insurance	7.124	7.389	7.836	8.235	8.573
Total Personal Income	163.514	169.908	179.032	188.719	198.247
Personal Taxes and Nontax Pmts	20.607	21.005	22.310	23.447	24.815
Disposable Personal Income	142.907	148.903	156.722	165.272	173.432

Table II-6 - continued

Inflation Adjusted Income Measures (1996 Dollars)					
Real Personal Income (billions)	147.196	149.836	154.306	159.313	164.174
Percent Change	2.0	1.8	3.0	3.2	3.1
Real Per Capita Income	27,084	27,401	28,047	28,782	29,482
Percent Change	1.4	1.2	2.4	2.6	2.4
Per Capita Income (current $)	30,086	31,071	32,541	34,094	35,601
Percent Change	2.8	3.3	4.7	4.8	4.4

Source: Wisconsin Department of Revenue, Wisconsin Economic Outlook, November 2002

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 practice that supplemental appropriations adopted by the Legislature will be within revenue projections for that fiscal period or balanced by reductions in other appropriations.

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

GENERAL FUND INFORMATION

General Fund Cash Flow

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

The State has experienced and expects to continue to experience certain periods when the General Fund is in a negative cash position. The Statutes provide certain administrative remedies to deal with these periods. The Secretary of Administration may temporarily reallocate cash in other funds (up to 5% of the general-purpose revenue appropriations then in effect) to the General Fund. Based on the budget reform bill for the 2001-03 biennium, this amount is approximately $551 million for the 2002-03 fiscal year. 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 $331 million for the 2002-03 fiscal year) 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-7 is presented over two pages and includes the detailed actual cash flow for the 2001-02 fiscal year and the detailed actual cash flow (through November 30, 2002) and projected cash flow (December 1, 2002 to June 30, 2003) for the 2002-03 fiscal year. Table II-8 provides year-to-date receipts and disbursement on a cash basis along with a comparison to both estimates for same period and actual receipts and disbursements for the same period of the previous fiscal year. Table II-9 presents a monthly summary of the General Fund from July 1, 2000 through November 30, 2002 and the projected cash flow for December 1, 2002 through June 30, 2003. The amounts reported include the proceeds of the sale of operating notes in September 2001 and the payment of impoundments for February, March, April, and May of 2002. No operating notes were issued in the 2000-01 fiscal year, and as of this date, no operating notes have been issued in the 2002-03 fiscal year. The tables 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". As noted above, there has been and will continue to be differences in the amounts shown for the cash-flow basis and the budgetary basis presentations. For example, the cash-flow basis presentation in the following tables includes all tax receipts as revenues and tax refunds as disbursements, while the budgetary basis presentations in Tables II-3 through II-5 include tax revenues that are net of tax refunds.

Monthly projections of cash flow are based upon on fiscal bills enacted into law through the budget reform bill for the 2002-03 fiscal year (2001 Wisconsin Act 109) 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. The monthly projections of cash flow also reflect the revenue estimates released on November 20, 2002 by DOR. Unforeseen events or variations from underlying assumptions may cause a decrease in receipts or an increase in disbursements from those projected for a given month and thus may adversely affect the projection of cash flow for the time shown. Additionally, the timing of transactions from month to month may vary from the forecast.

Table II-10 presents the actual cash balances available for interfund borrowings from July 31, 2000 through November 30, 2002 and the projected balances for December 31, 2002 through June 30, 2003.

Tables II-11 and II-12 present recorded revenues deposited into the General Fund and recorded expenditures made from the General Fund, as recorded by State agencies, for the period of July 1, 2002 to November 30, 2002 as compared to the period of July 1, 2001 to November 30, 2001.

Table II-7
ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2001 TO JUNE 30, 2002[a]

(In Thousands of Dollars)

	July 2001	August 2001	September 2001	October 2001	November 2001	December 2001	January 2002	February 2002	March 2002	April 2002	May 2002	June 2002
BALANCES[b]												
Beginning Balance	281,565	3,398	397,659	1,290,819	1,821,610	943,651	383,667	1,104,720	969,120	-231,221	265,687	576,402
Ending Balance	3,398	397,659	1,290,819	1,821,610	943,651	383,667	1,104,720	969,120	-231,221	265,687	576,402	-421,915
Lowest Daily Balance [c]	-162,060	-202,246	-99,652	1,248,678	943,651	-60,419	383,667	883,723	-280,013	-359,784	-4,720	-727,357
RECEIPTS												
TAX RECEIPTS												
Individual Income	507,468	388,372	533,868	508,613	399,103	479,545	740,505	433,688	347,168	855,221	392,265	517,532
Sales & Use	343,973	356,048	342,096	348,297	358,636	323,558	383,293	303,711	260,578	305,548	325,402	326,813
Corporate Income	12,421	16,903	112,886	24,461	10,693	126,388	22,464	12,155	153,340	23,862	15,539	100,395
Public Utility	0	0	518	3,561	131,654	1,357	0	49	19	3,392	127,117	246
Excise	29,231	26,372	28,085	27,504	39,451	27,407	27,457	30,526	25,651	26,687	30,945	29,756
Insurance	999	1,657	19,935	339	887	19,336	2,245	11,471	14,959	25,486	4,329	21,984
Inheritance	6,638	6,162	13,423	5,645	5,568	4,969	7,275	8,310	4,675	10,147	3,781	8,466
Subtotal Tax Receipts	900,730	795,514	1,050,811	918,420	945,992	982,560	1,183,239	799,910	806,390	1,250,343	899,378	1,005,192
NON-TAX RECEIPTS												
Federal	343,646	452,855	365,526	452,845	346,684	378,392	457,577	444,893	390,521	443,150	426,659	479,199
Other & Transfers [d]	331,074	249,196	303,861	260,628	176,794	169,672	373,822	325,284	333,621	376,849	829,134	268,909
Note Proceeds [e]	0	0	800,000	0	0	0	0	0	0	0	0	0
Subtotal Non-Tax Receipts	674,720	702,051	1,469,387	713,473	523,478	548,064	831,399	770,177	724,142	819,999	1,255,793	748,108
TOTAL RECEIPTS	1,575,450	1,497,565	2,520,198	1,631,893	1,469,470	1,530,624	2,014,638	1,570,087	1,530,532	2,070,342	2,155,171	1,753,300
DISBURSEMENTS												
Local Aids	878,438	160,458	663,004	99,188	975,970	1,138,856	208,135	260,487	1,140,896	122,049	250,535	1,729,015
Income Maintenance	363,315	352,214	309,334	372,969	339,757	342,249	335,842	349,016	361,694	359,467	394,422	365,417
Payroll and Related	215,318	300,380	204,832	303,186	421,307	234,716	326,851	296,263	298,780	328,583	441,038	246,924
Tax Refunds	105,487	44,995	46,906	43,602	66,467	138,297	63,460	338,234	309,105	292,892	220,041	150,891
Debt Service	7	12,463	108,775	0	1,882	0	0	12,069	165,264	0	7,814	-5
Miscellaneous [f]	291,052	232,794	294,187	282,157	542,046	236,490	359,297	252,672	250,417	265,335	325,208	259,375
Note Repayment [e]	0	0	0	0	0	0	0	196,946	204,717	205,108	205,398	0
TOTAL DISBURSEMENTS	1,853,617	1,103,304	1,627,038	1,101,102	2,347,429	2,090,608	1,293,585	1,705,687	2,730,873	1,573,434	1,844,456	2,751,617

(a) Excludes interfund borrowing. This table does NOT represent the State's ending budgetary-basis fund balance for FY02. The Annual Fiscal Report (Budgetary Basis) was released by the State on October 15, 2002 and includes the ending budgetary-basis fund balance for FY02. This table also does NOT reflect the budget reform bill (2001 Wisconsin Act 109) that was signed into law by Governor McCallum on July 26, 2002.

(b) The General Fund cash balances presented in this schedule are not based on Generally Accepted Accounting Principles (GAAP). The General Fund includes funds designated for operations and capital purposes of certain proprietary programs of the State's Universities. Receipts and disbursements of such funds for the designated programs and the disbursement of such funds for other purposes are reflected in the cash flow. A use of the designated funds for purposes other than the proprietary programs is, in effect, a borrowing of such funds. Therefore, at any time that the balance in the General Fund is less than the balance of such designated funds, the State is obligated to replenish the designated funds to the extent of the shortfall. Ther designated funds were expected to range from $150 to $300 million during FY02. In addition, the General Fund is the depository for several escrow accounts pursuant to court orders or federal rulings. These funds were expected to average approximately $50 million during FY02.

(c) The Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash position. The Secretary of Administration may temporarily reallocate cash in other funds (up to 5% of the general-purpose revenue appropriations then in effect) to the General Fund. Based on the revised general fund condition statement provided by the Legislative Fiscal Bureau in January 2002, this amount was $569 million for FY02. 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 ($341 million) for a period of up to 30 days.

(d) Reflects receipt on May 23, 2002 of the $450 million of proceeds from the sale and subsequent securitization of payments due the State from tobacco manufacturers under the Master Settlement Agreement.

(e) Includes $800 million in operating note proceeds received in September, 2001 and impoundment payments made on February 28, March 29, April 30, and May 31, 2002. The February 28, 2002 impoundment payment excluded the premium that was deposited on September 20, 2001 into the operating note redemption fund.

(f) $275 million in federal intergovernmental transfer funds were transferred to the Medical Assistance Trust Fund on November 30, 2001.

Table II-7 (Continued)
ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2002 TO NOVEMBER 30, 2002
PROJECTED GENERAL FUND CASH FLOW; DECEMBER 1, 2002 TO JUNE 30, 2003[(a)]

(In Thousands of Dollars)

	July 2002	August 2002	September 2002	October 2002[(b)]	November 2002	December 2002	January 2003	February 2003	March 2003	April 2003	May 2003	June 2003
BALANCES[(c)]												
Beginning Balance	-421,915	-616,711	-151,597	312,086	637,718	631,559	217,863	953,370	1,066,073	278,057	649,109	712,728
Ending Balance[(d)]	-616,711	-151,597	312,086	637,718	631,559	217,863	953,370	1,066,073	278,057	649,109	712,728	-352,610
Lowest Daily Balance[(d)]	-835,846	-682,211	-292,593	146,623	562,154	-448,731	191,294	753,713	145,187	56,649	317,143	-794,062
RECEIPTS												
TAX RECEIPTS												
Individual Income	515,747	350,778	629,833	469,429	306,427	575,138	837,988	434,715	359,103	849,957	386,628	552,716
Sales & Use	360,882	367,587	361,239	344,735	335,382	293,744	396,173	306,241	279,720	303,107	343,492	335,134
Corporate Income	14,037	12,214	110,295	24,404	14,643	127,201	21,276	10,708	137,597	25,018	15,251	112,166
Public Utility	197	19	211	4,299	145,137	1,139	184	33	195	7,828	122,323	244
Excise	32,420	32,992	32,434	32,234	33,477	30,770	28,466	27,011	25,906	28,599	27,767	30,894
Insurance	1,086	1,897	22,836	784	1,291	21,166	2,259	10,007	17,070	23,219	3,763	22,065
Inheritance	6,834	7,406	14,701	3,871	4,538	8,803	5,760	7,719	6,740	8,637	3,315	5,401
Subtotal Tax Receipts	931,203	772,893	1,171,549	879,756	840,895	1,057,961	1,292,106	796,434	826,331	1,246,365	902,539	1,058,620
NON-TAX RECEIPTS												
Federal	451,110	384,251	473,314	500,946	491,232	387,698	527,548	453,706	407,376	460,810	448,197	477,983
Other & Transfers[(e)]	318,163	479,857	381,016	225,312	150,199	218,813	354,609	356,014	301,745	303,297	287,193	286,109
Note Proceeds[(f)]	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal Non-Tax Receipts	769,273	864,108	854,330	726,258	641,431	606,511	882,157	809,720	709,121	764,107	735,390	764,092
TOTAL RECEIPTS	1,700,476	1,637,001	2,025,879	1,606,014	1,482,326	1,664,472	2,174,263	1,606,154	1,535,452	2,010,472	1,637,929	1,822,712
DISBURSEMENTS												
Local Aids[(g)]	903,055	166,454	704,521	101,549	410,446	1,200,571	217,612	283,242	1,197,945	117,616	247,682	1,807,322
Income Maintenance	357,630	355,727	306,119	359,298	357,037	292,526	384,339	302,172	300,811	377,619	337,044	307,078
Payroll and Related	289,522	317,944	213,252	361,884	396,657	218,927	411,144	298,560	221,408	333,915	435,905	249,021
Tax Refunds	46,735	41,583	44,505	55,983	70,935	130,826	71,906	358,471	357,368	326,305	246,425	221,966
Debt Service	0	1,159	0	120,742	1,281	0	0	2,840	0	255,480	29,399	0
Miscellaneous	298,330	289,020	293,799	280,926	252,129	235,318	353,755	248,166	245,936	228,485	277,855	302,663
Note Repayment[(f)]	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL DISBURSEMENTS	1,895,272	1,171,887	1,562,196	1,280,382	1,488,485	2,078,168	1,438,756	1,493,451	2,323,468	1,639,420	1,574,310	2,888,050

(a) Projections include assumptions from all fiscal bills enacted into law through 2001 Wisconsin Act 109 but are presented on a cash basis and not a budgetary basis. Projections do not include interfund transfers. Projections also reflect the revised revenue estimates for the 2002-03 fiscal year as released by the Department of Revenue on November 20, 2002.

(b) Receipt and disbursements for October do not include $599 million in intergovernmental transfer moneys that were both received and disbursed from the General Fund on October 2, 2002.

(c) The General Fund cash balances presented in this schedule are not based on Generally Accepted Accounting Principles (GAAP). The General Fund includes funds designated for operations and capital purposes of certain proprietary programs of the State's Universities. Receipts and disbursements of such funds for the designated programs and the disbursement of such funds for other purposes are reflected in the cash flow. A use of the designated funds for purposes other than the proprietary programs is, in effect, a borrowing of such funds. Therefore, at any time that the balance in the General Fund is less than the balance of such designated funds, the State is obligated to replenish the designated funds to the extent of the shortfall. Ther designated funds are expected to range from $150 to $300 million during FY03. In addition, the General Fund is the depository for several escrow accounts pursuant to court orders or federal rulings. These funds are expected to average approximately $50 million during FY03.

(d) The Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash position. The Secretary of Administration may temporarily reallocate cash in other funds (up to 5% of the general-purpose revenue appropriations then in effect) to the General Fund. This amount is approximately $551 million for FY03. 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 $331 million) for a period of up to 30 days. If the amount of interfund borrowing available to the general fund is not sufficient, the Secretary of Administration is authorized to prorate and defer certain payments.

(e) Reflects receipt on August 1, 2002 of $231million of proceeds from the sale and subsequent securitization of payments due the State from tobacco manufacturers under the Master Settlement Agreement.

(f) Does not include any proceeds from the issuance of operating notes and as a result does not include any impoundment payments.

(g) Reflects use in November 2002 of approximately $600 million of proceeds from the sale and subsequent securitization of payments due the State from tobacco manufacturers under the Master Settlement Agreement to make a portion of the shared revenue payment.

Table II-8

GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS YEAR-TO-DATE COMPARED TO ESTIMATES AND PREVIOUS FISCAL YEAR[(a)]

(Cash Basis)

As of November 30, 2002

	FY02 through November 2001	FY03 through November 2002			
	Actual	Actual	Estimate[(b)]	Variance	Difference FY02 Actual to FY03 Actual
RECEIPTS					
Tax Receipts					
Ind. Income	2,337,424	2,272,214	2,261,086	11,128	(65,210)
Sales	1,749,050	1,769,825	1,754,121	15,704	20,775
Corp. Income	177,364	175,593	189,777	(14,184)	(1,771)
Public Utility	135,733	149,863	134,000	15,863	14,130
Excise	150,643	163,557	164,071	(514)	12,914
Insurance	23,817	27,894	23,762	4,132	4,077
Inheritance	37,436	37,350	25,642	11,708	(86)
Total Tax Receipts	4,611,467	4,596,296	4,552,459	43,837	(15,171)
Non-Tax Receipts					
Federal	1,961,556	2,300,853	1,925,701	375,152	339,297
Other and Transfers	1,321,553	1,554,547	1,686,931	(132,384)	232,994
Note Proceeds[(c)]	800,000	-	-	-	(800,000)
Total Non-Tax Receipts	4,083,109	3,855,400	3,612,632	242,768	(227,709)
TOTAL RECEIPTS	8,694,576	8,451,696	8,165,091	286,605	(242,880)
DISBURSEMENTS					
Local Aids	2,777,058	2,286,025	2,338,476	52,451	(491,033)
Income Maintenance	1,737,589	1,735,811	1,655,094	(80,717)	(1,778)
Payroll & Related	1,445,023	1,579,259	1,612,074	32,815	134,236
Tax Refunds	307,457	259,741	282,853	23,112	(47,716)
Debt Service	122,526	123,182	132,002	8,820	656
Miscellaneous	1,642,837	1,414,204	1,310,332	(103,872)	(228,633)
Note Repayment[(c)]	-	-	-	-	-
TOTAL DISBURSEMENTS	8,032,490	7,398,222	7,330,831	(67,391)	(634,268)
VARIANCE FY03 YEAR-TO-DATE				219,214	

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

(b) Estimates include assumptions from all fiscal bills enacted into law through 2001 Wisconsin Act 109 but are presented on a cash basis and not a budgetary basis.

(c) Operating notes were issued in the 2001-02 fiscal year but, as of the date of this report, have not been issued for the 2002-03 fiscal year.

Table II-9

GENERAL FUND MONTHLY CASH POSITION
July 1, 2000 through November 30, 2002 — Actual
December 1, 2002 through June 30, 2003 — Estimated[a]
(Amounts in Thousands)

	Starting Date	Starting Balance		Receipts[c]	Disbursements[c]
2000	July	$ 671,608		$ 1,405,811	$ 1,674,899
	August	402,520		1,391,600	1,036,240
	September	757,880		1,716,848	1,540,488
	October	934,240		1,545,868	1,039,609
	November	1,440,499		1,451,918	1,886,868
	December	1,005,549		1,335,205	2,070,373
2001	January	270,381		2,143,861	1,190,946
	February	1,223,296		1,494,577	1,339,377
	March	1,378,496		1,381,012	2,312,836
	April	446,672		2,042,531	1,469,093
	May	1,020,110		1,800,948	1,405,982
	June	1,415,076		1,698,317	2,831,828
	July	281,565		1,575,450	1,853,617
	August	3,398		1,497,565	1,103,304
	September	397,659		2,520,198	1,627,038
	October	1,290,819		1,631,893	1,101,102
	November	1,821,610		1,469,470	2,347,429
	December	943,651		1,530,624	2,090,608
2002	January	383,667		2,014,638	1,293,585
	February	1,104,720		1,570,087	1,705,687
	March	969,120		1,530,532	2,730,873
	April	(231,221)		2,070,342	1,573,434
	May	265,687		2,155,171	1,844,456
	June	576,402		1,753,300	2,751,617
	July	(421,915)		1,700,476	1,895,272
	August	(616,711)	[d]	1,637,001	1,171,887
	September	(151,597)	[d]	2,025,879	1,562,196
	October	312,086		1,606,014	1,280,382
	November	637,718		1,482,326	1,488,485
	December	631,559		1,664,472	2,078,168
2003	January	217,863		2,174,263	1,438,756
	February	953,370		1,606,154	1,493,451
	March	1,066,073		1,535,452	2,323,468
	April	278,057		2,010,472	1,639,420
	May	649,109		1,637,929	1,574,310
	June	712,728	[d]	1,822,712	2,888,050

[a] The General Fund balances presented in this table are not based on Generally Accepted Accounting Principles (GAAP).

[b] The monthly receipt and disbursement projections for November 1, 2002 through June 30, 2003 are based on all fiscal bills through 2001 Wisconsin Act 109. The monthly receipt projections also reflect the revenue estimates for the 2002-03 fiscal year, as released by DOR on November 20, 2002.

[c] The amounts shown in September 2001 include receipts from the issuance of operating notes and amounts shown in February–May 2002 include disbursements for impoundment payments required in connection with the issuance of operating notes. No operating notes were issued in the 2000-01 fiscal year, and as of the date of this Annual Report, no operating notes have been issued for the 2002-03 fiscal year. As a result, the amounts shown for the 2002-03 fiscal year do not include receipts or impoundment payments resulting from the issuance of any operating notes.

[d] The Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash position. The Secretary of Administration may temporarily reallocate cash in other funds (up to 5% of the general-purpose revenue appropriations then in effect) to the General Fund. Based on 2001 Wisconsin Act 109, this amount is approximately $551 million for the 2002-03 fiscal year. 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 $331 million for the 2002-03 fiscal year) for a period of up to 30 days. See "TABLE II-10; Cash Balances In Funds Available For Interfund Borrowing".

Source: Wisconsin Department of Administration.

Table II-10
CASH BALANCES IN FUNDS AVAILABLE FOR INTERFUND BORROWING[a]
July 31, 2000 to November 30, 2002 — Actual
December 31, 2002 to June 30, 2003 — Estimated[b]
(Amounts in Millions)

Month (Last Day)	2000	2001	2002	2003
January		$ 4,435	$ 5,360	$ 1,887
February		4,786	5,463	1,976
March		5,213	5,628	2,011
April		4,952	5,135	1,825
May		4,680	4,819	1,809
June		4,925	5,001	1,882
July	$ 4,084	5,275	5,401	
August	3,743	4,785	4,844	
September	3,796	4,897	4,705	
October	3,378	4,328	4,043	
November	3,489	4,242	4,064	
December	3,701	4,737	1,781[b]	

[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 December 31, 2002 and subsequent months include as an assumption 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 the past five years have ranged from a low of $2.096 billion on November 14, 1997 to a high of $4.684 billion on March 26, 2002. Under Section 20.002 (11), Wisconsin Statutes, interfund borrowing is limited to 5% of the total general-purpose revenue appropriations then in effect and an additional 3% for a period of up to 30 days. The 5% amount is approximately $551 million and the additional 3% amount for a period of up to 30 days is approximately $331 million for the 2002-03 fiscal year.

Source: Wisconsin Department of Administration.

Table II-11

GENERAL FUND RECORDED REVENUES[(a)]
(Agency Recorded Basis)
July 1, 2002 to November 31, 2002 compared with previous year

	Annual Fiscal Report Revenues 2001-02FY[(b)]	Projected Revenues 2002-03 FY [(c)]	Recorded Revenues July 1, 2001 to November 30, 2001 [(d)]	Recorded Revenues July 1, 2002 to November 30, 2002 [(d)]
Individual Income Taxes.........	$ 4,979,662,000	$ 5,247,800,000	$ 1,818,813,727	$ 1,738,752,724
General Sales and Use Taxes..	3,695,796,000	3,793,400,000	1,258,196,045	1,288,701,360
Corporate Franchise and Income Taxes.............	503,008,000	509,100,000	127,417,174	111,034,076
Public Utility Taxes	252,237,000	260,300,000	127,210,989	139,056,330
Excise Taxes	348,282,000	354,300,000	120,426,575	129,026,998
Inheritance Taxes	82,635,000	74,000,000	36,841,272	36,348,882
Insurance Company Taxes.....	96,055,000	97,000,000	20,902,868	25,302,845
Miscellaneous Taxes	62,509,000	65,000,000	37,985,363	46,321,667
SUBTOTAL........................	10,020,184,000	10,400,900,000	3,547,794,013	3,514,544,882
Federal and Other Inter-governmental Revenues[(f)].......	6,372,653,000	4,860,982,500	1,974,468,565	2,891,664,935
Dedicated and Other Revenues [(g)]................	4,457,237,000	3,515,741,900	1,034,601,331	1,867,725,983
TOTAL...........................	$ 20,850,074,000	$ 18,777,624,400	$ 6,556,863,910	$ 8,273,935,801

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

(b) The amounts are from the Annual Fiscal Report (budgetary basis dated October 15, 2002) for the 2001-02 fiscal year.

(c) Projected revenues are based on all fiscal bills through 2001 Wisconsin Act 109. Projected revenues also reflect revenue estimates for the 2002-03 fiscal year as released by DOR on November 20, 2002.

(d) The amounts shown are the 2001-02 fiscal year revenues as recorded by state agencies.

(e) The amounts shown are the 2002-03 fiscal year revenues as recorded by state agencies.

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

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

Source: Wisconsin Department of Administration.

Table II-12

GENERAL FUND RECORDED EXPENDITURES BY FUNCTION[(a)]
(Agency Recorded Basis)
July 1, 2002 to November 31, 2002 compared with previous year

	Annual Fiscal Report Expenditures 2001-02 FY[(b)]	Appropriations 2002–03 FY [(c)]	Recorded Expenditures July 1, 2001 to November 30, 2001[(d)]	Recorded Expenditures July 1, 2002 to November 30, 2002[(e)]
Commerce	$ 212,449,000	$ 229,610,200	$ 91,937,036	$ 95,840,747
Education	8,603,653,000	8,857,403,500	2,403,125,719	2,565,521,310
Environmental Resources	227,949,000	256,362,000	94,785,135	99,390,670
Human Relations & Resources	8,538,786,000	7,546,331,400	3,065,577,280	3,765,637,209
General Executive	614,520,000	640,955,900	243,482,294	257,296,080
Judicial	107,534,000	105,143,800	46,705,883	47,854,949
Legislative	62,114,000	60,590,500	22,978,139	21,879,118
General Appropriations	2,881,603,000	1,387,111,500	1,507,795,823	1,577,313,360
TOTAL	$ 21,248,608,000	$ 19,083,508,800	$ 7,476,387,310	$ 8,430,733,444

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

(b) The amounts are from the Annual Fiscal Report (budgetary basis) dated October 15, 2002 for the 2001-02 fiscal year

(c) Estimated appropriations based on all fiscal bills through 2001 Wisconsin Act 109.

(d) The amounts shown are the 2001-02 fiscal year expenditures as recorded by state agencies.

(e) The amounts shown are the 2002-03 fiscal year expenditures as recorded by state agencies.

Source: Wisconsin Department of Administration.

General Fund History

Table II-13 presents the General Fund condition for the previous five years.

Table II-13

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

	2002	2001	2000	1999	1998
ASSETS					
Cash & Investment Pool Shares	$ (416,191)	$ 288,792	$ 678,331	$ 867,293	$ 446,212
Contingent Fund Advances	3,539	3,514	3,910	4,322	3,981
Investments	445	446	445	445	445
Receivables					
Accounts Receivable	1,069,077	1,028,554	995,286	896,640	811,184
Due from Other Funds	333,205	39,165	22,398	158,398	58,454
Inventory		418	1		
Prepayments	59,690	54,807	59,761	42,338	50,935
TOTAL ASSETS	$ 1,049,765	$ 1,415,696	$ 1,760,132	$ 1,969,436	$ 1,371,211
LIABILITIES					
Accounts Payable	$ 315,491	$ 343,261	$ 282,582	$ 521,609	$ 337,998
Due to Other Funds	66,493	46,898	63,804	282,825	59,090
Tax and Other Deposits	33,900	41,925	39,231	52,979	50,406
Advances from Other Funds					2,000
Deferred Revenue	50,174	38,848	27,600	35,999	27,889
TOTAL LIABILITIES	$ 466,058	$ 470,932	$ 413,217	$ 893,412	$ 477,383
FUND BALANCE					
Reserves					
Encumbrances & GPR Balances	$ 131,945	$ 106,438	$ 136,731	$ 100,700	$ 143,312
Program Revenue Balances	407,293	392,327	635,798	237,576	217,276
Total Reserves	$ 539,238	$ 498,765	$ 772,529	$ 338,276	$ 360,588
Unreserved Balance-Undesignated	44,469	445,999	574,416	737,748	533,240
TOTAL FUND BALANCE	$ 583,707	$ 944,764	$ 1,346,945	$ 1,076,024	$ 893,828
TOTAL LIABILITIES AND FUND BALANCE	$ 1,049,765	$ 1,415,696	$ 1,760,162	$ 1,969,436	$ 1,371,211

[(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 19 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 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 879,361 students attending public elementary and secondary schools in 2001-02. 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 2001-02 academic year, 451,273 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 2001-02 was 159,433 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. Nearly 5.0 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 Badger Care program, which provides health insurance coverage for low-income working families, and a prescription drug program for the elderly. 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 and planning.
- *Department of Electronic Government* duties include oversight of all State information technology activities 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, 2002, the State had $4.386 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.

The State issued $800 million principal amount of operating notes in the 2001-02 fiscal year. As of the date of this Annual Report, no operating notes have been issued in the 2002-03 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 lease payments to be made by the State. As of December 1, 2002, the principal amount of the State's obligations under the master lease program was approximately $122 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.

Three such programs have been authorized and are currently outstanding:

- *Transportation revenue bond program.* This program finances a portion of the costs of the State highways and related transportation facilities. The obligations are secured by motor vehicle registration fees. The Commission has issued thirteen 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 $1.244 billion as of December 1, 2002. 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 water pollution control facilities. The Commission has issued eight series of bonds for this program (not including refunding bond issues), which were outstanding in the amount of $657 million as of December 1, 2002. 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 two series of bonds and two series of extendible municipal commercial paper for this program, which were outstanding in the amount of $329 million as of December 1, 2002. See Part VII of this Annual Report for additional information on petroleum inspection fee revenue obligations.

Independent Authorities

State law creates and grants to three 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 for two of these independent authorities in the issuance of their debt.

Wisconsin Housing and Economic Development Authority

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

WHEDA may issue bonds and notes, which are to be general obligations of WHEDA (except for bonds for the housing rehabilitation loan program) unless WHEDA chooses to limit the obligation. The State is expressly not liable on WHEDA 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 reserve is replenished. In the event a capital reserve fund is not established for a particular bond issue, the moral obligation pledge would not be applicable. WHEDA has debt authority for several specific programs:

- *General programs.* $325 million of borrowing authority, excluding debt issued to refund other debt, of which $92 million were available on November 30, 2002.
- *Housing rehabilitation programs.* $100 million of borrowing authority, of which $100 million were available on November 30, 2002.
- *Single-family home ownership mortgage loan program.* WHEDA has issued $4.683 billion in such bonds as of November 30, 2002. In the one-year period ending November 30, 2002, WHEDA sold three single-family issues totaling $391 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, 2002.
- *Economic development and agriculture loans.* $217 million of borrowing authority of which, as of November 30, 2002, it has sold 136 series of bonds for economic development and agriculture totaling $82 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 and the e-mail address is info@wheda.com.

Wisconsin Health and Educational Facilities Authority

The Wisconsin Health and Educational Facilities Authority (**WHEFA**) provides revenue bond financing for hospitals, nursing homes, other health-related organizations, and private, higher educational facilities. It may finance any qualifying capital project and may refinance any qualifying outstanding indebtedness. As of June 30, 2002 WHEFA had outstanding 244 issues totaling approximately $5.0 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 and the e-mail address is whefa@execpc.com.

University of Wisconsin Hospital and Clinics Authority

The University of Wisconsin Hospital and Clinics Authority (**UWHC**) operates the University of Wisconsin hospital and a number of clinics. It provides instruction for medical and other health related professions, students, and sponsors. It also supports medical research and assists health care programs and personnel throughout the State. As of November 30, 2002 UWHC had outstanding three issues totaling approximately $175 million.

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

UWHC is directed by a fifteen-member board that consists of the Secretary of the Department of Administration, a faculty member of a University of Wisconsin-Madison (**UW**) health professions school (other than the Medical School) appointed by the UW Chancellor, a chairperson of a department of the Medical School appointed by the UW Chancellor, the dean of the Medical School, the UW Chancellor, three members appointed by the board of regents, the co-chairs of the Legislature's joint committee on finance, three members serving three year terms nominated by the Governor and confirmed by the Senate, and two nonvoting members from labor organizations the represent UWHC employees. Financial reports can be obtained from the University of Wisconsin Hospital and Clinics Authority, Room H4/824, 600 Highland Avenue, Madison, WI 53792-8360. The phone number is (608) 263-8025.

Local Districts

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

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

- *Local professional baseball park district.* A district's territory consists of each county with a population of 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 (the Southeast Wisconsin Professional Baseball Park District).

- *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 (the Green Bay-Brown County Professional Football Stadium District).

Moral Obligations

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

- Payments 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 9 issues outstanding in the aggregate amount of $463 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	$ 49,670,000
1992 Series B, C & D	11/1/2022	72,945,000	-0-
1993 Series A & B	11/1/2023	77,560,000	52,670,000
1993 Series C	11/1/2019	145,785,000	104,130,000
1995 Series A & B	11/1/2026	51,700,000	40,720,000
1998 Series A, B & C	11/1/2032	39,895,000	36,600,000
1999 Series A & B	11/1/2031	41,400,000	39,055,000
2000 Series A& B	11/1/2032	10,785,000	10,585,000
2002 Series A-1	5/1/2034	169,160,000	169,160,000
Totals		$681,680,000	$462,590,000

- 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 district (Wisconsin Center District) that is outstanding in the amount of $126 million that carries a moral obligation of the State. Two other local districts (the Southeast Wisconsin Professional Baseball Park District and the Green Bay-Brown County Professional Football Stadium District) each have authority to issue $160 million of revenue obligations that, subject to the Secretary of Administration's determination that certain conditions have been met, could carry a moral obligation of the State. Both districts have issued revenue obligations that do not carry the moral obligation of the State.
- Payments to reserve funds securing obligations issued by certain redevelopment authorities, subject to the Secretary of Administration's determination that certain conditions have been met. Currently there is one issue from a redevelopment authority (Redevelopment Authority of the City of Milwaukee-Milwaukee Public Schools Neighborhood Schools Initiative) that is outstanding in the amount of $33 million that carries a moral obligation of the State.

Employee Pension Funds

The State's pension obligations are defined by formulas that establish monthly retirement benefits as a function of annual compensation and years of service. The State's current contributions to meet these pension obligations are established first by a yearly actuarial determination of the value of the retirement benefits that have accrued to State employees and will have to be paid out in the future. After deducting the fixed contributions of employees, the State then contributes an amount sufficient to meet the remaining value of the obligations. A description of the Wisconsin Retirement System and an identification of the State's obligation follows. This is supplemented with additional statistical material in Tables II-14 through II-20.

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-21, II-22 and II-23.

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 2003 are set at the following rates:

- 5.0% of salary for general employees including teachers
- 2.6% for elected officials, judges, and certain other positions in State government
- 4.0% for protective occupation participants who are also covered by Social Security
- 2.4% 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 0.4% 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 2003 employer contributions have been established at the following rates:

- 7.1% for protective participants with Social Security
- 9.8% for protective participants without Social Security
- 8.1% for elected officials and judges
- 4.0% 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 December 31, 2029. The State is also charged 3.9% of its protective payroll for special duty disability coverage.

Monthly benefits upon retirement at normal retirement age (65 for general employees, 62 for elected officials and certain other state positions, and 55 for protective occupation participants) are computed on a formula basis (the formula varies by 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.

Table II-14 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 $713 million as of December 31, 2001. As of June 30, 2002 the State's share of the unfunded accrued liability of the Wisconsin Retirement System was $707 million.

Table II-14

WISCONSIN RETIREMENT SYSTEM
ACTUARIAL STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2001 (UNAUDITED)
(Amounts in Millions)

	12/31/2001	12/31/2000	Increase (Decrease)
Assets and Employer Obligations:			
Net Assets			
Cash, Investments & Receivables			
Less: Payables & Suspense Items			
Fixed Division	$51,549.8	$43,670.1	$7,879.7
Variable Division	6,279.8	7,988.3	(1,708.5)
Totals	57,829.6	51,658.4	6,171.2
Obligations of Employers			
Unfunded Accrued Liability	2,110.4	2,169.0	(58.6)
TOTAL ASSETS	$59,940.0	$53,827.4	$6,112.6
Reserves and Surplus:			
Reserves			
Actuarial Present Value of Projected Benefits Payable to Terminated Vested Participants and Active Members:			
Member Normal Contributions	$14,117.4	$12,703.6	$1,413.8
Member Additional Contributions	157.9	166.1	(8.2)
Employer Contributions	19,783.2	18,039.7	1,743.5
Total Contributions	$34,058.5	$30,909.4	$3,149.1
Actuarial Present Value of Projected Benefits Payable to Current Retirees And Beneficiaries:			
Fixed Annuities	$21,283.6	$17,794.6	3,489.0
Variable Annuities	4,547.4	4,749.3	(201.9)
TOTAL ANNUITIES	25,831.0	22,543.9	3,287.1
TOTAL RESERVES	$59,889.5	$53,453.3	6,436.2
Surplus			
Fixed Annuity Reserve Surplus	696.1	912.0	(215.9)
Variable Annuity Reserve Surplus	(645.6)	(537.9)	(107.7)
TOTAL SURPLUS	50.5	374.1	(323.6)
TOTAL RESERVES AND SURPLUS	$59,940.0	$53,827.4	$6,112.6

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, 2001 was $2.90 billion.

All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees are required by statute to contribute 5.0% of their salary (2.6% for Executive and Elected Officials, 4.0% for Protective Occupations with Social Security, and 2.4% 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, 2001 was $306 million, which consisted of $160 million or 5.5% of payroll from the employer and $146 million or 5.0% of payroll from employees.

Employees who retire at or after age 65 (55 for protective occupation employees) are entitled to receive a retirement benefit. The benefit is calculated as 1.6% (2.0% for Executives, Elected Officials, and Protective Occupations with social security and 2.5% for protective occupations without social security) of final average earnings for each year of creditable service after December 31, 1999. Service earned before January 1, 2000 accrue benefits at a rate of 1.765% (2.165% for Executives, Elected Officials, and Protective Occupations with social security and 2.665% for protective occupations without social security). Final Average Earnings is the average of the employee'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, 2001 was $713 million or 34.3% of the total system unfunded liability of $2.08 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, 2001 Comprehensive Annual Financial Report.

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

Table II-15

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)
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
2000	51,824,600	2,169,000	53,993,600	96.0
2001	58,024,300	2,110,400	60,134,700	96.5

Source: Wisconsin Department of Employe Trust Funds.

Table II-16

WISCONSIN RETIREMENT SYSTEM
COVERED EMPLOYEES
1992-2001

Year	Active State	Active Local	Retired
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
2000	68,330	189,710	107,425
2001	70,512	193,371	112,142

Source: Wisconsin Department of Employe Trust Funds.

Table II-17

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

Year	State Employee	State Employer	Local Employee	Local Employer	Total Employee	Total Employer
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
2000	800	305,049	3,543	754,516	4,343	1,059,565
2001	739	283,567	3,467	765,541	4,206	1,049,108

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

Source: Wisconsin Department of Employe Trust Funds.

Table II-18

WISCONSIN RETIREMENT SYSTEM
STATE EMPLOYER CONTRIBUTION RATES[a]

Employee Classification	Current Service	Prior Service	Total
Protective	7.1%	0.6%	7.7%
Elected	8.1	1.0	9.1
General	4.0	1.2	5.2

[a] Effective January 1, 2003

Source: Wisconsin Department of Employe Trust Funds.

Table II-19

WISCONSIN RETIREMENT SYSTEM
REVENUES BY TYPE
(Amounts in Thousands)

	Contributions						
Year	Required Employee	Required Employer[(a)]	Additional Employee	Investment Income	Supplemental	Misc.	Total
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
2000	511,661	561,052	10,441	(1,032,185)	5,496	184	56,649
2001	496,012	557,303	5,086	(1,990,408)	4,517	211	(927,279)

(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-20

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

Year	Separations	Death	Annuities	Supplemental[(b)]	Misc.	Total
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
2000..............	49,814	25,724	2,237,824	5,496	183,350	2,502,208
2001..............	40,740	22,308	2,467,690	4,517	15,635	2,550,890

(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, 2002.

Table II-21

WISCONSIN RETIREMENT SYSTEM
SEPARATION BEFORE AGE AND SERVICE RETIREMENT

Select and Ultimate Withdrawal

% of Active Participants Terminating

Age & Service	Protective: With Soc. Sec.	Protective: Without Soc. Sec.	Public Schools: Males	Public Schools: Females	University: Males	University: Females	Executive &Elected	Others: Males	Others: Females
0	11.7%	4.9%	10.1%	10.0%	18.0%	18.9%	7.5%	17.6%	16.9%
1	6.4	2.5	7.0	7.0	15.0	16.2	7.0	10.6	11.1
2	5.1	2.4	5.3	6.0	13.0	14.9	6.5	7.9	8.7
3	3.6	2.3	3.8	5.4	11.0	12.8	6.0	6.8	7.1
4	3.0	2.2	3.5	4.0	10.0	10.5	5.5	6.0	6.0
5 & over									
25	2.1	1.0	3.5	4.0	10.0	10.5	5.0	6.0	6.0
30	1.7	1.0	2.7	3.5	10.0	10.5	4.8	4.6	5.8
35	1.2	0.7	1.5	2.3	9.0	8.3	4.6	3.1	4.5
40	1.1	0.7	1.2	1.5	5.0	5.3	4.0	2.1	3.2
45	1.1	0.7	1.0	1.2	3.3	3.8	3.2	1.8	2.9
50	1.0	0.7	0.9	1.2	2.0	2.9	2.4	1.5	2.5
55	1.0	0.7	0.9	1.2	1.0	2.0	2.0	1.5	1.8
60	1.0	0.7	0.9	1.2	0.7	2.0	2.0	1.5	0.6

Disability Rates

% of Active Participants Becoming Disabled

Age	Protective: With Soc. Sec.	Protective: Without Soc. Sec.	Public Schools: Males	Public Schools: Females	University: Males	University: Females	Others: Males	Others: Females
20....................	0.01%	0.04%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
25....................	0.01	0.04	0.01	0.01	0.01	0.01	0.01	0.01
30....................	0.01	0.05	0.01	0.01	0.01	0.01	0.01	0.04
35....................	0.04	0.06	0.01	0.01	0.01	0.05	0.02	0.05
40....................	0.06	0.11	0.02	0.02	0.02	0.08	0.06	0.07
45....................	0.11	0.19	0.05	0.07	0.04	0.07	0.11	0.10
50....................	0.38	0.59	0.14	0.13	0.07	0.13	0.25	0.16
55....................	1.25	0.65	0.26	0.19	0.21	0.20	0.48	0.29
60....................	0.85	0.50	0.43	0.28	0.28	0.30	0.85	0.41

Source: Wisconsin Department of Employe Trust Funds.

Table II-22

WISCONSIN RETIREMENT SYSTEM
RETIREMENT PATTERNS

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

	% Retiring Next Year								
	General		Public Schools		University		Protective		
Age	Males	Females	Males	Females	Males	Females	With Soc. Sec.	Without Soc. Sec.	Executive & Elected
50							5%	2%	
51							5	2	
52							5	4	
53							31	34	
54							27	36	
55							27	39	
56							27	42	
57	25%	27%	30%	25%	20%	25%	27	38	8%
58	25	27	30	22	16	15	27	37	8
59	25	27	30	22	15	25	27	33	12
60	25	28	30	25	16	17	31	31	14
61	28	34	30	23	18	19	26	40	20
62	47	50	45	36	25	32	47	40	15
63	45	50	45	25	22	26	38	40	15
64	45	50	45	40	23	37	31	40	15
65	45	50	55	40	25	33	34	40	20
66	32	39	50	31	25	32	50	40	20
67	29	30	40	20	25	24	50	40	20
68	24	25	40	20	25	26	50	40	20
69	22	20	40	20	25	20	50	40	20
70	12	20	40	20	25	20	100	100	20
71	12	20	40	20	25	20	100	100	20
72	12	20	40	20	25	20	100	100	20
73	12	20	40	20	25	20	100	100	20
74	12	20	40	20	25	20	100	100	20
75	100	100	100	100	100	100	100	100	100

Source: Wisconsin Department of Employe Trust Funds.

Table II-23

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	4.3%	4.2%	3.8%	2.8%	4.5%	8.8%	8.7%	8.3%	7.3%
35	3.1	3.1	2.6	1.4	4.5	7.6	7.6	7.1	5.9
40	2.2	2.2	1.2	0.8	4.5	6.7	6.7	5.7	5.3
45	1.5	1.5	0.5	0.5	4.5	6.0	6.0	5.0	5.0
50	1.0	1.0	0.3	0.3	4.5	5.5	5.5	4.8	4.8
55	0.4	0.4	0.1	0.1	4.5	4.9	4.9	4.6	4.6
60	0.3	0.3	0.1	0.1	4.5	4.8	4.8	4.6	4.6
65	0.3	0.3	0.1	0.1	4.5	4.8	4.8	4.6	4.6

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-24 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-24

STATE INVESTMENT FUND
AS OF SEPTEMBER 30, 2002 (UNAUDITED)
Market Versus Amortized Cost Valuation Report

	Amortized Cost	Market Value	Portfolio Percentage at Amortized Cost
U.S. Government Repurchase Agreements	$1,032,000,000	$1,032,000,000	16.4%
U.S. Government Agencies	3,356,073,993	3,358,145,141	53.3
U.S. Government Treasuries	140,969,552	158,384,800	2.2
Corporate Commercial Paper	1,235,683,432	1,235,650,349	19.6
Certificates of Deposit	500,000,000	500,000,000	8.0
Asset-Backed Securities	893,363	896,148	0.0
Mortgage-Backed Securities	1,793,931	1,793,931	0.0
Yankee/Euro Fully Hedged	25,000,000	25,000,000	0.4
Swaps	0	(29,291,896)	0.0
	$6,292,414,271	$6,282,578,473	100.0%

Accrued Gross Income: $6,587,903.80

Average Maturity for the Last Six Months

Reporting Date	Average Maturity (Days)	Reporting Date	Average Maturity (Days)
9/30/2002	70	6/30/2002	46
8/31/2002	56	5/31/2002	47
7/31/2002	37	4/30/2002	57

Summary of Investment Fund Participants
As of September 30, 2002

	Par Amount (Amounts in Thousands)	Percent of Portfolio
Mandatory Participants		
State of Wisconsin and Agencies	$ 1,883,598	31.2%
State of Wisconsin Investment Board	497,347	8.3
Elective Participants		
Local Government Investment Pool	3,650,548	60.5
	$ 6,031,493	100.0%

NOTE: The difference between the total of participants share ($6,031,493,000) and the amortized cost ($6,292,414,271) 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 by the department in posting bank receipts which have already been invested by SWIB.

Source: State of Wisconsin Investment Board

STATISTICAL INFORMATION

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

Table II-25
STATE ASSESSMENT
(EQUALIZED VALUE)
OF TAXABLE PROPERTY
1993 TO 2002

Calendar Year	Value of Taxable Property	Rate of Increase (Decrease)
1993	$171,677,163,530	—
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
2001	312,483,706,600	9.1
2002	335,326,478,700	7.3

Source: Wisconsin Department of Revenue.

Table II-26
DELINQUENCY RATE:
INCOME, FRANCHISE, GIFT, SALES AND USE TAXES
1997-98 TO 2001-02

Fiscal Year	Total Revenues Expected (Amounts in Thousands)	Delinquent Balance (Amounts in Thousands)	Delinquent Balance as a Percent of Total Revenues Expected
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
2000-01	9,327,051	538,914	5.78
2001-02	9,255,488	615,933	6.65

Source: Wisconsin Department of Revenue.

Table II-27
POPULATION TREND

	Wisconsin Total (Amounts in Thousands)	Rank	% Change Wisconsin	% Change U.S.	Population Per Sq. Mile Wisconsin	Population Per Sq. Mile U.S.
1910	2,334	13	12.8	21.0	42.2	26.0
1920	2,632	13	12.8	15.0	47.6	29.9
1930	2,939	13	11.7	16.2	53.7	34.7
1940	3,138	13	6.8	7.3	57.3	37.2
1950	3,435	14	9.5	14.5	62.8	42.6
1960	3,952	15	15.1	18.5	72.6	50.6
1970	4,418	16	11.8	13.3	81.1	57.5
1980	4,706	16	6.5	11.4	86.5	64.0
1990	4,892	16	4.0	9.8	90.1	70.3
2000	5,364	18	9.6	13.2	98.8	79.6
2001	5,402	18	0.7	1.2	99.5	80.5

Source: Decennial census and land area statistics—2000 Census of Population and Housing, U.S. Bureau of the Census World Wide Web Site.

Table II-28
POPULATION CHARACTERISTICS
(April 2000)

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

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

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

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

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

Table II-29
POPULATION BY AGE GROUP
(April 2000)

	Wisconsin	U.S.
Under 5	6.4%	6.8%
5-17	19.1	18.9
18-44	39.2	39.9
45-64	22.2	22.0
65 +	13.1	12.4
Total	100.0	100.0

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

Table II-30
ESTIMATED PERSONAL INCOME

Year	Wisconsin Total (Amounts in Millions)	Per Capita Wisconsin	Per Capita U.S.	Percentage Wis. to U.S.
1991	$ 92,669	$ 18,678	$ 20,039	93.2%
1992	99,454	19,802	20,979	94.4
1993	104,337	20,529	21,557	95.2
1994	110,570	21,545	22,358	96.4
1995	115,960	22,373	23,272	96.1
1996	121,864	23,303	24,286	96.0
1997	128,920	24,484	25,427	96.3
1998	137,824	26,018	26,909	96.7
1999	143,323	26,863	27,859	96.4
2000	150,866	28,066	29,451	95.3

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

Table II-31
MEDIAN INCOME FOR FOUR-PERSON FAMILY

Year	Wisconsin	U.S.	Percentage Wis. to U.S.
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	58,000	56,061	103.5
1999	63,436	59,981	105.8
2000	66,725	62,228	107.2

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-32
DISTRIBUTION OF EARNINGS BY INDUSTRY

	Wisconsin Distribution 1998	Wisconsin Distribution 1999	Wisconsin Distribution 2000	U.S. Distribution 2000
Farm	0.9%	0.8%	0.5%	0.8%
Nonfarm	99.1	99.2	99.5	99.2
Private Nonfarm	84.6	85.0	85.3	83.6
Agricultural Services, Forestry, Fisheries, etc.	0.6	0.6	0.6	0.7
Mining	0.2	0.1	0.1	0.8
Construction	6.2	6.5	6.6	6.1
Manufacturing	26.8	26.2	25.7	15.8
Transportation & Public Utilities	5.8	5.9	5.9	6.8
Trade	14.8	15.1	15.1	14.9
Finance, Insurance & Real Estate	6.6	7.0	7.0	9.4
Services	23.3	23.7	24.3	29.2
Government	14.5	14.1	14.3	15.5
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, World Wide Web Site.

Table II-33
ESTIMATED EMPLOYEES IN WISCONSIN ON NONAGRICULTURAL PAYROLLS[(a)]
2001 ANNUAL AVERAGE

	Wisconsin (Amounts in Thousands)	Wisconsin %	U.S. (Amounts in Thousands)	U.S. %
Mining	2.8	0.1	565	0.4
Contract Construction	122.6	4.3	6,685	5.1
Manufacturing	587.7	20.8	17,695	13.4
Transportation & Public Utilities	133.6	4.7	7,065	5.4
Wholesale Trade	137.5	4.9	6,776	5.1
Retail Trade	502.9	17.8	23,522	17.8
Finance, Insurance & Real Estate	150.1	5.3	7,712	5.8
Miscellaneous Services	774.7	27.4	40,970	31.1
Government	413.8	14.6	20,933	15.9
Total	2,825.7	100.0	131,922	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-34
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-35
ESTIMATED PRODUCTION WORKERS
IN MANUFACTURING: HOURS AND EARNINGS
ANNUAL AVERAGE

	Wisconsin			United States		
	1980	2001	% Change	1980	1999	% Change
Weekly Earnings....................	$323.10	$620.80	92.1	$288.62	$603.58	109.1
Weekly Hours........................	40.2	40.7	1.2	39.7	40.7	2.5
Hourly Earnings.....................	$ 8.03	$ 15.25	89.9	$ 7.27	$ 14.83	104.0
Number of All Manufacturer Workers (Amounts in thousands).........	558	588	10.3	20,285	17,695	(12.8)

Source: Wisconsin Department of Workforce Development.

Table II-36
TOTAL NEW HOUSING UNITS AUTHORIZED
IN PERMIT–ISSUING PLACES

		% Change	
Year	Wisconsin	Wisconsin	U.S.
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
2000............................	34,154	(4.0)	(4.3)
2001............................	37,773	10.6	2.8

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

Table II-37
UNEMPLOYMENT RATE COMPARISON[a]
BY MONTH 1997 to 2002
BY QUARTER 1993 to 1996

	2002		2001		2000		1999		1998		1997	
	Wis.	U.S.	Wis.	U.S.	Wis.	U.S.	Wis.	U.S.	Wis.	U.S.	Wis.	U.S.
January......	5.8	6.3	4.8	4.7	4.0	4.5	4.0	4.8	3.9	5.2	4.5	5.9
February....	6.7	6.1	5.3	4.6	4.3	4.4	4.0	4.7	4.0	5.0	4.6	5.7
March........	6.5	6.1	5.3	4.6	4.3	4.3	3.7	4.4	3.9	5.0	4.4	5.5
April..........	5.7	5.7	4.8	4.2	3.8	3.7	3.1	4.1	3.1	4.1	4.1	4.8
May...........	4.5	5.5	4.2	4.1	3.5	3.9	2.8	4.0	2.9	4.2	3.5	4.7
June...........	5.1	6.0	4.8	4.7	4.0	4.2	3.0	4.5	3.5	4.7	4.0	5.2
July............	4.7	6.0	4.6	4.7	3.7	4.2	2.9	4.5	3.6	4.7	3.7	5.0
August.......	4.8	5.7	4.1	4.9	3.3	4.1	2.6	4.2	3.1	4.5	3.3	4.8
September .	4.3	5.4	3.8	4.7	2.9	3.8	2.3	4.1	3.0	4.4	3.1	4.7
October	4.1	5.3	4.1	5.0	2.7	3.6	2.5	3.8	3.1	4.2	2.9	4.4
November .			4.4	5.3	2.9	3.8	2.8	3.8	3.2	4.1	3.0	4.3
December..			4.4	5.4	3.0	3.7	2.8	3.7	3.1	4.0	3.0	4.4
Annual Average...			4.6	4.8	3.5	4.0	3.0	4.2	3.4	4.5	3.7	4.9

1996 Quarters	Wis.	U.S.
I	4.6	6.0
II	3.7	5.4
III	3.1	5.2
IV	3.0	5.0
Annual Average	3.5	5.4

1995 Quarters	Wis.	U.S.
I	4.5	5.9
II	3.8	5.6
III	3.2	5.6
IV	3.2	5.2
Annual Average	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

[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 EXTERNAL FINANCIAL STATEMENTS

The following material is a reprint of the "General Purpose External Financial Statements" section of the audited CAFR for the fiscal year ended June 30, 2002. 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/capitalfinance/secondmarket.asp

{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 external financial statements. The sequential page numbers for the Annual Report continue in Part III.}

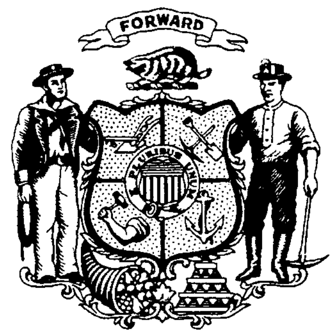
WISCONSIN

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2002

STATE OF
WISCONSIN

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS



For the fiscal year ended June 30, 2002

Scott McCallum, Governor

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

Prepared by the State Controller's Office DOA-6082AP (R12/02)

General Purpose External Financial Statements
For the Fiscal Year Ended June 30, 2002

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WISCONSIN DEPARTMENT OF
ADMINISTRATION

SCOTT McCALLUM
GOVERNOR
GEORGE LIGHTBOURN
SECRETARY
Office of the Secretary
Post Office Box 7864
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December 13, 2002

The Honorable Scott McCallum
The Honorable Members of the Legislature
Citizens of the State of Wisconsin

We are pleased to submit the General Purpose External Financial Statements of the State of Wisconsin for the fiscal year ended June 30, 2002.

These General Purpose External Financial Statements are part of the audited Comprehensive Annual Financial Report. They include management's discussion and analysis (MD&A), the basic financial statements, and required supplementary information (RSI). MD&A introduces the basic financial statements and provides an analytical overview of the State's financial activities. The basic financial statements provide a summary overview of the government as a whole (excluding the State's fiduciary activities), as well as detailed information on all governmental, proprietary, fiduciary fund activity, together with notes to the financial statements. RSI includes data on infrastructure and the budgetary comparison schedule with accompanying notes. These statements, which present financial information in conformity with generally accepted accounting principles, will benefit users requiring summary information about our State's finances.

The General Purpose External Financial Statements, as well as the Comprehensive Annual Financial Report, are on file at the office of the State Controller. Additional copies are available upon request. A copy of the Comprehensive Annual Financial Report is also available on the Department of Administration homepage on the World Wide Web: http://www.doa.state.wi.us/debf

Sincerely,

George Lightbourn
Secretary

William J. Raftery, CPA
State Controller

State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

JANICE MUELLER
STATE AUDITOR

22 E. MIFFLIN ST., STE. 500
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INDEPENDENT AUDITOR'S REPORT

Honorable Members of the Legislature | The Honorable Scott McCallum, Governor

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the State of Wisconsin as of and for the year ended June 30, 2002, which collectively constitute the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Wisconsin's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the following financial statements: the Wisconsin Department of Transportation Revenue Bond Program and Commercial Paper Program, which represent 11 percent of the liabilities of the governmental activities and 4 percent of the revenues of the aggregate remaining fund information; the Environmental Improvement Fund, which is a major fund and represents 16 percent of the assets and 19 percent of the liabilities of the business-type activities; or the College Savings Program Trust, which represents 3 percent of the revenues of the aggregate remaining fund information. In addition, we did not audit the financial statements of the Wisconsin Housing and Economic Development Authority, the Wisconsin Health Care Liability Insurance Plan, the Badger Tobacco Asset Securitization Corporation, 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 opinions, insofar as they relate to the amounts audited by others, are based solely upon their reports.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Wisconsin Housing and Economic Development Authority, which were audited by other auditors, were also audited in accordance with these standards. The financial statements of the other funds and component units that were audited by other auditors were audited in accordance with auditing standards generally accepted in the United States, but not in accordance with *Government Auditing Standards*. The auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements previously referred to present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Wisconsin as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note 21 to the financial statements, the State implemented the following Governmental Accounting Standards Board statements for fiscal year 2001-02: Statement Number 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*; Statement Number 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*; Statement Number 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*; and Statement Number 38, *Certain Financial Statement Note Disclosures*. As required by these new standards, the State of Wisconsin presents both government-wide financial statements and fund-level financial statements.

The management discussion and analysis, infrastructure narrative, and budgetary comparison schedule with related notes as listed in the table of contents are not a required part of the basic financial statements of the State of Wisconsin but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have prepared a report dated December 13, 2002, 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. A more detailed version of that report will be included in the State's single audit report. The report on internal control and compliance is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this independent auditor's report in considering the results of our audit.

LEGISLATIVE AUDIT BUREAU

December 13, 2002 by Janice Mueller

Janice Mueller
State Auditor

MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Management's Discussion and Analysis* of the State of Wisconsin's Comprehensive Annual Financial Report (CAFR) presents a discussion and analysis of the State's financial performance during the fiscal year that ended June 30, 2002. It should be read in conjunction with the transmittal letter located at the front of this CAFR, and the State's financial statements, which follow this part of the CAFR.

Fiscal Year 2002 represents the first year in which the State is required to implement the provisions of Governmental Accounting Standard Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*. Therefore, this discussion and analysis provides few comparisons with the previous year. Future reports are required to include extensive comparisons.

FINANCIAL HIGHLIGHTS -- PRIMARY GOVERNMENT

Government-wide

- *Net Assets.* The assets of the State of Wisconsin exceeded its liabilities at the close of Fiscal Year 2002 by $13.8 billion (reported as "net assets"). Of this amount, $(3.1) billion was reported as "unrestricted net assets". A positive balance in unrestricted net assets would represent the amount available to be used to meet a government's ongoing obligations to citizens and creditors.
- *Changes in Net Assets.* The State's total net assets increased by $.5 billion in Fiscal Year 2002. Net assets of governmental activities increased by $671.8 million or 9.6 percent, while net assets of the business-type activities showed a decrease of $183.4 million or 2.9 percent.
- *Expenses in Excess of Revenues -- Governmental Activities.* During the year, the State's total expenses for governmental activities were $6.3 billion more than the $12.4 billion generated in taxes and other general revenues for governmental programs (before special items and transfers).

Fund

- *Governmental Funds -- Fund Balances.* As of the close of Fiscal Year 2002, the State's governmental funds reported combined ending fund balances of $(397.1) million, an increase of $501.3 million in comparison with the prior year. Of this total amount, $ (1.8) billion represents the "unreserved fund balances".
- *General Fund -- Fund Balance*. At the end of the current fiscal year, the unreserved fund balance for the General Fund was $(1.9) billion, or (11.8) percent of total General Fund expenditures.

Long-term Debt

- The State's total long-term debt obligations (bonds and notes payable) increased by $458.6 million during the current fiscal year which represents the net difference between new issuances, and payments and refundings of outstanding debt. The key factors contributing to this increase was the issuance during the fiscal year of $824.5 million of general obligation bonds and $580.8 million of revenue bond obligations. Additional detail regarding these activities begins on Page 25.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

Government-wide Financial Statements

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

- The *statement of net assets* presents all of the government's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the state's net assets are an indicator of whether its financial health is improving or weakening, respectively.

- The *statement of activities* presents a comparison between direct expenses and program revenues for each function of the State's governmental activities and for different identifiable business-type activities of the State.

These government-wide financial statements are divided into three categories:

- *Governmental Activities* – Most services generally associated with State government fall into this category, including commerce, education, transportation, environmental resources, human relations and resources, general executive, judicial and legislative.

- *Business-Type Activities* – Those operations for which a fee is charged to external users for goods and services are reported in this category.

- *Discretely Presented Component Units* – These are operations for which the State has financial accountability but that have certain independent qualities as well. The State's discretely presented component units (all business-type activities) are:
  - Wisconsin Housing and Economic Development Authority,
  - Wisconsin Health Care Liability Insurance Plan, and
  - University of Wisconsin Hospitals and Clinics Authority.
  - Badger Tobacco Asset Securitization Corporation

  Complete financial statements of the individual component units can be obtained from their respective administrative offices. Addresses and other additional information about the State's component units are presented in Note 1-B to the financial statements.

The government-wide financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting, which is similar to the methods used by most businesses, takes into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid.

Fund Financial Statements

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

The State has three kinds of fund categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently.

- *Governmental Funds* – Most of the basic services provided by the State are financed through governmental funds. Governmental funds report information using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the State's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State. Because this information does not encompass the long-term focus of the government-wide statements, reconciliations are provided on the subsequent page of the governmental fund statements. The State has three major governmental funds -- the General Fund, the Transportation Fund, and the Tobacco Settlement Endowment Fund. Examples of non-major governmental funds include the Conservation Fund, the Bond Security and Redemption Fund, and the Capital Improvement Fund.

- *Proprietary Funds* – These funds are used to show activities that operate more like those of commercial enterprises. Fees are charged for services provided, both to outside customers and to other units of the State. Proprietary funds, like the government-wide statements, use the accrual basis of accounting. The State has five major proprietary funds -- the Patients Compensation Fund, the Environmental Improvement Fund, the Veterans Mortgage Loan Repayment Fund, the University of Wisconsin System and the Unemployment Insurance Reserve Fund. Examples of the State's non-major proprietary funds include the Lottery and the Health Insurance Fund.

- *Fiduciary Funds* – These funds are used to show assets held by the State as trustee or agent for others outside the State, such as the Wisconsin Retirement System and the Local Government Pooled Investment Fund. Similar to proprietary funds, these funds use the accrual basis of accounting. Because the State can not use these assets to finance its operations, fiduciary funds are not included in the government-wide financial statements discussed above.

Table 1, below, shows how the required parts of this financial report are arranged and relate to one another.

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

	GOVERNMENT-WIDE STATEMENTS	FUND STATEMENTS		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire State government (except fiduciary funds) and the State's component units	The activities of the State that are not proprietary or fiduciary. Governmental activities are primarily financed through taxes, intergovernmental revenues, and other nonexchange revenues. Examples of governmental funds include: • General • Transportation • Bond Security and Redemption • Capital Improvement • Common School	The activities the State operates similar to private business. Examples of proprietary funds include: • Enterprise funds: -- Patients Compensation -- Environmental Improvement -- University of Wisconsin System -- Lottery • Internal service funds: -- Technology Services -- Facilities Operations and Maintenance	Instances in which the State is the trustee or agent for someone else's resources. Examples of fiduciary funds include: • Wisconsin Retirement System • Local Government Pooled Investment • Unclaimed Property
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Balance sheet • Statement of revenues, expenses and changes in fund equity • Statement of cash flows	• Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resource focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	• Revenues for which cash is received during or soon after the end of the year • Expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Additional Required Supplementary Information

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

Other Supplementary Information

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

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

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

Net Assets

As presented in Table 2, total assets of the State on June 30, 2002 were $27.6 billion, while total liabilities were $13.8 billion, resulting in combined net assets (government and business-type activities) of $13.8 billion. The largest component of the State's total assets, $13.3 billion or approximately 96.4 percent, reflects its investment in capital assets (i.e., land, buildings, equipment, infrastructure, and others), less any related debt outstanding that was needed to acquire or construct the assets. Approximately $3.6 billion were restricted by external sources or the State Constitution, and were not available to finance the day-to-day operations of the State.

The unrestricted net assets, which, if positive, could be used at the State's discretion, showed a negative balance of $(3.1) billion. Therefore, no funds were available for discretionary purposes. A contributing factor to the negative balance is that governments recognize a liability on the government-wide statement of net assets as soon as an obligation is incurred. While financing focuses on when a liability will be paid, accounting is primarily concerned with when a liability is incurred. Accordingly, the State recognizes long-term liabilities (such as general obligation debt, compensated absences, employer pension related debt, and future benefits and loss liabilities – listed In Note 10 to the financial statements) on the statement of net assets. In addition to the effect of reporting long-term liabilities when incurred, the General Fund's total deficit fund balance of (1.5) billion at year-end, as discussed on Page 23, also contributed to the deficit unrestricted net assets reported in the statement of net assets.

Table 2
Net Assets
As of June 30, 2002
(in millions)

	Governmental Activities	Business-type Activities	Total Primary Government
Current and Other Assets	$ 5,188.7	$ 6,636.8	$ 11,825.6
Capital Assets	12,797.9	2,951.7	15,749.5
Total Assets	17,986.6	9,588.5	27,575.1
Long-term Debt Outstanding	4,750.1	2,594.6	7,344.7
Other Liabilities	5,584.2	844.6	6,428.8
Total Liabilities	10,334.3	3,439.2	13,773.5
Net Assets:			
Invested in Capital Assets			
Net of Related Debt	10,684.3	2,626.9	13,311.2
Restricted	551.0	3,038.8	3,589.8
Unrestricted (deficit)	(3,583.0)	483.5	(3,099.5)
Total Net Assets	$ 7,652.3	$ 6,149.3	$ 13,801.6

The State's general obligation bond indebtedness increased by $824.5 million for Fiscal Year 2002. These bonds were issued primarily for the acquisition or improvement of land, water, property, highways, buildings, equipment or facilities for public purposes, to fund a portion of outstanding general obligation commercial paper notes and extendible municipal commercial paper, and to fund veterans housing loans. Outstanding revenue bonds, which are not considered debt of the State, were $1.8 billion at June 30, 2002.

Changes in Net Assets

The revenues and expenses information, as shown in Table 3, was derived from the government-wide statement of activities and reflects how the State's net assets changed during the fiscal year. The State earned program revenues of $11.2 billion and general revenues of $12.4 billion for total revenues of $23.6 billion during Fiscal Year 2002. Expenses for the State during Fiscal Year 2002 were $24.4 billion. As a result of the excess of revenues over expenses, the total net assets of the State increased $.5 billion, net of contributions, transfers, and special items. (In Fiscal Year 2002, the sale of the rights to the tobacco settlement revenues was reported as a special item.)

Table 3
Changes in Net Assets
For Fiscal Year Ended June 30, 2002
(in millions)

	Governmental Activities	Business-type Activities	Total Primary Government
Program Revenues:			
Charges for Services	$ 1,098.1	$ 4,102.8	$ 5,201.0
Operating Grants and Contributions	4,933.8	297.1	5,230.9
Capital Grants and Contributions	669.1	61.8	730.9
General Revenues:			
Income Taxes	5,415.3	-	5,415.3
Sales and Use Taxes	4,048.7	-	4,048.7
Public Utility Taxes	244.0	-	244.0
Motor Fuel Taxes	892.2	-	892.2
Other Taxes	443.4	-	443.4
Other General Revenues	1,368.8	10.7	1,379.5
Total Revenues	19,113.5	4,472.4	23,585.9
Program Expenses:			
Commerce	194.9	-	194.9
Education	5,440.4	-	5,440.4
Transportation	1,714.2	-	1,714.2
Environmental Resources	532.0	-	532.0
Human Relations and Resources	7,997.4	-	7,997.4
General Executive	416.3	-	416.3
Judicial	107.0	-	107.0
Legislative	59.9	-	59.9
Tax Relief and Other General Expenses	1,916.6	-	1,916.6
Interest on Long-term Debt	297.6	-	297.6
Patients Compensation	-	72.9	72.9
Environmental Improvement	-	42.5	42.5
Veterans Mortgage Loan Repayment	-	53.9	53.9
University of Wisconsin System	-	2,935.2	2,935.2
Unemployment Insurance Reserve	-	1,071.8	1,071.8
Lottery	-	407.5	407.5
Health Insurance	-	655.8	655.8
Other Business-type	-	482.0	482.0
Total Expenses	18,676.3	5,721.6	24,397.9
Excess (deficiency) Before Special Items and Transfers	437.2	(1,249.3)	(812.0)
Contributions to Permanent Funds/Endowments	19.0	6.5	25.5
Transfers	(1,059.4)	1,059.4	-
Special Items	1,275.0	-	1,275.0
Increase (decrease) in Net Assets	671.8	(183.4)	488.4
Net Assets - Beginning Restated	6,980.5	6,332.7	13,313.2
Net Assets - Ending	$ 7,652.3	$ 6,149.3	$ 13,801.6

Governmental Activities

Total revenues for the governmental activities in Fiscal Year 2002 are $19.1 billion. The governmental activities program revenue is $6.7 billion, including $1.1 billion of charges for services. General revenues of the governmental activities is $12.4 billion, of which the largest components are individual and corporate income taxes of $5.4 billion and sales and use taxes of $4.0 billion. Motor fuel taxes contributed $.9 billion of general revenues while other taxes $.4 billion. Revenue from all tax types represents 57.8 percent of total governmental revenues earned during fiscal year 2002.

Governmental activities expenses were $18.7 billion, resulting in a net cost of governmental services of $12.0 billion. Education (excluding the University of Wisconsin System) represents 40.6 percent, human relations and resources accounts for 32.2 percent, and tax relief and other general expenses represents 15.5 percent of the total $12.0 billion of net cost of governmental services.

Table 4 presents the net cost of governmental activities. The net costs represent the difference between program revenues and expenses.

Table 4
Net Cost of Governmental Activities
For the Fiscal Year Ended June 30, 2002
(in millions)

	Net Cost of Services
Commerce	$ 17.1
Education	4,860.0
Transportation	532.3
Environmental Resources	301.2
Human Relations and Resources	3,851.5
General Executive	131.5
Judicial	65.1
Legislative	58.8
Tax Relief and Other General Expenses	1,862.0
Interest on Long-term Debt	295.6
Totals	$ 11,975.2

Business-Type Activities

Revenues of business-type activities totaled $4.5 billion for Fiscal Year 2002. These activities generated program revenues of $4.5 billion and general revenues of $.01 billion. The program revenues consisted of $4.1 billion of charges for services and $.3 billion of operating grants and contributions and .1 billion of capital grants and contributions. General revenues consisted solely of $.01 billion of other general revenues. The total expenses for business-type activities were $5.7 billion.

FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

Governmental Funds

At the end of Fiscal Year 2002, the State's governmental funds reported a combined fund balance of $(397.1) million. Funds with significant changes in fund balance are discussed below:

General Fund

The General Fund is the chief operating fund of the State. At the end of the Fiscal Year 2002, the State's General Fund reported $(1,484.3) million in its total fund balance. The total fund balance decreased $198.8 million from the previous year. A major factor contributing to this decrease was a reduction in individual income tax revenues from Fiscal Year 2001 to 2002, attributable to the general economic slowdown and income tax cuts. Other contributing factors include an increase in expenditures that relate to the general equalization assistance to the State's 426 school districts and an increase in expenditures to the state and federally funded Medical Assistance program for medical services to certain categories of low income persons.

At the end of the Fiscal Year 2002, the General Fund reported $(1,877.3) million in its "Unreserved" Fund Balance. This compares to a General Fund Unreserved Fund Balance of $(1,588.9) million as of June 30, 2001. An unreserved fund balance represents the excess of the assets of the General Fund over its liabilities and reserved fund balance accounts. Reservations of fund balances of governmental funds represent amounts that are not available for appropriation. Examples of fund balance reservations reported in the General Fund include reserves for encumbrances, inventories and prepaid items.

In order to provide additional revenues to balance the Fiscal Year 2002 budget, the State diverted $992.4 million in Fiscal Year 2002 from the Tobacco Settlement Endowment Fund, the balance in which had been created from the sale of a portion of the State's right to the Attorneys General Master Settlement Agreement of 1998 (discussed in Note 1-B to the financial statements). The remaining fund balance of Tobacco Settlement Endowment Fund of $283.8 million as of June 30, 2002 was depleted as of November 18, 2002.

Under an interpretation of federal law, the State has been able to be reimbursed with additional federal funds ($331.0 million in Fiscal Year 2002) for medical assistance programs. However, it is not certain that this revenue source will be available in future years.

As mentioned above, due to the economic slowdown, the State of Wisconsin, similar to other states, has and continues to experience a reduction in the growth of tax revenues. As a result, the state may be required to make significant changes in future budgets, which may reduce expenditures to recognize revenue shortfalls or examine alternative funding strategies.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were significant (a $2.7 billion increase in appropriations). This was due primarily to the fact that several of the State's largest programs (including Custody Accounts, Food Stamps and the majority of Interagency Aids – see *, below) are not included in the original budget. In addition, numerous adjustments to spending estimates were needed as the year progressed because of changing circumstances (spending needs can change dramatically over a one-year period). The largest variances incurred in the following programs (in millions):

Program	Variance
• UW System Principal Repayment and Interest	$ (50.1)
• UW System Academic Student Fees	64.4
• Medical Assistance Waiver Benefits	(55.5)
• Department of Health and Family Services Interagency Aids	970.7 *
• Federal Aid, Medical Assistance	115.5
• Department of Workforce Development Interagency and Intra-agency Aids	61.0 *
• Food Stamps	185.7 *
• Custody Accounts	969.9 *

Actual charges to appropriations (expenditures) were $1.3 billion below the final budgeted estimates. The most significant positive variances occurred in UW System Federal Aid – Special Projects ($56.9 million), Department of Health and Family Services Federal Aid, Medical Assistance ($80.4 million), and Economic Support – Aids to Individuals ($52.5 million).

During the past fiscal year the budgetary-based fund balance decreased for the General Fund, primarily due to a planned spend down of the General Fund surplus and a shortfall in tax revenues of $189.5 million. This shortfall in tax receipts was indicative of the general downturn in economic conditions nation-wide.

Tobacco Settlement Endowment Fund

The Tobacco Settlement Endowment Fund accounts for all of the proceeds from the sale of the State's right to receive payments under the Attorneys General Master Tobacco Settlement of 1998 and all investment earnings on the proceeds. The revenues of this fund generated by the proceeds totaled $1,275.0 million for Fiscal Year 2002. A transfer out of the Tobacco Settlement Endowment Fund to the General Fund, totaling $992.4 million in Fiscal Year 2002, represents the Tobacco Settlement Endowment Fund portion to be applied to the municipal and county shared revenue program payment, as well as other General Fund programs.

Proprietary Funds

The State's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Significant changes to revenues or expenses of proprietary funds from Fiscal Year 2001 to Fiscal Year 2002 include the following:

- Due to the increasing unemployment in the State, the Unemployment Insurance Reserve benefit expenses increased from $698.1 million in Fiscal Year 2001 to $1,071.7 million in Fiscal Year 2002.

- In Fiscal Year 2002, the Health Insurance Fund's revenues increased to $671.5 million and expenses increased to $655.8 million, reflecting a $112.5 million and $94.3 million increase, respectively, due to the rising cost of health insurance premiums paid to health insurance providers.

Fiduciary Funds

At June 30, 2002, assets held in trust for pension and other employee benefits totaled $56.0 billion, which represents a $5.3 billion reduction (8.6 percent) from June 30, 2001. This change reflects a decline in investments of the pension and other employee benefit trusts of $5.4 billion or 9.1 percent from the previous year. This decline results primarily from the net depreciation in the fair value of investments.

ENTITY-WIDE CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the close of Fiscal Year 2002, the State had $15.7 billion invested in capital assets, net of accumulated depreciation of $2.5 billion. This represents an increase of $811.6 million, or 5.4 percent, from Fiscal Year 2001. Depreciation charges totaled $90.0 million and $122.5 million for governmental and business-type activities, respectively, in Fiscal Year 2002. The details of these assets are presented in Table 5, below. Additional information about the State's capital assets is presented in Note 7 to the financial statements.

Table 5
Capital Assets, Net of Depreciation, as of June 30, 2002
(in millions)

	Governmental Activities	Business Type Activities	Total
Land	$ 1,149	$ 109	$ 1,258
Buildings and Improvements	1,203	1,673	2,876
Machinery and Equipment	286	1,160	1,446
Infrastructure	9,206		9,206
Construction in Progress	955	10	965
Totals	$ 12,798	$ 2,952	$ 15,750

The major capital asset additions completed during Fiscal Year 2002 included the Stanley Correctional Facility ($84.6 million expended) and the Justice Center and Law Library ($42.2 million expended). In addition to these completed projects, construction in progress as of June 30, 2002 for governmental and business-type activities totaled $109.4 million and $211.7 million, respectively. A list of construction in progress projects is provided in Note 7. The State's proposed major capital projects for Fiscal Year 2003 include the Biotech Incubator - Medical College of Wisconsin in Milwaukee (estimated budget of $83 million).

Debt Administration

The State of Wisconsin Building Commission, an agency of the State, is empowered by law to consider, act upon, authorize, issue and sell all debt obligations of the State. The total general obligation debt outstanding for the State as of June 30, 2002 was $3.9 billion, as shown in Table 6.

During Fiscal Year 2002, $824.5 million of these general obligation bonds were issued to provide for the acquisition or improvement of land, water, property, highways, buildings, equipment, or facilities for public purposes, refund current outstanding bonds, and to fund a portion of outstanding extendible municipal commercial paper. Further, $55.0 million of general obligation bonds were issued for veterans housing loans.

Chapter 18 of the Wisconsin Statutes authorizes the State to issue revenue obligations. These obligations, which are not debt of the State, are secured by a pledge of revenues or property derived from the operations of a program funded by the issuance of the obligations. Revenue bonds of the primary government totaled $1.8 billion outstanding at June 30, 2002, as shown in Table 6. These bonds included $965.3 million of Transportation Revenue Bonds, $199.8 million of Petroleum Inspection Revenue Bonds, and $659.5 million of Environmental Improvement Revenue Bonds.

Table 6
Outstanding Debt as of June 30, 2002
(in millions)

	Governmental Activities	Business-Type Activities	Total
General obligation bonds and notes	$ 2,962.6	$ 996.2	$ 3,958.8
Revenue bonds and notes	1,165.1	659.5	1,824.6
Totals	$ 4,127.7	$ 1,655.7	$ 5,783.4

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

At June 30, 2002, State of Wisconsin fixed bonds had a rating of Aa3 from Moody's Investors Services, AA- from Standard and Poor's Corporation, and AA from Fitch Investors Service, L.P. Variable bonds had a rating of P-1 from Moody's, A-1 from Standard and Poor's Corporation, and F-1 from Fitch Investors Services, L.P.

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

INFRASTRUCTURE -- MODIFIED APPROACH

The State reports infrastructure (i.e., roads, bridges, and buildings considered an ancillary part of roads) as capital assets. The State has elected to report its infrastructure assets (11,200 miles of roads and 4,900 bridges with a combined value of $9.2 billion), using the modified approach. Under this method, infrastructure assets are not required to be depreciated if the State manages its eligible infrastructure assets using an asset management system designed to maintain and preserve these assets at a condition level established and disclosed by the State.

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

In order to adequately serve the traveling public and support the State economy, it is the State's policy to ensure at least 85 percent of the state-owned roads and bridges are in good or fair condition. As of June 30, 2002, 95.4 percent of the roads and 92.4 percent of bridges were in good or fair condition, consistent with State policies.

For the fiscal year ended June 30, 2002, actual maintenance and preservation costs for the State's road network were $437.6 million, or $33.1 million less than the estimated amount. On that same date, actual maintenance and preservation costs for the State's bridge network were $38.4 million, or $4.8 million more than the estimated amount. The State of Wisconsin, Department of Transportation's multi-year budgeting process, allowing encumbrances to carry forward, makes a comparison of actual to estimated amounts difficult since expenditures for the current year may have been budgeted and committed to a project in prior years.

ECONOMIC FACTORS

In calendar year 2001, the Wisconsin economy reflected the national recession. After averaging 2% growth annually from 1991 to 2000, Wisconsin's employment growth halted in 2001. Non-farm employment declined 6,000 jobs or –0.2% from 2000. Unemployment averaged 4.5% of the labor force. However, it increased steadily over the course of the year from 4.1% in January to 4.9% in December. Job losses were concentrating in manufacturing, down 4.5% and construction, down 1.4%.

Personal income growth weakened with the employment losses. Personal income growth slowed throughout 2001. On the year income growth averaged 3.4% compared to 6.3% in 2000. Income growth slowed throughout the year, from 4.9% in the first quarter to 2.0% in the fourth quarter.

In 2002, the Wisconsin economy recovery preceded the national recovery. Employment began increasing again in March. By September non-farm employment was 0.5% ahead of a year ago. The unemployment rate peaked in February at 5.8% but then decreased steadily to 5.1% in September. Growth in services, finance and construction are more than offsetting losses in manufacturing, utilities and government.

Personal income growth began accelerating. From the 2.0% at the end of 2001, income growth had increased to 3.3% by second quarter 2002.

Wisconsin's property values were insulated from the recession. Real property values increased significantly in 2001 and 2002. Total values increased 9.2% in 2001 and 7.5% in 2002. Commercial, manufacturing and residential real estate all increased significantly in both years. In 2001, $7.5 billion in new construction was added to real property in Wisconsin up from $7.1 billion in 2000.

Inflation in Wisconsin has been modest. As measured by the Milwaukee-Racine CSA consumer price index, inflation in 2001 dropped to 1.6% from a year earlier. In the first half of 2002, inflation has dropped to 0.6%.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

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

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

* * * *

Statement of Net Assets
June 30, 2002

(In Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
Assets				
Cash and Cash Equivalents	$ 2,116,327	$ 2,912,543	$ 5,028,870	$ 187,444
Investments	155,378	1,209,868	1,365,246	592,187
Receivables (net)	2,383,615	2,306,596	4,690,211	1,994,812
Internal Balances	37,420	(37,420)	-	-
Inventories	48,080	35,687	83,767	7,524
Prepaid Items	388,603	103,741	492,344	3,538
Capital Leases Receivable -				
Component Units	-	25,772	25,772	-
Restricted and Limited Use Assets:				
Cash and Cash Equivalents	30,444	58,903	89,347	162,424
Investments	3	-	3	496,600
Other Receivables	-	-	-	212
Deferred Charges	28,545	11,126	39,671	29,065
Capital Assets:				
Depreciable	1,552,765	2,835,493	4,388,257	222,094
Nondepreciable:				
Infrastructure	9,205,713	-	9,205,713	-
Other	2,039,406	116,159	2,155,565	-
Other Assets	332	9,998	10,330	19,095
Total Assets	17,986,631	9,588,466	27,575,097	3,714,995
Liabilities				
Accounts Payable and Other				
Accrued Liabilities	4,350,040	385,095	4,735,135	146,456
Tax and Other Deposits	37,389	14,323	51,712	100,872
Deferred Revenue	341,298	173,874	515,172	524
Short-term Notes Payable	544,191	17,530	561,721	-
Long-term Liabilities:				
Current Portion	311,296	253,792	565,088	222,143
Noncurrent Portion	4,750,096	2,594,560	7,344,656	3,869,986
Total Liabilities	10,334,311	3,439,174	13,773,485	4,339,980
Net Assets				
Invested in Capital Assets, Net of Related Debt	10,684,294	2,626,925	13,311,219	67,550
Restricted for:				
Transportation Programs	8,611	-	8,611	-
Debt Service	20,484	-	20,484	-
Unemployment Compensation	-	1,586,218	1,586,218	-
Environmental Improvement	-	829,343	829,343	-
Permanent Trusts:				
Expendable	1,383	185,734	187,118	-
Nonexpendable	509,828	112,382	622,210	-
Other Purposes	10,706	325,155	335,862	467,586
Unrestricted	(3,582,988)	483,535	(3,099,453)	(1,160,121)
Total Net Assets	$ 7,652,320	$ 6,149,292	$ 13,801,612	$ (624,985)

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

Statement of Activities
For the Fiscal Year Ended June 30, 2002

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Commerce	$ 194,927	$ 145,118	$ 32,728	$ -
Education	5,440,440	20,187	560,241	-
Transportation	1,714,215	439,574	93,625	648,688
Environmental Resources	531,983	171,185	55,933	3,632
Human Relations and Resources	7,997,351	114,293	4,014,744	16,808
General Executive	416,294	158,693	126,081	-
Judicial	106,954	41,494	317	-
Legislative	59,948	1,139	4	-
Tax Relief and Other General Expenses	820,618	4,534	50,106	-
Intergovernmental	1,095,991	-	-	-
Interest on Debt	297,572	1,930	-	-
Total Governmental Activities	18,676,293	1,098,149	4,933,780	669,128
Business-type Activities:				
Patients Compensation	72,923	51,271	-	-
Environmental Improvement	42,491	32,629	41,608	-
Veterans Mortgage Loan Repayment	53,888	46,296	-	-
University of Wisconsin System	2,935,234	1,756,157	153,550	60,418
Unemployment Insurance Reserve	1,071,756	744,891	101,326	-
Lottery	407,537	427,666	-	-
Health Insurance	655,833	671,545	-	-
Other Business-type	481,986	372,359	602	1,358
Total Business-type Activities	5,721,648	4,102,813	297,085	61,776
Total Primary Government	$ 24,397,940	$ 5,200,961	$ 5,230,865	$ 730,904
Component Units:				
Housing and Economic Development Authority	274,536	149,795	123,120	-
Health Care Liability Insurance Plan	19,650	13,991	-	-
University Hospitals and Clinics Authority	482,263	502,564	-	-
Badger Tobacco Asset Securitization Corporation	1,277,242	-	-	-
Total Component Units	$ 2,053,691	$ 666,350	$ 123,120	$ 0

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

Contributions to Term and Permanent Endowments
Contributions to Permanent Fund Principal
Special Items - Tobacco Settlement Sale
Transfers

Total General Revenues

Change in Net Assets
Net Assets - Beginning

Net Assets - Ending

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

(In Thousands)

Governmental Activities (Primary Government)	Business-Type Activities (Primary Government)	Total (Primary Government)	Component Units
Net (Expense) Revenue and Changes in Net Assets			
$ (17,080)	$ -	$ (17,080)	
(4,860,011)	-	(4,860,011)	
(532,328)	-	(532,328)	
(301,233)	-	(301,233)	
(3,851,506)	-	(3,851,506)	
(131,520)	-	(131,520)	
(65,143)	-	(65,143)	
(58,804)	-	(58,804)	
(765,978)	-	(765,978)	
(1,095,991)	-	(1,095,991)	
(295,641)	-	(295,641)	
(11,975,237)		(11,975,237)	
-	(21,653)	(21,653)	
-	31,745	31,745	
-	(7,593)	(7,593)	
-	(965,109)	(965,109)	
-	(225,539)	(225,539)	
-	20,129	20,129	
-	15,712	15,712	
-	(107,667)	(107,667)	
-	(1,259,974)	(1,259,974)	
(11,975,237)	(1,259,974)	(13,235,210)	
			$ (1,621)
			(5,659)
			20,301
			(1,277,242)
			(1,264,221)
5,415,337	-	5,415,337	-
4,048,716	-	4,048,716	-
243,970	-	243,970	-
254,106	-	254,106	-
892,162	-	892,162	-
189,343	-	189,343	-
29,019	10,668	39,687	30,912
1,339,812	29	1,339,841	-
-	6,482	6,482	-
18,973	-	18,973	-
1,275,002	-	1,275,002	-
(1,059,422)	1,059,422	-	-
12,647,018	1,076,600	13,723,618	30,912
671,781	(183,373)	488,407	(1,233,309)
6,980,539	6,332,665	13,313,204	608,324
$ 7,652,320	$ 6,149,292	$ 13,801,612	$ (624,985)

Balance Sheet - Governmental Funds
June 30, 2002

(In Thousands)

	General	Transportation	Tobacco Settlement Endowment	Nonmajor Governmental	Total Governmental
Assets					
Cash and Cash Equivalents	$ 9,342	$ 318,749	$ 826,155	$ 921,092	$ 2,075,338
Investments	883	-	-	154,495	155,378
Receivables (net of estimated uncollectible accounts):					
Taxes	1,115,043	92,810	-	23,264	1,231,117
Loans to Local Governments	16,947	-	-	220,281	237,228
Other Receivables	172,495	5,703	-	25,091	203,290
Due from Other Funds	760,935	32,414	-	72,383	865,733
Due from Component Units	7	-	-	-	7
Interfund Receivables	-	410	-	-	410
Due from Other Governments	557,678	99,437	-	11,885	669,000
Inventories	12,474	21,517	-	2,607	36,598
Prepaid Items	345,401	2,516	-	11,529	359,447
Advances to Other Funds	-	-	-	3,000	3,000
Other Assets	-	-	-	332	332
Restricted Assets:					
Cash and Cash Equivalents	-	-	-	30,444	30,444
Investments	3	-	-	-	3
Total Assets	$ 2,991,209	$ 573,556	$ 826,155	$ 1,476,403	$ 5,867,323
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Accrued Liabilities	$ 570,727	$ 112,531	$ -	$ 280,154	$ 963,412
Due to Other Funds	132,483	36,997	542,361	126,575	838,416
Due to Component Units	798	-	-	-	798
Interfund Payables	757,440	-	-	6,205	763,645
Due to Other Governments	1,489,696	53,893	-	23,074	1,566,662
Tax Refunds Payable	888,537	4,533	-	666	893,737
Tax and Other Deposits	30,413	533	-	6,443	37,389
Deferred Revenue	605,449	8,738	-	9,356	623,543
Interest Payable	-	-	-	31,029	31,029
Advances from Other Funds	-	-	-	5,008	5,008
Short Term Notes Payable	-	-	-	491,170	491,170
General Obligations Bonds Payable	-	-	-	100	100
Revenue Bonds and Notes Payable	-	-	-	49,555	49,555
Total Liabilities	4,475,542	217,226	542,361	1,029,334	6,264,463
Fund Balances:					
Reserved for Encumbrances	186,554	541,425	-	212,615	940,594
Reserved for Inventories	12,474	21,517	-	2,607	36,598
Reserved for Prepaid Items	193,967	2,516	-	11,529	208,013
Reserved for Restricted Funds	-	-	-	871	871
Reserved for Long-term Receivables	-	-	-	186,463	186,463
Reserved for Advances to Other Funds	-	-	-	3,000	3,000
Unreserved, Reported In:					
General Fund	(1,877,328)	-	-	-	(1,877,328)
Special Revenue Funds	-	(209,128)	283,794	196,656	271,321
Capital Projects Funds	-	-	-	(511,890)	(511,890)
Debt Service Funds	-	-	-	20,484	20,484
Permanent Funds	-	-	-	324,733	324,733
Total Fund Balances	(1,484,333)	356,330	283,794	447,068	(397,140)
Total Liabilities and Fund Balances	$ 2,991,209	$ 573,556	$ 826,155	$ 1,476,403	$ 5,867,323

(Continued)

Balance Sheet - Governmental Funds
June 30, 2002

(Continued)

		Total Governmental
Reconciliation to the Statement of Net Assets:		
Total Fund Balances from previous page	$	(397,140)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Infrastructure		9,205,713
Other Capital Assets		3,811,135
Accumulated Depreciation		(537,298)
Other long-term assets that are not available to pay for current period expenditures and, therefore, are deferred in the funds.		31,954
Some of the State's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.		284,618
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		8,814
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Revenue Bonds Payable		(1,115,506)
General Obligation Bonds Payable		(2,802,608)
Accrued Interest on Bonds		(23,874)
Capital Leases		(14,432)
Installment Contracts		(1,249)
Compensated Absences		(88,832)
Claims and Judgments		(1,972)
Employer Pension Related Debt Costs		(707,003)
Net Assets of Governmental Activities as reported on the Statement of Net Assets (See page 31)	$	7,652,320

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

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2002

(In Thousands)

	General	Transportation	Tobacco Settlement Endowment	Nonmajor Governmental	Total Governmental
Revenues:					
Taxes	$ 9,970,736	$ 890,760	$ -	$ 189,162	$ 11,050,658
Intergovernmental	4,730,673	742,522	-	36,638	5,509,834
Licenses and Permits	219,286	331,677	-	304,129	855,093
Charges for Goods and Services	191,771	16,232	-	16,062	224,066
Investment and Interest Income	7,166	4,662	1,152	32,582	45,562
Fines and Forfeitures	28,246	516	-	26,630	55,392
Gifts and Donations	27,308	-	-	10,780	38,087
Other Revenues:					
Intergovernmental Transfer	969,886	-	-	-	969,886
Tobacco Settlement	156,215	-	1,275,002	-	1,431,218
Other	147,418	14,627	-	4,525	166,569
Total Revenues	16,448,706	2,000,997	1,276,155	620,508	20,346,366
Expenditures:					
Current Operating:					
Commerce	168,947	-	-	29,344	198,291
Education	5,372,975	-	-	44,161	5,417,136
Transportation	5,032	1,648,894	-	10,235	1,664,161
Environmental Resources	120,027	-	-	408,672	528,699
Human Relations and Resources	7,732,733	-	-	225,041	7,957,774
General Executive	386,783	-	-	56,155	442,938
Judicial	102,736	-	-	332	103,069
Legislative	61,989	-	-	-	61,989
Tax Relief and Other General Expenditures	804,558	-	-	18,093	822,650
Intergovernmental	1,095,991	-	-	-	1,095,991
Debt Service:					
Principal	-	-	-	173,247	173,247
Interest and Other Charges	-	-	-	209,851	209,851
Capital Outlay	29,974	313,222	-	326,509	669,704
Total Expenditures	15,881,746	1,962,116	-	1,501,639	19,345,501
Excess of Revenues Over (Under) Expenditures	566,960	38,881	1,276,155	(881,131)	1,000,865
Other Financing Sources (Uses):					
Long-term Debt Issued	-	-	-	529,649	529,649
Long-term Debt Issued - Refunding Bonds	-	-	-	596,332	596,332
Payments to Refunding Bond Escrow Agent	-	-	-	(631,477)	(631,477)
Premium/Discount on Bonds	-	-	-	60,247	60,247
Transfers In	1,122,764	134	-	944,201	2,067,099
Transfers Out	(1,893,081)	(34,671)	(992,361)	(215,502)	(3,135,615)
Transfers to Component Units	(176)	-	-	-	(176)
Installment Purchase Acquisitions	41	-	-	1,175	1,216
Capital Leases Acquisitions	4,669	1,261	-	109	6,039
Total Other Financing Sources (Uses)	(765,782)	(33,276)	(992,361)	1,284,735	(506,685)
Net Change in Fund Balances	(198,822)	5,605	283,794	403,604	494,180
Fund Balances, Beginning of Year	(1,285,537)	344,484	-	42,610	(898,443)
Increase (Decrease) in Reserve for Inventories	26	6,242	-	854	7,123
Fund Balances, End of Year	$ (1,484,333)	$ 356,330	$ 283,794	$ 447,068	$ (397,140)

(Continued)

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2002

(Continued)

		Total Governmental
Reconciliation to the Statement of Activities:		
Total Net Change in Fund Balances from previous page	$	494,180
Inventories, which are recorded under the purchases method for governmental fund reporting, are reported under the consumption approach on the Statement of Activities. As a result of this change, the Increase (Decrease) in Reserve for Inventories on the fund statement has been reclassified as functional expenses on the government-wide statement.		7,123
Repayment of bond principal is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Assets.		173,247
Governmental funds report the acquisition or construction of capital assets as expenditures, while governmental activities report depreciation expense to allocate the cost of these assets over their estimated useful life. Donated assets are set up at fair value with a corresponding amount of revenue recognized. In the current period, these amounts are:		
Capital Outlay/Functional Expenditures		671,994
Depreciation Expense		(63,741)
Grants and Contributions (Donated Assets)		3,832
Transfers of capital assets between governmental and business-type activities results in the movement of those assets on the Statement of Net Assets and corresponding recognition of the related transfer in/out on the Statement of Activities.		2,466
In the Statement of Activities, only the gain on the sale of capital assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.		(69,192)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		44,545
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.		
Bonds Issued		(1,125,982)
Payments to Refunding Bond Escrow Agent		631,477
Bond Premium		(60,247)
Bond Issuance Costs		7,474
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Net increase in accrued interest		(28,561)
Increase in Capital Leases		976
Decrease in Installment Contracts		(145)
Increase in Compensated Absences		(2,349)
Increase in Claims and Judgments		(188)
Increase in Employer Pension Related Debt Costs		(17,472)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.		2,345
Changes in Net Assets of Governmental Activities as reported on the Statement of Activities (See page 33)	$	671,781

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

Balance Sheet
Proprietary Funds
June 30, 2002

(In Thousands)

	Business-type Activities		
	Patients Compensation	Environmental Improvement	Veterans Mortgage Loan Repayment
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 17,168	$ 244,688	$ 145,974
Investments	77,094	31,035	-
Receivables (net of estimated uncollectible accounts):			
Loans Receivable	-	68,490	20,241
Other Receivables	10,696	330	4,860
Due from Other Funds	14	253	8
Due from Component Units	14	-	-
Interfund Receivables	-	-	-
Due from Other Governments	-	5,825	-
Inventories	1	-	-
Prepaid Items	6	4	47
Capital Leases Receivable - Component Units	-	-	-
Deferred Charges	-	-	101
Other Assets	-	-	-
Total Current Assets	104,994	350,624	171,232
Noncurrent Assets:			
Investments	483,813	101,405	-
Receivables (net of estimated uncollectible accounts):			
Loans Receivable	-	1,014,833	614,413
Prepaid Items	-	-	-
Advances to Other Funds	-	-	-
Restricted and Limited Use Assets:			
Cash and Cash Equivalents	-	58,903	-
Deferred Charges	-	2,889	4,759
Capital Assets (net of accumulated depreciation)	16	1	134
Other Assets	-	-	563
Total Noncurrent Assets	483,830	1,178,031	619,869
Total Assets	$ 588,823	$ 1,528,655	$ 791,101
Liabilities and Fund Equity			
Current Liabilities:			
Accounts Payable and Other Accrued Liabilities	$ 390	$ 82	$ 7,951
Due to Other Funds	21	1,645	1,283
Due to Component Units	-	-	-
Interfund Payables	-	-	-
Due to Other Governments	-	-	-
Tax and Other Deposits	-	-	2
Advances from Other Funds	-	-	-
Deferred Revenue	1,644	-	124
Interest Payable	-	2,982	6,823
Short Term Notes Payable	-	-	-
Current Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	54,330	-	-
Compensated Absences	8	65	98
Capital Leases	-	-	-
General Obligation Bonds Payable	-	-	29,520
Revenue Bonds and Note Payable	-	35,410	-
Total Current Liabilities	56,392	40,183	45,803
Noncurrent Liabilities:			
Accounts Payable and Other Accrued Liabilities	-	-	-
Due to Other Governments	-	2,673	-
Tax and Other Deposits	-	-	-
Deferred Revenue	-	-	194
Noncurrent Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	525,811	-	-
Compensated Absences	16	26	144
Capital Leases	-	-	-
General Obligation Bonds Payable	-	-	668,349
Revenue Bonds and Notes Payable	-	624,041	-
Total Noncurrent Liabilities	525,827	626,740	668,687
Total Liabilities	582,219	666,923	714,489
Fund Equity:			
Invested in Capital Assets, Net of Related Debt	-	-	134
Restricted for Unemployment Compensation	-	-	-
Restricted for Environmental Improvement	-	829,343	-
Restricted for Expendable Trusts	-	-	-
Restricted for Nonexpendable Trusts	-	-	-
Restricted for Future Benefits	6,604	-	-
Restricted for Market Value Adjustments	-	-	-
Restricted for Other Purposes	-	-	-
Unrestricted	-	32,388	76,477
Total Fund Equity	6,604	861,732	76,611
Total Liabilities and Fund Equity	$ 588,823	$ 1,528,655	$ 791,101

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

Business-type Activities				Governmental Activities - Internal Services Funds
University of Wisconsin System	Unemployment Insurance Reserve	Nonmajor Enterprise	Totals	
$ 486,701	$ 1,463,986	$ 554,025	$ 2,912,543	$ 40,989
1,062	-	16,507	125,697	-
25,856	-	8,433	123,020	-
61,406	134,421	31,724	243,437	624
41,063	418	12,843	54,598	37,874
1,968	-	-	1,982	112
-	-	5,795	5,795	-
75,294	9,288	3,483	93,890	73
28,190	-	7,496	35,687	8,216
21,313	-	82,371	103,741	10,278
25,772	-	-	25,772	-
2,668	-	-	2,769	1
-	130	-	130	-
771,293	1,608,242	722,676	3,729,061	98,166
286,043	-	212,909	1,084,171	-
152,094	-	62,862	1,844,203	-
-	-	-	-	18,879
-	-	-	-	3,008
-	-	-	58,903	-
-	-	710	8,357	752
2,804,799	-	146,702	2,951,652	318,333
-	-	9,305	9,868	-
3,242,936	-	432,488	5,957,154	340,972
$ 4,014,229	$ 1,608,242	$ 1,155,164	$ 9,686,215	$ 439,138
$ 140,595	$ 14,810	$ 53,735	$ 217,563	$ 22,645
45,869	2,496	46,307	97,621	10,781
1,775	-	-	1,775	-
-	-	6,196	6,196	45,405
18,792	4,718	36	23,546	176
1,590	-	199	1,791	-
1,000	-	-	1,000	-
106,036	-	65,877	173,680	2,373
2,362	-	214	12,382	1,887
15,572	-	1,958	17,530	53,021
-	-	71,000	125,330	-
42,121	-	3,131	45,422	1,003
4,184	-	239	4,423	3,092
13,616	-	70	43,206	8,345
-	-	-	35,410	-
393,511	22,024	248,962	806,876	148,728
-	-	115,037	115,037	13,394
-	-	-	2,673	-
-	-	12,532	12,532	-
-	-	-	194	5,558
-	-	426,327	952,138	111,822
28,039	-	3,768	31,994	1,172
31,957	-	1,399	33,356	3,165
260,698	-	23,984	953,031	151,535
-	-	-	624,041	-
320,694	-	583,049	2,724,997	286,647
714,205	22,024	832,011	3,531,872	435,375
2,513,464	-	113,327	2,626,925	52,766
-	1,586,218	-	1,586,218	-
-	-	-	829,343	-
185,734	-	-	185,734	-
112,382	-	-	112,382	-
-	-	28,147	34,751	-
-	-	7,169	7,169	-
219,612	-	63,610	283,222	-
268,832	-	110,901	488,598	(49,002)
3,300,024	1,586,218	323,153	6,154,343	3,763
$ 4,014,229	$ 1,608,242	$ 1,155,164	$ 9,686,215	$ 439,138

Total Fund Equity Reported Above	$ 6,154,343
Adjustment to Reflect the Consolidation of Internal Service Activities Related to Enterprise Funds	(5,050)
Net Assets of Business-type Activities	$ 6,149,293

Statement of Revenues, Expenses, and Changes in Fund Equity - Proprietary Funds For the Fiscal Year Ended June 30, 2002

(In Thousands)

	Business-type Activities		
	Patients Compensation	Environmental Improvement	Veterans Mortgage Loan Repayment
Operating Revenues:			
Charges for Goods and Services	$ 29,572	$ -	$ -
Participant Contributions	-	-	-
Tuition and Fees	-	-	-
Federal Appropriations	-	-	-
Federal Grants and Contracts	-	-	-
State Grants and Contracts	-	-	-
Local Grants and Contracts	-	-	-
Private Gifts, Grants and Contracts	-	-	-
Sales and Services of Educational Activities	-	-	-
Sales and Services of Auxiliary Enterprises	-	-	-
Sales and Services to UW Hospital Authority	-	-	-
Investment and Interest Income	20,988	32,605	46,296
Other Income:			
Federal Aid for Unemployment Insurance Program	-	-	-
Reimbursing Financing Revenue	-	-	-
Other	-	23	-
Total Operating Revenues	50,560	32,629	46,296
Operating Expenses:			
Personal Services	461	3,465	3,446
Supplies and Services	352	1,896	820
Lottery Prize Awards	-	-	-
Scholarships and Fellowships	-	-	-
Depreciation	6	1	40
Benefit Expense	72,120	-	-
Interest Expense	-	32,426	46,104
Other Expenses	-	-	3,086
Total Operating Expenses	72,940	37,789	53,497
Operating Income (Loss)	(22,380)	(5,160)	(7,201)
Nonoperating Revenues (Expenses):			
Operating Grants	-	23,460	-
Investment and Interest Income	-	18,628	3,633
Gain (Loss) on Disposal of Fixed Assets	-	-	-
Interest Expense	-	-	-
Gifts	-	-	-
Other Revenues	711	-	-
Other Expenses:			
Property Tax Credits	-	-	-
Grants Disbursed	-	(4,707)	-
Other	-	-	(452)
Total Nonoperating Revenues (Expenses)	711	37,381	3,181
Income (Loss) Before Contributions and Transfers	(21,669)	32,221	(4,021)
Capital Contributions	-	-	-
Additions to Endowments	-	-	-
Transfers In	-	15,085	-
Transfers Out	-	(10,200)	(224)
Net Change in Fund Equity	(21,669)	37,106	(4,244)
Total Fund Equity-Beginning of Year	28,273	824,625	80,856
Total Fund Equity-End of Year	$ 6,604	$ 861,732	$ 76,611

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

University of Wisconsin System	Unemployment Insurance Reserve	Nonmajor Enterprise	Totals	Governmental Activities - Internal Services Funds
Business-type Activities				
$ -	$ -	$ 763,371	$ 792,943	$ 233,361
-	432,003	717,492	1,149,494	-
514,187	-	-	514,187	-
16,340	-	-	16,340	-
465,205	-	-	465,205	-
24,419	-	-	24,419	-
11,607	-	-	11,607	-
94,212	-	-	94,212	-
190,155	-	-	190,155	-
235,985	-	-	235,985	-
32,501	-	-	32,501	-
-	98,999	(11,213)	187,675	5
-	101,326	-	101,326	-
-	42,819	-	42,819	-
162,318	4,856	146	167,343	9,091
1,746,929	680,003	1,469,795	4,026,211	242,456
2,047,524	-	224,010	2,278,907	44,309
709,024	-	717,451	1,429,543	139,368
-	-	242,056	242,056	-
51,777	-	-	51,777	-
112,179	-	10,307	122,534	23,164
-	1,071,756	235,685	1,379,561	29,540
-	-	577	79,107	-
5,322	-	10,026	18,434	10
2,925,826	1,071,756	1,440,113	5,601,919	236,391
(1,178,897)	(391,753)	29,683	(1,575,709)	6,065
-	-	602	24,062	844
(12,684)	-	5,925	15,502	349
(16,287)	-	(123)	(16,410)	572
(8,925)	-	(1,294)	(10,220)	(10,674)
166,861	-	-	166,861	-
9,228	166,214	1,777	177,930	543
-	-	(101,267)	(101,267)	-
-	-	-	(4,707)	-
(395)	-	(4,998)	(5,845)	-
137,799	166,214	(99,379)	245,907	(8,366)
(1,041,098)	(225,539)	(69,696)	(1,329,802)	(2,300)
60,418	-	1,358	61,776	-
6,482	-	-	6,482	-
1,042,075	-	67,605	1,124,766	12,286
(7,921)	-	(29,967)	(48,311)	(12,691)
59,957	(225,539)	(30,700)	(185,089)	(2,705)
3,240,068	1,811,756	353,853	6,339,432	6,469
$ 3,300,024	$ 1,586,218	$ 323,153	$ 6,154,343	$ 3,763

Total Net Change in Fund Equity Reported Above	$ (185,089)
Consolidation Adjustment of Internal Services Activities Related to Enterprise Funds	1,716
Change in Net Assets of Business-Type Activities	$ (183,373)

Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2002

(In Thousands)

	Business-type Activities		
	Patients Compensation	Environmental Improvement	Veterans Mortgage Loan Repayment
Cash Flows from Operating Activities:			
Cash Receipts from Customers	$ 29,595	$ -	$ -
Cash Payments to Suppliers for Goods and Services	(464)	(2,316)	(629)
Cash Payments to Employees for Services	(445)	(4,138)	(3,474)
Tuition and Fees	-	-	-
Research Grants and Contracts	-	-	-
Cash Payments for Lottery Prizes	-	-	-
Cash Payments for Loans Originated	-	-	(64,401)
Collection of Loans	-	-	143,835
Interest Income	-	-	46,527
Cash Payments for Benefits	(39,469)	-	-
Sales and Services of Educational Activities	-	-	-
Sales and Services of Auxiliary Enterprises	-	-	-
Sales and Services of Hospitals	-	-	-
Scholarships and Fellowships	-	-	-
Other Operating Revenues	-	23	-
Other Operating Expenses	-	-	(3,102)
Other Sources of Cash	711	-	-
Other Uses of Cash	-	-	-
Net Cash Provided (Used) by Operating Activities	(10,072)	(6,431)	118,757
Cash Flows from Noncapital Financing Activities:			
Operating Grants Receipts	-	23,617	-
Grants for Loans to Governments	-	-	-
Grants Disbursed	-	(4,707)	(380)
Proceeds from Issuance of Long-term Debt	-	102,495	54,789
Retirement of Long-term Debt	-	(30,975)	(139,298)
Interest Payments	-	(32,162)	(46,935)
Property Tax Credits	-	-	-
Noncapital Gifts and Grants	-	-	-
Interfund Loans Received	-	-	-
Interfund Loans Repaid	-	-	-
Repayment of Interfund Borrowings to Other Funds	-	-	-
Transfers In	-	15,085	-
Transfers Out	-	(10,200)	(224)
Student Direct Lending Receipts	-	-	-
Student Direct Lending Disbursements	-	-	-
Other Cash Inflows from Noncapital Financing Activities	-	-	-
Other Cash Outflows from Noncapital Financing Activities: Other	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	-	63,153	(132,047)
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Issuance of Long-term Debt	-	-	-
Capital Contributions	-	-	-
Repayment of Long-term Debt	-	-	-
Proceeds from Short-term notes	-	-	-
Interest Payments	-	-	-
Capital Lease Obligations	-	-	-
Proceeds from Sale of Capital Assets	-	-	-
Payments for Purchase of Capital Assets	-	-	(48)
Other Cash Inflows from Capital Financing Activities	-	-	-
Other Cash Outflows from Capital Financing Activities	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	(48)
Cash Flows from Investing Activities:			
Proceeds from Sale and Maturities of Investment Securities	203,557	52,669	-
Purchase of Investment Securities	(216,501)	(51,763)	-
Cash Payments for Loans Originated	-	(134,754)	-
Collection of Loans	-	67,100	-
Investment and Interest Receipts	32,188	49,171	3,633
Negative Earnings on Investments Paid Back	-	-	-
Net Cash Provided (Used) by Investing Activities	19,244	(17,576)	3,633
Net Increase (Decrease) in Cash and Cash Equivalents	9,172	39,146	(9,706)
Cash and Cash Equivalents, Beginning of Year	7,996	264,446	155,680
Cash and Cash Equivalents, End of Year	$ 17,168	$ 303,592	$ 145,974

Business-type Activities				Governmental Activities - Internal Service Funds
University of Wisconsin System	Unemployment Insurance Reserve	Nonmajor Enterprise	Totals	
$ -	$ 431,482	$ 1,490,467	$ 1,951,545	$ 221,615
(719,628)	-	(694,588)	(1,417,626)	(128,452)
(2,024,357)	-	(226,517)	(2,258,931)	(44,257)
530,375	-	-	530,375	-
645,200	-	-	645,200	-
-	-	(265,861)	(265,861)	-
(38,484)	-	(8,323)	(111,207)	-
29,799	-	19,382	193,017	-
-	-	4,869	51,396	-
-	(1,082,385)	(192,541)	(1,314,396)	(18,004)
192,847	-	-	192,847	-
247,820	-	-	247,820	-
37,261	-	-	37,261	-
(51,777)	-	-	(51,777)	-
154,889	144,149	29	299,091	8,174
(2,297)	(101)	(32,148)	(37,647)	-
-	166,214	7,437	174,362	385
-	-	-	-	(1,103)
(998,350)	(340,640)	102,207	(1,134,530)	38,357
-	-	568	24,185	844
-	-	45	45	-
-	-	(6,391)	(11,478)	-
-	-	-	157,285	-
-	-	(220)	(170,493)	-
-	-	(582)	(79,679)	-
-	-	(105,249)	(105,249)	-
173,325	-	-	173,325	-
-	-	-	-	12,036
-	-	(18,670)	(18,670)	(5,283)
-	-	(4,513)	(4,513)	50
981,649	-	65,630	1,062,364	10,521
-	-	(26,252)	(36,676)	(12,064)
106,675	-	-	106,675	-
(106,297)	-	-	(106,297)	-
-	-	16	16	11
4	-	-	4	-
1,155,356	-	(95,616)	990,845	6,114
130,745	-	2,921	133,666	58,253
19,276	-	1,358	20,634	-
(21,830)	-	(1,144)	(22,974)	(8,744)
-	-	145	145	20,816
(45,742)	-	(1,307)	(47,049)	(7,968)
-	-	(225)	(225)	(2,102)
-	-	10	10	3,146
(240,912)	-	(13,965)	(254,924)	(83,894)
21,773	-	366	22,139	-
-	-	(4,321)	(4,321)	(6,212)
(136,690)	-	(16,163)	(152,901)	(26,705)
20,610	-	33,749	310,584	-
(26,475)	-	(7,753)	(302,492)	-
-	-	(232)	(134,987)	-
-	-	226	67,327	-
8,158	98,999	6,298	198,446	349
-	-	(23,991)	(23,991)	-
2,292	98,999	8,297	114,888	349
22,607	(241,642)	(1,275)	(181,698)	18,114
464,094	1,705,627	555,300	3,153,144	22,875
$ 486,701	$ 1,463,986	$ 554,025	$ 2,971,446	$ 40,989

(Continued)

Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2002

(In Thousands)

	Business-type Activities		
	Patients Compensation	Environmental Improvement	Veterans Mortgage Loan Repayment
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations:			
Operating Income (Loss)	$ (22,380)	$ (5,160)	$ (7,201)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	6	1	40
Amortization	-	663	-
Provision for Uncollectible Accounts	(1)	-	(16)
Operating Income (Investment Income) Classified as Investing Activity	(20,988)	(32,605)	-
Operating Expense (Interest Expense) Classified as Noncapital Financing Activity	-	31,970	46,104
Miscellaneous Nonoperating Income (Expense)	711	-	-
Changes in Assets and Liabilities:			
Decrease (Increase) in Receivables	(1,376)	-	80,257
Decrease (Increase) in Due from Other Funds	(11)	(201)	(3)
Decrease (Increase) in Due from Component Units	(1)	-	-
Decrease (Increase) in Due from Other Governments	-	-	-
Decrease (Increase) in Inventories	-	-	-
Decrease (Increase) in Prepaid Items	(1)	-	11
Decrease (Increase) in Other Assets	-	-	(362)
Decrease (Increase) in Deferred Charges	-	(120)	-
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	(3)	9	488
Increase (Decrease) in Compensated Absences	(1)	4	(25)
Increase (Decrease) in Due to Other Funds	(29)	(785)	(381)
Increase (Decrease) in Due to Other Governments	-	-	-
Increase (Decrease) in Tax and Other Deposits	-	-	-
Increase (Decrease) in Deferred Revenue	1,350	-	(155)
Increase (Decrease) in Interest Payable	-	(208)	-
Increase (Decrease) in Future Benefits and Loss Liabilities	32,651	-	-
Total Adjustments	12,308	(1,271)	125,958
Net Cash Provided by Operating Activities	$ (10,072)	$ (6,431)	$ 118,757
Noncash Investing, Capital and Financing Activities:			
Capital Leases (Initial Year):			
Fair Market Value	$ -	$ -	$ -
Current Year Cash Receipts (Payments)	-	-	-
Contributions/Transfer In (Out) of Noncash Assets and Liabilities from/to other Funds	-	-	-
Net change in unrealized gains and losses	(421)	-	-
Other	-	-	-

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

Business-type Activities				Governmental Activities - Internal Service Funds
University of Wisconsin System	Unemployment Insurance Reserve	Nonmajor Enterprise	Totals	
$ (1,178,897)	$ (391,753)	$ 29,683	$ (1,575,709)	$ 6,065
112,179	-	10,307	122,534	23,164
-	-	20	683	-
-	3,026	(37)	2,972	-
-	(98,999)	16,029	(136,564)	-
-	-	577	78,651	-
9,999	166,214	3,231	180,156	(719)
(5,460)	(16,988)	24,237	80,670	3,094
-	-	(1,912)	(2,128)	(14,763)
-	-	-	(1)	8
-	-	2,801	2,801	218
(1,146)	-	828	(317)	(1,923)
(186)	-	(10,174)	(10,350)	1,255
-	18	1,207	863	-
667	-	12	559	-
35,820	(2,158)	(25,175)	8,981	3,229
2,929	-	121	3,028	141
-	-	8,238	7,044	8,160
-	-	35	36	114
-	-	864	864	-
25,745	-	3,201	30,140	(1,223)
-	-	-	(208)	-
-	-	38,114	70,765	11,536
180,547	51,112	72,525	441,179	32,292
$ (998,350)	$ (340,640)	$ 102,207	$ (1,134,530)	$ 38,357
$ 2,717	$ -	$ 548	$ 3,265	$ 4,287
-	-	(67)	(67)	-
-	-	719	719	-
(17,485)	-	2,960	(14,945)	-
13,322	-	44	13,366	(132)

Statement of Fiduciary Net Assets
June 30, 2002

(In Thousands)

	Pension and Other Employee Benefit Trust	Investment Trust	Private-Purpose Trust	Agency
Assets				
Cash and Cash Equivalents	$ 1,003,989	$ 3,023,325	$ 16,142	$ 88,619
Securities Lending Collateral	2,335,653	-	-	-
Prepaid Items	8,103	-	5	-
Receivables (net of estimated uncollectible accounts):				
Prior Service Contributions Receivable	2,010,137	-	-	-
Benefits Overpayment Receivable	2,487	-	-	-
Due from Other Funds	28,901	-	39	1,072
Interfund Loans Receivable	-	809,041	-	-
Due from Other Governments	89,075	-	-	-
Interest and Dividends Receivable	204,142	-	-	-
Investment Sales Receivable	1,426,299	-	-	-
Other Receivables	(659)	-	337	3,666
Total Receivables	3,760,382	809,041	376	4,737
Investments:				
Bonds	11,581,258	-	-	-
Private Placements	3,530,009	-	-	-
Stocks	34,256,628	-	-	-
Limited Partnerships	2,598,575	-	-	-
Mortgages	685,784	-	-	-
Real Estate	461,912	-	-	-
Investments of Private Purpose Funds	-	-	451,084	-
Investments of Agency Funds	-	-	-	952
Other Investments	1,095,628	-	-	-
Total Investments	54,209,795	-	451,084	952
Capital Assets	51	-	-	-
Other Assets	-	-	11,795	271,815
Total Assets	61,317,973	3,832,366	479,403	$ 366,124
Liabilities				
Accounts Payable	43,471	-	55	$ 75,739
Securities Lending Collateral Liability	2,335,653	-	-	-
Annuities Payable	198,845	-	-	-
Advance Contributions	352	-	-	-
Due to Other Funds	32,376	52	305	8,665
Due to Other Governments	23,215	-	-	-
Tax and Other Deposits	1	-	-	281,719
Investment Payable	1,461,473	-	-	-
Deferred Revenue	2,238	-	-	-
Compensated Absences Payable	1,208,767	-	-	-
Total Liabilities	5,306,391	52	360	$ 366,124
Net Assets				
Held in Trust for Pension Benefits, Pool Participants and Other Purposes	$ 56,011,582	$ 3,832,314	$ 479,043	

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

Statement of Changes in Fiduciary Net Assets
For the Fiscal Year Ended June 30, 2002

(In Thousands)

	Pension and Other Employee Benefit Trust	Investment Trust	Private-Purpose Trust
Additions			
Contributions:			
Employer Contributions	$ 518,749	$ -	$ -
Employee Contributions	677,003	-	-
Total Contributions	1,195,752	-	-
Deposits	-	11,857,887	472,442
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	(4,546,452)	-	-
Interest	770,663	-	-
Dividends	235,889	-	-
Real Estate Income	-	-	-
Securities Lending Income	74,190	-	-
Other	125,802	-	-
Investment Income of Investment, Private Purpose and Other Employee Trust Funds	(143,578)	94,677	(26,077)
Less:			
Investment Expense	(147,197)	(1,308)	(1,096)
Securities Lending Rebates and Fees	(61,270)	-	-
Investment Income Distributed to Other Funds	(44,561)	-	-
Net Investment Income	(3,736,513)	93,369	(27,173)
Interest on Prior Service Receivable	153,991	-	-
Miscellaneous Income			
Escheat Additions	-	-	12,186
Other	1,437	-	-
Total Miscellaneous Income	1,437	-	12,186
Transfers In	-	-	937
Total Additions	(2,385,333)	11,951,256	458,392
Deductions			
Benefits and Refunds:			
Retirement, Disability, and Beneficiary	2,559,806	-	-
Separations	31,461	-	-
Total Benefits and Refunds	2,591,267	-	-
Distributions	55,089	12,023,485	17,747
Insurance Premiums	257,612	-	-
Unusual Write-off of Receivable	(784)	-	-
Administrative Expense	20,021	202	1,853
Transfers Out	-	-	10,937
Total Deductions	2,923,206	12,023,687	30,537
Net Increase (Decrease)	(5,308,539)	(72,431)	427,855
Net Assets - Beginning of Year	61,320,120	3,904,745	51,188
Net Assets - End of Year	$ 56,011,582	$ 3,832,314	$ 479,043

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

Notes To The Financial Statements

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Summary of Significant Accounting Policies

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Other Note Disclosures

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).

B. Financial Reporting Entity

For GAAP purposes, the State of Wisconsin includes all funds, elected offices, departments and agencies of the State, as well as boards, commissions, authorities and universities. The State has also considered all potential "component units" for which it is financially accountable, and other 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, the University of Wisconsin Hospitals and Clinics Authority, and the Badger Tobacco Asset Securitization Corporation 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
635 Science Drive, Room 310
Madison, WI 53711

Badger Tobacco Asset Securitization Corporation
777 East Wisconsin Avenue, Suite 3800
Milwaukee, WI 53202

Blended Component Units

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

Wisconsin Public Broadcasting Foundation, Inc. - The Wisconsin Public Broadcasting Foundation, Inc. (Foundation), created in 1983 by the Wisconsin Legislature, is a private, nonstock, nonprofit Wisconsin Corporation, wholly owned by the Wisconsin Educational Communications Board (ECB), a unit of the State. The Foundation solicits funds in the name of, and with the approval of, the ECB. The Foundation's funds are managed by a five-member board of trustees consisting of the executive director of the ECB and four members of the ECB board. 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 are reported in a separate column and in separate rows in the government-wide statements to emphasize that they are legally separate. One of the component units reports on a fiscal year ended December 31, while another reports on a fiscal year ended May 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 that include financing for farmers and for economic development projects. While the Authority receives no State tax dollars for its bond-supported programs and the State is not liable on bonds the Authority issues, the State has the ability to 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 12A to the financial statements). Under a Conveyance Agreement, certain assets and liabilities related to the Hospital were identified and transferred to the Hospital effective July 1, 1996. Subject to the Contractual Services Agreement and Operating and Service Agreement between the Board of Regents and the Hospital, the two parties have entered into contracts for the continuation of services in support of programs and operations.

Badger Tobacco Asset Securitization Corporation (BTASC) – a nonstock public corporate entity created under Chapter 181 of the Wisconsin Statutes was created for the purpose of making a one-time purchase of Tobacco Settlement Revenues (TSRs) from the State. In May 2002, the BTASC issued bonds necessary to provide sufficient funds for carrying out its purpose. BTASC bears all risk for collection of TSRs to repay bonds. Bonds issued by the BTASC are the sole obligation of the BTASC. The State is not liable for any debt issued by the BTASC nor is the debt dependent upon any dedicated stream of revenue generated by the State. Directors of the corporation are appointed by the Secretary of Administration for staggered three-year terms. Once appointed, directors can only be removed for cause. At least one of the directors must be determined to be "independent" for federal bankruptcy law purposes. The State appoints the BTASC board and has the ability to impose its will on the BTASC.

Pursuant to a Purchase and Sale Agreement with the State, BTASC acquired all of the State's future right, title, and interest in the TSRs under the Master Settlement Agreement and the Consent Decree and Final Judgment (MSA). The MSA was entered into on November 23, 1998, among the attorneys general of 46 states, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa and the Commonwealth of the Northern Mariana Islands (the "Settling States") and the four largest United States tobacco manufacturers. This settlement, among things, released the participating manufacturers from past and present smoking-related claims by the Settling States and provides for a continuing release of future smoking-related claims in exchange for certain payments to be made to the Settling States as well as certain tobacco advertising and marketing restrictions.

During the fiscal year ended June 30, 2002, consideration paid by BTASC to the State for TSRs consisted of $1.3 billion and a residual certificate assigned to the State. Upon discharge of BTASC's obligations under its May 1, 2002 bond indenture, all subsequent TSRs are owned by the State of Wisconsin pursuant to the residual certificate.

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.

Other Organizations Not Included in the Reporting Entity

State Fair Park Exposition Center, Inc. - In October 2000, The State Fair Park Exposition Center, Inc. (SFPEC) was organized, by the State of Wisconsin, State Fair Park, as a nonstock, not-for-profit corporation under the Internal Revenue Code 501(c)(3). Authorization for the SFPEC's organization is found under Chapter 42, Wis. Stats. The SFPEC has broad general powers that include approving the sale, lease, or purchase of any real estate and obtaining financing through loans or other methods. The board of the SFPEC includes the chairperson of the State Fair Park Board, and three members appointed by the SFPEC's Board.

In August 2001, the State Fair Park entered into an agreement with the SFPEC to lease 7.52 acres on the State Fair grounds for construction of an exposition center. Financing for the exposition center was obtained by the SFPEC through a loan agreement with the City of West Allis, Wisconsin, which secured funding through issuance of $44.9 million in industrial bonds. The bonds were issued under an indenture of trust between the City of West Allis and a commercial lending institution. To secure the bonds, the SFPEC obtained a letter of credit from the commercial lending institution that is intended to repay the loan to the City of West Allis in the event that the debt service payments under the loan agreement are not paid. The exposition center was completed and opened in July of the SFPEC's fiscal year ending December 31, 2002.

The SFPEC is considered a blended component unit of the State Fair Park, an enterprise fund, because, although legally separate, the organizations are so intertwined that they are, in substance, the same. The SFPEC serves and benefits the State Fair Park. Under the provisions of GASB Statement No. 14, the SFPEC would be blended into and presented with the financial information of the State Fair Park. However, the SFPEC's financial information is not reported within the State Fair Park for fiscal year 2002.

C. Government-wide and Fund Financial Statements

The *government-wide* financial statements consist of the Statement of Net Assets and the Statement of Activities. These statements report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which are generally financed though taxes, intergovernmental revenues and other nonexchange revenues are reported separately from business-type activities, which are generally financed by fees charged to external parties for goods and services. The focus of the government-wide statements is the primary government. A separate column is presented for all discretely presented component units.

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

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

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

In 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 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.

The Wisconsin Health Care Liability Insurance Program (WHCLIP) is reported as an insurance fund and, in applying GAAP, has elected to apply the provisions of relevant pronouncements of FASB including those issued after November 30, 1989.

In the University of Wisconsin System's enterprise fund, revenues and expenses of an academic term that spans two fiscal years are reported totally within the fiscal year in which the program is predominantly conducted.

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

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

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

The State reports the following major funds:

Major Governmental Funds

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

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

- *Tobacco Settlement Endowment Fund* - accounts for all of the proceeds from the sale of the State’s right to receive payments under the Attorneys General Master Tobacco Settlement of November 23, 1998, and all investment earnings on the proceeds.

Major Enterprise Funds

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

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

- *Veterans Mortgage Loan Repayment Fund* – accounts for the issuance and administration of veterans' first mortgage loans. Revenues are primarily derived from bond proceeds, mortgage payments, and investment income.

- *University of Wisconsin System Fund* – accounts for the 13 universities, 13 two-year colleges, the University of Wisconsin Extension and System Administration. In addition, the balance sheet of this fund includes the accounts of the Wisconsin State Colleges Building Corporation.

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

In addition, the State reports the following fund types:

Governmental Funds

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

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

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

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

- *Private-purpose Trust Funds* – account for escheated property held by the State for private individuals, State-sponsored college savings programs, and the special death benefit program for the former Milwaukee Teacher Retirement fund.

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

Amounts reported as program revenues on the government-wide financial statements include (a) charges for services – amounts received from customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by the State; or investment and interest earnings from various loan and insurance funds/component units, (b) program-specific operating grants and contributions, and (c) program-specific capital grants and contributions. General revenues consist of taxes and all other revenues that do not meet the definition of program revenues. Special items are significant transactions or events within the control of management that are either unusual in nature or infrequent in occurrence. In Fiscal Year 2002, the State reported the revenues received from the sale of a portion of the State's right to the Attorneys General Master Settlement Agreement of 1998 as a special item of the governmental activities.

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

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

The majority of operating revenues for the proprietary funds are recorded under charges for goods and services. In the case of the employee benefit plans, the primary operating revenue source is participant contributions. In regards to the State's insurance and loan enterprise funds, investment and interest income is also an important component of operating revenue. Operating expenses for the proprietary funds include the costs of sales and services, benefit expenses, administration expenses and depreciation on capital assets. All revenues and expenses not related to a fund's primary purpose are reported as nonoperating.

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

E. Assets, Liabilities, and Net Assets/Equity

1. 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.

2. Investments

Primary Government

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

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

There are a certain number of securities carried at cost. Certain non-public or closely held 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 Permanent Funds are assigned to other funds. The following table shows the funds earning the investment income and the ultimate recipients of that income:

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

Component Units

Investments 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.

Except for forward delivery agreements, investments of the Badger Tobacco Asset Securitization Corporation are reported at fair value. Forward delivery agreements are securities with maturities of one year or less and are reported at cost.

3. Mortgage and Other Loans

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

Mortgage loans of the Veterans Mortgage Loan Repayment Bonds and the Veterans Trust Fund programs, business-type activities, 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.

4. Forestation State Tax

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

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

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

5. Interfund Assets/Liabilities

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

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

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”.

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

6. Inventories and Prepaid Items

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

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

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

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

7. Capital Assets

Capital assets, which include property, plant, equipment, land and infrastructure assets (roads, bridges, and buildings considered an ancillary part of roads) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Assets, other than infrastructure, are capitalized when they have a unit cost of $5,000 or more except for a collection of library resources that must have a cumulative value equal to or greater than $5.0 million.

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

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

Exhaustible capital assets of the primary government and the component units are depreciated on the straight-line method over the asset's useful life. Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary funds and component units. There is no depreciation recorded for land, construction in process, infrastructure and other capital assets defined as inexhaustible (except for construction in progress reported by the University of Wisconsin System, which is included in the applicable major capital assets categories). Generally, estimated useful lives are as follows:

Buildings and improvements	5 - 45 years
Equipment, machinery and furnishings	3 - 25 years

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

8. Restricted and Limited Use Assets

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.

9. Local Assistance Aids

Municipal and County Shared Revenue Program

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

At June 30, 2002, the State was liable to various local governments for unpaid shared revenue aid. To measure the amount of the program allocable to the State's fiscal year, the amount is prorated over portions of recipient local governments' calendar fiscal years that are within the State's fiscal year. The result is that a liability of $514.7 million representing one-half of the total appropriated amount is reported at June 30, 2002 as Due To Other Governments.

For the State's Fiscal Year 2002, a portion of the liability will be paid through the Tobacco Settlement Endowment Fund, a special revenue fund, resulting in $311.4 million being reported as a Due from Other Funds in the General Fund at June 30, 2002.

State Property Tax Credit Program

At June 30, 2002, 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, 2002.

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, 2002.

The aggregated State Property Tax Credit Program liability of $354.0 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 2002 property tax bills, the State made this payment in March 2002.

The Lottery Tax Credit Program is accounted for in the Lottery Fund, an enterprise fund, that records revenues and expenses on the accrual basis. A portion of the State's March payment distributed to the general government taxing jurisdictions applies to their fiscal year that ends on December 31. Therefore, part of the March distribution represents an expense of the State in Fiscal Year 2002, while the remaining portion represents a prepaid item. The resulting Prepaid Item reported within the Lottery Fund totals $25.9 million at June 30, 2002.

State Aid for Exempt Computers

The Aid for Exempt Computers compensates local governments for tax base lost due to the property tax exemption for computers, software and related equipment. Aid payments are calculated using a procedure that results in an aid amount equal to the amount of taxes that would be paid if the property were taxable. Payments to local governments are made on the first Monday in May.

A portion of the May payment distributed to the general government taxing jurisdictions, Tax Incremental Districts, and special districts applies to their fiscal period ending December 31. Therefore, part of the May distribution represents an expense to the State in Fiscal Year 2002, while the remaining portion represents a prepaid item. The resulting Prepaid Item within the General Fund totals $21.8 million at June 30, 2002.

10. Long-term Debt Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt is reported as a liability. Bond premiums and discounts, as well as issuance costs, are deferred and amortized using the effective interest rate method on a prospective basis beginning in Fiscal Year 2002. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources and other financing uses, respectively.

Debt issuance costs, as well as bond premiums and discounts, relating to revenue obligations of the Environmental Improvement Fund, an enterprise fund, were deferred and are being amortized using the effective interest rate method.

Debt issuance costs relating to general obligation bonds of the Veterans Mortgage Loan Repayment Fund and the University of Wisconsin System Fund, both enterprise funds, are amortized ratably over the life of the obligations to which they relate. On the government-wide financial statements, bond premiums and discounts, as well as issuance costs, related to the Transportation Revenue Bonds and the Petroleum Inspection Fee Obligation Revenue Bonds (which finance programs in a capital projects fund and a special revenue fund, respectively) are also amortized ratably over the life of the obligations to which they relate. Results from the use of this method do not vary materially from those that would be obtained by use of the effective interest rate method.

Debt issuance costs, and bond premiums and discounts, of the Wisconsin Housing and Economic Development Authority and the University of Wisconsin Hospitals and Clinics Authority, both component units, are amortized ratably over the life of the obligations to which they relate.

Debt issuance costs, bond premiums and discounts of the Badger Tobacco Asset Securitization Corporation, a component unit, are capitalized and amortized over the lives of the related debt using the interest method.

11. Compensated Absences

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

Annual Leave

Full-time employees' annual leave days are credited on January 1 of each calendar year 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 government-wide, proprietary fund types and fiduciary funds. In the component units 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, a pension and other employee benefit trust fund.

12. Deferred Revenue

In the government-wide statements and proprietary fund financial statements 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. In the governmental fund statements revenues are also deferred for amounts that are unearned or unavailable.

Deferred revenues of the University of Wisconsin System consist of payments received but not earned at June 30, 2002, primarily for summer session tuition, tuition and room deposits for the next fall term, and advance ticket sales for upcoming intercollegiate athletic events.

13. Self-Insurance

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

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

14. Fund Balance Reserves and Restricted Net Assets/Fund Equity

Fund Balance Reserves

Reservations of fund balances of governmental funds represent amounts that are not available for appropriation. Examples of fund balance reservations include reserves for encumbrances, inventories and prepaid items.

Restricted Net Assets/Fund Equity

Restricted Net Assets (presented in the government-wide statement of net assets) and Restricted Fund Equity (presented in the balance sheet of proprietary funds) are reported when constraints place on net assets or fund equity use are either (1) externally imposed by creditors (such as through debt covenants, grantors, contributors, or laws or regulation of other governments, or (2) imposed by law through constitutional provisions. Unrestricted net assets or fund equity may be used at the State's discretion but often have limitations on use based on State statutes.

NOTE 2. DETAILED RECONCILIATION OF THE GOVERNMENT-WIDE AND FUND STATEMENTS

A. Explanation of Differences Between the Governmental Funds Balance Sheet and the Statement of Net Assets

During the year ended June 30, 2002, the following adjustments and reclassifications were necessary to reconcile the information from the fund-based Balance Sheet – Governmental Funds to the amounts presented in the governmental section of the Statement of Net Assets (in thousands). The differences result primarily from the long-term economic focus of the Statement of Net Assets compared to the current financial focus of the Balance Sheet – Governmental Funds.

	Total Governmental Funds	Long-term Assets, Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations (3)	Total Amount for Statement of Net Assets
Assets:					
Cash and Cash Equivalents	$ 2,075,338	$ -	$ 40,989	$ -	$ 2,116,327
Investments	155,378	-	-	-	155,378
Receivables:					
Taxes	1,231,117	-	-	(1,231,117)	-
Loans to Local Governments	237,228	-	-	(237,228)	-
Other Receivables	203,290	896	808	2,178,621	2,383,615
Due from Other Funds	865,733	-	40,881	(906,614)	-
Due from Component Units	7	-	-	(7)	-
Interfund Receivables	410	-	-	(410)	-
Due from Other Governments	669,000	-	-	(669,000)	-
Internal Balances	-	-	5,051	32,369	37,420
Inventories	36,598	3,267	8,216	-	48,080
Prepaid Items	359,447	-	29,156	-	388,603
Advances to Other Funds	3,000	-	-	(3,000)	-
Other Assets	332	-	-	-	332
Restricted Assets:					
Cash and Cash Equivalents	30,444	-	-	-	30,444
Investments	3	-	-	-	3
Deferred Charges	-	27,791	754	-	28,545
Depreciable Capital Assets	-	1,234,431	318,333	-	1,552,765
Infrastructure	-	9,205,713	-	-	9,205,713
Other Non-depreciable Capital Assets	-	2,039,406	-	-	2,039,406
Total Assets	$ 5,867,323	$ 12,511,505	$ 444,189	$ (836,386)	$ 17,986,631
Liabilities:					
Accounts Payable and Other Accrued Liabilities	$ 963,412	$ -	$ 43,660	$ 3,342,969	$ 4,350,040
Due to Other Funds	838,416	-	56,186	(894,602)	-
Due to Component Units	798	-	-	(798)	-
Interfund Payables	763,645	-	-	(763,645)	-
Due to Other Governments	1,566,662	-	-	(1,566,662)	-
Tax Refunds Payable	893,737	-	-	(893,737)	-
Tax and Other Deposits	37,389	-	-	-	37,389
Deferred Revenue	623,543	(284,618)	2,373	-	341,298
Interest Payable	31,029	23,874	-	(54,903)	-
Advances from Other Funds	5,008	-	-	(5,008)	-
Short Term Notes Payable	491,170	-	53,021	-	544,191
Long-term Liabilities:					
Short-term Portion	-	249,201	12,440	49,655	311,296
Long-term Portion	-	4,482,402	267,694	-	4,750,096
General Obligations Bonds Payable	100	-	-	(100)	-
Revenue Bonds and Notes Payable	49,555	-	-	(49,555)	-
Total Liabilities	6,264,463	4,470,859	435,375	(836,386)	10,334,311
Fund Balances/Net Assets	(397,140)	8,040,646	8,814	-	7,652,320
Total Liabilities and Fund Balances/Net Assets	$ 5,867,323	$ 12,511,505	$ 444,189	$ (836,386)	$ 17,986,631

(1) Long-term asset and liability differences arise because governmental funds focus only on short-term financing (that is, resources that will be available to pay for current period expenditures). In contrast, the Statement of Net Assets has a long-term economic focus and reports on all capital and financial resources.

(2) The adjustment for internal service funds reflects the reclassification of these funds for the government-wide statement. The assets and liabilities of these funds are reported as proprietary activities on the fund statements, but are included as governmental activities on the Statement of Net Assets

(3) Various reclassifications are necessary due to the differing level of detail needed on each of the statements. Eliminations are done on the Statement of Net Assets to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government. The net residual amounts due between governmental and business-type activities are shown as internal balances.

B. Explanation of Differences Between the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and the Statement of Activities

During the year ended June 30, 2002, the following adjustments and reclassifications were necessary to reconcile the information from the fund-based Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the amounts presented in the governmental section of the Statement of Activities (in thousands). The differences result primarily from the long-term economic focus of the Statement of Activities compared to the current financial focus of the Statement of Revenues, Expenditures, Changes in Fund Balance – Governmental Funds.

	Total Governmental Funds	Long-term Revenues and Expenses (1)	Capital-Related Items (2)
Revenues:			
Taxes	$ 11,050,658	$ -	$ -
Income Taxes	-	(7,718)	-
Sales & Excise Taxes	-	(1,091)	-
Public Utility Taxes	-	-	-
Other Taxes	-	202	-
Motor Fuel (Transportation) Taxes	-	1,402	-
Other Dedicated Taxes	-	181	-
Intergovernmental	5,509,834	-	-
Operating Grants	-	-	200
Capital Grants	-	-	3,632
Licenses and Permits	855,093	-	-
Charges for Goods and Services	224,066	9,958	-
Investment and Interest Income	45,562	-	-
Fines and Forfeitures/Contributions to Permanent Fund	55,392	-	-
Gifts and Donations	38,087	-	-
Other Revenues:		43,543	(6,150)
Intergovernmental Transfer	969,886	-	-
Tobacco Settlement	1,431,218	-	-
Other	166,569	-	-
Total Revenues	20,346,366	46,476	(2,318)
Expenditures:			
Current Operating:			
Commerce	198,291	(1,607)	2,557
Education	5,417,136	(566)	2,357
Transportation	1,664,161	(2,605)	61,363
Environmental Resources	528,699	(3,610)	7,992
Human Relations and Resources	7,957,774	(8,066)	41,900
General Executive	442,938	(3,104)	2,791
Judicial	103,069	(841)	5,092
Legislative	61,989	(2,179)	443
Tax Relief and Other General Expenditures	822,650	-	-
Intergovernmental	1,095,991	-	-
Debt Service:			
Principal	173,247	-	-
Interest and Other Charges	209,851	53,606	-
Capital Outlay	669,704	-	(669,704)
Total Expenditures	19,345,501	31,027	(545,211)
Excess of Revenues Over (Under) Expenditures	1,000,865	15,449	542,893
Other Financing Sources (Uses):			
Special Items - Tobacco Settlement Sale	-	-	-
Net Transfers	(1,068,515)	17,033	2,466
Transfers to Component Units	(176)	-	-
Long-term Debt Issued	1,125,982	-	-
Premium/Discount on Bonds	60,247	-	-
Payment to Refunding Bond Escrow Agent	(631,477)	-	-
Installment Purchase Acquisitions	1,216	(1,216)	-
Capital Leases Acquisitions	6,039	(6,039)	-
Total Other Financing Sources (Uses)	(506,685)	9,778	2,466
Net Change in Fund Balance	494,180	$ 25,227	$ 545,359
Change in Reserve for Inventories	7,123		
Net Change for the Year	$ 501,303		

(1) Long-term revenue differences arise because governmental funds report revenues only when they are considered “available,” while government-wide statements report revenues when earned. Long-term expense differences arise because governmental funds report operating expenses (including interest) using the modified accrual basis of accounting, while government-wide statements report using the accrual basis of accounting.

(2) Capital-related adjustments consist of the difference between proceeds for the sales of capital assets and the gain or loss from the sales of capital assets, and from the difference between capital outlay expenditures recorded in the governmental funds and depreciation expense recorded in the government-wide statements.

(3) The adjustment for internal service funds reflects the elimination of these funds from the government-wide statement, which is accomplished by charging/refunding additional amounts to participating governmental activities to completely offset the internal service funds' cost for the year.

Internal Service Funds (3)	Long-term Debt Transactions (4)	Eliminations (5)	Revenue/Expense Reclassifications (6)	Total Amount for Statement of Activities
$ -	$ -	$ -	$ (11,050,658)	$ -
-	-	-	5,423,055	5,415,337
-	-	-	4,049,808	4,048,716
-	-	-	243,970	243,970
-	-	-	253,904	254,106
-	-	-	890,760	892,162
-	-	-	189,162	189,343
-	-	-	(5,509,834)	-
-	-	34,256	4,899,324	4,933,780
-	-	-	665,495	669,128
-	-	-	(855,093)	-
-	-	(27,387)	891,512	1,098,149
354	-	-	(16,898)	29,019
-	-	-	(36,419)	18,973
-	-	-	(38,087)	-
-	-	(252)	1,302,671	1,339,812
-	-	-	(969,886)	-
-	-	-	(1,431,218)	-
-	-	-	(166,569)	-
354	-	6,618	(1,265,002)	19,132,493
(549)	-	(3,765)	0	194,927
(1,382)	-	22,594	302	5,440,440
(2,572)	122	-	(6,254)	1,714,215
(57)	(52)	(137)	(852)	531,983
(5,700)	188	11,491	(236)	7,997,351
(2,455)	-	(23,566)	(312)	416,294
(139)	(226)	-	-	106,954
(206)	(102)	-	4	59,948
(9)	-	-	(2,023)	820,618
-	-	-	-	1,095,991
-	(173,247)	-	-	-
10,674	21,017	-	2,424	297,572
-	-	-	-	-
(2,396)	(152,299)	6,618	(6,947)	18,676,293
2,750	152,299	0	(1,258,055)	456,200
-	-	-	1,275,002	1,275,002
(405)	-	-	(10,000)	(1,059,422)
-	-	-	176	-
-	(1,125,982)	-	-	-
-	(60,247)	-	-	-
-	631,477	-	-	-
-	-	-	-	-
-	-	-	-	-
(405)	(554,752)	-	1,265,178	215,581
$ 2,345	$ (402,453)	$ 0	7,123	671,781
			(7,123)	-
			$ 0	$ 671,781

(4) Long-term debt transaction differences consist of bond proceeds and principal repayments reported as other financing sources and expenditures in governmental funds, but as increases and decreases in liabilities in the government-wide statements.

(5) Intra-entity activity within the same function is eliminated to remove the grossing up of both direct expenses and program revenues within that category.

(6) Revenue and expense reclassifications are necessary due to the differing level of detail needed on each of the statements. In addition, the Statement of Activities focuses on program revenue, which has been redefined from the traditional revenue source categories.

NOTE 3. BUDGETARY CONTROL

The legal level of budgetary control for Wisconsin is at the function, agency, program, appropriation-level. Supplemental appropriations require the approval of the Joint Finance Committee of the Legislature. Routine adjustments, such as pay plan supplements and rent increases, are distributed by the Division of Executive Budget and Finance from non-agency specific appropriations authorized by the Legislature. Various supplemental appropriations were approved during the year and have been incorporated into the budget figures.

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.

NOTE 4. DEFICIT FUND BALANCE/FUND EQUITY/NET ASSETS

In addition to the General Fund, funds reporting a deficit fund balance, fund equity, or net assets position at June 30, 2002 are (in thousands):

Special Revenue:		
Petroleum Inspection	$	310,840
Information Technology Investment		2,985
Capital Projects:		
Capital Improvement		235,095
Transportation Revenue Bonds		139,455
Enterprise:		
Health Insurance Risk Sharing Plan		2,492
Duty Disability		215,631
Internal Service:		
Risk Management		101,997
Pension and Other Employee Benefit Trust:		
Accumulated Sick Leave		557,282
Life Insurance		53

NOTE 5. DEPOSITS AND INVESTMENTS

The State maintains a short-term investment "pool", the State Investment Fund, for the State, its agencies and departments, and certain other public institutions which elect to participate. The investment "pool" is managed by the State of Wisconsin Investment Board (the Board) which is further authorized to carry out investment activities for certain enterprise, trust and agency funds. A small number of State agencies and the University of Wisconsin System also carry out investment activities separate from the Board. 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, 2002, the carrying amount of the primary government deposits was $704.9 million and the bank balance was $178.3 million. Of the bank amount, excluding a bank overdraft of $46.4 million in two bank accounts that are covered by compensating balances in other accounts,

- $10.1 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
- $214.6 million was uncollateralized and uninsured.

The State’s unemployment compensation program had $1,485.7 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 $197 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, 2002, the carrying amount of the component units’ deposits was $8.5 million and the bank balance was $9.2 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 $7.7 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 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, a bond issued by other State agencies having a par value of $1.9 million is 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, 2002, the only derivative financial instrument held by the State Investment Fund was a restructured interest rate swap. 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, 2002, the fair value of the restructured investments was negative $12.9 million while the amortized deferred loss was negative $12.9 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, 2002, the fair value of these certificates of deposit was $396.8 million.

Approximately $379.1 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 $17.7 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, 2002, the State Investment Fund's investments are as follows (in millions):

	Category			Fair
	1	**2**	**3**	**Value**
U.S. government and agency holdings	$ 4,915.1	--	--	$ 4,915.1
Repurchase agreements	992.0	--	--	992.0
Asset backed securities	2.0	--	--	2.0
Mortgage backed securities	2.0	--	--	2.0
	$ 5,911.1	--	--	5,911.1
Swaps				(26.8)
				$ 5,884.3

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 permanent, proprietary, and fiduciary funds. A discussion of these investment activities follows:

Governmental

Historical Society - At June 30, 2002, investments of $9.9 million consisted of bonds and stocks.

Tobacco Settlement Endowment Fund – At June 30, 2002, investments of $826.2 million consisted of short-term securities reported as cash equivalents.

Business-Type

Local Government Property Insurance, State Life Insurance, and Patients Compensation Funds - At June 30, 2002, investments were $15.5 million for the Local Government Property Insurance Fund, $68.6 million for the State Life Insurance Fund, and $560.9 million for the Patients Compensation Fund, consisting of bonds, stocks and private placements.

Fiduciary

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 13 to the financial statements). At June 30, 2002, the Pension Trust Fund held $53,114.2 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, $634.6 million of investments are included in the fund's cash and cash equivalents.

In addition, $2,335.7 million of securities lending transactions were held at June 30, 2002. These transactions are categorized consistent with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*.

Tuition Trust Fund – At June 30, 2002, investments of $11.8 million consisted of bonds and principal only strips.

The following table presents investments of these funds at June 30, 2002, categorized in accordance with the requirements of GASB Statement No. 3.

At June 30, 2002, the investments of the Other Funds Managed by the Board consisted of (in millions):

	Category			Fair
	1	2	3	Value
Bonds	$ 7,294.2	$ --	$ --	$ 7,294.2
Stocks	15,284.8	--	--	15,284.8
Repurchase Agreements	102.1	--	--	102.1
Bankers Acceptances	297.0	--	--	297.0
	$ 22,978.1	$ --	$ --	22,978.1
Private Placements				3,546.4
Limited Partnerships				2,598.6
Pooled Equity Funds				18,187.0
Pooled Bond Funds				4,830.8
Mortgages				685.8
Real Estate				461.9
Custodial Pooled Cash and Equivalents				1,460.8
Investments Held by Broker Dealers Under Securities Loans:				
Bonds				1,438.3
Equities				860.4
Securities Lending Cash Collateral Pooled Investments				529.3
				$ 57,577.4

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, 2002 are presented as unclassified 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 25 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, 2002, the State of Wisconsin Investment Board (SWIB) utilized various derivative financial instruments, including forward contracts, futures contracts, collateralized 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 forward contracts and foreign currency 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, 2002 the fair value of foreign currency forward contracts assets totaled $1.4 billion, while the liabilities totaled $1.4 billion.

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. As of June 30, 2002, futures with a face value of $3.2 million were held. These futures are set to expire in September 2002.

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. At June 30, 2002, CMO's values at $306.0 million were held.

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. As of June 30, 2002, four principal only strips valued at $491.0 million were held.

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, 2002, unfunded capital commitments totaled $1.4 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:

Governmental

General Fund – At June 30, 2002, investments of $.9 million of which $.5 million are considered deposits and included in Note 5A.

Transportation Revenue Bond Funds - At June 30, 2002, the Transportation Revenue Bond Capital Projects Fund and the Transportation Revenue Bond Debt Service Fund had investments totaling $96.0 million, of which $67.6 million are reported as cash equivalents. Investments of $28.4 million satisfy Category 1 risk criteria, while the remaining $67.6 million of investment contracts are unclassified.

Common School Fund – At June 30, 2002, investments totaling $97.3 million meet risk Category 1.

Normal School Fund – At June 30, 2002, investments in government holdings totaling $15.0 million meet risk category 1.

The Wisconsin Public Broadcasting Foundation Fund - The fund's investments at June 30, 2002, were $4.7 million, which consists of $3.6 million of various investments and $1.1 million of money market funds which are reported as cash equivalents. All investments meet Category 1 risk criteria.

Petroleum Inspection Revenue Bonds Fund – At June 30, 2002, investments of $.4 million of government and agency holdings meet risk category 1.

Business-Type

Environmental Improvement Fund - The fund's aggregate investments at June 30, 2002, were $168.1 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 $132.4 million consist of government and agency holdings and satisfy Category 1 risk criteria.

Lottery Fund - Investments are all in the form of U.S. Treasury zero coupon bonds. At June 30, 2002, investments of $145.4 million which meet Category 1 risk criteria were held.

The *University of Wisconsin System* – The fund's aggregate investments at June 30, 2002, were $309.9 million of which $22.8 million are reported as cash equivalents. Of the remaining $287.1 million, $234.6 million meet Category 1 risk criteria while the remaining investments are unclassified.

Fiduciary

Inmate and Resident Fund – At June 30, 2002, investments totaling $1.0 million of which $.7 million are certificates of deposit that are considered deposits and included in Note 5A, and $.3 million are considered investments that meet risk Category 3.

College Savings Program Trust -- At June 30, 2002, investments totaling $439.3 million, which consist of short-term securities are reported as cash equivalents, meet risk Category 1.

At June 30, 2002, the State has approximately $269.2 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 $11.8 million securities, presented as "Other Assets" on the financial statements, include $10.8 million of various investments which meet risk Category 1 and $1.0 million of mutual funds which meet Category 1.

The State's Section 457 *Deferred Compensation Plan Fund* investments, totaling $1,095.6 million at June 30, 2002, 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, 2002, categorized in accordance with the requirements of GASB Statement No. 3.

At June 30, 2002, 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	$ 620.8	$ --	$ .3	$ 621.1	$ 621.1
Municipal bonds	119.5	--	--	119.5	119.5
Commercial paper and nonsecured corporate notes and bonds	52.5	--	--	52.5	52.5
Stocks and convertible securities	128.9	--	--	128.9	128.9
Repurchase agreements	--	35.7	--	35.7	35.7
Mortgage backed securities	10.9	--	--	10.9	10.9
Negotiable certificates of deposit	4.9	--	--	4.9	4.9
	$ 937.5	$ 35.7	$ .3	973.5	973.5
Guaranteed Investment Contracts				.2	.2
Mutual Funds				480.7	480.7
Money market funds				103.4	103.4
Deferred compensation investments				1,095.6	1,095.6
				$ 2,653.4	$ 2,653.4

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, 2002, were $863.2 million of which $160.6 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 $146.8 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.

The Authority's Finance committee approved the use of a security-lending program with the trust department of a bank acting as an agent. As of June 30, 2002 the Authority had $37.6 million of securities on loan to broker-dealers for a fee. The transactions are categorized consistently with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*.

Security lending transactions involve the lending of securities to broker-dealers and other entities for collateral, in the form of cash or securities, with the simultaneous agreement to return the collateral for the same securities in the future. The securities custodian is an agent in lending the domestic and international securities for collateral of 102 percent and 105 percent, respectively, of the loaned securities' market value. The lending agent in accordance with contractual investment guidelines, which are designed to insure the safety of principal and obtain a moderate rate of return, reinvests the collateral. The investment guidelines include very high credit quality standards and also allow for a portion of the collateral investments to be invested with short-term securities. The Authority has the following types of securities on loan: U.S. agency securities, U.S. government securities and corporate notes. The Authority has received the following types of collateral for the securities lent: cash, government securities or irrevocable letters of credit. The fair value of the investment securities loaned was $37.6 million as of

June 30, 2002, and the fair value of the collateral received was $38.2 million as of June 30, 2002. The Authority may request the bank to terminate any loan of securities for any reason at any time.

As of June 30, 2002, no credit risk exposure to borrowers existed because the amounts owed the borrowers exceeded the amounts the borrowers owed. The contract with the lending agent states that in the event that a borrower fails to return the lent security, the bank will indemnify the Authority for the following amounts: a) The difference between the closing market value of security on the date it should have been returned to the account and the cash collateral substituted for the lent securities, or b) In the case of collateral received in kind, the difference between the closing market value of the security on the date it should have been returned to the account and the closing market value of the collateral in kind on the same date.

The Authority assumes all risk of loss arising out of collateral investment loss and any resulting collateral deficiencies. The bank expressly assumes the risk of loss arising from negligent or fraudulent operations of its securities lending program. The bank operates the securities lending program as a business trust investment pool with open and matched components. In the matched portion of the investment pool, the maturities of the securities lent and collateral are the same. The open portions of the pool maintains a weighted average maturity of the portfolio at approximately 15 days, with a range from 1 day to 25 days. The open portions of the pool generally have a 15-day mismatch between the portfolio coverage maturity and the open loans. As of June 30, 2002, approximately 58.9% of the securities lent were in the matched portion and approximately 41.1% in the open portion of the investment pool. No restrictions on the amount of the loans exist or can be made. The earnings generated from the securities lending program is reported as other income. During the year ended June 30, 2002 the Authority received $55,000 of income related to security lending transactions.

Wisconsin Health Care Liability Insurance Plan - The investments of the Wisconsin Health Care Liability Insurance Plan at December 31, 2001 were $114.8 million, of which $18.3 million are reported as cash equivalents. All investments meet the Category 2 risk level.

University of Wisconsin Hospital and Clinics Authority – The University of Wisconsin Hospitals and Clinics Authority (the Hospital) aggregate investments of $173.9 million consist of $139.8 million of restricted and limited use investments and $34.1 million of unrestricted investments.

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.

Badger Tobacco Asset Securitization Corporation -- Investments of $278.3 million of which $162.4 million are reported as cash equivalents.

The following table presents investments of component units at December 31, 2001, May 31, 2002, or June 30, 2002, categorized in accordance with the requirements of GASB Statement No. 3.

At December 31, 2001, May 31, 2002, or June 30, 2002, the component units' investments consisted of (in millions):

	Category			Reported	Fair
	1	2	3	Amount	Value
Bonds	$ 103.8	$ 52.2	$ --	$ 156.0	$ 158.3
Negotiable certificates of deposit	17.9	--	--	17.9	17.9
Uncollateralized investment agreements	--	--	146.8	146.8	146.8
Mortgage-backed securities	6.8	44.3	--	51.1	51.2
Repurchase agreements	--	11.2	--	11.2	11.2
Collateralized investment contracts	427.3	--	--	427.3	427.3
Commercial Paper	137.1	--	--	137.1	140.3
	$ 692.9	$ 107.7	$ 146.8	947.4	953.0
Money market funds				272.8	272.8
Pooled funds				162.6	162.6
Guaranteed Investment Contracts				47.3	47.3
				$ 1,430.1	$ 1,435.7

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

Other Funds Managed by the Board	$ 57,577.4
Other State Agencies and Funds	2,653.4
Component Units	1,430.1
Total Investments	$ 61,660.9

C. Lottery Investments and Related Future Prize Obligations

Investments of the State Lottery Fund totaling $145.4 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
2003	$ 16,635
2004	16,750
2005	16,868
2006	16,992
2007	17,118
Thereafter	119,068
Total future value	203,431
Less: Present value adjustment	(72,306)
Present value of payments	$ 131,125

NOTE 6. RECEIVABLES AND NET REVENUES

A. Receivables

Receivables at June 30, 2002 were as follows (in thousands):

	Taxes	Student Loans	Veterans Loans	Mortgage Loans	Insurance Policy Loans	Loans to Local Governments	Other Receivables	Due From Other Governments	Due From Component Units	Total Receivables
Governmental Activities:										
General	$ 1,115,043	$ -	$ -	$ -	$ -	$ 16,947	$ 172,495	$ 557,678	$ 7	$ 1,862,170
Transportation	92,810	-	-	-	-	-	5,703	99,437	-	197,950
Nonmajor Governmental	23,264	-	-	-	-	220,281	25,091	11,885	-	280,521
Total Governmental:	1,231,117	-	-	-	-	237,228	203,290	669,000	7	2,340,642
Government-wide Adjustments:										
Internal Service Funds	-	-	-	-	-	-	624	73	112	808
Accrual Adjustments	-	-	-	-	-	-	896	-	-	896
Fiduciary Receivables	-	-	-	-	-	-	41,268	-	-	41,268
Total – Governmental Activities	$ 1,231,117	$ -	$ -	$ -	$ -	$ 237,228	$ 246,078	$ 669,073	$ 119	$ 2,383,615
Related revenue deferral because the receivable does not meet the availability criteria	$ 235,514	$ -	$ -	$ -	$ -	$ -	$ 52,371	$ -	$ -	$ 287,884
Business-type Activities:										
Current:										
Patients Compensation	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,696	$ -	$ 14	$ 10,710
Environmental Improvement	-	-	-	-	-	68,490	330	5,825	-	74,644
Veterans Mortgage Loan Repayment	-	-	-	20,241	-	-	4,860	-	-	25,101
University of Wisconsin System	-	25,856	-	-	-	-	61,406	75,294	1,968	164,523
Unemployment Insurance Reserve	-	-	-	-	-	-	134,421	9,288	-	143,708
Nonmajor Enterprise	-	636	5,989	1,725	-	83	31,724	3,483	-	43,641
Total Current:	-	26,492	5,989	21,966	-	68,573	243,437	93,890	1,982	462,329
Noncurrent:										
Environmental Improvement	-	-	-	-	-	1,014,833	-	-	-	1,014,833
Veterans Mortgage Loan Repayment	-	-	-	614,413	-	-	-	-	-	614,413
University of Wisconsin System	-	152,094	-	-	-	-	-	-	-	152,094
Nonmajor Enterprise	-	1,281	31,446	24,617	3,805	1,713	-	-	-	62,862
Total Noncurrent	-	153,376	31,446	639,030	3,805	1,016,546	-	-	-	1,844,203
Government-wide Adjustments:										
Fiduciary Receivables	-	-	-	-	-	-	65	-	-	65
Total – Business-type Activities	$ -	$ 179,868	$ 37,435	$ 660,996	$ 3,805	$ 1,085,119	$ 243,501	$ 93,890	$ 1,982	$ 2,306,596

B. Net Revenues

Certain revenues of the University of Wisconsin System are reported net of scholarship allowances. For Fiscal Year 2002, these scholarship allowances totaled as follows (in thousands):

Student Tuition and Fees	$ 80,838
Sales and Services of Auxiliary Enterprises	13,941
Total	$ 94,779

NOTE 7. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended June 30, 2002 was as follows (in thousands):

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and Land Improvements	$ 979,777	$ 107,379	$ (2,565)	$ 1,084,591
Construction in Progress	984,042	579,773	(609,001)	954,815
Infrastructure	8,993,266	263,729	(51,281)	9,205,713
Total capital assets, not being depreciated	10,957,085	950,881	(662,847)	11,245,119
Capital assets, being depreciated:				
Land and Land Improvements	58,713	27,170	(2,691)	83,192
Buildings and Improvements	1,276,029	331,864	(8,556)	1,599,337
Equipment	510,388	81,417	(30,975)	560,830
Totals	1,845,130	440,451	(42,222)	2,243,359
Less accumulated depreciation for:				
Land and Land Improvements	15,385	3,670	(20)	19,035
Buildings and Improvements	360,933	36,243	(595)	396,581
Equipment	249,707	50,349	(25,077)	274,978
Totals	626,025	90,262	(25,692)	690,594
Total Capital Assets, being depreciated, net	1,219,105	350,189	(16,530)	1,552,765
Governmental activities capital assets, net	$ 12,176,190	$ 1,301,070	$ (679,377)	$ 12,797,884
Business-type activities:				
Capital assets, not being depreciated:				
Land and Land Improvements	$ 97,901	$ 8,941	$ (807)	$ 106,035
Construction in progress	8,301	9,153	(7,330)	10,124
Total Capital Assets, not being depreciated	106,202	18,094	(8,137)	116,159
Capital assets, being depreciated:				
Land and Land Improvements	8,622	46	(204)	8,464
Buildings	2,774,072	234,550	(14,940)	2,993,682
Equipment	1,557,753	90,633	(39,629)	1,608,757
Totals	4,340,447	325,229	(54,773)	4,610,903
Less accumulated depreciation for:				
Land and Land Improvements	5,228	413	(179)	5,462
Buildings	1,253,316	73,999	(6,442)	1,320,872
Equipment	426,415	48,122	(25,461)	449,076
Totals	1,684,959	122,534	(32,082)	1,775,410
Total Capital Assets, being depreciated, net	2,655,488	202,695	(22,691)	2,835,493
Business-type activities capital assets, net	$ 2,761,690	$ 220,789	$ (30,828)	$ 2,951,652

In addition to the capital assets reported by governmental and business-type activities, the fiduciary funds reported gross capital assets of $3,883 thousand at June 30, 2002, with accumulated depreciation totaling $3,832 thousand.

Depreciation Expense

Depreciation expense was charged to functions of the primary government as follows (in thousands):

Governmental Activities			Business-type Activities		
Commerce	$	2,493	Patients Compensation	$	6
Education		2,266	Environmental Improvement		1
Transportation		10,311	Veterans Mortgage Loan Repayment		40
Environmental Resources		8,466	University System		112,179
Human Relations and Resources		35,596	Unemployment Insurance Reserve		-
General Executive Functions		2,453	Lottery		115
Judicial		5,069	Health Insurance		-
Legislative		442	Other Business-Type		10,192
General		-	Total depreciation expense - business-type activities	$	122,533
Depreciation on capital assets held by the internal service funds		23,164			
Total depreciation expense - governmental activities	$	90,260			

Construction in Progress

Construction in progress of the primary government reported in the government-wide statement of net assets at June 30, 2002 included the following projects (in thousands):

	Allotments	Expended to June 30, 2002	Encumbrances Outstanding	Unencumbered Allotment Balance
Governmental Activities:				
Reported through capital projects funds:				
New Lisbon Correctional Institution	$ 51,250	$ 45,809	$ 332	$ 5,109
Waukesha Office Building Addition	16,850	7,384	3,388	6,079
Four probation/parole facilities	12,346	1,313	8,488	2,544
Madison Crime Lab Remodeling	10,227	672	--	9,555
Other projects with allotments totaling less than $10 million		47,865		
		103,043		
Other:				
Transportation related		848,571		
Other		3,201		
Total construction in progress – governmental activities		$ 954,815		
Business-type Activities:				
University of Wisconsin System:				
Health Science Learning Center - Madison	$ 63,887	$ 10,001	$ 35,740	$ 18,147
Engineering Center - Madison	53,400	46,444	6,451	504
Klotsche Center Physical Education Addition - Milwaukee	42,117	1,687	1,060	39,371
Chemistry Building Addition - Madison	41,797	39,664	751	1,382
Biostar/Biotech Building Addition	27,500	981	604	25,915
Fine Arts Center Remodeling/Addition – Stevens Point	26,120	791	122	25,207
Chamberlin Hall Renovation – Madison	20,950	2,105	1,660	17,185
Gates Center Physical Education Addition/Remodeling - Superior	16,051	2,110	11,567	2,374
Lab Science Remodeling – Green Bay	15,140	1,014	167	13,958
Camp Randall Stadium Renovation – Madison	13,100	9,140	2,831	1,129
Student Life Center – La Crosse	10,591	10,556		34
Upham Science Addition/Remodeling - Whitewater	10,030	1,373	549	8,108
Home for Veterans:				
Home-Skilled Nursing Facility – Southern Wisconsin Center	17,076	422	--	16,654
State Fair Park:				
Grandstand Replacement	20,500	5,139	--	15,361
Other projects with allotments totaling less than $10 million		80,315		
Total construction in progress – business-type activities		$ 211,741		

As discussed in Note 1E7, construction in progress of the University of Wisconsin System is reported in the applicable major capital assets categories.

Component Units

Capital Assets balance of the Wisconsin Housing and Economic Development Authority and the University of Wisconsin Hospitals and Clinics Authority as of June 30, 2002 were as follows (in thousands):

	Amount
Capital Assets, not being depreciated:	
Land and Land Improvements	$ 6,032
Construction in Progress	28,601
Total Capital Assets, not being depreciated	34,633
Capital Assets, being depreciated:	
Buildings	234,475
Equipment	148,176
Totals	382,651
Less accumulated depreciation for:	
Buildings	99,664
Equipment	95,527
Totals	195,191
Total Capital Assets, being depreciated, net	187,461
Component Units Capital Assets, net	$ 222,094

NOTE 8. ENDOWMENTS

Primary Government

University of Wisconsin System

The University of Wisconsin System invests its trust funds, principally gifts and bequests designated as endowments or quasi-endowments, in two of its own investment pools: the Long Term Fund and the Intermediate Term Fund. Benefiting University of Wisconsin System entities receive quarterly distributions from the Long Term Fund, principally endowed assets, based on an annual spending rate of 5 percent applied to a 12-quarter moving average market value of the fund. Distributions from the Intermediate Term Fund, principally quasi-endowments and unspent income distributions, consist of interest earnings distributed monthly. Spending rate and interest distributions for both of these funds are transferred to the State Investment Fund, pending near-term expenditures. At June 30, 2002, net appreciation of $8.6 million was available to be spent.

University of Wisconsin System investment policies and guidelines for the Long Term Fund and Intermediate Term Fund are governed and authorized by the Board of Regents. The approved assets allocation policy for the Long Term Fund sets a general target of 70 percent equities and 30 percent fixed income. However, further diversification is a fundamental risk/return management strategy for this fund. Accordingly, the fund includes investments in domestic and non-U.S. stocks and bonds and is beginning diversification into limited partnerships consisting of venture capital and other private equity investments. The approved asset allocation for the Intermediate Term Fund is 100 percent intermediate maturity, investment-grade fixed income.

The fair value of Endowments as of June 30, 2002 was $298.1 million including unrealized gains of $2.4 million when fair values as of June 30, 2002 are compared to asset acquisition costs. This compares to a fair value as of June 30, 2001 of $305.7 million. The net decrease in fund balance during 2001-02 was $7.6 million.

The book value of Endowments under control of the University of Wisconsin System was $295.7 million as of June 30, 2002 compared to a book value of $287.5 million as of June 30, 2001. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments since realized gains and losses are based on the difference between the selling price and the acquisition cost of the asset. Therefore, when assets are reported at fair value much of the realized gain or loss may have already been included in prior years as part of the overall change in the fair value of investments.

At June 30, 2002, the book value and fair value of principal funds under control of the University of Wisconsin System was (in millions):

Original Contributions and Distributed Net Gains	$ 127.2
Realized Gains – Undistributed	168.5
Book Value	295.7
Unrealized Net Gains/Losses - Undistributed	2.4
Fair Value	$ 298.1

On June 30, 2002, the portfolio at market contained 65.9 percent in stocks, 30.0 percent in fixed income obligations, and 4.1 percent in short-term investments. The total return on the principal long-term portfolio including capital appreciation was (6.1) percent. The total return on the principal intermediate-term portfolio including capital appreciation was 6.7 percent. External investment counsel was furnished for funds representing 99.6 percent of market-value principal as of June 30, 2002.

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances as of or for the year ended June 30, 2002 consist of the following (in thousands):

A. Due from/to Other Funds:

Due from Other Funds	$	988,216
Due to Other Funds	$	988,216

Due from/to Other Funds represent short-term interfund accounts receivable and payable. The totals of Due from/to Other Funds at June 30, 2002 by individual fund were as follows (in thousands):

Fund	Due from Other Funds	Due to Other Funds
General	$ 760,935	$ 132,483
Special Revenue:		
Transportation	32,414	36,997
Tobacco Settlement Endowment	--	542,361
Conservation	15,059	18,022
Wisconsin Health Education Loan Repayment	--	7
Medical Assistance Trust	221	54,043
Work Injury Supplemental Benefit	3	--
Tobacco Control	11,585	8,104
Uninsured Employers	3	--
Utility Public Benefits	5,992	1,410
Mediation	4	5
Agricultural Chemical Cleanup	87	--
Agrichemical Management	97	215
Agricultural Producer Security	252	26
Employee Trust Funds Administration	8,893	991
Petroleum Inspection	12,071	4,600
Environmental	8,043	4,782
Dry Cleaner Environmental Response	1	34
Recycling	5,790	939
Information Technology Investment	--	58
Universal Service	11	2,586
Wisconsin Public Broadcasting Foundation	--	419
Children's Trust	7	7

(Continued)

Fund	Due from Other Funds	Due to Other Funds
Capital Projects:		
Building Trust	1,414	310
Energy Efficiency	--	11
Capital Improvement	1,673	2,638
Transportation Revenue Bonds	9	27,208
Debt Service:		
Bond Security and Redemption	1	--
Transportation Revenue Bonds	--	9
Permanent Funds:		
Common School	1,158	80
Normal School	--	6
Historical Society	8	66
Enterprise:		
Patients Compensation	14	21
Environmental Improvement	253	1,645
Veterans Mortgage Loan Repayment	8	1,283
University of Wisconsin System	41,063	45,869
Unemployment Insurance Reserve	418	2,496
State Fair Park	--	2,505
Homes for Veterans	32	1,782
Mendota Mental Health Institute	4,420	4,674
Winnebago Mental Health Institute	745	3,925
Northern Developmental Disabilities Center	108	3,783
Central Developmental Disabilities Center	92	4,667
Southern Developmental Disabilities Center	2,044	3,741
Institutional Farm Operations	29	49
Correctional Canteen Operations	1	66
Lottery	2,239	11,472
Health Insurance Risk Sharing Plan	1,381	3,364
Local Government Property Insurance	--	2
State Life Insurance	--	37
Income Continuation Insurance	408	95

(Continued)

Fund	Due from Other Funds	Due to Other Funds
Duty Disability	--	143
Long-term Disability Insurance	--	60
Health Insurance	139	5,708
Veterans Trust	1,203	233
Internal Service:		
Technology Services	22,372	6,759
Fleet Services	2,808	282
Financial Services	272	535
Facilities Operations and Maintenance	9,341	2,191
Risk Management	199	588
Badger State Industries	2,881	427
Pension and Other Employee Benefit Trust Funds:		
Wisconsin Retirement System	28,589	32,022
Accumulated Sick Leave	--	107
Employee Reimbursement Accounts	297	39
Life Insurance	15	154
Deferred Compensation	--	53
Investment Trust:		
Local Government Pooled Investment	--	52
Private-Purpose Trust:		
Unclaimed Property Program	--	9
Tuition Trust	39	40
College Savings Program Trust	--	256
Agency:		
Inmate and Resident	563	217
Support Collection Trust	509	8,448
Total	$ 988,216	$ 988,216

B. Due to/from Component Units

Receivables and payables between funds and component units at June 30, 2002 were as follows (in thousands);

Fund/Component Unit	Due from Component Units/Primary Government	Due to Component Units/Primary Government
Primary Government:		
General Fund	$ 7	$ 798
Enterprise:		
Patients Compensation	14	--
University of Wisconsin System	1,968	1,775
Internal Service:		
Technology Services	49	--
Fleet Services	59	--
Badger State Industries	4	--
Component Unit:		
Wisconsin Housing and Economic Development Authority	176	19
Wisconsin Health Care Liability Insurance Plan	--	14
University of Wisconsin Hospitals and Clinics Authority	2,397	2,068
Badger Tobacco Asset Securitization Corporation	423	--
	5,097	4,674
Reporting period difference (primary government and component unit have June 30 and May 31 fiscal year ends, respectively)	--	423
Total	$ 5,097	$ 5,097

C. Interfund Receivables/Payables

Interfund Receivables	$ 815,246
Interfund Payables	$ 815,246

Interfund Receivables/Payables represent short-term loans from one fund to another to cover cash overdrafts. Interfund receivables/payables at June 30, 2002 by individual fund were as follows (in thousands):

Fund	Interfund Receivables	Interfund Payables
General	$ --	$ 757,440
Special Revenue:		
Transportation	410	--
Employee Trust Funds Administration	--	5,795
Capital Projects:		
Transportation Revenue Bonds	--	410
Enterprise:		
Central Developmental Disabilities Center	--	1,780
Southern Developmental Disabilities Center	--	332
Institutional Farm Operations	--	4,084
Health Insurance	5,795	
Internal Service:		
Fleet Services	--	45,405
Investment Trust:		
Local Government Pooled Investment	809,041	--
Total	$ 815,246	$ 815,246

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, 2002 by individual fund were as follows (in thousands):

Fund	Advances to Other Funds	Advances from Other Funds
Special Revenue:		
Agrichemical Management	$ 2,000	$ --
Agricultural Producers Security	--	2,000
Information Technology Investment	--	3,008
Capital Projects:		
Energy Efficiency	1,000	--
Enterprise:		
University of Wisconsin System	--	1,000
Internal Service:		
Technology Services	3,008	--
Total	$ 6,008	$ 6,008

E. Interfund Transfers

Interfund Transfers in and out that occurred during Fiscal Year 2002 were as follows (in thousands):

Fund	Interfund Transfers In	Interfund Transfers Out
General	$ 1,122,764	$ 1,893,081
Special Revenue:		
Transportation	134	34,671
Tobacco Settlement Endowment	--	992,361
Conservation	19,939	9,666
Wisconsin Election Campaign	322	--
Medical Assistance Trust	606,353	44,087
Tobacco Control	6,032	11,146
Agricultural Producer Security	406	--
Historical Legacy Trust	--	40
Petroleum Inspection	762	2,576
Environmental	13,257	9,293
Recycling	--	353
Universal Service	--	1,463
Wisconsin Public Broadcasting Foundation	--	6,217
Capital Projects:		
Building Trust	19,843	1,264
Energy Efficiency	--	4,585
Capital Improvement	8,765	115,087
Transportation Revenue Bonds	5,060	3,198
Debt Service:		
Bond Security and Redemption	253,399	4
Transportation Revenue Bonds	4	5,060
Permanent Funds:		
Common School	10,000	1,463
Historical Society	59	--
Enterprise:		
Environmental Improvement	15,085	10,200
Veterans Mortgage Loan Repayment	--	224
University of Wisconsin System	1,042,075	7,921
State Fair Park	3,872	690
Homes for Veterans	832	940
Mendota Mental Health Institute	25,849	1,688
Winnebago Mental Health Institute	18,661	1,920
Northern Developmental Disabilities Center	148	4,997
Central Developmental Disabilities Center	1,850	2,789
Southern Developmental Disabilities Center	2,325	2,443
Institutional Farm Operations	1,049	5
Correctional Canteen Operations	649	272
Lottery	1,589	14,099
Health Insurance Risk Sharing Plan	10,781	--
Veterans Trust	--	124
Internal Service:		
Technology Services	--	8,647
Fleet Services	872	415
Financial Services	--	940
Facilities Operations and Maintenance	11,213	2,310
Risk Management	--	345
Badger State Industries	201	34
Private-Purpose Trust:		
Unclaimed Property Program	--	10,000
College Savings Program Trust	--	937
Tuition Trust	937	--
Total transfers reported in fund financial statements	3,205,088	3,207,554
Transfer of capital assets between proprietary funds and governmental funds		(2,466)
	$3,205,088	$3,205,088

(Continued)

F. Transfers from Component Units

Interfund Transfers in and out between funds and component units that occurred during Fiscal Year 2002 were as follows (in thousands):

Fund/Component Unit	Transfers from Component Units	Transfers to Primary Government
Primary Government:		
Enterprise:		
University of Wisconsin System	$ 275	$ --
Component Unit:		
University of Wisconsin Hospitals and Clinics Authority	--	275
Total	$ 275	$ 275

NOTE 10. CHANGES IN LONG-TERM LIABILITIES

During the year ended June 30, 2002, the following changes occurred in long-term liabilities (in thousands):

Primary Government

Governmental Activities	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002	Amounts Due Within One Year
Bonds and Notes Payable:					
General Obligation Bonds	$ 2,654,402	$ 762,589	$ 454,402	$ 2,962,588	$ 210,940
Revenue Bonds	1,023,313	504,392	362,644	1,165,061	51,163
Total Bonds and Notes Payable	3,677,715	1,266,981	817,046	4,127,649	262,103
Other Liabilities:					
Future Benefits and Loss Liability	100,285	30,226	18,690	111,821	-
Capital Leases	19,481	10,326	9,117	20,690	7,694
Installment Contracts	1,104	1,216	1,071	1,249	526
Compensated Absences	88,521	2,628	141	91,008	40,974
Employer Pension Related Debt Costs	689,531	52,846	35,374	707,003	-
Claims, Judgments and Commitments	1,784	188	-	1,972	-
Total Governmental Activities Long-term Liabilities	$ 4,578,421	$ 1,364,410	$ 881,439	$ 5,061,392	$ 311,296

Repayment of the general obligation bonds is made from the Bond Security and Redemption Fund. The amount presented in this fund represents the liability to be paid from resources accumulated to provide debt service payments in Fiscal Year 2002. Repayment of the revenue bonds principal and interest is made from the appropriate debt service fund with payments secured by registration and inspection fees collected by the appropriate program. The compensated absences liability will be liquidated by the State's governmental and internal service funds. Long-term liabilities for employer pension costs, and claims, judgments and commitments are generally liquidated with resources of the governmental activities.

Business-type Activities	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002	Amounts Due Within One Year
Bonds and Notes Payable:					
General Obligation Bonds	$ 1,059,273	$ 147,537	$ 210,573	$ 996,238	$ 43,206
Revenue Bonds	587,784	102,426	30,759	659,451	35,410
Total Bonds and Notes Payable	1,647,057	249,963	241,332	1,655,689	78,616
Other Liabilities:					
Future Benefits and Loss Liability	1,006,704	161,148	90,384	1,077,468	125,330
Capital Leases	34,633	22,783	19,637	37,779	4,423
Compensated Absences	74,389	3,027	-	77,416	45,422
Total Business-type Activities Long-term Liabilities	$ 2,762,783	$ 436,921	$ 351,353	$ 2,848,352	$ 253,792

Component Units

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002	Amounts Due Within One Year
Bonds and Notes Payable:					
Revenue Bonds	$ 2,322,066	$ 2,439,394	$ 765,491	$ 3,995,969	$ 208,724
Future Benefits and Loss Liability	84,028	--	16,817	67,212	7,398
Capital Leases	28,597	--	2,825	25,772	2,845
Compensated Absences	3,028	149	--	3,177	3,177
Total Component Units Long-term Liabilities	$ 2,437,719	$ 2,439,543	$ 785,133	$ 4,092,129	$ 222,143

NOTE 11. BONDS, NOTES AND OTHER DEBT OBLIGATIONS

The following schedule summarizes outstanding long-term bonds and notes payable at June 30, 2002 (in thousands):

Primary Government	
Governmental Activities:	
General Obligation Bonds	$ 2,962,588
Revenue Bonds:	
Transportation	965,264
Petroleum Inspection	199,797
Total Governmental Activities	4,127,649
Business-Type Activities:	
General Obligation Bonds:	
Veterans Mortgage Loan Repayment	697,869
University of Wisconsin System	274,314
Other Business-Type	24,055
Revenue Bonds:	
Environmental Improvement	659,451
Total Business-Type Activities	1,655,689
Total Primary Government	5,783,338
Component Units	
Wisconsin Housing and Economic Development Authority Revenue	2,322,124
University of Wisconsin Hospitals And Clinics Authority Revenue Bonds	106,500
Badger Tobacco Asset Securitization Corporation	1,567,345
Total Component Units	3,995,969
Total at June 30, 2002	$ 9,779,307

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.

At June 30, 2002, $2,621.3 million of general obligation bonds were authorized but unissued.

General obligation bonds issued and outstanding as of June 30, 2002 were as follows (in thousands):

Fiscal Year Issued	Series	Dates	Interest Rates	Maturity Through	Amount Issued	Amount Outstanding
1990	1990 Series D	5/90	6.9 to 7.0	5/10	$ 65,859	$ 26,415
1991	1991 Series B and I	5/91; 6/91	5.25 to 9.6	1/21	202,136	86,261
1992	1992 Series B and Refunding Issue	6/92; 3/92	6.0 to 6.6	1/22	478,935	257,600
1993	1992 C and 2	10/92; 11/92				
	1993 1, 2 and A and H; 1993AC	1/93; 3/93; 5/93; 1/93	4.4 to 8.85	5/15	726,175	324,198
1994	1993 Refunding Issues	8/93; 12/93; 12/93;				
	3, 4, 5, 6; 1994 Refunding	10/93; 3/94;				
	Issue 2; and1994 Series A					
	and B; 1994 1	1/94; 6/94; 1/94	4.3 to 7.18	5/24	838,215	414,208
1995	1994 Series 3 and C;	9/94; 9/94				
	1995 Series A & B, and 1	1/95; 2/95; 2/95	5.3 to 7.18	5/25	336,715	77,526
1996	1995 Series 2 and C;	10/95; 9/95;				
	1996 Series 1, B; 1995 AC	2/96; 1/96; 5/96; 8/95				
	and Note 995B	and 7/95	4.20 to 7.64	11/26	453,537	261,625
1997	1996 C and D;	9/96; 10/96;				
	1997 1 and A; 1996 AC; 1997 AC	3/97; 3/97; 8/96; 3/97	4.75 to 7.81	5/28	200,230	95,365
1998	1997 B, C and D;	7/97; 9/97; 10/97; 2/98	4.25 to 7.81	11/28	421,765	334,276
	1998 A, B and C; 1997 AC 2					
	and 1998 AC	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	521,450
	1999 Series 1, A and B	10/98; 2/99; 5/99; 5/99				
2000	1999 C and D; 2000 A; 1999 AC	10/99; 11/99; 3/00; 12/99	5.10 to 8.0	11/30	320,000	229,165
2001	2000 Series B, C, D, E; and	7/00;7/00;11/00;11/00	3.0 to 8.05	11/31	556,710	471,300
	2001 Series A, B, C and D,	2/01; 4/01; 6/01; 6/01;				
	2000 AC; 2001 AC	11/00; 4/01				
2002	2001 Series 1, E, F and F1; and	10/01; 10/01; 0/01;	3.0 to 6.96	5/33	824,545	823,920
	2002 Series 1, A, B, C, and D;	10/01; 3/02; 3/02;				
	2001 BC	3/02; 6/02; 6/02; 12/01				
Total					6,015,497	3,923,309
Premiums/Discounts					--	42,571
Deferred Amount on Refunding					--	(7,055)
Total General Obligation Bonds and Notes					$ 6,015,497	$ 3,958,825

As of June 30, 2002, general obligation bond debt service requirements for principal and interest for governmental activities and business - type activities are as follows (in thousands):

Fiscal Year	Governmental Activities		Business-Type Activities	
Ended June 30	Principal	Interest	Principal	Interest
2003	$ 213,575	$ 158,579	$ 44,277	$ 57,551
2004	204,999	146,042	41,750	55,734
2005	198,510	134,846	43,721	53,541
2006	196,996	122,493	44,476	51,403
2007	194,194	111,708	40,011	49,028
2008-2012	893,367	403,970	191,693	214,125
2013-2017	651,986	196,177	207,282	158,172
2018-2022	370,559	49,537	171,778	100,417
2023-2027	--	--	134,430	51,289
2028-2032	--	--	76,245	12,070
2033-2034	--	--	2,460	121
Total	2,924,186	1,322,852	999,123	803,451
Premiums/Discounts	39,657	--	2,914	--
Deferred Amount on Refunding	(1,255)	--	(5,800)	--
Total	$ 2,962,588	$ 1,322,852	$ 996,237	$ 803,451

Zero Coupon Bonds

The general obligation bonds of 1990, Series D (Higher Education Series), are zero coupon bonds recorded in the amount of $26.4 million which is the accreted value at June 30, 2002. 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 $48.5 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 $1,753.1 million of revenue bonds. Presently, there are twelve issues of Transportation Revenue Bonds totaling $965.3 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, 2002 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
20022	4/02	3.0 to 5.5	7/22	$ 68,930	$ 68,930
20021	4/02	4.5 to 5.75	7/19	241,865	241,865
2001A	11/01	3.0 to 5.0	7/22	140,000	140,000
2000A	9/00	5.3 to 5.5	7/21	93,100	93,100
1998A&B	8&10/98	4.0 to 5.5	7/19	229,545	221,255
1996A	5/96	5.0 to 6.0	7/08	54,630	35,475
1995A	9/95	4.8 to 6.25	7/07	49,495	28,230
1994A	7/94	5.1 to 7.5	7/05	41,845	17,860
1993A	9/93	4.3 to 5.0	7/12	116,450	88,720
1992A&B	7/92	5.2	7/02	67,030	15,800
				1,102,890	951,235
Unamortized Premium					14,029
Total				$1,102,890	$ 965,264

Petroleum Inspection Fee Revenue Bonds

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

Presently, there are two issues of PIF Bonds outstanding totaling $199.8 million. Debt service payments are secured by petroleum inspection fees.

The PIF revenue bonds issued and outstanding as of June 30, 2002 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2001A	12/01	5.0	7/08	$ 30,000	$ 30,000
2000A	3/00	5.0 to 6.0	7/12	170,250	168,500
				200,250	198,500
Unamortized Premium				--	1,297
Total				$ 200,250	$ 199,797

Clean Water Revenue Bonds

The Environmental Improvement Fund (the Fund) provides loans and grants to local municipalities to finance wastewater treatment planning and construction. The Fund is authorized to issue up to $1,398.0 million in Revenue Bonds. At June 30, 2002, there were ten issues of Revenue Bonds outstanding totaling $659.5 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, 2002 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2002-1	5/01	4.0 to 5.25	6/23	$100,000	$100,000
2001-1	4/01	4.5 to 5.0	6/21	70,000	67,690
1999-1	9/99	5.0 to 5.75	6/20	80,000	74,885
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	77,565
1997-1	2/97	4.5 to 6.0	6/17	80,000	45,215
1995-1	7/95	4.0 to 6.25	6/15	80,000	26,990
1993-2	9/93	2.75 to 6.25	6/08	81,950	76,120
1993-1	9/93	3.6 to 5.3	6/13	84,345	28,935
1991-1	4/91	5.4 to 6.9	6/11	225,000	57,445
				995,655	657,405
Unamortized Premium					10,562
Less: Unamortized discount and charge					(8,516)
Total, net of discount, charge and premium				$995,655	$659,451

As of June 30, 2002, revenue bond debt service requirements for principal and interest for governmental activities and business-type activities are as follows (in thousands):

Fiscal Year Ended June 30	Governmental Activities: Transportation Revenue Bonds Principal	Transportation Revenue Bonds Interest	Petroleum Inspection Fee Revenue Bonds Principal	Petroleum Inspection Fee Revenue Bonds Interest	Business-Type Activities: Clean Water Revenue Bonds Principal	Clean Water Revenue Bonds Interest
2003	$ 38,115	$ 50,874	$ 11,440	$ 10,840	$ 35,410	$ 17,475
2004	46,870	45,856	12,070	10,139	37,305	16,615
2005	51,835	43,468	12,735	9,425	39,090	15,707
2006	54,410	40,875	13,495	8,638	40,985	14,727
2007	56,675	38,180	14,305	7,830	43,170	13,607
2008-2012	263,000	149,052	114,570	19,737	230,610	97,746
2013-2017	241,670	83,484	19,885	577	147,475	43,722
2018-2022	178,590	28,040	--	--	75,950	11,793
2023-2027	20,070	509	--	--	7,410	378
Total	951,235	480,338	198,500	67,186	657,405	231,770
Unamortized Premium	14,029	--	1,297	--	10,562	--
Unamortized Discount/Charge	--	--	--	--	(8,516)	--
Total, net	$ 965,264	$ 480,338	$ 199,797	$ 67,186	$ 659,451	$ 231,770

Component Units

Wisconsin Housing and Economic Development Authority

Bonds and notes payable at June 30, 2002 of the Wisconsin Housing and Economic Development Authority (Authority) consisted of the following (in thousands):

Revenue bonds and notes	$ 1,966,342
Special obligation and subordinated	
Special obligation	359,283
Total	2,325,625
Less: Deferred amount on refunding	(3,501)
Total, net	$ 2,322,124

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, 2002 consisted of the following (in thousands):

Series/ Issue	Date	Rates	Maturity Through	Outstanding
Housing Revenue Bonds:				
1992 A	1/92	6.3 to 6.85	2012	$ 49,920
1992 B,C,D	4/92	7.0 to 7.2	2022	65,795
1993 A&B	10/93	4.8 to 5.65	2023	56,005
1993 C	12/93	5.0 to 5.875	2019	110,060
1995 A&B	7/95	5.15 to 6.5	2026	42,555
1998 A,B&C	2/98	4.4 to 6.88	2032	37,050
1999 A&B	10/99	4.55 to 6.18	2031	40,100
2000 A&B	9/00	Variable	2032	10,685
2002 A, B&C	5/02	5.2 to 5.6	2033	110,135
2002 D, E&G	5/02	Variable	2034	15,950
2002 F	5/02	Variable	2033	10,500
2002 H	5/02	4.68	2033	25,520
2002 I	5/02	Variable	2033	7,055
				581,330

(Continued)

Series/ Issue	Date	Rates	Maturity Through	Outstanding
Home Ownership Revenue Bonds:				
1987 B&C	8/87	7.375	2015	1,535
1992 1,2	6/92	6.35 to 6.875	2024	43,785
1994 A&B	4/94	5.6 to 6.75	2025	32,330
1995 A&B	1/95	6.1 to 7.1	2025	26,360
1995 C,D&E	5/95	5.35 to 6.3	2026	51,865
1995 F,G&H	9/95	5.0 to 7.875	2026	30,430
1996 A&B	3/96	5.1 to 6.15	2027	47,930
1996 C&D	7/96	5.3 to 6.45	2027	44,100
1996 E&F	11/96	4.9 to 6.2	2027	37,535
1997 A,B&C	4/97	5.0 to 7.43	2028	51,855
1997 D&E	6/97	4.75 to 6.0	2028	69,625
1997 G,H&I	11/97	4.6 to 5.75	2028	55,360
1998 A,B&C	4/98	4.75 to 6.3	2028	98,815
1998 D&E	6/98	4.35 to 6.04	2028	92,965
1999 C,D&	4/99	3.85 to 7.29	2029	77,530
1999 A&B	8/99	5.3 to 5.8	2021	56,770
1999 F&G	7/99	4.3 to 7.07	2030	63,570
2000 A,B&C	3/00	4.95 to 7.78	2030	50,690
2000 D&E	9/00	5.0 to 7.91	2031	67,590
2000 F	7/00	Variable	2015	12,330
2000 G	11/00	4.65 to 7.21	2031	36,050
2000 H	11/00	Variable	2024	19,845
2001 A,B,C & D	5/01	3.95 to 6.4 & Variable	2032	85,735
2002 A&C	2/02	1.8 to 5.5	2032	88,020
2002 B	2/02	5.88	2032	20,000
2002 C	2/02	3.69	2016	14,945
2002 D	2/06	2.91	2022	12,600
				1,226,595
Business Development Bonds:				
1989 3&28	Various	4.4 to 5.2	2014	2,215
1991 4,6	Various	3.75 to 5.5	2006	2,380
1994 1,4	Various	Variable	2014	2,655
1995 1-2,4-9	Various	Variable	2015	12,450
				19,700
Notes Payable	Various	Variable	2021	75,147
Authority's Total Revenue Bonds and Notes				$1,966,342

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, 2002 consist of the following (in thousands):

Series/ Issue	Date	Rates	Maturity Through	Outstanding
Home Ownership Revenue Bonds:				
1993 A	6/92	5.5 to 6.5	2025	$ 63,855
1994 C&D	8/94	5.5 to 6.65	2025	21,630
1998 F&G	10/98	3.85 to 6.7	2029	81,895
				167,380
Single Family Drawdown Revenue Bonds:				
2001-1	11/01	Variable	2004	191,903
				191,903
Total Special Obligation Bonds				$ 359,283

The interest rate used to calculate Series 1997 future debt service is 3.22 percent, which represents the 10-year BMA rate. The Master Indenture requires that future variable rate equal the interest rate in effect on the last date of each of any consecutive six months occurring in the nine full calendar months immediately preceding the month in which the calculation is made.

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, 2002, the Authority had issued 136 series of such bonds in an aggregate principal amount of $81.9 million for economic projects in Wisconsin.

Housing Revenue Bonds, 2002 Series H – The Authority entered into an interest rate swap agreement totaling $25.52 million which matures on November 1, 2033. The weighted fixed rate of the swap agreement is 4.68%. In return, the counterparty pays interest based on 70% of the USD-LIBOR-BBA rate. During the term of the swap agreement, the Authority expects to effectively pay a fixed rate on the debt of 4.68%. The Authority will be exposed to variable rates if the counterparty to the swap defaults, if the swap is terminated or if the effective interest rate determined by the Underwriter used for Bond Holder payments increases over the variable rate index used for calculating the interest received from the counterparty. At June 30, 2002, the valuation of this agreement resulted in an unrealized loss of $974,655. The interest rate hedge is currently classified as effective. The agreement provides the Authority with a synthetic fixed interest rate on a portion of its debt. The Authority does not intend to terminate this agreement.

Home Ownership Revenue Bonds, 2002 Series B – The Authority entered into an interest rate swap agreement totaling $20.0 million which matures on March 1, 2020. The weighted fixed rate of the swap agreement is 5.88%. In return, the counterparty pays interest based on the USD-LIBOR-BBA rate + 35 basis points. During the term of the swap agreement, the Authority expects to effectively pay a fixed rate on the debt of 5.88%. The Authority will be exposed to variable rates if the counterparty to the swap defaults, if the swap is terminated or if the effective interest rate determined by the Underwriter used for Bond Holder payments increases over the variable rate index used for calculating the interest received from the counterparty. At June 30, 2002, the valuation of this agreement resulted in an unrealized loss of $609,834. The interest rate hedge is currently classified as effective. The agreement provides the Authority with a synthetic fixed interest rate on a portion of its debt. The Authority does not intend to terminate this agreement.

Home Ownership Revenue Bonds, 2002 Series C – The Authority entered into an interest rate swap agreement totaling $14.9 million which matures on September 1, 2012. The weighted fixed rate of the swap agreement is 3.69 %. In return, the counterparty pays interest based on 67% of the USD-LIBOR-BBA rate. During the term of the swap agreement, the Authority expects to effectively pay a fixed rate on the debt of 3.69%. The Authority will be exposed to variable rates if the counterparty to the swap defaults, if the swap is terminated or if the effective interest rate determined by the Underwriter used for Bond Holder payments increases over the variable rate index used for calculating the interest received from the counterparty. At June 30, 2002, the valuation of this agreement resulted in an unrealized loss of $402,837. The interest rate hedge is currently classified as effective. The agreement provides the Authority with a synthetic fixed interest rate on a portion of its debt. The Authority does not intend to terminate this agreement.

Home Ownership Revenue Bonds, 2002 Series D – The Authority entered into an interest rate swap agreement totaling $12.6 million which matures on September 1, 2006. The weighted fixed rate of the swap agreement is 2.91%. In return, the counterparty pays interest based on 70% of the USD-LIBOR-BBA rate. During the term of the swap agreement, the Authority expects to effectively pay a fixed rate on the debt of 2.91%. The Authority will be exposed to variable rates if the counterparty to the swap defaults, if the swap is terminated or if the effective interest rate determined by the Underwriter used for Bond Holder payments increases over the variable rate index used for calculating the interest received from the counterparty. At June 30, 2002, the valuation of this agreement resulted in an unrealized loss of $121,664. The interest rate hedge is currently classified as effective. The agreement provides the Authority with a synthetic fixed interest rate on a portion of its debt. The Authority does not intend to terminate this agreement.

The commercial paper obligations are issued for terms of one to 270 days. These obligations bear interest at various rates, which ranged from 1.50%-1.65% and 2.70%-3.10% at June 30, 2002 and June 30, 2001 respectively. The obligations are backed by a line of credit agreement which is renewable annually and bears interest at variable rates, based on an index defined in the agreement. The line of credit agreements used for temporary mortgage financing, one of which is renewable annually, bear interest based on the 30 day LIBOR rate. The three agreements bear interest at the rates of 2.375%, 2.740% and 2.344% at June 30, 2002.

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 1.8 percent in 2002.

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 compliance with the terms and conditions of the lease agreement (Note 1-B) and provisions limiting the amount of additional indebtedness which may be incurred. The borrowing agreements also require 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 payable to the primary government, to $175.0 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.

Badger Tobacco Asset Securitization Corporation

In May 2002, the Badger Tobacco Asset Securitization Corporation issued $1.6 billion of bonds for the purpose of making a one-time purchase of Tobacco Settlement Revenue (TSRs) from the State. Interest on the bonds is due June 1 and December 1, commencing December 1, 2002. See Note 1-B for additional discussion.

As of June 30, 2002, debt service requirements for principal and interest for component units at May 31 or June 30, 2002 are as follows (in thousands):

	Component Units					
Fiscal Year	Wisconsin Housing and Economic Development Authority Bonds		University of Wisconsin Hospitals and Clinics Authority Bonds		Badger Tobacco Asset Securitization Corporation	
Ended	Principal	Interest	Principal	Interest	Principal	Interest
2003	$ 208,724	$ 111,444	$ --	$ 4,712	$ --	$ 99,813
2004	51,590	109,798	--	5,049	--	97,643
2005	259,791	106,890	--	5,042	12,210	97,643
2006	61,435	100,437	--	5,045	12,315	96,972
2007	64,400	97,051	580	5,045	12,485	96,294
2008-2012	351,560	428,245	7,785	24,418	166,665	461,173
2013-2017	381,125	320,700	19,575	21,558	209,260	409,432
2018-2022	336,345	240,435	27,560	16,551	258,810	341,463
2023-2027	379,375	147,118	34,515	10,261	404,880	245,886
2028-2032	219,425	45,365	16,485	1,549	514,470	93,882
2033	11,555	5,588			--	--
Total	2,325,625	1,722,076	106,500	99,230	1,591,095	2,040,201
Unamortized Premium/Discount	--	--	--	--	(23,750)	--
Deferred Amount on Refunding	(3,501)	--	--	--	--	--
Total	$2,322,124	$ 1,722,076	$ 106,500	$ 99,230	$1,567,345	$ 2,040,201

C. 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.

Current Year Refundings/General Obligation Bonds

In October 2001, the State issued $247.1 million of general obligation refunding bonds (2001 Series 1), the proceeds of which were deposited in an escrow account to provide for future debt service requirements on $256.3 million of various general obligation bonds outstanding at the time of the refining. As a result of the refunding, the bonds are considered defeased and the associated liability removed from the financial statements. The refunding resulted in a decrease in total debt service payments by $12.6 million and an economic gain of $8.7 million.

In May 2002, the State issued $75.0 million of general obligation refunding bonds (2002 Series 1), the proceeds of which were used to current refund principal due on $78.8 million of various general obligation bonds outstanding at the time of the refunding. The refunding resulted in an increase in total debt service payments by $27.8 million with no economic gain or loss.

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, 2002, approximately $662.7 million of general obligation bond principal have been defeased.

Current Year Refunding/Revenue Bonds

In May 2002, the Transportation Revenue Bond Program issued the 2002 Series 1 and 2002 Series 2 refunding bonds under a common plan of finance. Total bond proceeds of $325.2 million were deposited in an escrow account to provide for future debt service requirements on $322.1 million of various transportation revenue bonds outstanding at the time of the refunding. As a result of the refunding, the bonds are considered to be extinguished in the year ended June 30, 2002 and are not included as liabilities in the accompanying financial statements. The refunding resulted in a decrease in total debt service payments by $15.9 million and an economic gain of $10.6 million.

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, 2002, revenue bonds outstanding of $91.9 million have been defeased.
- Transportation revenue bonds – At June 30, 2002, revenue bonds outstanding of $510.5 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, 2002, the remaining outstanding defeased debt was $33.4 million.

Early Extinguishments

Component Units

Wisconsin Housing and Economic Development Authority

During 2002, 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 2002
Home Ownership Revenue Bond Resolutions:	
1987	$ 104,905
1988	116,045
All Other	92,205
Housing Revenue Bonds	100
General funds	1,285

D. 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, 2002, 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. The State deposited $.4 million with the paying/issuing agent on May 1, 2002, which will be applied after June 30, 2002, to pay-down outstanding general obligation commercial paper notes. At June 30, 2002, the amount of commercial paper notes outstanding was $79.1 million which had interest rates ranging from 1.30 percent to 1.95 percent and maturities ranging from July 2, 2002 to October 15, 2002.

Short term debt activity for the year ended June 30, 2002 for the general obligation commercial paper notes was as follows (in millions):

Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002
$ 85.4	$ --	$ 6.3	$ 79.1

General Obligation Extendible Municipal Commercial Paper

The State has authorized general obligation extendible municipal commercial paper for the acquisition, construction, development, extension, enlargement, or improvement of land, waters, property, highway, buildings, equipment or facilities. As of June 30, 2002, the State issued $340.5 million of general obligation extendible municipal commercial paper. Periodically, additional extendible municipal commercial papers are issued to pay for maturing extendible municipal commercial paper. The State intends to make annual May 1 payments on the outstanding extendible commercial paper that reflect principal amortization of the paper. The State also intends to make regular payments to the issuing and paying agent that will be equal to the upcoming interest due on maturing notes. At June 30, 2002, the amount of extendible municipal commercial paper outstanding was $265.9 million which had interest rates ranging from 1.4 percent to 1.9 percent and maturities ranging from July 8, 2002, to September 20, 2002.

Short term debt activity for the year ended June 30, 2002 for the general obligation extendible municipal commercial paper was as follows (in millions):

Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002
$ 227.4	$ 41.7	$ 3.2	$ 265.9

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, 2002, the State issued $80.0 million of petroleum inspection fee revenue extendible municipal commercial paper. Periodically, additional extendible municipal commercial paper is issued to pay for maturing paper. The State may periodically deposit money into the Junior Subordinate Principal Account, which represents principal payments to be made on the extendible municipal commercial paper. The State also intends to make regular payments to the issuing and paying agent that will be equal to the upcoming interest due on maturing paper. At June 30, 2002, the amount of extendible commercial paper outstanding was $80.0 million which had interest rates ranging from 1.45 percent to 1.75 percent and maturities ranging from July 10, 2002 to August 20, 2002.

Short term debt activity for the year ended June 30, 2002 for the petroleum inspection fee revenue extendible municipal commercial paper was as follows (in millions):

Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002
$ 80.0	$ --	$ --	$ 80.0

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, 2002, 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, 2002, the amount of commercial paper notes outstanding was $136.7 million which had interest rates ranging from 1.3 percent to 1.55 percent and maturities ranging from August 2, 2002 to December 5, 2002.

Short term debt activity for the year ended June 30, 2002 for the transportation revenue commercial paper notes was as follows (in millions):

Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002
$ 141.7	$ --	$ 5.0	$ 136.7

E. 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, 2002, the following parity Master Lease certificates were outstanding:

- Master Lease Certificates of Participation of 1996, Series B, in the amount of $.4 million. This series of Master Lease certificates had interest rates ranging from 4.7 percent to 4.9 percent and matures semi-annually through September 1, 2003.

- Master Lease Certificates of Participation of 1996, Series A, in the amount of $22.1 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 $5.1 million. This series of Master Lease certificates have interest rates ranging from 3.5 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 $7.8 million. This series of Master Lease certificates have interest rates ranging from 5.5 percent to 5.6 percent and mature semi-annually through September 1, 2005.

- Master Lease Certificates of Participation of 2000, Series A, in the amount of $15.9 million. This series of Master Lease certificates have interest rates ranging from 4.5 percent to 5.0 percent and mature semi-annually through September 1, 2007.

- Master Lease Certificates of Participation of 2000, Series B (Taxable), in the amount of $8.3 million. This series of Master Lease certificates have interest rates ranging from 6.7 percent to 7.0 percent and mature semi-annually through September 1, 2005.

- Master Lease Certificates of Participation of 2002, Series A, in the amount of $45.0 million. This series of Master Lease certificates have interest rates ranging from 2.25 percent to 3.75 percent and mature semi-annually through September 1, 2007.

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, 2002, the State has deposited with the Trustee amounts, that when invested, will terminate lease schedules having an aggregate outstanding amount of $4.1 million. As a result of terminating these lease schedules, the associated liability is removed from the financial statements.

F. 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, 2002, no arbitrage rebate liability existed.

G. 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. Two other local exposition districts each have authority to issue $160.0 million of revenue obligations that, subject to the Secretary of Administration's determination that certain conditions have been met, could carry a moral obligation of the State. Each of these districts have issued revenue obligations that do not carry the moral obligation of the State.

Through legislation enacted in 1999, the State authorized the issuance of up to $170.0 million principal amount of bonds to finance the development or redevelopment of sites and facilities to be used for public schools. If certain conditions are satisfied, and if a special debt service reserve fund is created for the bonds, the State will provide a moral obligation pledge, which would restore the special debt reserve fund established for the bonds to an amount not to exceed the maximum annual debt service on the bonds. One bond issue of $33.3 million has been issued that has a special debt service reserve fund secured by the State's moral obligation.

H. Credit Agreements

Primary Government

The State has, as part of the working bank contract, a letter of credit agreement with the US Bank National Association under which the Bank has agreed to provide to the State an open line of credit in the amount of $50.0 million. The agreement provides for advances in anticipation of bond issuance proceeds. As of June 30, 2002, $50.0 million was unused and available.

The State has previously entered into a credit agreement to provide a line of credit for liquidity support for up to $110.0 million of general obligation commercial paper notes. The line of credit expires in March, 2003, but is subject to annual renewal as provided for in the credit agreement. The cost of this line of credit is .095 percent per year.

Also, the State has entered into a credit agreement with two banks to provide a line of credit for liquidity support for its transportation revenue commercial paper program. The amount of the line of credit is $150.0 million. This line of credit expires in May, 2003, but is subject to renewal as provided for in the credit agreement. The cost of this line of credit is 0.160 percent per year.

NOTE 12. LEASE COMMITMENTS AND INSTALLMENT PURCHASES

The State leases office buildings, space, and equipment under a variety of agreements that vary in lease term, many of which are subject to appropriation from the State Legislature to continue the lease commitment. If such funding, i.e., through legislative appropriation, is judged to be assured, and the likelihood of cancellation through exercise of the fiscal funding clause is remote, leases are considered noncancelable and reported as either a capital lease or an operating lease.

A. Capital Leases

Primary Government

Capital lease commitments in the government-wide and proprietary ~~funds~~ statements are reported as liabilities at lease inception. The related assets along with the depreciation are also reported at that time. Lease payments are reported as a reduction of the liability.

For capital leases in governmental funds, “Other Financing Sources - Capital Lease Acquisitions" and expenditures are recorded at lease inception. Lease payments are recorded as expenditures.

The following is an analysis of the gross minimum lease payments along with the present value of the minimum lease payments as of June 30, 2002 for capital leases (in thousands):

Fiscal Year	Governmental Activities	Business-type Activities
2003	$ 8,530	$ 5,488
2004	6,536	4,861
2005	3,221	3,874
2006	1,481	3,460
2007	1,063	3,325
2008 – 2012	1,803	20,935
2013 – 2017	464	4,022
Total minimum future payments	23,099	45,964
Less: Executory costs	(59)	--
Less: Interest	(2,350)	(8,185)
Present value of net minimum lease payments	$ 20,690	$ 37,779

Assets acquired through capital leases are valued at the lower of fair market value or the present value of minimum lease payments at the inception of the lease. The following is an analysis of capital assets recorded under capital leases as of June 30, 2002 (in thousands):

	Governmental Activities	Business-type Activities
Land and Land Improvements	$ 376	$ --
Buildings and Improvements	1,060	1,087
Machinery and Equipment	31,851	9,728
Less: Accumulated Depreciation	(11,769)	(3,394)
Carrying Amount	$ 21,518	$ 7,421

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, 2002 consisted of:

Balance Due	Average Life (Weighted Term)
$100,424,929	3.3914 Years

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 4.0 percent to 7.75 percent, with final maturities due beginning in April 2000 through April 2022. Scheduled principal and interest payments through April 2022 are $32.7 million.

B. Operating Leases

Operating leases, those leases not recorded as capital leases as required by FASB Statement No. 13, are not recorded in the statement of net assets. These leases contain various renewal options, the effect of which are reflected in the minimum lease payments only if it is considered that the option will be exercised. Certain other operating leases contain escalation clauses and contingent rentals which are not included in the calculation of the future minimum lease payments. The State has adopted the operating lease scheduled rent increase provisions of FASB Statement No. 13. Operating lease expenditures/expenses are recognized as incurred or paid over the lease term.

Governmental and business-type activities rental expenses under operating leases for Fiscal Year 2002 were $51.6 million. Of this amount, $51.1 million relates to minimum rental payments stipulated in lease agreements, $451 thousand relates to contingent rentals, and $472 thousand relates to subrental payments.

The following is an analysis of the future minimum rental payments due under operating leases (in thousands):

Fiscal Year	Governmental Activities	Business-type Activities	Component Units
2003	$ 41,115	$ 9,663	$ 4,368
2004	33,524	8,708	4,279
2005	25,648	6,902	4,209
2006	20,935	5,678	3,966
2007	18,856	3,747	3,363
2008 - 2012	45,954	14,280	6,928
Minimum lease payments	$ 186,032	$ 48,977	$ 27,114

C. Installment Purchases

The State has entered into installment purchase agreements. The following is an analysis of the gross minimum installment payments, along with the present value of the minimum installment payments, as of June 30, 2002 for installment purchases (in thousands):

Fiscal Year	Governmental Activities
2003	$ 595
2004	409
2005	319
2006	54
2007	1
Total minimum future payments	1,377
Less: Interest	(128)
Present value of net minimum installment payments	$ 1,249

NOTE 13. 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.

The separately issued financial reports for the years ended December 31, 2000 and 2001 will be available in Calendar Year 2003.

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, 2001, the number of participating employers was:

State Agencies	61
Cities	153
Counties	71
4th Class Cities	34
Villages	206
Towns	175
School Districts	426
Wisconsin Technical College System Board Districts	16
Cooperative Educational Service Agencies	12
Other	167
Total Employers	1,321

For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested. Employees who retire at or after age 65 (55 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits. The WRS also provides death and disability benefits for employees.

Accounting Policies and Plan Asset Matters

The financial statements of the WRS have been prepared in accordance with generally accepted accounting principles, using the flow of economic resources measurement focus and a full accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

All assets of the WRS are invested by the State of Wisconsin Investment Board. The retirement fund assets consist of shares in the variable retirement investment trust and the 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 (3.9% for Executives and Elected Officials, 3.8% for Protective Occupations with Social Security, and 3.3% 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; however, State legislation in 1999 prescribed a $200 million contribution holiday for employers for the first time in the plan's history. State contributions made for the years ended December 31, 2001, 2000 and 1999 were as follows (in millions):

	2001	2000	1999
Employer current service	$ 122.9	$ 124.7	$ 121.6
Percent of payroll	4.2%	4.6%	4.9%
Employer prior service	$ 15.5	$ 0.4	$ 31.9
Percent of payroll	0.5%	0.0%	2.5%
Employee required	$ 140.9	$ 134.1	$ 124.2
Percent of payroll	4.9%	4.9%	5.0%
Benefit adjustment contrib.	$ 5.1	$ 12.1	$ 17.6
Percent of payroll	0.2%	0.4%	.7%
Percent of Required Contributions	100%	100%	100%

The WRS uses the "Entry Age Normal with Frozen Initial Liability" actuarial method in establishing employer contribution rates. Under this method, the unfunded actuarial accrued liability (UAAL) is generally affected only by the monthly amortization payments, compound interest, the added liability created by new employer units, and any liabilities caused by changes in benefit provisions. The UAAL is being amortized over a 40 year period beginning January 1, 1990. However, periodically, the Employee Trust Funds Board has reviewed and, when appropriate, adjusted the actuarial assumptions used to determine this liability. Changes in the assumptions may affect the UAAL, and the resulting actuarial gains or losses are credited or charged to employers' unfunded liability accounts.

All actuarial gains or losses arising from the difference between actual and assumed experience are reflected in the determination of the normal cost.

As of June 30, 2002 and 2001, the WRS's unfunded actuarial accrued liability was $2.0 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, 2002, was $707.0 million, or 35.1 percent of the total WRS unfunded liability of $2.0 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 governmental activities.

NOTE 14. 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) and the Variable Retirement Investment Trust (VRIT), funds of the Wisconsin Retirement System (WRS). Participation of the MRS in the FRIT and VRIT is described in the DETF Administrative Code, Chapter 10.12. The State of Wisconsin Investment Board (SWIB) manages the FRIT and VRIT with oversight by a Board of Trustees as authorized in Wis. Stat. 25.14 and 25.17. SWIB is not registered with the Securities and Exchange Commission as an investment company.

The investments of the FRIT and VRIT 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 and VRIT earnings less administrative expenses to the MRS accounts. The MRS accounts are adjusted to fair value and gains/losses are recorded directly in the accounts per DETF Administrative Code, Chapter 10.12(2).

Neither State statute, a legal provision nor a legally binding guarantee exists to support the value of shares.

At June 30, 2002, the FRIT and VRIT held a number of nonnegotiable short-term certificates of deposit. The fair value of these certificates of deposit was approximately $65.4 million, all of which was uncollateralized.

At June 30, 2002, the FRIT and VRIT held $56,084.6 million of investments of which includes $2,335.7 million of securities lending collateral. The following tables present investments of the FRIT and VRIT at June 30, 2002, categorized in accordance with the level of risk requirements of GASB Statement No. 3 (in millions):

Fixed Retirement Investment Trust:

	Category 1	Category 2	Category 3	Fair Value
Bonds	$ 6,658.0	$ --	$ --	$ 6,658.0
Stocks	12,723.9	--	--	12,723.9
Repurchase Agreements	97.7	--	--	97.7
Bankers Acceptances	284.1	--	--	284.1
Total	$ 19,763.7	$ --	$ --	19,763.7
Private Placements				3,530.0
Limited Partnerships				2,598.4
Pooled Equities				15,401.9
Pooled Bonds				4,830.8
Mortgages				685.8
Real Estate Owned				461.9
Custodial Pooled Cash and Equivalents				605.5
Investments Held by Broker Dealers under Securities Loans:				
Bonds				1,438.3
Equities				760.1
Securities Lending Cash Collateral Pooled Investments				505.8
				$ 50,582.2

Variable Retirement Investment Trust:

	Category 1	Category 2	Category 3	Fair Value
Bonds	$ 61.5	$ --	$ --	$ 61.5
Stocks	2,485.4	--	--	2,485.4
Repurchase Agreements	4.4	--	--	4.4
Bankers Acceptances	12.9	--	--	12.9
Total	$ 2,564.2	$ --	$ --	2,564.2
Limited Partnerships				.2
Pooled Equities				2,785.1
Pooled Cash and Equivalents				29.1
Investments Held by Broker Dealers under Securities Loans:				
Equities				100.3
Securities Lending Cash Collateral Pooled Investments				23.5
				$ 5,502.4

The following schedule provides summary information by investment classification for the FRIT at June 30, 2002 (in thousands):

Classification	Interest/Coupon Rates	Maturity Dates	Cost	Fair Value
Bonds	Variable and .1 to 25.4	9/02 to 10/49	$ 10,700,776	$ 11,581,063
Common and Preferred Stock	N/A	N/A	32,889,031	28,885,894
Limited Partnerships	N/A	N/A	2,765,778	2,598,401
Mortgages	6.77 to 12.25	8/04 to 6/22	639,001	685,784
Real Estate Owned	N/A	N/A	396,580	461,912
Financial Futures Contracts	N/A	N/A	--	6
Private Placements	Variable and 5.95 to 24.0	9/02 to 12/31	3,464,511	3,530,009
Total Investments			$ 50,855,677	$ 47,743,069

The following schedule provides summary information by investment classification for the VRIT at June 30, 2002 (in thousands):

Classification	Interest/Coupon Rates	Maturity Dates	Cost	Fair Value
Bonds	N/A	9/02 to 8/08	$ 192	$ 196
Common and Preferred Stock	N/A	N/A	6,370,547	5,370,734
Limited Partnerships	N/A	N/A	173	174
Financial Futures Contracts	N/A	N/A	--	2
Total Investments			$ 6,370,912	$ 5,371,106

Significant financial data for the FRIT and VRIT for the year ended June 30, 2002 is presented below (in thousands):

Fixed Retirement Investment Trust
Condensed Statement of Net Assets
As of June 30, 2002

Assets:	
Cash and Cash Equivalents	$ 1,361,036
Securities Lending Collateral	2,233,869
Investment Receivables	1,369,394
Investments, at Fair Value	47,743,069
Other Assets	3,041
Total Assets	$ 52,710,409
Liabilities:	
Securities Lending Collateral Liability	$ 2,233,869
Investment Payables	1,205,217
Total Liabilities	3,439,086
Net Assets Held in Trust of:	
Internal Investment Pool Participants	49,221,514
Milwaukee Retirement Systems	49,809
	$ 49,271,323

Fixed Retirement Investment Trust
Condensed Statement of Changes in Net Assets
For the Year Ended June 30, 2002

Additions:	
Net Increase (Decrease) in Fair Value of Investments	$ (3,639,236)
Interest	768,257
Dividends	202,019
Securities Lending Income	71,426
Other	125,802
Total Additions	(2,471,732)
Deductions:	
Investment Expense	135,372
Securities Lending Rebates and Fees	59,504
Net Withdrawals by Pool Participants	1,475,978
Total Deductions	1,670,854
Net Increase (Decrease)	(4,142,586)
Net Assets Held in Trust for Pool Participants	
Beginning of Year	53,413,909
End of Year	$ 49,271,323

Variable Retirement Investment Trust
Condensed Statement of Net Assets
As of June 30, 2002

Assets:		
Cash and Cash Equivalents	$	102,367
Securities Lending Collateral		101,784
Investment Receivables		279,302
Investments, at Fair Value		5,371,106
Total Assets	$	5,854,559
Liabilities:		
Securities Lending Collateral Liability	$	101,784
Investment Payables		285,831
Total Liabilities		387,615
Net Assets Held in Trust of:		
Internal Investment Pool Participants		5,451,641
Milwaukee Retirement Systems		15,303
	$	5,466,944

Variable Retirement Investment Trust
Condensed Statement of Changes in Net Assets
For the Year Ended June 30, 2002

Additions:		
Net Increase (Decrease) in		
Fair Value of Investments	$	(1,020,302)
Interest		2,406
Dividends		33,870
Securities Lending Income		2,764
Total Additions		(981,262)
Deductions:		
Investment Expense		11,827
Securities Lending Rebates and Fees		1,766
Net Withdrawals by Pool Participants		298,397
Total Deductions		311,990
Net Increase (Decrease)		(1,293,252)
Net Assets Held in Trust for Pool Participants		
Beginning of Year		6,760,197
End of Year	$	5,466,944

NOTE 15. 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 12,500 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 8,868 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, 4.5 percent assumed annual salary growth, and an average sick leave accumulation of 6.4 days per year for non-University employees and 7.4 days per year for University employees. The assets and reserves of the sick leave conversion program are accounted for in a fiduciary fund. The accrued liability for the post retirement health insurance benefits at December 31, 2001, determined through an actuarial valuation performed on that date, was $1,208.8 million. The program's assets on that date were $745.0 million. The unfunded liability was $463.7 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 $3.9 million and $78.3 million, respectively, during the calendar year ended December 31, 2001.

NOTE 16. 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, 2001.

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. Two hundred fifty-eight 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 thirty-eight 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 and fifty 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 5 percent for long-term disability insurance and duty disability insurance. The liabilities for income continuation, long-term disability, health insurance 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 2001 (in millions):

	Health Insurance		Income Continuation Insurance		Duty Disability		Long-term Disability Insurance	
	2000	2001	2000	2001	2000	2001	2000	2001
Unpaid claims at beginning of the calendar year	$ 13.4	$ 14.2	$42.9	$46.4	$264.9	$289.2	$25.9	$29.2
Incurred claims:								
Provision for insured events of the current calendar year	69.9	73.6	21.4	28.2	27.6	35.3	9.4	9.8
Changes in provision for insured events of prior calendar years	(1.9)	(5.3)	(9.7)	4.2	14.8	13.6	(2.8)	0.9
Total incurred claims	68.0	68.3	11.7	24.0	42.4	48.9	6.6	10.7
Payments:								
Claims and claim adjustment expenses attributable to insured events of the current calendar year	55.8	61.1	3.2	4.9	0.2	0.2	0.2	0.3
Claims and claim adjustment expenses attributable to insured events of prior calendar years	11.4	8.6	5.0	8.5	17.9	19.6	3.1	5.3
Total Payments	67.2	69.7	8.2	13.4	18.1	19.8	3.3	5.6
Total unpaid claims expenses at end of the calendar year	$ 14.2	$ 12.8	$46.4	$57.0	$289.2	$318.3	$29.2	$34.3

D. Trend Information

Historical trend information showing revenue and claims development information is presented in the Department of Employee Trust Funds audited financial statements. The separately issued financial report for the years ended December 31, 2001 and 2000 will be available in Calendar Year 2003. 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 17. 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 2002, 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, 2002 are estimated to total $4.5 million.

Property Damages and Bodily Injuries to Third Parties

The State is self-funded for third party liability to a level of $3 million per occurrence and purchases insurance in excess of this self-funded retention. The policy limit during Fiscal Year 2002 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, 2002 are estimated to total $43.0 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, 2002 are estimated to total $64.4 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):

	2002	2001
Beginning of fiscal year liability	$ 100,285	$ 81,335
Current year claims and changes in estimates	30,226	35,112
Claim payments	(18,690)	(16,162)
Balance at fiscal year-end	$ 111,821	$ 100,285

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, 2002 is $ 2.9 million.

NOTE 18. INSURANCE FUNDS

Primary Government

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, 2002, the Local Government Property Insurance Fund insured 1,183 local governmental units. The total amount of insurance in force as of June 30, 2002 was $30.0 billion.

Valuation of Cash Equivalents and Investments - All investments of the Local Government Property Insurance Fund are managed by the State of Wisconsin Investment Board, as discussed in Note 5-B to the financial statements. At June 30, 2002, the fund had $12.0 million of shares in the State Investment Fund which are considered cash equivalents and $15.5 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. 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, 2002.

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, 2002 the fund had $240 million of per occurrence excess of loss reinsurance in force with a $2.0 million combined single limit retention for each occurrence, and an annual aggregate reinsurance contract with a $12.0 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 $3.5 million. Reinsurance loss and adjusting expense recoveries earned for the year amounted to $.2 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):

	2001	2002
Unpaid claims and claim adjustment expenses at beginning of the year	$11,890	$14,436
Less: Reinsurance recoverable	(8,466)	(6,097)
Net unpaid loss liability at beginning of year	3,424	8,339
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	13,050	13,858
Increase (decrease) in provision for insured events of prior years	(675)	301
Total incurred claims and claim adjustment expenses	12,375	14,159
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	5,060	7,278
Claims and claim adjustment expenses attributable to insured events prior years	2,400	8,153
Total payments	7,460	15,431
Net unpaid claims and claim adjustment expenses at end of year	8,339	7,067
Reinsurance recoverable	6,097	4,706
Total unpaid claims and claim adjustment expenses	$14,436	$11,773

Trend Information

Historical trend information showing revenue and claims development information is presented in the Office of the Commissioner of Insurance June 30, 2002 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

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	$ 14,133	$ 9,027
1967-1976	40,471	15,382
1977-1985	86,152	19,660
1986-1994	55,978	5,672
1995+	29,290	2,111
	$ 226,024	$ 51,852

Bases of Assumptions

Issue Year	Interest Rate	Mortality
1913-1966	3.0%	American Experience, ANB*
1967-1976	3.0	1958 CSO, ALB, Unisex
1977-1985	4.0	1958 CSO, ALB, Female Setback 3 years
1986-1994	5.0	1980 CSO, ALB, Aggregate
1995+	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, 2001 were $75.6 million and the statutory capital and surplus were $6.1 million, and the capital and surplus at June 30, 2002 was $7.4 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, 2002 as follows (in thousands):

Projected ultimate loss liability	$ 1,302,384
Less: Net loss paid from inception	(518,240)
Less: Liability for reported losses	(35,421)
Liability for incurred but not reported losses	$ 748,723

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, 2002 are estimated at 5.25 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, 2002 as follows (in thousands):

Projected ultimate loss adjustment expense liability	$ 68,375
Less: Loss adjustment expense paid from inception	(33,525)
Liability for loss adjustment expense	$ 34,850

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 are 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, 2002 (in thousands):

Estimated unpaid loss liabilities	$ 784,144
Estimated unpaid loss adjustment expense	34,850
Total estimated loss liabilities	818,994
Less: Amount representing interest	239,965
Discounted loss liabilities	$ 579,029

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 otherwise qualify for eligibility under Section 149.12, Wis. Stats. 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):

	2001	2002
Balance, beginning of year	$ 13,414	$ 17,790
Incurred related to:		
Current year	57,688	75,575
Prior years	(3,010)	(7,576)
Total Incurred	54,678	67,999
Paid related to:		
Current year	40,212	60,876
Prior years	10,090	9,617
Total Paid	50,302	70,493
Balance, end of year	$ 17,790	$ 15,296

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.

Component Units

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, 2001.

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, 2000 and December 31, 2001, are as follows (in thousands):

	2000	2001
Balance at January 1	$ 102,030	$ 84,028
Incurred related to:		
Current year	4,916	4,413
Prior years	(19,858)	(19,783)
Total Incurred	(14,942)	(15,370)
Paid related to:		
Current year	101	68
Prior years	2,959	1,378
Total paid	3,060	1,446
Balance at December 31	$ 84,028	$ 67,212

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 19. SEGMENT INFORMATION AND CONDENSED FINANCIAL DATA

Primary Government

The State issues revenue bonds to finance the Leveraged Loan Program, which is accounted for as part of the Environmental Improvement Fund. Investors in those bonds rely solely on the revenue generated within the Leveraged Loan Program. Assets of this program are used primarily for loans for Wisconsin municipal waste water projects. Condensed financial statement information of the Leveraged Loan Program as of and for the year ended June 30, 2002 is presented below (in thousands):

Condensed Balance Sheet

Assets:		
Current Assets	$	175,372
Other Assets		642,407
Total Assets	$	817,779
Liabilities:		
Due to Other Funds	$	1,987
Other Current Liabilities (Including Current Portion of Long-term Debt)		38,395
Noncurrent Liabilities		626,713
Total Liabilities		667,095
Fund Equity:		
Restricted		150,684
Total Fund Equity		150,684
Total Liabilities and Fund Equity	$	817,779

Condensed Statement of Revenues, Expenses and Changes in Fund Equity

Operating Revenues (Expenses):		
Loan Interest	$	15,973
Interest Expense		(32,426)
Other Operating Expenses		(2,052)
Operating Income (Loss)		(18,504)
Nonoperating Revenues (Expenses):		
Investment Income		15,116
Capital Contributions		12,808
Change in Fund Equity		9,419
Beginning Fund Equity		141,264
Ending Fund Equity	$	150,684

Condensed Statement of Cash Flows

Net Cash Provided (Used) by :		
Operating Activities	$	(2,037)
Noncapital Financing Activities		52,165
Investing Activities		12,964
Net Increase (Decrease)		63,093
Beginning Cash and Cash Equivalents		103,980
Ending Cash and Cash Equivalents	$	167,072

NOTE 20. COMPONENT UNITS – CONDENSED FINANCIAL INFORMATION

Significant financial data for the State's four component units for the year ended December 31, 2001, May 31, 2002, or June 30, 2002 is presented below (in thousands):

	Wisconsin Housing and Economic Development Authority	Wisconsin Health Care Liability Insurance Plan	University of Wisconsin Hospitals and Clinics Authority	Badger Tobacco Asset Securitization Corporation	Total
Condensed Balance Sheet					
Assets:					
Cash, Investments and Other Assets	$ 2,802,801	$ 122,531	$ 270,604	$ 293,970	$ 3,489,906
Due from Primary Government	176	--	2,397	423	2,995
Capital Assets, Net	22,272	--	199,822	--	222,094
Total Assets	$ 2,825,249	$ 122,531	$ 472,823	$ 294,393	$ 3,714,995
Liabilities:					
Accounts Payable and Other Current Liabilities	$ 151,620	$ 40,997	$ 49,055	$ 4,079	$ 245,751
Due to Primary Government	19	14	2,068	--	2,101
Long-term Liabilities (Current and Noncurrent Portions)	2,322,521	67,212	135,052	1,567,345	4,092,129
Total Liabilities	2,474,160	108,223	186,174	1,571,423	4,339,980
Fund Equity:					
Invested in Capital, Net of Related Debt	--	--	67,550	--	67,550
Restricted	187,301	--	3,963	276,322	467,586
Unrestricted	163,788	14,307	215,136	(1,553,352)	(1,160,121)
Total Fund Equity	351,089	14,307	286,649	(1,277,030)	(624,985)
Total Liabilities and Fund Equity	$ 2,825,249	$ 122,531	$ 472,823	$ 294,393	$ 3,714,995
Condensed Statement of Revenues, Expenses and Changes in Fund Equity					
Program Expenses:					
Depreciation	$ 3,999	$ --	$ 19,049	$ --	$ 23,048
Transfers to Primary Government	--	--	275	--	275
Other	270,537	19,650	462,939	1,277,242	2,030,368
Total Program Expenses	274,536	19,650	482,263	1,277,242	2,053,691
Program Revenues:					
Charges for Services	149,795	13,991	502,564	--	666,350
Operating Grants and Contributions	123,120	--	--	--	123,120
Total Program Revenues	272,915	13,991	502,564	--	789,470
Net Program Revenue/(Expense)	(1,621)	(5,659)	20,301	(1,277,242)	(1,264,221)
General Revenues:					
Interest and Investment Earnings	28,446	--	2,254	212	30,912
Change in Fund Equity	26,825	(5,659)	22,555	(1,277,030)	(1,233,309)
Fund Equity, Beginning of Year	324,264	19,966	264,094	--	608,324
Fund Equity, End of Year	$ 351,089	$ 14,307	$ 286,649	$ (1,277,030)	$ (624,985)

NOTE 21. RESTATEMENTS OF BEGINNING FUND BALANCE/FUND EQUITY/NET ASSETS AND OTHER CHANGES

During Fiscal Year 2002, the State implemented the following standards issued by the Governmental Accounting Standards Board (GASB):

- GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*
- GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*
- GASB Statement No. 37, *Basic Financial Statements -- and Management's Discussion and Analysis – for State and Local Governments: Omnibus*
- GASB Statement No. 38, *Certain Financial Statement Note Disclosures*

GASB Statement No. 34, as amended by Statement No. 37, establishes new financial reporting standards for state and local governments. This statement's requirements represent a significant change in the financial reporting model used by state governments, including statement formats and changes in fund types. As a result, fund reclassifications and adjustments to the fund equities reported in the prior year financial statements were required. In addition to fund financial statements, Statement No. 34 requires governments to report government-wide financial statements, prepared using the accrual basis of accounting and the economic resources measurement focus, and to present a Management Discussion and Analysis (MD&A).

Statement No. 35 establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of Statement No. 34. The University of Wisconsin System, reported as an enterprise fund, adopted the requirements of Statement No. 35.

Statement No. 38 requires certain note disclosures at the time Statement No. 34 is implemented.

The provisions of these new standards have been incorporated into the Fiscal Year 2002 financial statements and notes.

The reconciliations that follow summarize changes to the end-of-year fund equities as reported in the 2001 Comprehensive Annual Financial Report to the beginning-of-year fund balances/fund equities/net assets reported for Fiscal Year 2002 (in thousands). These reconciliations include reclassifications and adjustments necessary to implement the new standards discussed above.

A. Fund Statements – Governmental Funds

	Major Funds		Nonmajor	Total
	General	Transportation	Funds	Governmental
Ending fund balances as reported in the 2001 Comprehensive Annual Financial Report:				
General	$ (1,214,848)	$ --	$ --	
Special Revenue - Transportation	--	345,658	--	
Other Special Revenue	--	--	(84,978)	
Debt Service	--	--	9,155	
Capital Projects	--	--	(305,865)	
Expendable Trust	--	--	2,986,399	
Totals	(1,214,848)	345,658	2,604,711	$ 1,735,521
GASB 34 fund structure reclassifications:				
Expendable Trust to Special Revenue:				
Children's Trust	--	--	--	--
Expendable Trust to Pension and Other Employee Benefits Trust:				
Accumulated Sick Leave	--	--	(1,899)	(1,899)
Employee Reimbursement Accounts	--	--	(1,490)	(1,490)
Life Insurance	--	--	(247)	(247)
Deferred Compensation	--	--	(1,148,099)	(1,148,099)
Expendable Trust to Private Purpose Trust:				
Unclaimed Property Program	--	--	(20,674)	(20,674)
Special Death Benefits	--	--	(1,280)	(1,280)
Expendable Trust to Permanent:				
Common School Income (included in Common School)	--	--	--	--
Nonexpendable Trust to Permanent:				
Agricultural College	--	--	305	305
Common School	--	--	451,230	451,230
Normal School	--	--	19,582	19,582
University	--	--	234	234
Historical Society	--	--	11,366	11,366
Benevolent	--	--	14	14
Expendable Trust to Enterprise:				
Unemployment Insurance Reserve	--	--	(1,805,033)	(1,805,033)
	(1,214,848)	345,658	108,720	(760,470)
Less: Capital assets removed from Nonexpendable Trust Funds	--	--	(635)	(635)
	(1,214,848)	345,658	108,085	(761,105)
Other fund structure reclassifications:				
Printing and Other Services	(791)	--	--	(791)
Prior Period Adjustments:				
Recognition of expenditures for county and municipal contract payments	(60,366)	--	--	(60,366)
Correction of the cancelled draft liability reported in the General Fund	(12,467)	--	--	(12,467)
Reclassification of notes payable recorded through the Capital Improvement Fund			(67,760)	(67,760)
Other adjustments of assets and liabilities as of June 30, 2001	2,935	(1,174)	2,285	4,046
Beginning Fund Balances as reported in the 2002 Comprehensive Annual Financial Report	$ (1,285,537)	$ 344,484	$ 42,610	$ (898,443)
Effect of prior period adjustments on the amount of net change in fund balances of the 2001 Comprehensive Annual Financial Report	$ (67,425)	$ (1,174)	$ 185,896	$ 117,297

B. Fund Statements – Proprietary Funds

	Major Funds							
	Patients Compensation	Improvement	Veterans Mortgage Loan Repayment	University of Wisconsin System	Unemployment Insurance Reserve	Nonmajor Funds	Total Enterprise	Internal Services Funds
Ending fund equity as reported in the 2001 Comprehensive Financial Report	$ 28,461	$ 824,625	$ 82,284	$ --	$ --	$368,471	$1,303,841	$ 5,738
GASB 34 fund structure reclassifications:								
Enterprise to Private-Purpose Trust:								
Tuition Trust	--	--	--	--	--	786	786	--
College Savings Program Trust	--	--	--	--	--	(31)	(31)	--
Expendable Trust to Enterprise:								
Unemployment Insurance	--	--	--	--	1,805,033	--	1,805,033	--
University of Wisconsin System to Enterprise	--	--	--	4,008,905	--	--	4,008,905	--
Unemployment Insurance Fund adjustments for GASB Statement No. 34	--	--	--	--	6,723	--	6,723	--
University of Wisconsin System adjustments for GASB Statements No. 34 and 35:								
Report Accumulated Depreciation	--	--	--	(1,492,450)	--	--	(1,492,450)	--
Exclude liability for general obligation debt funded by general purpose revenues reported by governmental activities rather than by enterprise fund	--	--	--	745,589	--	--	745,589	--
Other	--	--	--	8,641	--	--	8,641	--
Other fund structure reclassifications:								
Portions of Internal Services Funds to General Fund	--	--	--	--	--	--	--	791
Prior Period Adjustments of assets and as of June 30, 2001	(187)	--	(1,428)	(30,618)	--	(15,372)	(47,605)	(60)
Fund equity July 1, 2001 as restated	$ 28,273	$ 824,625	$ 80,856	$3,240,068	$ 1,811,756	$353,853	$6,339,432	$ 6,469
Effect of prior period adjustments on the amount of net change fund equity of Fiscal Year 2001	$ (187)	$ 0	$ (1,428)	$ 0	$ 0	$ (6,624)	$ (8,239)	$ (176)

C. Fund Statements – Fiduciary Funds

	Pension and Other Employee Benefit Trust	Investment Trust	Private-Purpose Trust	Total Fiduciary
Fund Balances, June 30, 2001 – As reported in the 2001				
Comprehensive Annual Financial Report:	$ 60,550,927	$ 3,901,225	$ --	$ 64,452,152
From Expendable Trust Funds Statements:				
Accumulated Sick Leave	1,899	--	--	1,899
Employee Reimbursement Accounts	1,490	--	--	1,490
Life Insurance	247	--	--	247
Deferred Compensation	1,148,099	--	--	1,148,099
Unclaimed Property Program	--	--	20,674	20,674
Special Death Benefits	--	--	1,280	1,280
From Enterprise Funds:				
Tuition Trust	--	--	(786)	(786)
College Savings Program Trust	--	--	31	31
Accrued liability adjustments for GASB Statement No. 34:				
Accumulated Sick Leave	(378,500)	--	--	(378,500)
Unclaimed Property Program	--	--	7,912	7,912
Tuition Trust	--	--	9,697	9,697
College Savings Program Trust	--	--	12,496	12,496
Other adjustments of assets and liabilities as of June 30, 2001	(4,041)	3,520	(117)	(638)
Net assets July 1, 2001 as restated	$ 61,320,120	$ 3,904,745	$ 51,188	$ 65,276,053
Effect of prior period adjustments on the amount of net increase in net assets of Fiscal Year 2001	$ (4,041)	$ 3,520	$ (117)	$ (638)

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 Governmental Activities

The State accrues liabilities related to legal proceedings, if a loss is probable and reasonably estimable. Such losses, totaling $2.0 million on June 30, 2002 reported in the governmental activities, are discussed below:

Litigation - The Department of Health and Family Services is involved in various legal proceedings where the ultimate disposition is estimated at $.3 million.

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 $1.7 million at June 30, 2002.

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 $3.0 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.

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, 2002.

Federal Pension Income – The 1984-1988 period settlements with approximately 3,200 military retirees and 14,000 civilian retirees, triggered by the United States Supreme Court ruling in Davis v. Michigan Department of the Treasury are essentially completed. The Davis case had held that a state government violates the intergovernmental tax immunity clause when it provided for taxation of federal pension benefits. Subsequent litigation with other retirees on a variety of issues has occurred, with the Department prevailing in all instances. Litigation is still in progress on a limited number of issues. 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. Sixteen sites have soil and/or groundwater contamination associated with underground storage tank releases with an estimated remediation cost of $2.8 million.

The State is also involved in environmental remediations on 9 properties that do not involve releases from underground storage tanks, with an estimated cost of $2.8 million.

B. Commitments

Primary Government

In addition to legal proceedings, the State is party to commitments which normally occur in governmental operations.

In addition to the amount of encumbrances outstanding at June 30, 2002 reported as Fund Balance - Reserved for Encumbrances, additional obligations at June 30, 2002 representing multi-year, long-term commitments included (in thousands):

Transportation Fund	$ 221,007
Transportation Revenue Bonds Capital Projects Fund	30,159
General Fund – Department of Commerce programs, including economic and community development programs	2,909

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 $204.0 million as of June 30, 2002. 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, 2002, future commitments for hardship grants totaled $112.3 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, 2002 was $132.8 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, 2002, the appropriation available totaled $29.4 million. Losses become fixed as of the date of the loss. A public depositor experiencing a loss must assign its interest in the deposit, to the extent of the amount paid, to the Department of Financial Institutions. Any recovery made by the Department of Financial Institutions under the assignment is to be repaid to the appropriation. The possibility of a material loss resulting from payments to and recovery from public depositors is remote.

The Board of Commissioners of Public Lands (BCPL) – The BCPL has entered into a commitment with the Green Bay/Brown County Professional Football Stadium District (the District) to become a "standby bond purchaser" in the event that certain terms and conditions as set forth in a *Standby Bond Purchase Agreement* between the BCPL and the District are met. At June 30, 2002, $30.4 million of cash balance has been restricted in the Common School Fund, a permanent fund, for this purpose.

Component Units

The Wisconsin Housing and Economic Development Authority's mission was expanded since its creation to include administration of the Agricultural and Business Programs. These programs administer funds that are legislatively appropriated to subsidize interest and provide guarantees of principal balances of qualifying loans. At June 30, 2002, outstanding loan guarantees totaled $31.7 million.

NOTE 23. SUBSEQUENT EVENTS

Primary Government

Long-term Debt

State of Wisconsin General Obligation Bonds – In September 2002, the State issued $2.0 million of 2002 Series E general obligation bonds to be used to fund veterans primary mortgage loans. Interest is payable on May 1 and November 1, beginning May 1, 2003, with the bonds maturing May 1, of the years 2004 through 2018.

In September 2002, the State issued $13.0 million of 2002 Series F general obligation bonds to be used to fund veterans primary mortgage loans. Interest is payable on May 1 and November 1, beginning May 1, 2003, with the bonds maturing May 1, of the years 2004 through 2033.

In October 2002, the State issued $190.6 million of 2002 Series G 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, beginning May 1, 2003, with bonds maturing May 1, of the years 2004 through 2023.

Revenue Bonds – In October 2002, the Department of Transportation issued $200.0 million of 2002 Series A transportation revenue bonds. The bond proceeds will be used to pay the costs of major highway projects. Interest rates vary from 3.0 to 5.0 percent, payable January 1 and July 1, beginning July 1, 2003. The bonds mature on July 1 of the years 2004 through 2023.

In August 2002, the Environmental Improvement Fund issued $85.5 million in Clean Water Revenue Refunding Bonds, 2002 Series 2. The proceeds were deposited in an escrow account to provide for future debt service requirements on $86.0 million of various clean water revenue bonds outstanding at the time of the refunding.

Commercial Paper Notes – In August and September 2002, the State issued $62.3 million of Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper notes.

Component Units

Wisconsin Housing and Economic Development Authority – In July 2002, the Authority issued $160.0 million of the Home Ownership Revenue Bonds, 2002 Series E, F (taxable), G and H. These bonds were issued under the 1988 Home Ownership Revenue Bond Resolution.

In October 2002, the Authority issued $95.0 million of the Home Ownership Revenue Bonds, 2002 Series I (AMT) and J (taxable). These bonds were issued under the 1987 Home Ownership Revenue Bond Resolution.

The Authority entered into interest rate swap agreements as part of the two bond issues subsequent to June 30, 2002. These agreements include requirements for the pledging of assets based on the Authority's credit rating. As of October 31, 2002, there was no requirement to pledge assets.

In July 2002, the Authority redeemed $38.9 million of the Housing Revenue Bonds, 1992 Series A. These bonds were redeemed from mortgage prepayments and the proceeds of the Housing Revenue Bonds 2002 Series C. In July 2002, the Authority redeemed $62.1 million of the Housing Revenue Bonds, 1992 Series B, C and D. These bonds were redeemed from mortgage prepayments and the proceeds of the Housing Revenue bonds 2002 Series B and G and from a portion of the 2002 Series A bonds.

University of Wisconsin Hospitals and Clinics Authority (the Hospital) – In September 2002, the Hospital cancelled the interest rate swap agreement with a counterparty under which the difference between the fixed- and floating-rate interest amounts calculated on an agreed-upon notional principal amount ($46.5 million) were exchanged. The cancellation resulted in a gain to the Hospital of $1.1 million reflecting additional market value appreciation subsequent to June 30, 2002.

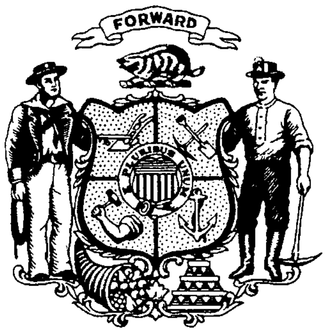
In October 2002, the Hospital issued $68.5 million of Hospital Revenue Bonds Series 2002. The Series 2002 bonds were issued in two (2) series, Series 2002A and Series 2002B. The bond proceeds are designated to finance qualified capital projects.

Bond Issue Series 2002A were issued as Short-Term Adjustable Rate Securities in the amount of $55.6 million and were initially issued in the Auction Mode with a 28-day Rate Period. Principal payments on the Bond Issue Series 2002A, ranging from $.5 million to $3.9 million, are due annually commencing in April 2013 through April 2032. Interest on the Bond Issue Series 2002A is payable at the end of each Rate Period (initially a 28-day Rate Period) and thereafter at the sum of subsequent Auction and Service Charge Rates. The initial interest rate was 1.80% per annum at the time of issuance. The Bond Issue Series 2002A is insured by Financial Security Assurance, Inc.

Bond Issue Series 2002B were issued as Fixed Rate Serial bonds in the amount of $12.9 million. The Series 2002B bonds were sold at a premium totaling approximately $.7. This premium will be amortized to interest expense on a straight-line basis over the life of the bonds. Principal payments on the bond Issue Series 2002B, ranging from $1.4 million to $1.9 million, are due annually commencing in April 2006 through April 2013. Interest on the Bond Issue Series 2002B is not guaranteed by a municipal bond insurance policy or any other form of credit enhancement.

In October 2002, the Hospital also entered into an interest rate swap in order to convert a portion of the Series 2002A short-term adjustable rate securities to fixed rates. The notional amount of this swap agreement was $21.4 million effective October 31, 2002. The terms of the swap agreement are for the Hospital to pay the counterparty a fixed rate of 3.85 percent per annum, payable semiannually, and the Hospital will receive a floating rate of 70 percent of one-month LIBOR per annum, payable monthly.

Required Supplementary Information


FORWARD

Infrastructure Assets Reported Using the Modified Approach

The State has adopted the modified approach for reporting infrastructure assets. Under the modified approach, infrastructure assets are not depreciated as long as the State can demonstrate that the assets are properly managed and are being preserved at or above an established condition level. Instead of depreciation, the costs to maintain and preserve infrastructure assets are expensed, while additions and improvements are capitalized. The State owns approximately 11,200 miles of roads and 4,900 bridges.

Road Network

Condition assessments are completed on a two-year cycle. Numerous measures are used to assess the condition of the State's road network. The State has adopted the International Roughness Index (IRI), as defined by the Federal Highway Administration, as its primary condition measure. IRI is measured on a scale of 0 to 5, with an IRI of 2.69 or greater being defined as a "poor" ride. Roads with a "poor" IRI assessment cause negative impacts for the traveling public by decreasing driver comfort and increasing the damage to vehicles and goods. It is the State's policy to ensure no more than 15 percent of its roads receive a "poor" IRI assessment. At June 30, 2002, approximately 4.6 percent of the State road network had a "poor" IRI rating.

The State estimated that during Fiscal Year 2002, it would cost approximately $470.7 million to maintain and preserve the road network at, or above, the established condition level. Actual maintenance and preservation costs of the road network were $437.6 million, $33.1 million less than estimated. The State of Wisconsin, Department of Transportation's multi-year budgeting process, allowing encumbrances to carry forward, makes a comparison of actual to estimated amounts difficult since expenditures for the current year may have been budgeted and committed to a project in prior years.

Bridge Network

Condition assessments are completed on a two-year cycle, with more frequent inspections completed if warranted. The State has adopted the National Bridge Inventory (NBI) 10-point rating scale as its primary condition measure. Using the Federal Highway Administration's definition, a bridge is considered "structurally deficient" if it has an NBI score of 4 or less on its deck, superstructure, or substructure. "Structurally deficient" bridges cause negative impacts for the public by increasing the likelihood that heavy loads will need to be rerouted to less efficient routes, thus increasing logistic costs for State businesses. It is the State's policy to ensure no more than 15 percent of its bridges are "structurally deficient". At June 30, 2002, approximately 7.6 percent of the State bridge network was rated "structurally deficient".

The State estimated that during FY 2002, it would cost approximately $33.6 million to maintain and preserve the bridge network at, or above, the established condition level. Actual costs for maintenance and preservation were $38.4 million, $4.8 million more than estimated. The Department of Transportation's multi-year budgeting process, allowing encumbrances to carry forward, makes a comparison of actual to estimated amounts difficult, since expenditures for the current year may have been budgeted and committed to a project in prior years.

State of Wisconsin

Budgetary Comparison Schedule
General and Major Special Revenue Funds
For the Fiscal Year Ended June 30, 2002

(In Thousands)

	General Fund		
	Original Budget	Final Budget	Actual Amounts
Unexpended Budgetary Fund Balances, Beginning of Year			$ 935,893
Revenues and Transfers (Inflows):			
Taxes	$ 10,677,729	$ 10,226,169	10,036,703
Departmental:			
Tobacco Settlement	155,526	155,526	156,215
Tobacco Securitization	450,000	681,000	681,000
Other	9,964,803	9,979,516	9,976,159
Transfers from:			
Transportation Fund	6,692	11,026	11,545
Veterans Mortgage Loan Repayment Fund	224	224	224
Nonmajor Funds	7,664	8,685	8,685
Total Revenues and Transfers	21,262,638	21,062,146	20,870,532
Amounts Available for Appropriation			21,806,424
Appropriations and Transfers (Outflows):			
Commerce	260,538	256,084	207,956
Education	8,766,778	8,871,414	8,583,634
Environmental Resources	268,645	257,535	228,211
Human Relations and Resources	7,710,719	9,236,672	8,531,381
General Executive	689,772	819,440	622,510
Judicial	104,543	109,009	107,534
Legislative	63,934	62,467	62,228
General	1,946,850	2,902,717	2,875,614
Transfers to:			
General Fund	-	-	-
Tobacco Control Fund	6,032	6,032	6,032
Other Nonmajor Funds	406	406	406
Total Appropriations and Transfers	$ 19,818,217	$ 22,521,776	21,225,507
Fund Balances, End of Year			580,917
Less Encumbrances Outstanding at June 30, 2002			(506,279)
Fund Balances, End of Year Budgetary Basis			$ 74,638
Reconciliation of the End of Year, Budgetary Basis, Fund Balance to the Amount Reported in the Annual Fiscal Report:			
Amount from Annual Fiscal Report			$ 77,429
Late Audit Adjustment			(2,791)
Revised End of Year Fund Balance, Budgetary Basis			$ 74,638

Transportation Fund				Tobacco Settlement Endowment Fund		
Original Budget	Final Budget	Actual Amounts		Original Budget	Final Budget	Actual Amounts
		$ 317,414				$ 0
$ 887,934	$ 887,934	887,934		$ -	$ -	-
-	-	-		-	-	-
-	-	-		-	-	-
1,301,291	1,301,291	1,301,291		1,276,155	1,276,155	1,276,155
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
2,189,225	2,189,225	2,189,225		1,276,155	1,276,155	1,276,155
		2,506,639				1,276,155
83	87	87		-	-	-
-	-	-		-	-	-
3,121,493	3,305,960	2,109,788		-	-	-
-	-	-		-	-	-
4,241	2,096	2,085		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
17,338	17,743	17,743		-	-	-
6,692	11,026	11,545		605,526	836,526	681,000
-	-	-		-	-	-
-	-	-		-	-	-
$ 3,149,848	$ 3,336,912	2,141,249		$ 605,526	$ 836,526	681,000
		365,390				595,155
		(910,580)				-
		$ (545,189)				$ 595,155

NOTE 1. BUDGETARY INFORMATION

A. Budgetary-GAAP Reporting Reconciliation

The accompanying Budgetary Comparison Schedule compares the legally adopted budget (more fully described in RSI Note 1-B) with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on the budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of basis and perspective differences as of June 30, 2002 is presented below (in thousands):

	General Fund	Transportation Fund	Tobacco Settlement Endowment
Fund balance June 30, 2002 (budgetary basis – budgetary fund structure)			
As reported on the budgetary comparison schedule	$ 74,638	$ (545,189)	$ 595,155
Reclassifications:			
To eliminate the effect of encumbrances that were reported as expenditures under budgetary reporting (basis difference)	506,279	910,580	--
To reclassify activities reported in another GAAP fund type (perspective differences):			
Enterprise funds (except for the University of Wisconsin System)	15,685	--	--
University of Wisconsin System	(229,782)	--	--
Internal service funds	12,143	--	--
Fiduciary funds	(39,447)	--	--
Transportation Revenue Bonds debt service fund	--	11,315	--
Fund balance June 30, 2002 (GAAP fund structure – budgetary basis, excluding Encumbrances treated as expenditures at year end)	339,516	376,705	595,155
Adjustments (basis differences):			
To adjust expenditures for the municipal and county shared revenue program	(492,878)	--	--
To accrue the amount due to the General Fund from the Tobacco Settlement Endowment Fund that will be applied to the municipal and county shared revenue program payment	311,361	--	(311,361)
To adjust expenditures for State property tax credit program	(354,030)	--	--
To accrue receivables and establish payables for individual income taxes (net)	(658,813)	--	--
To defer revenues for gross receipts public utility taxes	(151,521)	--	--
To adjust revenues and expenditures for tax-related items and other tax credit/aid programs (net)	(276,821)	(894)	--
To accrue unpaid Medicaid claims (net of receivable from federal government)	(160,095)	--	--
To adjust expenditures/revenues for certain major Health and Family Services and Workforce Development accruals and deferrals (net)	(44,203)	--	--
To accrue State educational aids payments deferred until the subsequent year	(75,000)	--	--
To adjust revenues and expenditures for other items (net)	78,150	(19,481)	--
Fund balance June 30, 2002 (GAAP fund structure – GAAP basis) as reported on The governmental fund statements)	$(1,484,333)	$ 356,330	$ 283,794

B. Budgetary Basis of Accounting

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

While State departments and agencies are required to submit estimates of expected revenues for program revenue and segregated revenue categories, these estimates are not formally incorporated into the adopted budget except for revenue estimates of the Lottery Fund. As a result, legally budgeted revenues for these categories are not available and, consequently, actual amounts are reported in the budget column of the Budgetary Comparison Schedule.

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 and permanent 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. Other variances arise because the State's biennial budget is developed according to the statutory required fund structure which differs extensively from the fund structure used in the GAAP basis financial statements. This difference is primarily caused by the elimination of the University of Wisconsin System, and various fiduciary, proprietary and other governmental fund activity from the statutory General and special revenue funds. Consequently, a reconciliation between budgetary basis and GAAP basis is provided in Note 1-A of the notes to the required supplementary information.

The Budgetary Comparison Schedule for the General and the major special revenue funds presents both the original and final appropriated budgets, as well as the actual inflows, outflows, and fund balance on the budgetary basis. The supplementary budget comparison schedule provides this same information (with the exception of the original budget data) for the nonmajor governmental funds with annual budgets. The capital project and debt service funds are excluded from this schedule because no comprehensive budget is approved for these funds. Certain special revenue funds are also excluded. The Employee Trust Fund Administration Fund is extracted from a statutory unbudgeted fund type, while the Wisconsin Public Broadcasting Foundation is a blended component unit that is neither budgeted nor included under statutory reporting. Of the permanent funds, only the Historical Society Fund and a portion of the Common School Fund are budgeted.

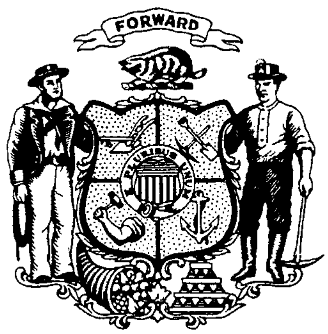
While the legal level of budgetary control for the reported funds is maintained at the appropriation line as specified by the Legislature in Chapter 20 of the Wisconsin Statutes, this level of detail is impractical for inclusion in the Comprehensive Annual Financial Report. Accordingly, a supplementary report is available upon request which provides budgetary comparisons at the legal level of control.

In general, 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.

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.


FORWARD

PART III

GENERAL OBLIGATIONS

This part provides information about general obligations issued by the State of Wisconsin.

Total Outstanding Balance (12/1/2002)	$4,386,223,967
Amount Outstanding—Fixed Rate Obligations	$4,060,515,968
Amount Outstanding—Variable Rate Obligations	$ 325,708,000
Percentage of Outstanding Obligations in form of Variable Rate Obligations	7.42%
Bond Ratings (Fitch/Moody's/Standard & Poors)	AA/Aa3(1) /AA-
Variable Rate Obligation Ratings	F-1+/P-1/A-1+

(1) On March 4, 2002, Moody's Investors Service, Inc. revised the rating outlook on the State's general obligations from "Stable" to "Negative".

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)	U.S. Bank National Association (previously known as Firstar Bank, National Association)
G.O. Bonds of 1991, Series B (Higher Education Bonds)	U.S. Bank National Association (previously known as Firstar Bank, National Association)

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 paying 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 $2,514,948,590. 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 81 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, 2002

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[a]	Total Authorized Unissued Debt
University of Wisconsin; academic facilities...........................	$ 1,052,005,900	$ 888,892,229	$ 12,046,136	$ 151,067,535
University of Wisconsin; self-amortizing facilities.................	732,009,800	419,847,621	1,643,606	310,518,573
Natural resources; Warren Knowles - Gaylord Nelson stewardship 2000 program.............…………	572,000,000	100,350,000	13,392	471,636,608
Natural resources; municipal clean drinking water grants....................................	9,800,000	9,518,342	141,818	139,840
Clean water fund program..................	637,743,200	399,334,053	1,762	238,407,385
Safe drinking water loan program………………………	26,210,000	16,386,520		9,823,480
Natural resources; nonpoint source grants..................	75,763,600	46,795,658	132,570	28,835,372
Natural resources; nonpoint source compliance………	2,000,000	2,000,000		
Natural resources; environmental repair......................	48,000,000	35,114,900	161,017	12,724,083
Natural resources; urban nonpoint source cost-sharing…………………………	17,700,000	6,290,000		11,410,000
Natural resources; environmental segregated fund supported administrative facilities…………….	6,770,400	1,256,100		5,514,300
Natural resources; segregated revenue supported dam safety projects…………………	6,600,000	4,868,000		1,732,000
Natural resources; pollution abatement and sewage collection facilities, ORAP funding................	145,060,325	145,010,325	50,000	
Natural resources; pollution abatement and sewage collection facilities.............	893,493,400	874,914,888	18,513,076	65,436
Natural resources; pollution abatement and sewage collection facilities; combined sewer overflow...............	200,600,000	194,312,242	6,287,401	357
Natural resources; recreation projects..........................	56,055,000	56,053,994	1,006	
Natural resources: local parks land acquisition and development............................	2,490,000	2,447,349	42,259	392
Natural resources; recreation development..................	23,061,500	22,828,110	141,227	92,163
Natural resources; land acquisition..............................	45,608,600	45,116,269	491,671	660

GENERAL OBLIGATION ISSUANCE STATUS REPORT–CONTINUED

December 1, 2002

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[(a)]	Total Authorized Unissued Debt
Natural resources; Wisconsin natural areas heritage program............................	2,500,000	2,445,545	17,174	37,281
Natural resources; segregated revenue supported facilities.......................	30,576,400	18,999,722	45,287	11,531,391
Natural resources; general fund supported administrative facilities..................	10,882,400	9,301,075	21,432	1,559,893
Natural resources; ice age trail.....................................	750,000	680,000		70,000
Natural resources; dam safety projects…………………	5,500,000	5,417,000	49,701	33,299
Natural resources; segregated revenue supported land acquisition............	2,500,000	2,499,446		554
Natural resources; Warren Knowles - Gaylord Nelson stewardship program............	231,000,000	219,760,000	1,293,404	9,946,596
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	1,400,000		48,600,000
Transportation; accelerated highway improvements................................	185,000,000	185,000,000		
Transportation; connecting highway improvements................................	15,000,000	15,000,000		
Transportation; federally aided highway facilities...........................	10,000,000	10,000,000		
Transportation; highway projects...........................	41,000,000	41,000,000		
Transportation; major highway and rehabilitation projects.......................	140,000,000			140,000,000
Transportation; harbor improvements....................	25,000,000	19,548,000	232,605	5,219,395
Transportation; rail acquisitions and improvements.........................	28,000,000	17,135,000	16	10,864,984
Transportation; local roads for job preservation, state funds...................	2,000,000			2,000,000
Corrections; correctional facilities......................	787,694,900	745,927,362	11,467,003	30,300,536
Corrections; self-amortizing facilities and equipment…………………….	7,337,000	1,731,000	99	5,605,901
Corrections; juvenile correctional facilities……..	27,726,500	25,448,556	102,026	2,175,918
Health and family services; mental health and secure treatment facilities...........…	128,322,900	119,705,268	895,124	7,722,508

GENERAL OBLIGATION ISSUANCE STATUS REPORT–CONTINUED

December 1, 2002

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[(a)]	Total Authorized Unissued Debt
Agriculture; soil and water……………………..	13,575,000	4,758,000	1,248	8,815,752
Agriculture; conservation reserve enhancement…	40,000,000	640,000		39,360,000
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..................…	2,102,086,430	2,102,086,530 (b)		
Building commission; refunding self-amortizing general obligation debt..................…	272,863,033	272,863,033 (b)		
Building commission; refunding tax-supported and self-amortizing general obligation debt incurred before June 30, 2003…	75,000,000	75,000,000		
Building commission; refunding tax-supported and self-amortizing general obligation debt…………………………………	440,000,000			440,000,000
Building commission; housing state departments and agencies..................................…	463,367,100	384,954,121	2,329,712	76,083,267
Building commission; 1 West Wilson street parking ramp................................…	15,100,000	14,805,521	294,479	
Building commission; project contingencies....................…	45,007,500	30,590,000	62,251	14,355,249
Building commission; capital equipment acquisition......…	115,839,400	93,054,191	729,518	22,055,691
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..................…	1,396,101,000 (c)	1,049,664,318	6,188,961	340,247,721
Medical College of Wisconsin, Inc.; basic science education and health information technology facilities….	10,000,000	10,000,000		
HR Academy, Inc.……………………	1,500,000			1,500,000
Medical College of Wisconsin, Inc.; biomedical research and technology incubator………………..	25,000,000			25,000,000
Marquette University; dental clinic and education facility…	15,000,000	14,999,182	818	0
Swiss cultural center……………….	1,000,000			1,000,000
Racine County; Discovery Place museum………….	1,000,000			1,000,000
Milwaukee Police Athletic League; youth activities center………………	1,000,000	925,000		75,000

GENERAL OBLIGATION ISSUANCE STATUS REPORT–CONTINUED

December 1, 2002

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[(a)]	Total Authorized Unissued Debt
Technology for educational achievement in Wisconsin board; school district educational technology infrastructure financial assistance…………………	100,000,000	59,985,000	431,066	39,583,934
Technology for educational achievement in Wisconsin board; public library educational technology infrastructure financial assistance………...……….	3,000,000	345,000	41	2,654,959
Educational communications board; educational communications facilities……………………………..	22,858,100 [(c)]	14,089,539	37,069	8,731,492
Historical society; self-amortizing facilities..............…	3,173,600	1,029,156	3,896	2,140,547
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	4,362,000		22,400
Historical society; Wisconsin history center……………	131,500,000			131,500,000
Public instruction; state school, state center and library facilities………………..	7,367,700	7,330,612	32,508	4,579
Military affairs; armories and military facilities...…	22,421,900	19,312,527	192,632	2,916,741
Veterans affairs; veterans facilities...........………….	10,090,100	9,448,065	50,593	591,442
Veterans affairs; self-amortizing mortgage loans...…	2,120,840,000	1,978,652,395	2,133,000	140,054,605
Veterans affairs; refunding bonds...........................…	665,000,000	632,539,245		32,460,755
Veterans affairs; self-amortizing facilities……………	29,520,900	1,635,000	501	27,885,399
State fair park board; board facilities........................……	13,587,100	3,825,000		9,762,100
State fair park board; housing facilities..........................…	11,000,000	10,969,000	13	30,987
State fair park board; self-amortizing facilities..........…..	84,787,100	44,473,800	22,328	40,290,972
Total..…	$14,940,252,988	$11,921,921,928	$66,335,390	$2,951,995,770

(a) Interest earnings reduce issuance authority by the same amount.

(b) Accrued interest on any obligation that is not paid during the fiscal year in which it accrues is treated as debt and taken into account for purpo authority to issue debt.

(c) Reflects total amount of legislative authorization, however, a portion of this amount can not be incurred prior to July 1, 2003.

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, 2002)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding	
Fixed Rate General Obligations					
1990- Bonds Series A	1/1/90	1991-2010	134,495,000	-0-	
Bonds Series B	3/1/90				
Serial Bonds		1991-2004	3,575,000	-0-	
Accelerated Term Bonds		2010	3,975,000	-0-	
Term Bonds		2020	12,450,000	-0-	
Bonds Series C	5/1/90	1991-2010	38,170,000	-0-	
Bonds Series D	5/24/90	1996-2010	65,859,000	35,128,000	
Bonds Series E	8/1/90	1991-2010	76,810,000	-0-	
Bonds Series F	10/1/90				
Serial Bonds		1991-2005	3,775,000	-0-	
Accelerated Term Bonds		2010	3,800,000	-0-	
Term Bonds		2020	12,425,000	-0-	
Bonds Series G	12/1/90	1992-2011	128,765,000	-0-	
1991- Bonds Series A	4/1/91				
Serial Bonds		1992-2006	5,775,000	-0-	
Accelerated Term Bonds		2011	5,825,000	-0-	
Term Bonds		2021	18,400,000	-0-	
Bonds CWF Series 1	Various	1993-2011	55,000,000	36,775,275	
Bonds Series B	5/15/91	1996-2011	117,136,000	65,889,000	
Bonds Series C	6/1/191	1992-2011	60,580,000	-0-	
Bonds Series D	9/1/91	1993-2012	97,000,000	-0-	
1992- Bonds Series A	3/1/92	1993-2012	219,040,000	-0-	(a)
Refunding Bonds	3/1/92	1994-2015	448,935,000	249,505,000	
Bonds Series B	6/1/92				
Serial Bonds		1993-2008	7,780,000	1,255,000	
Accelerated Term Bonds		2012	4,000,000	-0-	
Term Bonds		2022	18,220,000	5,940,000	
Loan Series B	10/2/92	1995	5,330,000	-0-	
Refunding Bonds Series 2	10/15/92	1994-2015	5,975,000	4,365,000	
Bonds Series C	11/1/92	1994-2013	173,285,000	9,370,000	(a)
1993- Refunding Bonds Series 1	1/1/93	1994-2009	280,060,000	154,985,000	
Bonds CWF Series A	1/15/93	1993-2011	5,000,000	3,407,428	
Refunding Bonds Series 2	5/1/93	1993-2011	137,530,000	127,260,000	
Bonds Series A	2/1/93	1994-2013	124,325,000	6,205,000	(a)
Refunding Bonds Series 3	8/1/93	1995-2012	302,050,000	184,545,000	
Refunding Bonds Series 6	10/15/93				
Serial Bonds		1994-2006	5,510,000	1,720,000	
Term Bonds		2010	2,125,000	1,815,000	
Term Bonds		2013	2,150,000	1,830,000	
Term Bonds		2016	10,215,000	8,710,000	
Refunding Bonds Series 4	12/1/93	1994-2006	77,575,000	13,700,000	

[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, 2002)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding	
Refunding Bonds Series 5	12/1/93				
Serial Bonds		1994-2006	113,550,000	76,315,000	
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	11,912,774	
Bonds Series A	1/1/94	1995-2014	119,810,000	19,995,000	(a)
Refunding Bonds Series 1	3/1/94	1995-2002	106,610,000	-0-	
Refunding Bonds Series 2	3/1/94				
Serial Bonds		1999-2009	52,050,000	17,345,000	
Term Bonds		2014	1,700,000	1,700,000	
Term Bonds		2024	4,775,000	4,775,000	
Bonds Series B	6/1/94	1995-2014	110,000,000	11,975,000	(a)
Refunding Bonds Series 3	9/15/94	1995-2008	10,400,000	2,520,000	
Bonds Series C	9/15/94				
Serial Bonds		1998-2013	17,135,000	810,000	
Term Bonds		2016	5,135,000	-0-	
Term Bonds		2020	8,535,000	1,920,000	
Term Bonds		2025	14,195,000	910,000	
Bonds CWF Series 2	1/17/95	1994-2013	4,935,573	3,970,925	
1995- Bonds Series A	1/15/95	1996-2015	231,315,000	36,580,000	(a)
Refunding Bonds, Series 1	2/15/95				
Serial Bonds		1999-2000	4,350,000	-0-	
Serial Bonds		2004	860,000	625,000	
Serial Bonds		2007-15	10,525,000	5,640,000	
Bonds Series B	2/15/95				
Term Bonds		2016	4,215,000	2,860,000	
Term Bonds		2020	7,920,000	5,370,000	
Term Bonds		2025	17,130,000	11,620,000	
Note, Series B	7/6/95	2005	361,623	136,250	
Bonds CWF Series 1	8/23/95	1996-2015	5,000,000	3,620,681	
Bonds Series C	9/15/95	1997-2016	97,480,000	26,305,000	(a)
Refunding Bonds Series 2	10/15/95				
Serial Bonds		1997-2000	5,780,000	-0-	
Serial Bonds		2004-05	2,715,000	-0-	
Serial Bonds		2007-15	34,355,000	31,670,000	
1996- Bonds Series A	1/15/96	1997-2016	158,080,000	78,895,000	(a)
Refunding Bonds Series 1	2/15/96	1996-2015	104,765,000	100,280,000	
Bonds Series B	5/15/96				
Serial Bonds		1998-99	4,215,000	-0-	
Serial Bonds		2007-14	16,550,000	1,775,000	
Term Bonds		2021	10,305,000	7,480,000	
Term Bonds		2026	13,930,000	10,115,000	
Bonds Series C	9/1/96	1998-2017	115,230,000	24,940,000	(a)
Bonds CWF Series A	8/29/96	2001-11	5,000,000	4,014,439	

[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, 2002)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding	
Bonds Series D	10/15/96				
Serial Bonds		2007-09	8,550,000	3,675,000	
Term Bonds		2014	3,700,000	3,340,000	
Term Bonds		2020	6,405,000	5,790,000	
Term Bonds		2027	11,345,000	10,255,000	
1997- Bonds CWF Series A	10/8/97		10,000,000	7,635,403	
Bonds Series 1	3/15/97				
Serial Bonds		2006-15	17,880,000	11,910,000	
Serial Bonds		2017	5,760,000	5,090,000	
Bonds Series A	3/15/97				
Term Bonds		2021	8,065,000	6,160,000	
Term Bonds		2028	13,295,000	10,145,000	
Bonds Series B	7/15/97	1999-2018	101,010,000	66,330,000	[a]
Bonds Series C	9/15/97				
Serial Bonds		2000-01	520,000	-0-	
Serial Bonds		2003-13	22,755,000	18,210,000	
Term Bonds		2017	7,850,000	7,405,000	
Term Bonds		2023	10,580,000	9,980,000	
Term Bonds		2026	3,295,000	3,105,000	
Bonds Series D (Taxable)	9/15/97				
Serial Bonds		1999-2012	13,385,000	8,735,000	
Term Bonds		2017	6,760,000	5,490,000	
Term Bonds		2028	24,855,000	20,215,000	
1998- Bonds Series A	3/1/98	1999-2018	156,185,000	125,760,000	
Bonds CWF Series A	2/12/98	1998-2018	5,000,000	4,221,538	
Bonds Series B	5/15/98				
Serial Bonds		2007-08	2,865,000	2,495,000	
Term Bonds		2010	4,775,000	4,150,000	
Term Bonds		2018	2,865,000	2,490,000	
Term Bonds		2023	8,670,000	7,540,000	
Term Bonds		2028	11,390,000	9,895,000	
Bonds Series C (Taxable)	5/15/98				
Serial Bonds		1999-2008	6,245,000	3,315,000	
Term Bonds		2028	27,760,000	22,905,000	
Refunding Bonds Series 1	8/15/98				
Serial Bonds		1999	2,820,000	-0-	
Serial Bonds		2004-16	154,760,000	154,760,000	
Refunding Bonds Series 2	9/15/98				
Serial Bonds		1999-2001	17,095,000	-0-	
Serial Bonds		2004-09	77,155,000	77,155,000	
Bonds Series D	9/1/98	2000-19	74,840,000	65,070,000	
Bonds Series E	10/15/98	2012-17	6,155,000	5,270,000	
Bonds Series F (Taxable)	10/15/98				
Serial Bonds		1999-2009	9,410,000	5,910,000	
Term Bonds		2029	45,590,000	39,725,000	

[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, 2002)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding	
1999- Bonds Series A	2/1/99	2000-19	147,060,000	126,505,000	
Refunding Bonds Series 1	5/1/99				
Serial Bonds		2008-12	4,905,000	2,785,000	
Term Bonds		2015	3,880,000	2,200,000	
Term Bonds		2020	7,005,000	3,960,000	
Bonds Series B (Taxable)	5/1/99				
Serial Bonds		2000-10	6,370,000	3,965,000	
Term Bonds		2013	2,620,000	2,070,000	
Term Bonds		2016	3,180,000	2,505,000	
Term Bonds		2030	27,830,000	21,945,000	
Bonds Series C	10/15/99	2001-20	100,000,000	77,305,000	(a)
Bonds Series D (Taxable)	11/1/99				
Term Bonds		2010	9,465,000	4,490,000	
Term Bonds		2030	55,535,000	30,790,000	
Bonds CWF Series A	12/15/99	2000-20	5,000,000	4,155,000	
2000- Bonds Series A	3/15/2000				
Serial Bonds		2001-18	128,875,000	81,315,000	(a)
Term Bonds		2020	21,125,000	21,125,000	
Bonds Series B (Taxable)	7/1/2000				
Term Bonds		2010	4,625,000	2,105,000	
Term Bonds		2030	30,375,000	16,505,000	
Bonds Series C	7/15/2000	2012-21	87,715,000	87,715,000	
Bonds Series D	11/1/2000	2012-21	199,965,000	135,865,000	(a)
Bonds Series E (Taxable)	11/7/2000				
Term Bonds		2016	5,000,000	3,305,000	
Bonds CWF Series A	11/16/2000				
Serial Bonds		2001	250,000	-0-	
Serial Bonds		2014-20	4,750,000	4,750,000	
2001- Bonds Series A (Taxable)	2/21/01				
Term Bonds		2031	15,000,000	14,825,000	
Bonds Series B	4/1/01	2012-21	91,620,000	91,620,000	
Bonds CWF Series A	4/18/01	2001; 14-20	5,000,000	4,750,000	
Bonds Series C	6/1/01	2002-11	92,410,000	83,430,000	
Bonds Series D (Taxable)	6/15/01				
Serial Bonds		2002-08	2,060,000	1,675,000	
Term Bonds		2011	1,110,000	1,065,000	
Term Bonds		2016	2,390,000	2,295,000	
Term Bonds		2021	3,305,000	3,175,000	
Term Bonds		2031	11,135,000	10,695,000	
Loan Series A	8/24/01		50,000,000	-0-	
Bonds Series F	10/1/01	2003-22	186,615,000	186,615,000	
Refunding Bonds Series 1	10/1/01				
Serial Bond		2005	4,230,000	4,230,000	
Serial Bonds		2007-15	242,875,000	242,875,000	

(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, 2002)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
Bonds Series E (Taxable)	10/1/01			
Term Bonds		2017	6,210,000	5,960,000
Term Bonds		2021	2,730,000	2,730,000
Term Bonds		2031	11,060,000	11,060,000
Bonds CWF Series B	12/13/01	Various	5,000,000	3,375,000
2002- Bonds Series A	3/1/02	2003-22	112,280,000	112,280,000
Refunding Bonds Series 1	3/1/02	2004-20	75,000,000	75,000,000
Bonds Series B (Taxable)	3/26/02	2032	15,000,000	15,000,000
Bonds Series C	6/1/02	2003-22	143,545,000	143,545,000
Bonds Series D (Taxable)	6/12/02	2033	20,000,000	18,000,000
Bonds CWF Series A	7/23/02	2002-15	12,000,000	11,044,255
Bonds Series E (Taxable)	9/26/02	2018	2,000,000	2,000,000
Bonds Series F (Taxable)	9/26/02	2033	13,000,000	13,000,000
Bonds Series G	10/15/02	2004-23	190,550,000	190,550,000
Total Fixed Rate General Obligations				$4,060,515,968 [b]
Variable Rate General Obligations				
1997- Commercial Paper Series A	4/3/97		$ 99,270,000	$ 43,615,000
Commercial Paper Series B	7/15/97		31,335,000	10,885,000
1998- Commercial Paper Series A	12/1/98		35,925,000	11,848,000
Commercial Paper Series B	12/1/98		29,120,000	12,795,000
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	53,270,000
Extend. Muni. Comm. Paper Series B	8/8/2000		93,430,000	71,855,000
Extend. Muni. Comm. Paper Series C	11/16/2000		80,390,000	79,770,000
2002- Extend. Muni. Comm. Paper Series A	2/5/02		41,670,000	41,670,000
Total Variable Rate General Obligations				$ 325,708,000
TOTAL GENERAL OBLIGATIONS				$4,386,223,968 [b]

[b] Does not include the State's $15,000,000 principal amount of General Obligation Bonds of 2002, Series H (Taxable) that the State intends to issue on December 30, 2002.

Table III-3
PER CAPITA STATE GENERAL OBLIGATION DEBT
1992 TO 2001

Year Ending December 31	Outstanding Indebtedness[a] (Amounts in Thousands)	Debt Per Capita	Debt Per Capita as % of Per Capita Income
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
2000	4,270,718	796.18	2.83
2001	4,452,626	824.26	2.94

[a] Includes obligations of nonstock, nonprofit building corporations

Sources: Legislative Audit Bureau
Tables II-27 and II-30 in Part II of the Annual Report.

Table III-4
LIMITATION ON AGGREGATE PUBLIC DEBT
DERIVATION OF AMOUNT
FOR 2002

The aggregate debt contracted in 2002 shall not exceed the lesser of (a) or (b):

(a)	3/4 of 1% x $335,326,478,700		$2,514,948,590
(b)	5% x $335,326,478,700	$16,766,323,935	
	Deduct: Net Indebtedness 1/1/2002	(4,452,625,909)	
			$12,313,698,026

The amount of $335,326,478,700 shown above is the aggregate full market value of all taxable property in the State for the year 2002 as certified by the Department of Revenue.

The amount of $4,452,625,909 shown above is the net indebtedness as of January 1, 2002 as certified by the Legislative Audit Bureau.

The lesser of (a) or (b) is $2,514,948,590. 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
1993 TO 2002[a]

Calendar Year	Annual Debt Limitation	Actual Borrowing	Borrowing as Percentage of Limitation
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
2001	2,343,627,800	485,645,000	20.7
2002	2,514,948,590	481,000,000	19.1

[a] As of December 1, 2002.
Source: Wisconsin Department of Administration.

Table III-6
DEBT STATEMENT
December 1, 2002

	Tax-Supported Debt		Revenue-Supported Debt[a]		
	General Fund	Segregated Funds[b]	Veterans Housing	Other[c]	Total
General Obligations	$3,121,583,646	$56,992,249	$657,730,000	$549,918,073	$4,386,223,968
Total Outstanding Indebtedness	$3,121,583,646	$56,992,249	$657,730,000	$549,918,073	$4,386,223,968

[a] Revenue Supported Debt represents general obligation debt of the State issued to fund particular programs and facilities with the initial expectation that revenues and other proceeds derived from the operation of the programs and facilities will amortize the allocable debt without recourse to the General Fund.

[b] Includes the Transportation Fund and certain administrative facilities for the Department of Natural Resources.

[c] Includes university dormitories, food service, intercollegiate athletic facilities, certain facilities on the State Fair grounds, and capital equipment acquisition.

Source: Wisconsin Department of Administration.

Table III-7
COMPARISON OF OUTSTANDING INDEBTEDNESS TO EQUALIZED VALUATION OF PROPERTY
1992 TO 2001

Calendar Year	Value of Taxable Property (Amounts in Thousands)	Outstanding Indebtedness[(a)] (Amounts in Thousands)	Debt as Percentage of Equalized Value
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
2000	286,321,492	4,270,718	1.49
2001	312,483,707	4,452,626	1.42

[(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
2000-01	285,088,311	209,230,800	494,319,110
2001-02	273,060,055	202,386,510	475,446,565
7/1/2002-12/1/2002	106,767,421	100,448,032	207,215,453
Totals	$4,400,179,882	$3,792,228,866	$8,192,113,747

Source: Wisconsin Department of Administration.

Table III-9
DEBT SERVICE MATURITY SCHEDULE:
AMOUNT DUE ANNUALLY ON GENERAL OBLIGATION BONDS
ISSUED TO DECEMBER 1, 2002 [a]

Fiscal Year (Ending June 30)	Principal	Interest	Total Debt Service
2003 [b]	$ 202,494,796	$ 108,755,535	$ 311,250,331
2004	258,520,337	204,221,543	462,741,880
2005	253,983,927	190,602,936	444,586,863
2006	252,827,146	176,909,895	429,737,042
2007	245,133,194	164,012,314	409,145,508
2008	237,136,987	151,553,102	388,690,088
2009	240,797,565	139,602,789	380,400,354
2010	225,802,460	127,527,253	353,329,713
2011	212,512,419	116,075,854	328,588,272
2012	214,782,964	104,624,024	319,406,989
2013	203,913,425	94,510,470	298,423,895
2014	187,263,678	83,798,400	271,062,078
2015	179,803,855	73,946,812	253,750,667
2016	164,187,619	64,287,029	228,474,648
2017	167,688,773	55,408,519	223,097,292
2018	152,511,825	46,616,036	199,127,861
2019	137,622,500	38,298,435	175,920,935
2020	129,504,890	30,726,576	160,231,466
2021	103,917,610	23,475,678	127,393,289
2022	72,390,000	17,726,281	90,116,281
2023	40,535,000	13,746,158	54,281,158
2024	27,160,000	11,377,363	38,537,363
2025	23,360,000	9,608,168	32,968,168
2026	23,800,000	8,036,615	31,836,615
2027	26,555,000	6,438,131	32,993,131
2028	20,620,000	4,750,820	25,370,820
2029	17,400,000	3,314,484	20,714,484
2030	15,920,000	2,158,999	18,078,999
2031	13,360,000	1,137,261	14,497,261
2032	5,865,000	436,487	6,301,487
2033	3,145,000	155,294	3,300,294
TOTALS	$ 4,060,515,968	$2,073,839,261	$6,134,355,230

[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, 2003, the table includes debt service amounts for the period December 1, 2002 through June 30, 2003.

Source: Wisconsin Department of Administration.

Table III-10

AMORTIZATION SCHEDULE:
PRINCIPAL AMOUNT DUE ANNUALLY ON GENERAL OBLIGATION VARIABLE RATE OBLIGATIONS ISSUED TO DECEMBER 1, 2002 [(a)]

Fiscal Year (Ending June 30)	Principal [(b)]
2003	$ 30,987,564
2004	30,760,000
2005	32,295,000
2006	33,915,000
2007	35,560,000
2008	37,340,000
2009	39,210,436
2010	39,405,000
2011	41,095,000
2012	5,140,000
TOTAL	$ 325,708,000

[(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.

Table III-11

SOURCE OF DEBT SERVICE PAYMENTS ON GENERAL OBLIGATIONS ISSUED AS OF JUNE 30, 2002

	2001-02	%	2000-01	%	1999-2000	%
Tax-Supported Debt						
General Fund	$343,295,288	72.2	$349,297,047	70.7	$327,346,978	73.2
Segregated Funds	7,541,337	1.6	7,465,379	1.5		2.4
Subtotal	350,836,626	73.8	356,762,426	72.2	337,853,875	75.6
Self-Amortizing Debt						
Veterans	76,243,489	16.0	94,798,118	19.2	70,973,999	15.9
University of Wisconsin	28,757,958	6.1	26,592,884	5.4	23,150,654	5.2
State Fair Park	2,234,097	0.5	2,005,595	0.4	1,597,793	0.3
Historical	97,065	0.0	93,500	0.0	95,712	0.0
Housing State Depts./Other	17,277,330	3.6	14,066,586	2.9	13,373,050	3.0
Subtotal	124,609,939	26.2	137,556,683	27.6	109,191,208	24.4
Total Debt Service	$475,446,565	100.0	$494,319,110	100.0	$447,045,083	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 Deutsche Bank Trust Company Americas (previously known as 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**, as amended, between the State and The Bank of Nova Scotia, New York Agency **(Bank).** The Credit Agreement was amended on March 20, 2002 to remove Commerzbank AG from this Liquidity Facility. As a result of this amendment, The Bank of Nova Scotia, New York Agency provides all of the Commitment, which is currently at $110 million..

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, 2002.

Series of CP Notes	Amount Initially Issued[(a)]	Date of Initial Issuance	Amount Outstanding
1997 Series A	$91,655,000	April 3, 1997	$43,615,000
1997 Series B	25,000,000	July 15, 1997	10,885,000
1998 Series A	25,000,000	December 1, 1998	11,848,000
1998 Series B	25,000,000	December 1, 1998	12,795,000

(a) Amount does not include amount of additional CP Notes that prior to November 1, 1999 may have been issued to pay for accrued interest due at maturity of a CP Note.

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

Description of CP Notes

Each CP Note is dated the date it is issued. It is issued as an interest-bearing obligation in a denomination of $100,000 or increments of $1,000 above $100,000.

The CP Notes are not callable prior to maturity.

Each CP Note matures from 1 to 270 days from its issue date. Also, no CP Note may be issued with a maturity date later than the expiration date of the Liquidity Facility or substitute Liquidity Facility.

Each CP Note bears interest from its date of issuance, at the rate determined at the date of issuance, payable at maturity. Interest is computed on the basis of a year having 365 or 366 days and the actual number of days elapsed. Payment of each CP Note is made to the Depository and then distributed by the Depository.

Liquidity Facility

In order to provide liquidity for the payment of the principal of and interest on maturing CP Notes, the State has entered into a **Credit Agreement** with the Bank. Pursuant to the Credit Agreement, the Bank has agreed, subject to certain conditions, to 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 $110 million), as such amount may be reduced from time to time pursuant to the Credit Agreement. The obligation of the Bank to make Advances is limited at any time to 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 Bank.

The Credit Agreement currently terminates on March 28, 2003. The Credit Agreement provides that the termination date may be extended, if both parties agree.

Description of the Bank

The Bank of Nova Scotia **(Scotiabank)** was founded in 1832 in Halifax and currently employs over 49,000 people throughout the world. Scotiabank is a Canadian chartered bank with its principal office located in Toronto, Ontario.

Scotiabank provides a full range of personal, commercial, corporate, and investment banking services through its network of branches located in all Canadian provinces and territories. Outside Canada, Scotiabank has branches and offices in over 50 countries and provides a wide range of banking and related financial services, both directly and through subsidiary and associated banks, trust companies, and other financial firms.

For the fiscal year ended October 31, 2002, Scotiabank recorded total assets of CDN$296.3 billion (US$188.7 billion) and total deposits of CDN$195.6 billion (US$124.6 billion). Net income for the fiscal year ended October 31, 2002 equaled CDN$1.797 billion (US$1.145 billion), compared to CDN$2.169 billion (US$1.382 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, 2002 (1.0000 United States dollar equals 1.5700 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, New York Agency, One Liberty Plaza, 26th Floor, New York, NY, 10006. Attention: Public Finance Department.

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, 2002.

Series of EMCP	Amount Initially Issued	Date of Initial Issuance	Amount Outstanding
2000 Series A	$125,000,000	August 8 – November 6, 2000	$53,270,000
2000 Series B	93,430,000	August 8, 2000	71,855,000
2000 Series C	80,390,000	November 16, 2000	79,770,000
2002 Series A	41,670,000	February 5, 2002	41,670,000

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 is issued as an interest-bearing obligation in a denomination of $100,000 or increments of $1,000 above $100,000. Interest is computed on the basis of a year having 365 or 366 days and the actual number of days elapsed (actual/actual basis). Payment of principal of and interest on each EMCP note is made to the Depository and then distributed by the Depository.

Each EMCP note matures on its **Original Maturity Date,** which may range from 1 to 180 days from its original issue date, unless the State exercises its option to extend the maturity date. In that case the EMCP note will mature on the **Extended Maturity Date,** which will be the date that is 270 days after its original issue date.

Each EMCP note bears interest from its original issue date until the Original Maturity Date at the rate determined on the original issue date, payable on the Original Maturity Date, unless the maturity date is extended, in which case interest will be paid on the date described below. If the State exercises its option to extend the maturity date of an EMCP note, 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 bears interest from the Original Maturity Date at the **Reset Rate** and is payable first on the date described above and thereafter, on the first Business Day of each month and on any redemption date or the Extended Maturity Date.

The Reset Rate will be a rate of interest per annum determined by the following formula:

$$(1.35 \text{ x BMA}) + E$$

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 (basis points)
F-1+	P-1	A-1+	100
F-1	–	A-1	150
F-2	P-2	A-2	200
F-3	P-3	A-3	300
Lower than F-3 (or rating discontinued)	Lower than P-3 (or rating discontinued)	Lower than A-3 (or rating discontinued)	400

Pursuant to the Program Resolution, if at any time any rating agency announces that a lower rating is under consideration for the EMCP, then the Prevailing Rating from such rating agency will not be the rating then assigned to the EMCP; rather, it will be the next lower rating of such rating agency. If the Prevailing Ratings would indicate different *E* variables as a result of split ratings assigned to the EMCP, the *E* variable will be the arithmetic average of those indicated by the Prevailing Ratings.

The Reset Rate applicable to any EMCP note will be determined weekly by the Issuing and Paying Agent based on the *BMA* variable and the Prevailing Ratings as of 11:00 a.m. (New York time) on its Original Maturity Date and each Thursday thereafter and will apply through the following Wednesday.

REVENUE-SUPPORTED GENERAL OBLIGATION DEBT

General

Although all general obligations issued by the State are supported by its full faith, credit, and taxing power, a portion of these general obligations are issued with the expectation that debt service payments will not impose a direct burden on the State's taxpayers and its general revenue sources. Beneficiaries and users of revenue-supported programs and facilities pay fees and other amounts that are estimated to be at least sufficient to pay or reimburse the General Fund for the amount paid for debt service related to these revenue-supported programs and facilities.

Table III-6 identifies the amount of general obligations designated as revenue-supported. The programs and facilities funded with these general obligations support debt service payments on approximately $1.208 billion of State general obligations outstanding on December 1, 2002. Revenue-supported debt service payments were approximately 26.2% of the total debt service cost for the fiscal year ending June 30, 2002. See Table III-11.

Veterans Housing Loan Program

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

Approximately $658 million in aggregate principal amount of Veterans Mortgage Bonds remain outstanding on December 1, 2002. 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-16 through III-22 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 Requirements

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

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

In setting the interest rate, DVA has 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 HILP loans.

DVA has not determined if any subsidy or similar arrangement will be available for veterans primary mortgage home loans or HILP 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 September 1, 2002 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 Veterans Mortgage Loan 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 October 31, 2002, of the 10,438 outstanding veterans primary mortgage home loans financed by the program, there were 83 loans in an aggregate principal amount of approximately $4.35 million for which payments were 60 days or longer past due. The insurance reserve requirement (4% of outstanding loans) is currently satisfied in full. See Table III-20 for more complete data concerning delinquencies.

Special Redemption–Tax-Exempt Veterans Mortgage Bonds

The State had outstanding, as of December 1, 2002, approximately $362 million of Tax-Exempt Veterans Mortgage Bonds. All of the outstanding Tax-Exempt 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 housing loans funded from or attributed to *any* series of Tax-Exempt Veterans Mortgage Bonds (commonly referred to as a "cross-call").
- 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-23 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, 2002

Series	Dated Date	Original Principal Amount Subject to Special Redemption	Outstanding Principal Amount Subject to Special Redemption	Range of Interest Rates on Outstanding Bonds
1992 Series B	06/01/92	$ 29,850,000	$ 7,195,000	6.20–6.60%
1993 Series 6	10/15/93	20,000,000	14,075,000	4.55–5.30
1993 Series 5	12/01/93	135,255,000	98,020,000	4.55–5.40
1994 Series 2	03/01/94	58,525,000	23,820,000	5.30–6.20
1994 Series 3	09/15/94	10,400,000	2,520,000	5.30–5.80
1994 Series C	09/15/94	45,000,000	3,640,000	5.70–6.65
1995 Series 1	02/15/95	15,735,000	6,265,000	5.55–6.10
1995 Series B	02/15/95	29,265,000	19,850,000	6.40–6.50
1995 Series 2	10/15/95	42,850,000	31,670,000	5.20–5.75
1996 Series B	05/15/96	45,000,000	19,370,000	5.70–6.20
1996 Series D	10/15/96	30,000,000	23,060,000	5.25–6.00
1997 Series A	03/15/97	21,360,000	16,305,000	6.00–6.00
1997 Series 1	03/15/97	23,640,000	17,000,000	5.35–5.75
1997 Series C	09/15/97	45,000,000	38,700,000	4.50-5.50
1998 Series B	05/15/98	30,565,000	26,570,000	4.75-5.35
1998 Series E	10/15/98	6,155,000	5,270,000	4.60-4.80
1999 Series 1	05/01/99	15,790,000	8,945,000	4.70-5.30
			$ 362,275,000	

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-24 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.

It has been the working policy of the Department of Administration, on behalf of the Commission, to call Tax-Exempt Veterans Mortgage Bonds for special redemption based on the highest estimated market price, while taking into consideration the Legislature's mandate that the veterans primary mortgage housing loan program be self-amortizing. This working policy has been modified from time to time, and continues to be subject to change at any time. Throughout calendar year 2002, and as of the date of this Annual Report, this working policy has been under review by the Department of Administration to determine the impact special redemption cross-calls have on both the cash flow that supports all Veterans Mortgage Bonds and the federal tax law restrictions imposed by the universal cap requirements.

The most recent special redemption of Tax-Exempt Veterans Mortgage Bonds occurred on December 1, 2002. The special redemption is summarized in Table III-13. The special redemption on December 1, 2002 was not done in accordance with the working policy discussed above, rather it used prepayments to call the series of Tax-Exempt Veterans Mortgage Bonds that initially funded the mortgages that generated the prepayments.

Table III-13
December 1, 2002 Special Redemption
Tax-Exempt Veterans Mortgage Bonds

Bond Issue	Maturity Date	Coupon	Redemption Amount
1992 Series B	January 2003	6.20%	$ 10,000
	July 2003	6.20	10,000
	January 2004	6.30	10,000
	July 2004	6.30	10,000
	January 2005	6.40	15,000
	July 2005	6.40	15,000
	January 2006	6.40	10,000
	July 2006	6.40	15,000
	January 2007	6.50	15,000
	July 2007	6.50	10,000
	January 2008	6.50	15,000
	January 2022	6.60	665,000
1993 Series 6	May 2003	4.55	5,000
	November 2003	4.55	15,000
	May 2004	4.65	10,000
	November 2004	4.65	10,000
	May 2005	4.75	10,000
	November 2005	4.75	10,000
	May 2006	4.85	15,000
	November 2006	4.85	10,000
	May 2010	5.15	90,000
	May 2013	5.25	95,000
	November 2016	5.30	445,000
1994 Series C	2003	5.70	170,000
	2011	6.30	270,000
	2012	6.40	290,000
	2020	6.60	1,745,000
	2025	6.65	825,000
1995 Series 2	2007	5.20	15,000
	2008	5.25	120,000
	2009	5.40	125,000
	2010	5.40	135,000
	2011	5.50	140,000
	2012	5.60	150,000
	2013	5.70	160,000
	2014	5.75	170,000
	2015	5.75	185,000
1995 Series B	2016	6.40	200,000
	2020	6.50	380,000
	2025	6.50	820,000
1996 Series D	2008	5.30	215,000
	2009	5.40	170,000

Bond Issue	Maturity Date	Coupon	Redemption Amount
1996 Series D	2014	5.75	360,000
	2020	5.80	615,000
	2027	6.00	1,090,000
1997 Series A	2021	6.00	405,000
	2028	6.00	675,000
1997 Series 1	2009	5.35	80,000
	2010	5.50	150,000
	2011	5.50	365,000
	2012	5.50	270,000
	2013	5.55	220,000
	2014	5.60	230,000
	2015	5.65	240,000
	2017	5.75	670,000
1997 Series C	2005	4.50	55,000
	2006	4.60	85,000
	2007	4.75	110,000
	2008	4.80	115,000
	2009	5.00	140,000
	2010	5.00	155,000
	2011	5.00	150,000
	2012	5.10	150,000
	2013	5.20	130,000
	2017	5.40	445,000
	2023	5.50	600,000
	2026	5.50	190,000
1998 Series B	2007	4.75	35,000
	2008	4.80	80,000
	2010	5.00	195,000
	2018	5.00	115,000
	2023	5.30	350,000
	2028	5.35	465,000
1998 Series E	2012	4.60	40,000
	2013	4.70	40,000
	2014	4.80	45,000
	2015	4.75	45,000
	2016	4.75	50,000
	2017	4.80	55,000
1999 Series 1	2008	4.60	75,000
	2009	4.70	85,000
	2010	4.80	85,000
	2011	5.00	95,000
	2012	5.00	95,000
	2015	5.10	345,000
	2020	5.30	630,000

Special Redemption–Taxable Veterans Mortgage Bonds

The State had outstanding, as of December 1, 2002, fourteen series of Taxable Veterans Mortgage Bonds in the aggregate outstanding amount of approximately $295 million.

Taxable Veterans Mortgage Bonds are subject to special redemption prior to maturity, at the option of the Commission, on any date, in whole or in part at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, from:

- Unexpended proceeds from only that series of Taxable Veterans Mortgage Bonds, as provided for in the respective authorizing resolution.
- 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 these sources as a pro rata redemption on all applicable outstanding maturities of the Taxable Veterans Mortgage Bonds, subject to rounding, to reflect approximately the unexpended proceeds or prepayment from either 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-24 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 Commission most recently exercised its option of special redemption of Taxable Veterans Mortgage Bonds on December 1, 2002. At that time, the Commission made the special redemption summarized in Table III-14. See Table III-15 for an aggregate summary of all special redemptions (from prepayments and unexpended proceeds) that have occurred on Taxable Veterans Mortgage Bonds.

Table III-14
December 1, 2002 Special Redemption
Taxable Veterans Mortgage Bonds

Bond Issue	Maturity Date	Coupon	Redemption Amount
1997 Series D	2003	6.40%	$ 30,000
	2004	6.50	30,000
	2005	6.55	40,000
	2006	6.60	35,000
	2007	6.65	45,000
	2008	6.70	40,000
	2009	6.80	50,000
	2010	6.85	55,000
	2011	6.90	50,000
	2012	6.90	55,000
	2017	7.15	310,000
	2028	7.25	1,160,000
1998 Series C	2003	6.05	35,000
	2004	6.10	40,000
	2005	6.15	45,000
	2006	6.20	45,000
	2007	6.25	50,000
	2008	6.30	50,000
	2028	6.95	1,510,000
1998 Series F	2003	5.35	30,000
	2004	5.45	30,000
	2005	5.50	35,000
	2006	5.55	40,000
	2007	5.60	40,000
	2008	5.65	40,000
	2009	5.75	40,000
	2029	6.40	1,745,000
1999 Series B	2003	6.00	35,000
	2004	6.20	40,000
	2005	6.25	40,000
	2006	6.25	45,000
	2007	6.30	45,000
	2008	6.35	50,000
	2009	6.40	50,000
	2010	6.40	55,000
	2013	6.50	190,000
	2016	7.00	230,000
	2030	7.25	2,020,000
1999 Series D	2010	7.70	1,125,000
	2030	7.70	8,175,000

Bond Issue	Maturity Date	Coupon	Redemption Amount
2000 Series B	2010	7.50	505,000
	2030	8.05	3,995,000
2000 Series E	2016	7.00	400,000
2001 Series D	2003	5.00	10,000
	2004	5.30	10,000
	2005	5.50	10,000
	2006	5.60	10,000
	2007	5.75	15,000
	2008	5.90	10,000
	2011	6.20	45,000
	2016	6.60	95,000
	2021	6.90	130,000
	2031	7.05	440,000

III-15
Summary of All Special Redemptions
Taxable Veterans Mortgage Bonds

Bond Issue	Dated Date	Maturity Date	Original Issue Amount	Special Redemption; Calendar Year 1999	Special Redemption; Calendar Year 2000	Special Redemption; Calendar Year 2001	Special Redemption; Calendar Year 2002	Sinking Fund Payments Made	Outstanding Par Amount	Coupon
1997 Series D	09/15/1997	11/01/1999	$ 620,000	$ 15,000					n/a	6.15%
		11/01/2000	655,000	15,000	$ 10,000		-		n/a	6.15%
		11/01/2001	695,000	15,000	30,000	$ 5,000	-		n/a	6.25%
		11/01/2002	740,000	15,000	40,000	5,000	$ 35,000		n/a	6.30%
		11/01/2003	785,000	20,000	45,000	10,000	75,000		$ 635,000	6.40%
		11/01/2004	840,000	20,000	45,000	15,000	70,000		690,000	6.50%
		11/01/2005	895,000	20,000	45,000	5,000	90,000		735,000	6.55%
		11/01/2006	950,000	20,000	45,000	15,000	85,000		785,000	6.60%
		11/01/2007	1,010,000	25,000	55,000	10,000	100,000		820,000	6.65%
		11/01/2008	1,080,000	25,000	50,000	15,000	100,000		890,000	6.70%
		11/01/2009	1,155,000	25,000	55,000	15,000	115,000		945,000	6.80%
		11/01/2010	1,230,000	25,000	75,000	15,000	120,000		995,000	6.85%
		11/01/2011	1,320,000	30,000	65,000	15,000	120,000		1,090,000	6.90%
		11/01/2012	1,410,000	35,000	75,000	20,000	130,000		1,150,000	6.90%
		11/01/2017	6,760,000	125,000	345,000	90,000	710,000		5,490,000	7.15%
		11/01/2028	24,855,000	430,000	1,220,000	340,000	2,650,000		20,215,000	7.25%
		Subtotal	45,000,000	860,000	2,200,000	575,000	4,400,000	-	34,440,000	
1998 Series C	05/15/1998	05/01/1999	495,000						n/a	
		05/01/2000	495,000	5,000		-			n/a	5.85%
		05/01/2001	525,000	5,000	20,000	-	-		n/a	5.90%
		05/01/2002	550,000	5,000	35,000	5,000	25,000		n/a	6.05%
		05/01/2003	595,000	10,000	25,000	10,000	70,000		480,000	6.05%
		05/01/2004	625,000	5,000	30,000	10,000	80,000		500,000	6.10%
		05/01/2005	675,000	5,000	30,000	10,000	95,000		535,000	6.15%
		05/01/2006	710,000	15,000	45,000	10,000	85,000		555,000	6.20%
		05/01/2007	760,000	5,000	35,000	15,000	105,000		600,000	6.25%
		05/01/2008	815,000	15,000	50,000	10,000	95,000		645,000	6.30%
		05/01/2028	27,760,000	365,000	1,200,000	380,000	2,910,000		22,905,000	6.95%
		Subtotal	34,005,000	435,000	1,470,000	450,000	3,465,000	-	26,220,000	

III-15 (Continued)
Summary of All Special Redemptions
Taxable Veterans Mortgage Bonds

Bond Issue	Dated Date	Maturity Date	Original Issue Amount	Special Redemption; Calendar Year 1999	Special Redemption; Calendar Year 2000	Special Redemption; Calendar Year 2001	Special Redemption; Calendar Year 2002	Sinking Fund Payments Made	Outstanding Par Amount	Coupon
1998 Series F	10/15/1998	11/01/1999	355,000						n/a	
		11/01/2000	725,000		5,000	-			n/a	5.00%
		11/01/2001	760,000		10,000	5,000			n/a	5.10%
		11/01/2002	790,000		20,000	5,000	40,000		n/a	5.20%
		11/01/2003	830,000		20,000	10,000	85,000		715,000	5.35%
		11/01/2004	870,000		15,000	5,000	80,000		770,000	5.45%
		11/01/2005	915,000		20,000	10,000	90,000		795,000	5.55%
		11/01/2006	960,000		20,000	10,000	100,000		830,000	5.55%
		11/01/2007	1,015,000		20,000	10,000	100,000		885,000	5.60%
		11/01/2008	1,065,000		25,000	10,000	105,000		925,000	5.65%
		11/01/2009	1,125,000		20,000	10,000	105,000		990,000	5.75%
		11/01/2029	45,590,000		955,000	415,000	4,495,000		39,725,000	6.40%
		Subtotal	55,000,000	-	1,130,000	490,000	5,200,000	-	45,635,000	
1999 Series B	05/01/1999	05/01/2000	420,000						n/a	5.35%
		05/01/2001	450,000		5,000	-			n/a	5.60%
		05/01/2002	480,000		5,000	10,000	50,000		n/a	5.80%
		05/01/2003	500,000		5,000	5,000	95,000		395,000	6.00%
		05/01/2004	535,000		5,000	5,000	100,000		425,000	6.20%
		05/01/2005	570,000		10,000	5,000	105,000		450,000	6.25%
		05/01/2006	600,000		5,000	5,000	115,000		475,000	6.25%
		05/01/2007	640,000		10,000	10,000	115,000		505,000	6.30%
		05/01/2008	680,000		10,000	5,000	130,000		535,000	6.35%
		05/01/2009	725,000		10,000	10,000	135,000		570,000	6.40%
		05/01/2010	770,000		10,000	5,000	145,000		610,000	6.40%
		05/01/2013	2,620,000		30,000	30,000	490,000		2,070,000	6.50%
		05/01/2016	3,180,000		40,000	35,000	600,000		2,505,000	7.00%
		05/01/2030	27,830,000		355,000	305,000	5,225,000		21,945,000	7.25%
		Subtotal	40,000,000	N/A	490,000	420,000	7,305,000	-	30,485,000	

III-15 (Continued)
Summary of All Special Redemptions
Taxable Veterans Mortgage Bonds

Bond Issue	Dated Date	Maturity Date	Original Issue Amount	Special Redemption; Calendar Year 1999	Special Redemption; Calendar Year 2000	Special Redemption; Calendar Year 2001	Special Redemption; Calendar Year 2002	Sinking Fund Payments Made	Outstanding Par Amount	Coupon
1999 Series D	11/01/1999	11/01/2010	9,465,000			550,000	3,290,000	1,135,000	4,490,000	7.70%
		11/01/2030	55,535,000			2,315,000	22,430,000		30,790,000	7.70%
		Subtotal	65,000,000	N/A	N/A	2,865,000	25,720,000	1,135,000	35,280,000	
2000 Series B	07/01/2000	11/01/2010	4,625,000			1,000,000	870,000	650,000	2,105,000	7.50%
		11/01/2030	30,375,000			7,215,000	6,655,000		16,505,000	8.05%
		Subtotal	35,000,000	N/A	N/A	8,215,000	7,525,000	650,000	18,610,000	
2000 Series E	11/07/2000	11/01/2016	5,000,000	N/A	N/A	-	1,600,000	95,000	3,305,000	7.00%
2001 Series A	02/21/2001	05/01/2031	15,000,000	N/A	N/A	-	-	175,000	14,825,000	7.00%
2001 Series D	06/15/2001	11/01/2002	320,000						n/a	4.50%
2001 Series D	06/15/2001	11/01/2003	255,000				10,000		245,000	5.00%
2001 Series D	06/15/2001	11/01/2004	265,000				10,000		255,000	5.30%
2001 Series D	06/15/2001	11/01/2005	280,000				10,000		270,000	5.50%
2001 Series D	06/15/2001	11/01/2006	295,000				10,000		285,000	5.60%
2001 Series D	06/15/2001	11/01/2007	315,000				15,000		300,000	5.75%
2001 Series D	06/15/2001	11/01/2008	330,000				10,000		320,000	5.90%
2001 Series D	06/15/2001	11/01/2011	1,110,000				45,000		1,065,000	6.20%
2001 Series D	06/15/2001	11/01/2016	2,390,000				95,000		2,295,000	6.60%
2001 Series D	06/15/2001	11/01/2021	3,305,000				130,000		3,175,000	6.90%
2001 Series D	06/15/2001	11/01/2031	11,135,000				440,000		10,695,000	7.05%
			20,000,000	N/A	N/A	-	775,000	-	18,905,000	
2001 Series E	10/01/2001	11/01/2017	6,210,000					250,000	5,960,000	6.12%
2001 Series E	10/01/2001	11/01/2021	2,730,000						2,730,000	6.71%
2001 Series E	10/01/2001	11/01/2031	11,060,000						11,060,000	6.96%
			20,000,000	N/A	N/A	N/A	N/A	250,000	19,750,000	
2002 Series B	03/26/2002	11/01/2032	15,000,000	N/A	N/A	N/A	N/A		15,000,000	
2002 Series D	06/12/2002	11/01/2033	20,000,000	N/A	N/A	N/A	2,000,000		18,000,000	
2002 Series E	09/26/2002	11/01/2018	2,000,000	N/A	N/A	N/A	N/A		2,000,000	
2002 Series F	09/26/2002	11/01/2033	13,000,000	N/A	N/A	N/A	N/A		13,000,000	
		Totals	$ 384,005,000	$ 1,295,000	$ 5,290,000	$ 13,015,000	$ 57,990,000	$ 2,305,000	$ 295,455,000	

Note: The total original issue amount less all the special redemptions and sinking fund payment amounts does not equal the total outstanding par amount since the table does not include serial bonds that matured prior to the date of this Annual Report.

Financial and Statistical Information

The following unaudited financial and statistical information and 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-16
VETERANS PRIMARY MORTGAGE HOUSING LOAN PROGRAM

BALANCE SHEET
AS OF JUNE 30
(Amounts in Thousands)

	2002	2001	2000	1999	1998
ASSETS					
Cash and Cash Equivalents	$ 145,974	$ 157,305	$ 145,824	$ 216,640	$ 195,575
Veterans Loans	634,654	714,025	702,219	635,111	602,088
Other Receivables	4,860	5,731	4,271	4,569	3,314
Due From Other Funds	8	5	51	302	1,100
Prepaid Items	47	58	48	47	46
Deferred Charges	4,860	4,546	4,808	5,045	4,862
Fixed Assets (net of accumulated depreciation)	134	127	72	67	69
Other Assets	563	201	164	251	44
Total Assets	$ 791,101	$ 881,997	$ 857,457	$ 862,032	$ 807,099
Liabilities and Fund Equity					
Liabilities:					
Accounts Payable and Other Accrued Liabilities	$ 7,951	$ 7,392	$ 12,557	$ 16,011	$ 24,688
Due to Other Funds	1,283	1,664	1,344	896	1,035
Tax and Other Deposits	2	2	3	1	1
Deferred Revenue	318	474	646	819	992
Interest Payable	6,823	7,654	6,852	6,731	5,391
Compensated Absences	243	268	249	205	187
General Obligation Bonds Payable	697,869	782,260	757,244	760,790	697,495
Total Liabilities	$ 714,489	$ 799,713	$ 778,896	$ 785,454	$ 729,789
Fund Equity:					
Retained Earnings:					
Unreserved	$ 76,611	$ 82,284	$ 78,561	$ 76,578	$ 77,310
Total Fund Equity	$ 76,611	$ 82,284	$ 78,561	$ 76,578	$ 77,310
Total Liabilities and Fund Equity	$ 791,101	$ 881,997	$ 857,457	$ 862,032	$ 807,099

Source: Wisconsin Department of Veterans Affairs.

Table III-17
VETERANS PRIMARY MORTGAGE HOUSING LOAN PROGRAM

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
AS OF JUNE 30
(Amounts in Thousands)

	2002	2001	2000	1999	1998
Operating Revenues:					
Investment and Interest Income	$ 46,296	$ 49,570	$ 46,452	$ 42,207	$ 37,122
Total Operating Revenues	$ 46,296	$ 49,570	$ 46,452	$ 42,207	$ 37,122
Operating Expenses:					
Personal Services	$ 3,446	$ 3,411	$ 3,260	$ 3,135	$ 3,122
Supplies and Services	820	800	868	649	699
Depreciation	40	43	38	38	51
Interest Expense	46,104	47,388	44,676	41,257	35,881
Other Expenses	3,086	3,031	3,076	3,399	2,941
Total Operating Expenses	$ 53,497	$ 54,672	$ 51,918	$ 48,478	$ 42,695
Operating Income (Loss)	($ 7,201)	($ 5,103)	($ 5,466)	($ 6,271)	($ 5,573)
Nonoperating Revenues (Expenses):					
Investment and Interest Income	$ 3,633	$ 9,143	$ 5,951	$ 5,434	$ 6,110
Other Expenses	(452)	(570)	(322)	(20)	
Total Nonoperating Revenue (Expense)	3,181	8,573	5,629	5,414	6,110
Income (Loss) Before Operating Transfers	(4,021)	3,470	163	(857)	538
Operating Transfers In			1,820	1,797	3,015
Operating Transfers Out	(224)	3		(3)	(4)
Net Income before Extraordinary Items and Cumulative	(4,244)	3,473	1,983	937	3,548
Extraordinary Items:					
Gain (Loss) from Extinguishment of Debt					
Net Income	($ 4,244)	$ 3,473	$ 1,983	$ 937	$ 3,548
Retained Earnings, Beginning of Year	$82,284	$78,561	$76,578	$77,310	$142,933
Prior Period Adjustments	(1,428)	250		(1,669)	(1,133)
Residual Equity Transfers Out					(68,038)
Retained Earnings, End of Year	$76,611	$82,284	$78,561	$76,578	$77,310

Source: Wisconsin Department of Veterans Affairs.

Table III-18
VETERANS PRIMARY MORTGAGE HOUSING LOAN PROGRAM
STATEMENT OF CASH FLOWS
AS OF JUNE 30
(Amounts in Thousands)

	2002	2001	2000	1999	1998
Cash Flows from Operating Activities:					
Cash Payments to Suppliers for Goods and Services	($ 629)	($ 2,215)	($ 910)	($ 55)	($ 1,106)
Cash Payments to Employes for Services	(3,474)	(3,075)	(2,840)	(3,242)	(2,196)
Cash Payments for Loans Originated	(64,401)	(87,095)	(127,767)	(134,390)	(134,421)
Investment and Interest Income	46,527	48,067	46,797	44,085	37,396
Collection of Loans	143,835	69,857	57,169	89,389	64,337
Other Operating Revenues (Expenses)	(3,102)	(3,029)	(3,063)	(4,190)	(3,271)
Net Cash Provided (Used) by Operating Activities	$ 118,757	$ 22,510	($ 30,613)	($ 8,404)	($ 39,261)
Cash Flows from Noncapital Financing Activities:					
Proceeds from Issuance of Long-Term Debt	$ 54,789	$ 74,796	$ 64,716	$ 74,868	$ 142,302
Grants to Individuals or Governments	(380)	(570)			
Retirement of Long-Term Debt	(139,298)	(48,012)	(68,024)	(10,958)	(10,242)
Interest Payments	(46,935)	(46,586)	(44,256)	(39,944)	(35,159)
Interfund Loans to Other Funds					17,516
Operating Transfers In			1,820	1,797	3,015
Operating Transfers Out	(224)	3		(3)	(4)
Residual Equity Transfers Out					(5,627)
Net Cash Provided (Used) by Noncapital Financing Activities	($132,047)	($20,370)	($46,056)	$ 25,761	$ 111,800
Cash Flows from Capital and Related Financing Activities:					
Payments for Purchase of Fixed Assets	($ 48)	($ 46)	($ 42)	($ 37)	($ 26)
Net Cash Provided (Used) by Capital and Related Financing Activities	($ 48)	($ 46)	($ 42)	($ 37)	($ 26)
Cash Flows from Investing Activities:					
Proceeds from Sale and Maturities of Investment Securities					
Interest and Dividends Receipts	3,633	9,188	5,896	5,414	6,110
Net Cash Provided (Used) by Investing Activities	$ 3,633	$ 9,188	$ 5,896	$ 5,414	$ 6,110
Net Increase (Decrease) in Cash and Cash Equivalents	($ 9,705)	$ 11,282	($ 70,815)	$ 22,734	$ 78,623
Cash and Cash Equivalents, Beginning of Year	155,680	146,022	216,640	193,906	116,950
Cash and Cash Equivalents, End of Year	$145,975	$157,304	$145,825	$216,640	$195,573
Operating Income (Loss)	($ 7,201)	($ 5,103)	($ 5,466)	($ 6,271)	($ 5,573)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	$ 40	$ 43	$ 38	$ 38	$ 51
Provision for Uncollectible Accounts	(16)	2	13	7	4
Operating Expense (Interest Expense) Classified as Noncapital Financing Act.	46,104	47,388	44,676	41,257	35,881
Changes In Assets and Liabilities:					
Decrease (Increase) in Receivables	80,257	(13,268)	(66,824)	(31,325)	(83,885)
Decrease (Increase) in Due From Other Funds	(3)	1	(3)	827	(828)
Decrease (Increase) in Prepaid Items	11	(10)	(1)	(1)	(2)
Decrease (Increase) in Deferred Charges				(798)	(334)
Decrease (Increase) in Other Assets	(362)	(37)	87	(207)	41
Decrease (Increase) in Accounts Payable and Other Accrued Liabilities	488	(6,672)	(3,454)	(11,636)	14,646
Decrease (Increase) in Compensated Absences	(25)	19	44	18	10
Decrease (Increase) in Due to Other Funds	(381)	320	448	(139)	908
Decrease (Increase) in Due to Other Governments					(6)
Decrease (Increase) in Tax and Other Deposits	0	(1)			
Decrease (Increase) in Deferred Revenues	(155)	(173)	(173)	(173)	(173)
Total Adjustments	$ 125,958	$ 27,613	($ 25,147)	($ 2,132)	($ 33,688)
Net Cash Provided by Operating Activities	$ 118,757	$ 22,510	($ 30,613)	($ 8,403)	($ 39,261)
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-19
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, 2002)

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)]
2/21/2001	15,000,000	7.00	6.80[(d)]
6/15/2001	20,000,000	6.96	7.00[(d)]
10/1/2001	20,000,000	6.80	6.80[(d)]
3/26/2002	15,000,000	6.25	6.50[(d)]
6/12/2002	20,000,000	6.25	6.50[(d)]
9/26/2002	13,000,000	5.25	5.65

(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) In setting the interest rate charged to the borrower for a loan made with the proceeds of a Taxable Veterans Mortgage Bonds, DVA has chosen to apply a subsidy from the primary mortgage home loan program. The result is that the lending rate may be lower than the true interest cost rate on the Taxable Veterans Mortgage Bond issue.

Source: Wisconsin Department of Administration.

Table III-20
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
1998	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
	October	739,611,687	14,355	87	0.61
	November	741,543,544	14,300	82	0.57
	December	740,775,690	14,223	91	0.64
2001	January	740,199,473	14,144	77	0.54
	February	736,219,561	14,041	78	0.56
	March	730,828,352	13,890	61	0.44
	April	728,190,928	13,728	81	0.59
	May	725,508,813	13,585	84	0.62
	June	724,507,048	13,481	79	0.59
	July	726,532,149	13,385	76	0.57
	August	724,889,143	13,255	83	0.63
	September	721,498,249	13,160	93	0.71
	October	710,283,219	12,960	77	0.59
	November	695,151,987	12730	82	0.64
	December	678,086,141	12453	82	0.66
2002	January	665,446,287	12,210	72	0.59
	February	658,505,913	12,038	77	0.64
	March	649,834,056	11,847	71	0.60
	April	641,582,138	11,652	68	0.58
	May	638,095,048	11,510	60	0.52
	June	639,588,892	11,417	63	0.55
	July	636,561,238	11,273	71	0.63
	August	621,800,948	11,042	72	0.65
	September	606,836,662	10,802	83	0.77
	October	581,731,315	10,438	83	0.80

Source: Wisconsin Department of Veterans Affairs.

Table III-21

DEBT SERVICE SCHEDULE ON STATE
TAXABLE AND TAX-EXEMPT GENERAL OBLIGATIONS
ISSUED TO FUND VETERANS PRIMARY MORTGAGE HOUSING AND HILP LOANS
(December 1, 2002)

Fiscal Year (Ending June 30)	Principal	Interest	Total Debt Service
2003[a]	$ 14,875,000	$ 20,427,067	$ 35,302,067
2004	26,530,000	38,777,571	65,307,571
2005	28,255,000	37,397,884	65,652,884
2006	28,300,000	35,952,044	64,252,044
2007	24,060,000	34,433,321	58,493,321
2008	18,175,000	33,376,925	51,551,925
2009	21,965,000	32,287,175	54,252,175
2010	21,440,000	31,004,795	52,444,795
2011	21,685,000	29,792,771	51,477,771
2012	20,760,000	28,070,590	48,830,590
2013	21,365,000	27,321,020	48,686,020
2014	21,745,000	26,031,746	47,776,746
2015	21,755,000	24,716,505	46,471,505
2016	20,645,000	23,381,096	44,026,096
2017	28,750,000	22,075,529	50,825,529
2018	22,150,000	20,481,970	42,631,970
2019	22,210,000	19,070,243	41,280,243
2020	22,530,000	17,648,114	40,178,114
2021	21,675,000	16,199,375	37,874,375
2022	25,235,000	14,756,036	39,991,036
2023	26,440,000	13,097,788	39,537,788
2024	27,160,000	11,377,363	38,537,363
2025	23,360,000	9,608,168	32,968,168
2026	23,800,000	8,036,615	31,836,615
2027	26,555,000	6,438,131	32,993,131
2028	20,620,000	4,750,820	25,370,820
2029	17,400,000	3,314,484	20,714,484
2030	15,920,000	2,158,999	18,078,999
2031	13,360,000	1,137,261	14,497,261
2032	5,865,000	436,487	6,301,487
2033	3,145,000	155,294	3,300,294
TOTALS	$657,730,000	$593,713,186	$1,251,443,186

[a] For the fiscal year ending June 30, 2003, the table includes debt service amounts for the period December 1, 2002 through June 30, 2003.

Source: Wisconsin Department of Administration.

Table III-22
TOTAL LOANS BY COUNTY
GENERAL OBLIGATION BOND FUNDS
THROUGH OCTOBER 2002

County	Number of Loans	% of Total Loans	County	Number of Loans	% of Total Loans
Adams	145	0.27%	Marinette	308	0.58%
Ashland	102	0.19	Marquette	73	0.14
Barron	431	0.81	Menominee	16	0.03
Bayfield	100	0.19	Milwaukee	9,376	17.53
Brown	2,969	5.55	Monroe	453	0.85
Buffalo	97	0.18	Oconto	316	0.59
Burnett	78	0.15	Oneida	363	0.68
Calumet	359	0.67	Outagamie	2,083	3.89
Chippewa	502	0.94	Ozaukee	552	1.03
Clark	201	0.38	Pepin	50	0.09
Columbia	493	0.92	Pierce	361	0.67
Crawford	119	0.22	Polk	234	0.44
Dane	4,223	7.90	Portage	752	1.41
Dodge	805	1.50	Price	141	0.26
Door	246	0.46	Racine	2,129	3.98
Douglas	542	1.01	Richland	117	0.22
Dunn	315	0.59	Rock	2,175	4.07
Eau Claire	1,207	2.26	Rusk	172	0.32
Florence	8	0.01	St. Croix	597	1.12
Fond du Lac	1,228	2.30	Sauk	507	0.95
Forest	31	0.06	Sawyer	66	0.12
Grant	383	0.72	Shawano	309	0.58
Green	321	0.60	Sheboygan	1,322	2.47
Green Lake	144	0.27	Taylor	106	0.20
Iowa	208	0.39	Trempeleau	211	0.39
Iron	37	0.07	Vernon	159	0.30
Jackson	212	0.40	Vilas	119	0.22
Jefferson	722	1.35	Walworth	637	1.19
Juneau	182	0.34	Washburn	136	0.25
Kenosha	1,401	2.62	Washington	1044	1.95
Kewaunee	143	0.27	Waukesha	2,674	5.00
LaCrosse	1,282	2.40	Waupaca	459	0.86
Lafayette	130	0.24	Waushara	158	0.30
Langlade	123	0.23	Winnebago	2,052	3.84
Lincoln	219	0.41	Wood	1,095	2.05
Manitowoc	1,143	2.14	Total	53,489	100.00
Marathon	1,316	2.46			

Source: Wisconsin Department of Veterans Affairs.

Table III-23
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
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			6.00
		2002	270,000	280,000			6.10
		2003	290,000	295,000	$ 95,000	$ 100,000	6.20
		2004	315,000	330,000	100,000	110,000	6.30
		2005	340,000	355,000	110,000	115,000	6.40
		2006	365,000	370,000	120,000	120,000	6.40
		2007	370,000	400,000	120,000	135,000	6.50
		2008	400,000		130,000		6.50
		2012	4,000,000 [(b)]				6.00
		2022	18,220,000		5,940,000		6.60

Series	Dated Date	Maturities	Original Par Amount May	Original Par Amount November	Par Amount Outstanding May	Par Amount Outstanding November	Coupon
1993 Series 6	10/15/93	1994	210,000	165,000			2.70/2.80
		1995	170,000	170,000			3.30
		1996	175,000	175,000			3.65
		1997	180,000	185,000			3.85
		1998	185,000	195,000			4.00
		1999	195,000	195,000			4.10
		2000	205,000	210,000			4.20
		2001	210,000	220,000			4.30
		2002	220,000	230,000			4.45
		2003	230,000	240,000	200,000	200,000	4.55
		2004	240,000	250,000	205,000	215,000	4.65
		2005	255,000	260,000	220,000	220,000	4.75
		2006	270,000	270,000	230,000	230,000	4.85
		2010	2,125,000		1,815,000		5.15
		2013	2,150,000		1,830,000		5.25
		2016	10,215,000		8,710,000		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			4.35
		2002	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				5.10
		2002	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

Table III-23 — Continued
OUTSTANDING TAX-EXEMPT VETERANS MORTGAGE BONDS SUBJECT TO SPECIAL REDEMPTION

			Original Par Amount		Par Amount Outstanding[a]		
			May	November	May	November	
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				5.10
		2002	800,000				5.20
		2003	800,000		505,000		5.30
		2004	800,000		505,000		5.40
		2005	800,000		505,000		5.50
		2006	600,000		375,000		5.60
		2007	600,000		380,000		5.70
		2008	400,000		250,000		5.80
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				5.50
		2002	780,000				5.60
		2003	825,000		190,000		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		300,000		6.40
		2012	1,415,000		320,000		6.40
		2013	1,510,000				6.50
		2016	5,135,000				6.60
		2020	8,535,000		1,920,000		6.60
		2025	14,195,000		910,000		6.65
1995 Series 1	02/15/95	1999	1,110,000				5.25
		2000	3,240,000				5.30
		2004	860,000		625,000		5.55
		2008	1,300,000				5.80
		2009	1,380,000		1,005,000		5.80
		2010	1,465,000				6.00
		2011	1,560,000		1,130,000		6.00
		2012	1,660,000		1,210,000		6.00
		2013	1,765,000		1,280,000		6.00
		2014	1,395,000		1,015,000		6.10
1995 Series B	02/15/95	2016	4,215,000		2,860,000		6.40
		2020	7,920,000		5,370,000		6.50
		2025	17,130,000		11,620,000		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			4.85
		2005		1,985,000			4.95
		2007		1,975,000		475,000	5.20
		2008		3,245,000		3,125,000	5.25
		2009		3,450,000		3,325,000	5.40
		2010		3,660,000		3,525,000	5.40
		2011		3,895,000		3,755,000	5.50
		2012		4,130,000		3,980,000	5.60
		2013		4,390,000		4,230,000	5.70
		2014		4,660,000		4,490,000	5.75
		2015		4,950,000		4,765,000	5.75

Table III-23 — Continued
OUTSTANDING TAX-EXEMPT VETERANS MORTGAGE BONDS SUBJECT TO SPECIAL REDEMPTION

			Original Par Amount		Par Amount Outstanding[a]		
			May	November	May	November	
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		950,000	5.70
		2010		200,000		145,000	5.80
		2011		210,000		155,000	5.90
		2012		230,000		165,000	6.00
		2013		240,000		175,000	6.00
		2014		255,000		185,000	6.00
		2021		10,305,000		7,480,000	6.10
		2026		13,930,000		10,115,000	6.20
1996 Series D	10/15/96	2007	4,500,000		10,000		5.25
		2008	2,250,000		2,035,000		5.30
		2009	1,800,000		1,630,000		5.40
		2014	3,700,000		3,340,000		5.75
		2020	6,405,000		5,790,000		5.80
		2027	11,345,000		10,255,000		6.00
1997 Series A	03/15/97	2021	8,065,000		6,160,000		6.00
		2028	13,295,000		10,145,000		6.00
1997 Series 1	03/15/97	2006	1,000,000				5.20
		2007	2,385,000				5.25
		2008	1,015,000				5.25
		2009	725,000		630,000		5.35
		2010	1,290,000		1,140,000		5.50
		2011	3,165,000		2,800,000		5.50
		2012	2,330,000		2,060,000		5.50
		2013	1,910,000		1,690,000		5.55
		2014	1,990,000		1,760,000		5.60
		2015	2,070,000		1,830,000		5.65
		2017	5,760,000		5,090,000		5.75
1997 Series C	09/15/97	2000		250,000			4.25
		2001		270,000			4.30
		2003		1,445,000			4.50
		2004		1,645,000			4.50
		2005		1,390,000		970,000	4.50
		2006		1,480,000		1,395,000	4.60
		2007		1,935,000		1,825,000	4.75
		2008		2,035,000		1,920,000	4.80
		2009		2,445,000		2,305,000	5.00
		2010		2,765,000		2,610,000	5.00
		2011		2,655,000		2,505,000	5.00
		2012		2,600,000		2,450,000	5.10
		2013		2,360,000		2,230,000	5.20
		2017		7,850,000		7,405,000	5.40
		2023		10,580,000		9,980,000	5.50
		2026		3,295,000		3,105,000	5.50
1998 Series B	05/15/98	2007	955,000		835,000		4.75
		2008	1,910,000		1,660,000		4.80
		2010	4,775,000		4,150,000		5.00
		2018	2,865,000		2,490,000		5.30
		2023	8,670,000		7,540,000		5.30
		2028	11,390,000		9,895,000		5.35
1998 Series E	10/15/98	2012	905,000		780,000		4.60
		2013	950,000		815,000		4.70
		2014	995,000		850,000		4.80
		2015	1,050,000		900,000		4.75
		2016	1,100,000		940,000		4.75
		2017	1,155,000		985,000		4.80
1999 Series 1	05/01/99	2008	860,000		490,000		5.00
		2009	935,000		530,000		4.70
		2010	980,000		555,000		4.80
		2011	1,030,000		585,000		5.00
		2012	1,100,000		625,000		5.00
		2015	3,880,000		2,200,000		5.10
		2020	7,005,000		3,960,000		5.30

[a] As of December 1, 2002

[b] Accelerated Redemption Term Bond.

Source: Wisconsin Department of Administration

Table III-24

SUMMARY OF PREPAYMENTS ON VETERANS HOUSING AND HILP LOANS FUNDED WITH TAX-EXEMPT VETERANS MORTGAGE BONDS AND TAXABLE VETERANS MORTGAGE BONDS

Mortgage Pool	Interest Rate Charged to Veterans	Prepayments November 1999-October 2002: November 1999 - April 2000	May 2000 - October 2000	November 2000 - April 2001	May 2001 - October 2001	November 2001 - April 2002	May 2002 - October 2002
		Tax-Exempt Veterans Mortgage Bonds					
1976 Series C	6.35%	$ 124,706	$ 118,091	$ 115,374	$ 95,176	$ 19,697	$ -
1977 Series A	6.23	-	-	-	-	-	-
1977 Series B	6.11	582,371	373,700	422,876	642,117	1,004,968	21,853
1977 Series C	6.03	-	-	-	-	-	-
1978 Series A	6.44	-	-	-	-	-	-
1978 Series B	6.58	-	(12,842)	-	-	-	-
1978 Series C	6.25	340,607	169,344	193,167	269,049	270,180	-
1979 Series A	6.88	-	-	-	-	-	-
1979 Series B	6.70	-	-	-	-	-	-
1979 Series C	6.91	-	-	-	-	-	-
1980 Series A	7.31	-	-	-	-	-	-
1982 Series B	10.20	-	-	-	-	-	-
1983 Series A	9.20	-	-	-	-	-	-
1994 Series 3	N/A	1,730	78,418	42,836	113,631	43,757	24,508
1983 Series C	9.90	-	-	-	-	-	-
1984 Series A	10.30	-	-	-	-	-	-
1985 Series B	10.60	-	-	-	-	-	-
1986 Series A	8.55	317,563	-	-	-	-	-
1988 Series A	8.55	-	-	-	-	-	-
1989 Series A	8.55	-	-	-	-	-	-
1989 Series D	7.85	-	-	-	-	-	-
1990 Series B	8.25	165,385	203,087	146,883	356,752	541,287	-
1990 Series F	8.25	259,558	281,798	362,300	293,067	792,122	-
1991 Series A	8.10	373,837	220,444	423,782	922,831	1,178,012	-
1992 Series B	7.40	148,725	286,036	250,889	404,409	430,827	503,050
1993 Series 6	5.25	308,889	400,964	560,876	263,432	354,244	851,862
1993 Series 5	5.25	2,440,480	2,676,450	2,398,803	4,297,966	4,817,360	5,476,641
1994 Series C	7.25	506,753	857,737	677,399	1,615,010	6,033,862	3,085,381
1994 Series 1	6.00	1,653,944	2,152,426	2,000,050	3,422,188	3,955,839	4,680,659
1995 Series B	7.45	572,806	683,828	208,648	1,514,412	4,094,348	1,789,807
1995 Series 1	7.45	484,805	663,739	151,450	640,610	2,403,307	1,229,407
1995 Series 2	6.55	332,738	946,457	799,666	1,157,697	1,258,093	1,348,680
1996 Series B	7.00	1,068,619	1,308,894	963,089	2,094,082	4,843,115	5,077,429
1996 Series D	6.90	369,049	1,027,507	650,063	1,274,457	2,567,769	2,591,308
1997 Series A	6.90	614,510	797,299	409,750	898,050	1,853,430	1,142,094
1997 Series 1	6.90	729,761	366,287	557,604	1,340,218	2,218,703	1,862,486
1997 Series C	6.40	835,908	1,185,287	198,589	984,760	1,853,468	2,242,276
1998 Series B	6.65	177,414	599,944	81,067	912,942	1,232,922	2,242,267
1998 Series E	6.50	77,769	45,665	80,489	234,435	374,123	506,109
1999 Series 1	N/A	403,326	725,349	556,426	820,668	1,653,450	1,074,068
Equity Pool	N/A	722,761	896,138	977,539	1,318,816	953,571	2,633,498
	Subtotal:	$ 13,614,012	$ 17,052,045	$ 13,229,616	$ 25,886,776	$ 44,748,453	$ 38,383,382
		Taxable Veterans Mortgage Bonds					
1997 Series D	6.40%	$ 638,759	$ 978,342	$ 820,135	$ 2,017,978	$ 1,610,592	$ 2,485,190
1998 Series C	6.65	571,082	772,525	404,634	1,455,723	1,447,159	2,510,749
1998 Series F	6.50	417,813	873,073	763,083	2,547,458	2,114,306	4,542,384
1999 Series B	6.85	48,625	630,943	841,766	1,518,402	5,079,078	4,209,838
1999 Series D	7.80	6,565	200,305	1,281,077	6,274,936	16,361,334	11,294,617
2000 Series B	7.90	-	765	131,335	1,612,620	5,581,230	4,716,899
2000 Series E	6.80	N/A	-	-	30,044	85,693	435,830
2001 Series A	7.00	N/A	N/A	-	41,655	266,205	763,012
2001 Series D	7.00	N/A	N/A	N/A	159,344	225,710	1,300,715
2001 Series E	6.80	N/A	N/A	N/A	-	15,052	222,615
2002 Series B	6.50	N/A	N/A	N/A	N/A	-	138,161
2002 Series D	6.50	N/A	N/A	N/A	N/A	N/A	257,580
	Subtotal:	$ 1,682,844	$ 3,455,188	$ 4,110,696	$ 13,814,496	$ 26,612,469	$ 25,042,777
	Total:	$ 15,296,855	$ 20,507,234	$ 17,340,312	$ 39,701,272	$ 71,360,922	$ 63,426,160

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 (12/1/2002)	$122,125,452
Certificate Ratings (Fitch/Moody's/Standard & Poors)	AA-/A1[1]/A+

[1] On March 4, 2002, Moody's Investors Service, Inc. revised the rating outlook on the State's master lease certificates of participation from "Stable" to "Negative".

The Certificates are issued and secured by a Master Indenture, dated as of July 1, 1996 (**Master Indenture**), among the State of Wisconsin, acting by and through the Department of Administration (**State**), Firstar Bank Milwaukee, N.A., now known as U.S. Bank National Association (**Lessor**), and Firstar Trust Company, now also known as U.S. 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, 2002.

Table IV-1

OUTSTANDING MASTER LEASE CERTIFICATES OF PARTICIPATION BY ISSUE[a]
(As of December 1, 2002)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding	
1996- Master Lease COPs Series B	11/8/1996	1997-2003	$ 38,260,000	$ 108,133	(b)
1999- Master Lease COPs Series A	2/18/1999	1999-2005	28,855,000	2,483,183	(b)
Master Lease COPs Series B (Taxable)	2/18/1999	1999-2005	14,120,000	6,730,000	
2000- Master Lease COPs Series A	9/27/2000	2001-2007	27,255,000	11,372,528	(b)
Master Lease COPs Series B (Taxable)	9/27/2000	2001-2005	11,265,000	7,200,000	
2002- Master Lease COPs Series A			40,275,000	40,237,332	(b)
Master Lease COPs Series B & Series C[c]			60,000,000	53,916,381	
Total Master Lease COPs			$208,765,000	$122,047,557	

(a) Does not include the $29,425,000 Master Lease Certificates of Participation of 2002, Series D (State of Wisconsin) that are expected to be issued on December 19, 2002. This issue will fund, in part, the balance due under the Master Lease Certificate of Participation of 2002, Series B and Series C.

(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.

(c) The Master Lease Certificates of Participation of 2002, Series B and Series C evidence the State's repayment of a revolving line of credit that the State utilizes for acquisition funding for the Program. See "SECURITY FOR CERTIFICATES; Two-Phase Financing Structure". The amount outstanding for this Certificate may not include interest that may accrue on this revolving line of credit since the last interest payment on the Certificates.

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, 2002, 17 of the 19 State departments, the Legislature, the Supreme Court, and various other State bodies have used the Program to acquire approximately $356 million of Leased Items.

Program Structure

The Master Lease and the Master Indenture establish the structure of the Program. The Master Lease contains general terms and conditions applicable to both the Program and Lease Schedules entered into by the Lessor and the State. A supplemental indenture creates a particular series of Certificates. See "SUMMARY OF THE MASTER LEASE".

The Master Indenture establishes a trust (**Trust**) comprising certain Lease Schedules, rents, and other payments the State is required to make under the Master Lease (**Lease Payments**), Leased Items, and other property and rights related to those Lease Schedules, including the security interest granted in the Master Lease. The Trust serves as a common pool of collateral, ratably securing all present and future Certificates. See "SUMMARY OF THE MASTER INDENTURE".

Program Operations

The Program structure places within the 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 with respect to all outstanding Certificates. Once a Lease Schedule is fully paid, the Leased Item covered by the Lease Schedule no longer serves as collateral.

In the opinion of Bond Counsel, the transfer of Lease Schedules by the Lessor to the Trustee constitutes a true sale and not a secured transaction. The State's obligation to make Lease Payments does not depend upon any service provided by the Lessor, and thus the transfer of Lease Schedules would be unaffected by any insolvency of the Lessor.

Reserve Fund

The Master Indenture allows a reserve fund to be established for any specific series of Certificates. As of December 1, 2002, 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. Though the state does not certify them as such, some of those functions may be considered "essential" governmental functions. 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, various information technology items that provide various automated services and information technology upgrades for the State, and energy conservation projects for state-owned buildings. See "TABLE IV-2; Outstanding Master Lease Schedules."

Centralized Control and Review

The Program structure allows one division within the Department of Administration to centrally administer many Program activities. Program functions related to administration, review, and day-to-day operations occur in the Capital Finance Office. Program functions related to review and biennial budget preparation occur in the State Budget Office. Program functions related to collection of Lease Payments occur in the State Controller's Office. Each of these offices is part of the Division of Executive Budget and Finance.

Two-Phase Financing Structure

The State 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. Certificates have been issued to the current provider of this revolving credit facility, Banc of America Leasing & Capital LLC, 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 or tax-exempt interest rate.

In the second phase, the State, acting on behalf of the Trustee, sells additional Certificates to fund all, or a portion, of the Lease Schedules previously funded with proceeds from 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 the Legislature. No assurance is given that sufficient funds will be appropriated or otherwise available to make the Lease Payments. A failure by the State to make a Lease Payment with respect to any Leased Item would cause the Master Lease to terminate with respect to all Leased Items. The State's obligation to make Lease Payments is not a general obligation of the State, and moreover, the obligation does not involve the State of Wisconsin Building Commission. Rather, the Master Lease is a contract entered into by the Department of Administration under separate statutory authority.

The Master Lease does not include a nonsubstitution clause. If the Legislature fails to appropriate necessary funds for the continued performance of the State's obligations under the Master Lease, the State is allowed to acquire and use similar items for the same function as the Leased Item for which no appropriation was made.

While it is possible that failure to make the Lease Payments might hinder the State's subsequent access to the capital markets, it should not be assumed that the Legislature would regard that possible consequence to be a compelling reason to appropriate the money needed for Lease Payments. See "SUMMARY OF THE MASTER LEASE" and "SUMMARY OF THE MASTER INDENTURE" for additional information about remedies available under the Master Lease and Master Indenture if no appropriation is made.

Essentiality of Leased Items

Although the State has made certain representations that each Leased 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.

Table IV-2

OUTSTANDING MASTER LEASE SCHEDULES

(As of December 1, 2002)

Schedule Number	Origination Date	Maturity Date	Lease Item	Financed Amount	Principal Balance
96-026	04/19/1996	3/1/2003	Textile Cutting Machine/CADD	$ 49,600.00	$ 4,266.63
96-040	06/04/1996	3/1/2003	Dairy Processing Equipment	74,700.00	6,554.97
96-043	06/14/1996	3/1/2003	Textile Cutting Machine/CADD	31,245.00	2,738.80
96-049	06/27/1996	3/1/2003	Textile Cutting Machine/CADD	97,715.00	8,603.76
96-052	07/29/1996	3/1/2003	Sewing Machines (Private Industry Initiative)	112,621.50	9,872.57
96-061	08/15/1996	3/1/2003	Infrastructure for DOT Mobile Data Terminal Project	531,916.34	47,408.89
96-065	09/03/1996	3/1/2003	Textile Cutting Machine/CADD	17,688.00	1,568.69
96-071	10/01/1996	3/1/2003	Textile Cutting Machine/CADD	5,657.00	501.71
96-075	10/01/1996	9/1/2003	Infrastructure for DOT Mobile Data Terminal Project	163,543.44	26,617.02
96-082	11/01/1996	3/1/2003	Infrastructure for DOT Mobile Data Terminal Project	499,255.33	46,667.01
96-093	12/23/1996	9/1/2003	Infrastructure for DOT Mobile Data Terminal Project	20,974.47	2,256.32
96-094	12/23/1996	9/1/2003	1/2 Filler/Sealer Machine	94,000.00	15,916.25
97-008	01/28/1997	9/1/2003	Infrastructure for DOT Mobile Data Terminal Project	442,274.97	75,912.32
97-016	02/19/1997	9/1/2003	Infrastructure for DOT Mobile Data Terminal Project	74,258.75	12,834.56
97-023	03/13/1997	9/1/2003	Infrastructure for DOT Mobile Data Terminal Project	208,874.27	36,417.71
97-029	03/27/1997	3/1/2004	Fire Engine	63,853.13	15,582.96
97-032	04/16/1997	3/1/2004	Infrastructure for DOT Mobile Data Terminal Project	155,614.00	38,216.25
97-037	04/25/1997	3/1/2004	Fire Engine	85,143.87	20,966.16
97-040	04/25/1997	3/1/2004	Infrastructure for DOT Mobile Data Terminal Project	274,825.00	67,673.96
97-043	05/16/1997	3/1/2004	Xylox Seating System-Kohl Center	100,000.00	24,795.42
97-062	07/10/1997	3/1/2004	Fire Engine	100,924.72	25,489.56
97-066	06/30/1997	3/1/2004	Xylox Seating System-Kohl Center	250,000.00	62,926.30
97-070	07/10/1997	3/1/2004	Xylox Seating System-Kohl Center	733,000.00	185,126.55
97-071	07/10/1997	3/1/2004	Infrastructure for DOT Mobile Data Terminal Project	57,222.11	14,452.03
97-089	09/03/1997	3/1/2004	Infrastructure for DOT Mobile Data Terminal Project	62,488.00	16,088.73
97-092	09/16/1997	9/1/2003	Dump-Truck	67,598.00	12,631.54
97-117	12/22/1997	9/1/2004	Wood Laminating System	127,251.75	42,054.46
97-118	12/22/1997	3/1/2004	Infrastructure for DOT Mobile Data Terminal Project	150,478.94	40,301.22
98-004	01/09/1998	9/1/2004	Year 2000 Upgrades-Driver/Motor Vehicle Dbase System	234,945.25	78,078.46
98-010	01/30/1998	3/1/2003	Systems Furniture-Milwaukee County	345,781.39	37,474.35
98-013	02/06/1998	9/1/2004	Year 2000 Upgrades-Driver/Motor Vehicle Dbase System	130,427.90	43,769.00
98-017	02/27/1998	9/1/2004	Year 2000 Upgrades-Driver/Motor Vehicle Dbase System	112,326.27	37,980.35
98-020	03/10/1998	3/1/2003	Xylox Seating System-Kohl Center	307,000.00	84,736.97
98-027	03/16/1998	3/1/2003	Infrastructure for DOT Mobile Data Terminal Project	137,445.14	38,022.61
98-034	04/01/1998	3/1/2005	Year 2000 Upgrades-Driver/Motor Vehicle Dbase System	39,213.73	15,556.15
98-041	04/17/1998	3/1/2003	Systems Furniture (Milwaukee County)	525,255.80	59,045.27
98-042	04/17/1998	3/1/2003	WPDES Permit Streamlining	66,914.00	6,325.31
98-047	05/05/1998	3/1/2005	Year 2000 Upgrades-Driver/Motor Vehicle Dbase System	150,044.76	60,186.70
98-056	06/02/1998	3/1/2004	Infrastructure for DOT Mobile Data Terminal Project	205,006.18	58,452.59
98-057	06/02/1998	3/1/2003	WPDES Permit Streamlining	58,827.75	6,764.28
98-059	06/02/1998	3/1/2005	Year 2000 Upgrades-Driver/Motor Vehicle Dbase System	104,670.51	42,368.39
98-069	06/23/1998	3/1/2003	Systems Furniture - Milwaukee County	30,264.24	3,517.87
98-071	06/23/1998	3/1/2003	WPDES Permit Streamlining	58,000.75	6,741.88
98-075	06/23/1998	3/1/2005	Year 2000 Upgrades-Driver/Motor Vehicle Dbase System	32,719.82	13,339.76
98-086	07/30/1998	3/1/2003	WPDES Permit Streamlining	60,192.00	7,134.50
98-088	07/30/1998	3/1/2005	Year 2000 Upgrades-Driver/Motor Vehicle Dbase System	104,994.79	43,359.62
98-089	07/30/1998	9/1/2002	Systems Furniture- Hill Farms State Office Building FLR 9	177,146.35	7,030.76
98-096	08/19/1998	9/1/2003	WPDES Permit Streamlining	49,982.00	10,789.27
98-099	08/19/1998	3/1/2005	Year 2000 Upgrades-Driver/Motor Vehicle Dbase System	113,400.61	47,158.99
98-107	10/08/1998	3/1/2003	System Furniture	33,966.17	4,176.61
98-108	10/08/1998	3/1/2005	Year 2000 Upgrades-Driver/Motor Vehicle Dbase System	158,790.81	67,161.58
98-110	10/08/1998	9/1/2003	WPDES Permit Streamlining	54,985.00	12,146.96
98-119	11/06/1998	3/1/2005	DMV Database Redesign	148,639.11	63,494.91
98-120	11/06/1998	3/1/2005	Year 2000 Upgrades-Driver/Motor Vehicle Dbase System	49,980.37	21,350.36
98-124	11/06/1998	9/1/2003	WPDES Permit Streamlining	39,607.00	8,869.89
98-128	11/06/1998	9/1/2004	Voting Systems	200,000.00	74,236.13
98-130	11/20/1998	9/1/2004	IT Migration-Infrastructure Components	627,192.01	234,099.47
98-133	11/20/1998	3/1/2005	DMV Database Redesign	97,192.09	41,727.66
98-134	11/20/1998	3/1/2005	Year 2000 Upgrades-Driver/Motor Vehicle Dbase System	58,342.81	25,048.45

Table IV-2 – Continued
OUTSTANDING MASTER LEASE SCHEDULES
(As of December 1, 2002)

Schedule Number	Origination Date	Maturity Date	Lease Item	Financed Amount	Principal Balance
98-136	12/14/1998	9/1/2005	BadgerNet - 45% Phase 1 (Equipment/Service)	7,519,106.05	2,007,341.96
98-139	12/14/1998	9/1/2004	IT-Migration Cable/Fiber	1,132,715.74	426,892.86
98-142	12/23/1998	9/1/2004	IT Migration - Cable/Fiber and Vote System	123,900.00	46,866.57
99-001	01/22/1999	3/1/2003	DSU/CSU Connect BadgerNet	618,262.50	83,135.06
99-007	01/22/1999	9/1/2005	DMV Database Redesign	213,044.47	45,540.31
99-008	01/22/1999	3/1/2005	Year 2000 Upgrades-Driver/Motor Vehicle Dbase System	145,267.67	65,866.82
99-010	01/22/1999	9/1/2004	IT Migration-Network Infrastruc./Laptops	150,348.00	63,439.78
99-011	02/18/1999	9/1/2005	BadgerNet - Phase 1/2 (Equipment/Service)	9,212,723.40	4,722,658.04
99-014	02/25/1999	9/1/2004	IT Migration-Network Infrastructure	207,957.00	72,618.45
99-016	02/25/1999	9/1/2003	WPDES Permit Streamlining	36,983.50	6,516.77
99-017	02/25/1999	3/1/2005	Year 2000 Upgrades-Driver/Motor Vehicle Dbase System	30,021.32	13,787.78
99-018	02/25/1999	9/1/2005	DMV Database Redesign	119,014.90	60,558.14
99-021	03/12/1999	3/1/2003	CSU/DSU Connect BadgerNet	370,957.50	51,461.80
99-022	03/12/1999	9/1/2004	IT Migration-Network Fiber/Cable	159,214.47	64,289.93
99-025	03/26/1999	9/1/2004	IT Migration-Laptops/Network	746,228.25	195,852.38
99-026	03/26/1999	9/1/2005	DMV Database Redesign	103,317.05	53,203.36
99-027	03/26/1999	3/1/2005	Year 2000 Upgrades-Driver/Motor Vehicle Dbase System	324,463.39	150,977.86
99-032	03/26/1999	9/1/2003	WPDES Permit Streamlining	34,400.50	8,560.68
99-034	04/20/1999	9/1/2004	IT-Migration/Infrastructure	273,586.27	89,342.44
99-048	05/13/1999	9/1/2005	DMV Database Redesign	149,827.64	78,553.02
99-049	05/13/1999	3/1/2005	Year 2000 Upgrades-Driver/Motor Vehicle Dbase System	188,141.35	89,288.82
99-051	05/13/1999	3/1/2002	WPDES Permit Streamlining	73,342.00	18,759.16
99-053	05/13/1999	3/1/2006	vfh Trunking Infrastructure	311,250.00	12,192.19
99-054	05/13/1999	3/1/2006	vhf Trunking Infrastructure	311,250.00	25,271.43
99-056	05/25/1999	3/1/2004	Truck for College of Life and Ag Science	17,032.00	5,894.54
99-058	05/25/1999	3/1/2005	Year 2000 Upgrades-Driver/Motor Vehicle Dbase System	148,513.79	70,836.98
99-059	05/25/1999	9/1/2005	DMV Database Redesign	92,165.37	48,542.28
99-060	08/12/1999	9/1/2005	BadgerNet Phase 1/2	2,225,241.00	949,135.01
99-064	06/04/1999	9/1/2004	IT Migration/Infrastructure	27,536.68	11,551.49
99-067	06/21/1999	3/1/2004	Trucks for CALS/Research Stations	39,128.00	13,103.38
99-068	06/21/1999	3/1/2003	IT Infrastructure for Learning Innovations	120,463.65	17,872.16
99-071	06/21/1999	9/1/2003	WPDES Permit Streamlining	48,026.50	12,568.20
99-078	07/02/1999	3/1/2005	Year 2000 Upgrades-Driver/Motor Vehicle Dbase System	148,737.41	72,112.47
99-079	07/02/1999	9/1/2005	DMV Database Redesign	134,498.65	71,900.50
99-082	07/20/1999	3/1/2004	Trucks	33,138.00	11,279.93
99-083	07/20/1999	3/1/2003	Tractor	21,708.00	2,935.62
99-084	07/20/1999	3/1/2004	Front-End Loader/Bucket	50,000.00	17,831.80
99-089	08/12/1999	3/1/2004	Trucks	100,043.00	25,904.88
99-090	08/12/1999	9/1/2002	Ethernet Network Training	16,719.50	738.80
99-093	08/12/1999	9/1/2005	DMV Database Redesign	90,222.71	49,029.97
99-094	08/12/1999	3/1/2005	Year 2000 Upgrades-Driver/Motor Vehicle Dbase System	101,451.25	50,084.37
99-096	08/12/1999	9/1/2003	WPDES Permit Streamlining	54,102.25	14,627.06
99-097	08/12/1999	9/1/2003	Upgrades to TIME System	115,674.08	31,273.57
99-101	09/02/1999	9/1/2005	DMV Database Redesign	69,970.84	38,312.80
99-102	09/02/1999	3/1/2005	Year 2000 Upgrades-Driver/Motor Vehicle Dbase System	23,425.32	11,661.79
99-106	09/02/1999	9/1/2003	Upgrades to TIME System	115,674.08	31,652.24
99-108	09/02/1999	3/1/2003	CSU/DSU-BadgerNet Connections	164,870.00	25,546.84
99-111	09/20/1999	9/1/2005	BadgerNet-Aurora	407,992.00	228,745.50
99-113	09/20/1999	3/1/2006	vhF Trunking Project	792,578.64	470,386.23
99-114	09/20/1999	3/1/2006	vhF Trunking Project	792,578.63	470,386.22
99-116	09/20/1999	3/1/2005	Year 2000 Upgrades-Driver/Motor Vehicle Dbase System	107,130.70	53,744.51
99-117	09/20/1999	9/1/2005	DMV Database Redesign	53,228.36	29,348.48
99-121	10/13/1999	9/1/2004	Trucks	26,830.00	11,992.01
99-123	10/13/1999	3/1/2004	Front-End Loader/Bucket	46,100.00	17,210.58
99-127	10/13/1999	9/1/2003	WPDES Permit Streamlining	23,584.00	6,621.53
99-128	10/29/1999	3/1/2005	Year 2000 Upgrades-Driver/Motor Vehicle Dbase System	90,303.22	46,092.56
99-134	11/19/1999	3/1/2004	Trucks	115,449.00	36,019.48
99-135	11/19/1999	9/1/2004	Laptops LAB/Server	130,348.02	57,886.25
99-136	11/19/1999	3/1/2005	Year 2000 Upgrades-Driver/Motor Vehicle Dbase System	35,242.50	18,148.25

Table IV-2 – Continued
OUTSTANDING MASTER LEASE SCHEDULES
(As of December 1, 2002)

Schedule Number	Origination Date	Maturity Date	Lease Item	Financed Amount	Principal Balance
99-139	11/19/1999	9/1/2003	WPDES Permit Streamlining	12,320.00	3,540.26
99-140	11/19/1999	9/1/2004	Truck-Badger State Industry	63,800.00	29,030.52
99-141	12/13/1999	3/1/2006	vhF Trunking Pilot	141,171.36	23,963.35
99-142	12/13/1999	3/1/2006	vhF Trunking Pilot	141,171.37	23,963.35
00-001	01/18/2000	3/1/2004	Trucks	41,345.00	16,308.95
00-002	01/18/2000	9/1/2004	Systems Furniture-Learning Innovations	244,494.44	114,705.48
00-007	02/07/2000	3/1/2003	Call Management System-Delinquent Taxes	103,360.49	18,190.38
00-009	02/07/2000	9/1/2005	BadgerNet Phases 3&4	11,809,001.00	5,866,329.77
00-010	02/07/2000	9/1/2006	CADD -Computer Aid Dispatch System	478,610.00	117,044.04
00-018	03/21/2000	3/1/2003	PCs	57,188.44	6,787.07
00-019	03/21/2000	3/1/2004	Info Tech Infrastructure for LAB Move	26,975.96	11,046.97
00-020	03/21/2000	3/1/2005	Statewide Child Welfare System	530,375.54	288,912.90
00-025	04/13/2000	3/1/2003	Wisconsin Waters Initiative - IT Software	123,671.82	22,991.10
00-030	04/13/2000	3/1/2005	Statewide Child Welfare System (WISACWIS)	167,811.20	92,340.55
00-031	04/28/2000	3/1/2015	WEI 3 Energy Performance Contract; Charter Street Phase 1	569,400.00	534,241.14
00-032	04/28/2000	3/1/2015	WEI 3 Energy Performance Contract; Charter Street Phase 2	1,450,000.00	1,360,466.57
00-034	04/28/2000	3/1/2003	Upgrade/Expand Call Management System	96,130.17	18,105.12
00-035	04/28/2000	3/1/2004	Info Tech Infrastructure for LAB Move	113,720.04	47,630.14
00-036	04/28/2000	3/1/2005	Development of State Human Resources System (SHRS)	82,615.00	45,785.33
00-037	04/28/2000	3/1/2005	TAXABLE Development of SHRS	82,185.00	46,488.50
00-038	04/28/2000	9/1/2003	Upgrade to TIME System - Final Pay	154,232.09	49,471.92
00-042	05/18/2000	3/1/2005	Development of State Human Resources System (SHRS)	29,870.00	16,715.52
00-043	05/18/2000	9/1/2003	Wet Ground Suppression Vehicles	196,000.00	51,319.80
00-044	05/18/2000	3/1/2003	IT Equipment-Department-Wide Use	88,185.50	16,907.20
00-045	05/18/2000	3/1/2015	WEI 3 Energy Performance Contract; Biotron Facility	74,600.00	69,984.84
00-046	05/26/2000	3/1/2005	Statewide Child Welfare System (WISACWIS)	67,054.60	37,667.69
00-047	05/26/2000	3/1/2003	Info Tech Equipment/Develop Graphic Applications	54,308.00	10,486.57
00-048	05/26/2000	3/1/2003	PCs	419,000.20	9,554.11
00-049	05/26/2000	3/1/2004	Golf Course Maintenance Equipment	71,489.00	30,477.60
00-050	05/26/2000	3/1/2007	Digital Microwave Communication Infrastruc. Equipment	1,343,109.85	861,904.35
00-052	05/26/2000	3/1/2003	Wisc. Waters Initiative; GPS Units	52,329.10	7,729.39
00-054	06/20/2000	9/1/2004	Systems Furniture	151,819.10	77,222.25
00-055	06/20/2000	3/1/2003	PCs/Scanning Unit	136,649.78	25,833.15
00-058	06/20/2000	3/1/2003	Tractor - Hancock Ag Research	31,698.00	6,254.81
00-059	06/20/2000	3/1/2003	PCs/Hardware/Software	156,716.25	30,924.02
00-060	06/20/2000	3/1/2005	Development of State Human Resources System (SHRS)	32,972.50	18,735.34
00-062	06/30/2000	3/1/2004	IT LAN Infrastructure-Revenue Building Phase 2	295,204.85	76,336.20
00-063	06/30/2000	9/1/2004	Systems Furniture	167,421.33	85,641.97
00-064	06/30/2000	3/1/2003	PCs/LAN Ethernet	165,162.64	32,897.26
00-065	06/30/2000	3/1/2005	Statewide Child Welfare System (WISACWIS)	282,514.40	161,325.84
00-066	06/30/2000	3/1/2003	IT Infrastructure Hardware/Software	285,486.27	36,945.35
00-067	06/30/2000	3/1/2003	Info Tech Equipment/Develop Graphic Applications	37,084.20	7,386.48
00-068	06/30/2000	3/1/2015	WEI 3 Energy Performance Contract	32,594.00	29,588.74
00-069	07/19/2000	3/1/2005	Statewide Child Welfare System (WISACWIS)	77,056.00	44,419.46
00-070	07/19/2000	3/1/2005	Development of State Human Resources System (SHRS)	24,432.50	14,084.28
00-071	07/19/2000	3/1/2004	Info Tech Infrastrucgture-22 E Mifflin (LAB)	36,450.00	16,081.92
00-072	07/19/2000	3/1/2003	Personal Computers - Academic Computing	62,260.00	12,626.80
00-073	07/19/2000	3/1/2015	WEI 3 Energy Performance Contract; Charter Street Phase 1	624,000.00	584,585.16
00-074	07/19/2000	3/1/2015	WEI 3 Energy Performance Contract; Charter Street Phase 2	1,800,000.00	1,686,303.34
00-075	07/19/2000	3/1/2003	Wisc. Water Initiative; Digital Cameras	18,840.00	3,820.89
00-076	08/07/2000	9/1/2005	BadgerNet-VOTS Phase 4	53,661.00	34,988.89
00-078	08/07/2000	3/1/2004	Systems Furniture-Hill Farms State Office Bldg. FLR7	50,055.45	22,831.92
00-079	08/07/2000	9/1/2005	Statewide Child Welfare System (WISACWIS)	261,316.80	167,002.09
00-081	08/07/2000	9/1/2015	WEI 3 Energy Performance Contract; Milwaukee Phase 2	501,520.00	468,577.39
00-082	08/07/2000	3/1/2003	IT Equipment-Department Wide Use	83,517.00	17,738.57
00-083	08/25/2000	9/1/2005	BadgerNet- Deforest Phase 4	114,352.00	74,312.34
00-084	08/25/2000	3/1/2004	Systems Furniture	61,298.58	27,866.82
00-085	08/25/2000	9/1/2004	Learn Innovations-Video Conference Equipment	72,418.63	38,428.71
00-086	08/25/2000	3/1/2015	WEI 3 Energy Performance Contract	102,562.00	93,770.43

Table IV-2 – Continued

OUTSTANDING MASTER LEASE SCHEDULES

(As of December 1, 2002)

Schedule Number	Origination Date	Maturity Date	Lease Item	Financed Amount	Principal Balance
00-087	08/25/2000	9/1/2005	Heidelberg 4-Color Press	300,000.00	191,082.81
00-089	08/25/2000	3/1/2003	SWEEP Anti-Virus Software	70,000.00	14,817.92
00-090	08/25/2000	9/1/2003	PCs	434,326.80	153,450.75
00-091	08/25/2000	9/1/2005	Statewide Child Welfare System (WISACWIS)	236,636.00	150,723.57
00-093	08/25/2000	9/1/2007	Vapor Testing Units	94,170.00	48,859.57
00-094	09/29/2000	3/1/2005	Wisc. Water Initiative - Develop Data System	18,500.00	10,920.03
00-095	09/29/2000	3/1/2015	WEI 3 Energy Performance Contract; Charter Street Phase 1	312,000.00	288,515.87
00-096	09/29/2000	3/1/2015	WEI 3 Energy Performance Contract; Charter Street Phase 2	750,000.00	691,999.34
00-097	09/29/2000	9/1/2015	WEI 3 Energy Performance Contract; Milwaukee Phase 2	364,820.00	332,835.31
00-099	09/29/2000	3/1/2003	IT Infrastructure Equipment	74,704.18	15,868.77
00-100	09/29/2000	9/1/2007	Vapor Testing	249,889.00	160,623.57
00-101	09/29/2000	3/1/2003	Systems Furniture-22 E. Mifflin	194,000.00	41,921.90
00-102	09/29/2000	9/1/2005	Statewide Child Welfare System (WISACWIS)	363,733.60	230,416.29
00-105	09/29/2000	3/1/2005	Auto Hematology System	110,000.00	64,080.42
00-106	10/16/2000	9/1/2004	New Building IT Infrastructure/UPS	1,466,827.00	570,412.58
00-107	10/16/2000	9/1/2007	Mass Spectrometer	298,450.00	188,619.19
00-108	10/16/2000	9/1/2015	WEI 3 Energy Performance Contract; Milwaukee Phase 3	413,798.00	378,083.09
00-109	10/16/2000	9/1/2004	Video Conf. Equipment - Learning Innovations	20,079.00	10,792.83
00-110	10/16/2000	9/1/2003	Server for OATS	60,000.00	21,787.87
00-111	10/16/2000	9/1/2003	Network Infrastructure Equipment	201,873.83	73,306.69
00-113	11/22/2000	9/1/2005	BadgerNet Phase 5	2,662,847.00	667,047.34
00-115	11/02/2000	9/1/2003	IT Servers	123,255.00	45,351.54
00-116	11/02/2000	9/1/2005	Heidelburg Press	302,900.00	195,209.81
00-117	11/02/2000	9/1/2003	Orchard Sprayer - Peninsula Ag Research Station	11,802.00	4,342.52
00-118	11/02/2000	9/1/2003	Configuration/Install Server OATS	22,900.00	8,426.03
00-119	11/02/2000	9/1/2005	Statewide Child Welfare System (WISACWIS)	260,684.00	168,399.34
00-120	11/02/2000	9/1/2015	WEI 3 Energy Performance Contract; Milwaukee Phase 2	276,714.00	253,156.85
00-121	11/02/2000	9/1/2015	WEI 3 Energy Performance Contract; Milwaukee Phase 3	292,169.21	267,300.44
00-125	11/22/2000	9/1/2005	Statewide Child Welfare System (WISACWIS)	164,251.20	107,108.35
00-126	11/22/2000	9/1/2003	PC Replacement	217,130.58	81,294.29
00-127	11/22/2000	3/1/2005	University Information System	42,473.95	25,770.31
00-128	11/22/2000	9/1/2015	WEI-3 Energy Performance Contract; Winnebago	364,307.50	333,932.96
00-129	11/22/2000	3/1/2015	WEI-3 Energy Performance Contract; Madison Biotron	131,710.25	121,638.73
00-130	11/22/2000	3/1/2015	WEI 3 Energy Performance Contract; Charter Street Phase 1	450,000.00	415,589.75
00-131	11/22/2000	3/1/2015	WEI 3 Energy Performance Contract; Charter Street Phase 2	1,200,000.00	1,108,239.36
00-132	11/22/2000	9/1/2015	WEI-3 Energy Performance Contract; Waukesha County	78,880.00	72,303.30
00-133	12/18/2000	9/1/2005	Mail Inserter - Printing Services	824,025.00	506,874.85
00-135	12/18/2000	9/1/2015	WEI-3 Energy Performance Contract	182,598.00	167,719.35
00-136	12/18/2000	9/1/2005	Statewide Child Welfare System (WISACWIS)	1,854,340.34	1,223,734.86
00-137	12/18/2000	3/1/2005	Wis. Water Initiative-Web Development	22,326.00	13,732.27
00-138	12/18/2000	3/1/2005	Wis. Water Initiative - Data System Develop.	138,000.00	28,883.73
00-139	12/18/2000	9/1/2003	Various IT Servers	212,049.82	81,203.76
00-140	12/18/2000	9/1/2003	Storage Saver Solution System	313,477.52	119,396.52
00-141	12/18/2000	9/1/2004	Infrastructure and Wiring - 1 East Main	97,738.75	53,556.93
00-142	12/18/2000	9/1/2015	WEI 3 Energy Performance Contract; Milwaukee Phase 3	516,614.64	474,519.21
00-144	12/18/2000	9/1/2015	WEI 3 Energy Performance Contract; Milwaukee Phase 2	391,860.00	359,929.97
00-145	12/18/2000	3/1/2005	University Info System	258,085.26	158,743.01
00-146	12/29/2000	9/1/2015	WEI 3 Energy Performance Contract; Milwaukee Phase 2	351,434.00	323,095.80
00-147	12/29/2000	9/1/2015	WEI 3 Energy Performance Contract; Milwaukee Phase 3	216,443.15	198,990.06
00-148	12/29/2000	9/1/2015	WEI 3 Energy Performance Contract	79,455.00	73,048.09
00-149	12/29/2000	9/1/2015	WEI 3 Energy Performance Contract	85,000.00	78,145.94
00-151	12/29/2000	3/1/2015	WEI 3 Energy Performance Contract; Charter Street Phase 1	452,800.00	417,634.81
00-152	12/29/2000	3/1/2015	WEI 3 Energy Performance Contract; Charter Street Phase 2	350,000.00	322,818.44
00-153	12/29/2000	9/1/2004	Truck Lift	12,300.00	6,912.34
00-154	12/29/2000	9/1/2003	Replacement PCs	416,025.14	143,812.62
00-155	12/29/2000	9/1/2004	Video Equipment - Learning Innovations	97,227.52	54,520.10
01-001	02/01/2001	9/1/2015	WEI 3 Energy Performance Contract	33,274.50	30,676.68
01-003	02/01/2001	3/1/2004	Replacement PCs	610,880.32	305,033.61
01-004	02/01/2001	9/1/2003	Systems Furniture-Milwaukee Office Bldg.	183,743.00	24,666.00

Table IV-2 – Continued
OUTSTANDING MASTER LEASE SCHEDULES
(As of December 1, 2002)

Schedule Number	Origination Date	Maturity Date	Lease Item	Financed Amount	Principal Balance
01-005	02/01/2001	3/1/2004	Data Capture System-Tax Returns	132,804.81	58,439.57
01-006	02/01/2001	9/1/2004	A/V Presentation System-Learn Innovation	19,947.00	11,334.22
01-007	02/01/2001	3/1/2016	WEI 3 Energy Performance Contract; Milwaukee Water	794,500.00	735,411.18
01-008	02/01/2001	3/1/2015	WEI 3 Energy Performance Contract	27,812.00	25,530.16
01-009	02/01/2001	9/1/2015	WEI 3 Energy Performance Contract; Milwaukee Phase 3	140,829.20	129,834.34
01-010	02/01/2001	9/1/2015	WEI 3 Energy Performance Contract; Milwaukee Phase 2	256,062.00	236,070.67
01-011	02/01/2001	9/1/2015	WEI 3 Energy Performance Contract	85,000.00	78,363.86
01-012	02/01/2001	3/1/2015	WEI 3 Energy Performance Contract; Charter Street Phase 1	200,000.00	183,590.96
01-013	02/01/2001	3/1/2015	WEI 3 Energy Performance Contract; Charter Street Phase 2	350,000.00	321,284.14
01-014	02/22/2001	3/1/2004	IT Network Equipment	233,584.32	119,015.54
01-015	02/22/2001	9/1/2004	Grounds Equipment	79,202.00	46,146.22
01-016	02/22/2001	3/1/2004	IT Servers-Learning Innovations	26,605.00	13,555.73
01-017	02/22/2001	3/1/2003	Bobcat Skid Loader	17,220.00	4,372.16
01-018	02/22/2001	3/1/2006	Statewide Child Welfare System (WISACWIS)	296,455.40	212,414.88
01-019	02/22/2001	9/1/2004	IT Equipment- DOC Move to 3099 E Wash Avenue	1,166,368.64	679,184.48
01-020	02/22/2001	3/1/2010	WEI 3 Energy Performance Contract	17,046.00	14,621.64
01-021	02/22/2001	3/1/2004	Copy Equipment	1,205,835.00	613,276.77
01-022	03/27/2001	9/1/2004	IT Equipment- DOC Move to 3099 E Wash Avenue	189,260.31	113,067.42
01-024	03/27/2001	3/1/2006	Statewide Child Welfare System (WISACWIS)	381,614.40	278,033.68
01-025	03/27/2001	3/1/2016	WEI 3 Energy Performance Contract	160,584.00	149,563.13
01-027	03/27/2001	3/1/2005	Wisc. Water Initiative; Develop Data System	30,657.00	19,995.00
01-028	03/27/2001	3/1/2006	A/V Equipment	41,460.00	24,153.56
01-029	03/27/2001	9/1/2015	WEI 3 Energy Performance Contract; Milwaukee Phase 2	256,912.00	238,533.98
01-030	03/27/2001	9/1/2015	WEI 3 Energy Performance Contract; Milwaukee Phase 3	129,036.87	119,806.32
01-031	03/27/2001	3/1/2016	WEI 3 Energy Performance Contract; Milwaukee Phase 4	93,375.00	87,014.52
01-032	03/27/2001	3/1/2005	University Information System	24,946.00	16,270.18
01-033	03/27/2001	3/1/2015	WEI 3 Energy Performance Contract; Milwaukee Phase 2	998,500.00	923,407.68
01-034	03/27/2001	3/1/2015	WEI 3 Energy Performance Contract; Madison Biotron	73,838.75	68,285.69
01-035	03/27/2001	3/1/2015	WEI 3 Energy Performance Contract; Charter Street Phase 1	151,040.00	139,681.01
01-036	03/27/2001	9/1/2015	WEI 3 Energy Performance Contract	92,000.00	85,418.85
01-037	04/17/2001	3/1/2014	WEI 3 Energy Performance Contract	286,000.00	262,981.18
01-038	04/17/2001	3/1/2006	Golf Course Maintenance Equipment	77,787.00	57,024.35
01-039	04/17/2001	9/1/2015	WEI 3 Energy Performance Contract	53,534.00	49,842.79
01-040	04/17/2001	3/1/2004	IT Network Upgrades	69,010.22	36,880.76
01-041	04/17/2001	9/1/2004	IT & Office Equipment- DOC Move to 3099 E Wash Avenue	116,392.95	70,596.98
01-042	04/17/2001	3/1/2008	Ice Cream Processing Equipment	99,390.00	81,506.92
01-043	05/09/2001	9/1/2013	WEI 3 Energy Performance Contract; Green Bay Correctional	14,040.00	12,888.15
01-044	05/09/2001	9/1/2004	IT & Office Equipment- DOC Move to 3099 E Wash Avenue	54,016.07	33,302.95
01-045	05/09/2001	3/1/2006	Statewide Child Welfare System (WISACWIS)	69,519.20	51,716.78
01-046	05/09/2001	3/1/2005	Wisc. Water Initiative; Develop Data System	15,600.00	11,553.47
01-047	05/09/2001	3/1/2006	A/V Equipment	64,579.00	46,849.95
01-048	05/09/2001	3/1/2015	WEI 3 Energy Performance Contract; Charter Street Phase 1	25,000.00	23,249.63
01-049	05/09/2001	3/1/2015	WEI 3 Energy Performance Contract; Charter Street Phase 2	250,000.00	232,496.44
01-050	05/09/2001	9/1/2015	WEI 3 Energy Performance Contract; Milwaukee Phase 2	50,477.20	47,116.45
01-051	05/09/2001	9/1/2015	WEI 3 Energy Performance Contract; Milwaukee Phase 3	24,025.89	22,426.25
01-052	05/09/2001	3/1/2016	WEI 3 Energy Performance Contract; Madison Section 1&2	484,510.00	453,799.82
01-053	05/09/2001	3/1/2014	WEI 3 Energy Performance Contract	277,000.00	255,473.96
01-054	05/30/2001	3/1/2006	Grain Truck	72,885.00	54,710.50
01-055	05/30/2001	9/1/2005	BadgerNet Phase 6	711,716.00	487,266.90
01-056	05/30/2001	3/1/2004	IT/Development Applications	43,462.00	24,195.57
01-057	05/30/2001	9/1/2013	WEI 3 Energy Performance Contract; Green Bay Correctional	20,500.00	18,907.11
01-058	05/30/2001	3/1/2010	WEI 3 Energy Performance Contract; Jackson Correctional	55,707.00	48,980.42
01-059	05/30/2001	3/1/2016	WEI 3 Energy Performance Contract; Mendota Health	153,466.00	144,305.79
01-060	05/30/2001	3/1/2006	Statewide Child Welfare System (WISACWIS)	78,639.20	59,221.41
01-061	05/30/2001	3/1/2006	Systems Furniture	142,255.44	107,129.34
01-062	05/30/2001	3/1/2004	Furnishings for Millennium Hall	124,271.30	27,429.64
01-063	05/30/2001	3/1/2005	University Information System	36,642.20	24,938.03
01-064	05/30/2001	9/1/2004	Grounds and Maintenance Equip	54,645.00	34,301.73
01-065	05/30/2001	3/1/2015	WEI 3 Energy Performance Contract; Charter Street Phase 2	88,700.00	82,837.98

Table IV-2 – Continued
OUTSTANDING MASTER LEASE SCHEDULES
(As of December 1, 2002)

Schedule Number	Origination Date	Maturity Date	Lease Item	Financed Amount	Principal Balance
01-066	05/30/2001	3/1/2015	WEI 3 Energy Performance Contract; Madison Biotron	63,011.00	58,846.72
01-067	05/30/2001	3/1/2014	WEI 3 Energy Performance Contract	235,800.00	218,463.89
01-068	05/30/2001	9/1/2004	Network/IT Cabling - 1 E Main	16,591.25	10,414.65
01-069	05/30/2001	3/1/2016	WEI 3 Energy Performance Contract; Platteville Res. Halls	319,552.00	300,478.31
01-070	06/28/2001	3/1/2004	IT Equipment/Develop Graphic Apps	26,286.28	7,687.36
01-071	06/28/2001	9/1/2013	WEI 3 Energy Performance Contract; Green Bay Correctional	20,500.00	19,004.75
01-072	06/28/2001	9/1/2004	IT & Office Equipment- DOC Move to 3099 E Wash Avenue	105,327.66	67,658.30
01-073	06/28/2001	3/1/2016	WEI 3 Energy Performance Contract; Mendota Health	13,500.00	12,746.53
01-074	06/28/2001	3/1/2004	IT Equipment-State Justice Center	398,033.00	227,786.74
01-075	06/28/2001	3/1/2004	Wisc. Water Initiative; IT and Other Equipment	295,603.98	168,257.94
01-076	06/28/2001	3/1/2004	PC Replacement Round 3 (ML18)	176,043.95	100,746.63
01-077	06/28/2001	3/1/2015	WEI 3 Energy Performance Contract; Charter Street Phase 1	45,208.00	42,409.89
01-078	06/28/2001	3/1/2015	WEI 3 Energy Performance Contract; Charter Street Phase 2	40,300.00	37,805.66
01-079	06/28/2001	3/1/2014	WEI 3 Energy Performance Contract	240,550.00	224,181.28
01-080	06/28/2001	9/1/2015	WEI 3 Energy Performance Contract; Milwaukee Phase 2	36,145.20	34,021.92
01-081	06/28/2001	3/1/2016	WEI 3 Energy Performance Contract; Platteville Res. Halls	442,300.00	417,614.10
01-082	06/28/2001	9/1/2003	Gas Chromatograph	35,880.00	16,857.38
01-083	07/18/2001	3/1/2006	Statewide Child Welfare System (WISACWIS)	69,519.20	53,790.08
01-084	07/18/2001	3/1/2006	State Roll-Out Statewide Child Welfare System (WISACWIS)	1,726,968.00	1,336,189.99
01-085	07/18/2001	3/1/2004	IT Equipment - State Justice Center	178,676.72	104,433.34
01-086	07/18/2001	3/1/2004	IT Equipment - Department-wide Apps	104,254.97	60,745.23
01-087	07/18/2001	3/1/2005	Suburban	31,167.00	13,746.41
01-088	08/02/2001	3/1/2004	IT Develop Graphics Apps	25,378.00	15,094.15
01-089	08/02/2001	9/1/2004	IT Infrastructure Equipment-Regional Offices	228,502.00	151,614.83
01-090	08/02/2001	9/1/2004	Oracle Licenses	600,322.50	398,323.84
01-091	08/02/2001	9/1/2006	Concrete State Silo/Silo Loader	16,886.00	13,604.50
01-092	08/02/2001	3/1/2016	WEI 3 Energy Performance Contract	138,000.00	131,278.29
01-093	08/02/2001	3/1/2014	WEI 3 Energy Performance Contract	165,450.00	155,358.26
01-094	08/02/2001	3/1/2016	WEI 3 Energy Performance Contract; Madison Section 1	307,262.00	292,295.90
01-095	08/02/2001	3/1/2015	WEI 3 Energy Performance Contract; Charter Street Phase 2	22,150.00	20,945.28
01-096	08/31/2001	3/1/2006	Turnstiles	36,470.00	28,925.88
01-097	08/31/2001	9/1/2004	Trolley Trailers	49,580.00	33,657.04
01-098	08/31/2001	9/1/2004	Various Equipment/Dbase Development	70,470.96	47,838.71
01-099	08/31/2001	9/1/2004	IT Equipment for State Justice Center	83,008.00	56,349.40
01-100	08/31/2001	9/1/2006	Statewide Child Welfare System (WISACWIS)	218,624.20	178,429.06
01-101	08/31/2001	9/1/2006	State Roll-Out Statewide Child Welfare System (WISACWIS)	1,640,618.00	1,338,982.26
01-102	08/31/2001	3/1/2004	IT Develop Graphic Applications	2,575.17	1,574.77
01-104	08/31/2001	9/1/2013	WEI 3 Energy Performance Contract; Green Bay Correctional	7,490.00	7,035.32
01-105	08/31/2001	3/1/2014	WEI 3 Energy Performance Contract	107,950.00	101,775.74
01-106	08/31/2001	3/1/2016	WEI 3 Energy Performance Contract; Mendota Health	28,700.00	27,390.90
01-107	08/31/2001	3/1/2016	WEI 3 Energy Performance Contract; Platteville Res. Halls	278,000.00	265,319.51
01-108	08/31/2001	9/1/2008	Office/Systems Furniture-State Justice Center	130,885.20	114,707.21
01-109	09/28/2001	9/1/2004	IT & Office Equipment- DOC Move to 3099 E Wash Avenue	34,863.11	24,231.62
01-110	09/28/2001	3/1/2016	WEI 3 Energy Performance Contract; Madison Section 1&2	435,980.00	417,464.49
01-111	09/28/2001	9/1/2004	Automated Document Factory	659,080.00	458,093.97
01-112	09/28/2001	9/1/2004	Wisc. Water Initiative; GPS Units	39,672.25	27,574.22
01-113	09/28/2001	9/1/2006	State Roll-Out Statewide Child Welfare System (WISACWIS)	1,079,353.00	892,627.03
01-114	09/28/2001	9/1/2004	IT Equipment - State Justice Center	252,782.06	175,696.32
01-115	09/28/2001	3/1/2006	Systems Furniture-Phase 2	30,520.59	24,571.37
01-116	09/28/2001	3/1/2005	Vehicles	24,423.00	18,130.79
01-117	09/28/2001	9/1/2015	WEI 3 Energy Performance Contract	20,965.00	20,023.96
01-118	09/28/2001	9/1/2004	PCs for Student Academic Lab	94,950.00	65,995.06
01-119	09/28/2001	9/1/2008	Development of Integrated Corrections System	262,533.25	232,122.34
01-120	09/28/2001	3/1/2016	WEI 3 Energy Performance Contract; Milwaukee Phase 2	45,000.00	43,088.91
01-121	09/28/2001	3/1/2014	WEI 3 Energy Performance Contract	67,000.00	63,427.03
01-122	09/28/2001	3/1/2016	WEI 3 Energy Performance Contract	62,800.00	60,132.97
01-123	09/28/2001	3/1/2015	WEI 3 Energy Performance Contract; Charter Street Phase 2	26,650.00	25,384.46
01-124	09/28/2001	3/1/2004	IT Equipment	9,264.00	5,830.85
01-125	09/28/2001	9/1/2016	WEI 3 Energy Performance Contract	666,242.00	642,850.11

Table IV-2 – Continued

OUTSTANDING MASTER LEASE SCHEDULES

(As of December 1, 2002)

Schedule Number	Origination Date	Maturity Date	Lease Item	Financed Amount	Principal Balance
01-126	10/24/2001	3/1/2004	IT Equipment/Graphic Apps	1,300.00	841.29
01-127	10/24/2001	9/1/2008	Systems Furniture-State Justice Center	395,554.99	352,664.55
01-128	10/24/2001	3/1/2008	Ice Cream Equipment	198,780.00	175,167.16
01-129	10/24/2001	9/1/2008	Development of Integrated Corrections System	317,181.00	282,788.73
01-130	10/24/2001	9/1/2006	State Roll-Out Statewide Child Welfare System (WISACWIS)	1,542,845.00	1,292,042.29
01-131	10/24/2001	9/1/2004	IT Equipment - State Justice Center	12,176.00	8,656.61
01-132	10/24/2001	9/1/2004	Truck	24,927.00	17,722.04
01-133	11/21/2001	9/1/2016	WEI 3 Energy Performance Contract	487,245.20	472,977.69
01-134	11/21/2001	9/1/2008	Development of Integrated Corrections System	184,092.00	165,583.94
01-135	11/21/2001	9/1/2006	State Roll-Out Statewide Child Welfare System (WISACWIS)	566,525.00	480,791.15
01-136	11/21/2001	3/1/2006	Statewide Child Welfare System (WISACWIS)	1,870,773.26	1,550,894.20
01-137	11/21/2001	9/1/2004	Wisc. Water Initiative; Dbase Development	58,611.72	42,694.30
01-138	11/21/2001	3/1/2016	WEI 3 Energy Performance Contract; Platteville Res. Halls	334,050.00	321,898.64
01-139	11/21/2001	9/1/2004	Virtual Tape Hardware	639,520.00	465,843.03
01-140	11/21/2001	9/1/2008	System Furniture - State Justice Center	1,034,582.09	930,568.30
01-141	11/21/2001	3/1/2004	Systems Furniture - FLR 7	6,916.00	4,611.91
01-142	12/28/2001	9/1/2003	IBM Mainframe Computer	1,949,000.00	976,361.81
01-143	12/28/2001	9/1/2004	Automated Doc Factor	329,454.00	248,440.25
01-144	12/28/2001	9/1/2006	State Roll-Out Statewide Child Welfare System (WISACWIS)	486,784.00	420,935.06
01-145	12/28/2001	9/1/2004	IT Equipment - New State Justice Center	90,287.69	68,085.67
01-146	12/28/2001	9/1/2006	Portable X-Ray Machine	171,360.00	148,179.55
01-147	12/28/2001	3/1/2016	WEI 3 Energy Performance Contract	51,210.00	49,570.80
01-148	12/28/2001	9/1/2013	WEI 3 Energy Performance Contract; Green Bay Correctional	7,670.00	7,340.40
01-149	12/28/2001	9/1/2008	Systems and Office Furniture - State Justice	313,696.34	285,662.44
01-150	12/28/2001	9/1/2008	Development of Integrated Corrections System	285,495.00	259,981.35
01-151	12/28/2001	3/1/2015	WEI 3 Energy Performance Contract; Madison Biotron	23,675.00	22,825.20
01-152	12/28/2001	3/1/2016	WEI 3 Energy Performance Contract; Madison Section 1&2	587,298.00	568,498.90
02-001	01/23/2002	9/1/2006	Statewide Child Welfare System (WISACWIS)	1,036,179.00	925,999.08
02-002	01/31/2002	9/1/2005	Badgernet Phase 7	5,202,042.12	3,981,785.43
02-003	01/31/2002	9/1/2008	Systems Furniture - State Justice Center	1,015,155.28	918,710.47
02-004	01/31/2002	9/1/2008	Development of Integrated Corrections System	102,466.00	92,731.22
02-005	01/31/2002	9/1/2016	WEI 3 Energy Performance Contract; Southern Wisc. Center	1,022,343.35	974,529.57
02-006	01/31/2002	9/1/2004	IT Equipment - State Justice Center	10,738.76	8,220.42
02-007	01/31/2002	3/1/2005	IT Equipment - Regional Offices	283,928.04	227,943.36
02-008	01/31/2002	3/1/2005	IT Equipment	52,287.60	41,977.59
02-009	01/31/2002	3/1/2005	IVR Unites	174,598.00	94,063.36
02-010	01/31/2002	9/1/2008	Digital Microwave Communication Equipment Phase 2	48,611.45	43,993.11
02-011	01/31/2002	9/1/2008	DMV DataBase Redesign	446,868.17	404,642.10
02-012	01/31/2002	3/1/2016	WEI 3 Energy Performance Contract	95,800.00	91,189.09
02-013	01/31/2002	9/1/2016	WEI 3 Energy Performance Contract	1,081,226.20	1,030,658.54
02-014	01/31/2002	3/1/2016	WEI 3 Energy Performance Contract; Milwaukee Phase 4	81,075.00	77,172.80
02-015	01/31/2002	3/1/2016	WEI 3 Energy Performance Contract; Madison Section 1&2	227,500.00	216,550.27
02-016	02/21/2002	3/1/2005	IT Equipment	19,361.25	15,865.36
02-017	02/21/2002	9/1/2008	Development of Integrated Corrections System	79,444.26	72,613.87
02-018	02/21/2002	9/1/2005	Wisc. Water Initiative-Equipment	70,875.00	59,854.99
02-019	02/21/2002	3/1/2015	WEI 3 Energy Performance Contract; Charter Phase 1	17,552.00	16,744.87
02-020	02/21/2002	9/1/2015	WEI 3 Energy Performance Contract; Milwaukee Phase 2	21,655.60	20,691.01
02-022	02/21/2002	3/1/2005	Storage Area Network Storage	380,630.26	311,903.44
02-023	02/21/2002	9/1/2008	Systems Furniture	42,675.87	39,006.73
02-024	02/21/2002	9/1/2006	Statewide Child Welfare System (WISACWIS)	1,155,179.00	1,014,239.99
02-025	02/21/2002	3/1/2016	WEI 3 Energy Performance Contract; Madison Section 1&2	100,000.00	95,679.18
02-026	02/21/2002	9/1/2008	DMV DataBase Redesign	170,054.57	155,433.78
02-027	02/21/2002	3/1/2014	WEI 3 Energy Performance Contract	50,250.00	47,775.21
02-028	02/21/2002	9/1/2016	WEI 3 Energy Performance Contract	196,496.80	188,249.55
02-029	02/21/2002	9/1/2015	WEI 3 Energy Performance Contract; Milwaukee Phase 3	10,083.54	9,634.40
02-030	03/14/2002	9/1/2008	DMV DataBase Redesign	207,488.78	191,763.65
02-031	03/14/2002	9/1/2008	Development of Integrated Corrections System	83,557.50	67,965.60
02-032	03/14/2002	9/1/2008	Digital Microwave Communication Equipment Phase 2	604,442.34	558,632.99
02-033	03/14/2002	3/1/2007	State Roll-Out Statewide Child Welfare System (WISACWIS)	304,117.00	271,204.97

Table IV-2 – Continued
OUTSTANDING MASTER LEASE SCHEDULES
(As of December 1, 2002)

Schedule Number	Origination Date	Maturity Date	Lease Item	Financed Amount	Principal Balance
02-034	03/14/2002	3/1/2005	Datalines for Two Sites	174,132.00	145,635.95
02-035	04/26/2002	3/1/2006	Statewide Child Welfare System (WISACWIS)	112,734.00	102,247.79
02-036	04/26/2002	3/1/2007	State Roll-Out Statewide Child Welfare System (WISACWIS)	108,698.00	100,634.12
02-037	04/26/2002	9/1/2008	Systems Furniture/Equipment - 17 E Main	15,590.77	14,700.12
02-038	04/26/2002	3/1/2010	WEI 3 Energy Performance Contract	12,479.00	11,896.84
02-039	04/26/2002	9/1/2008	DMV DataBase Redesign	240,115.12	226,397.98
02-040	04/26/2002	3/1/2007	Tractor For Ag Research Station	62,730.00	58,076.32
02-041	04/26/2002	9/1/2005	Wisc. Water Initiative; Equipment	58,753.22	41,905.26
02-042	04/26/2002	9/1/2008	Digital Microwave Communication Equipment Phase 2	498,075.51	351,586.57
02-043	04/26/2002	3/1/2016	WEI 3 Energy Performance Contract; Madison Section 1&2	225,000.00	218,746.63
02-044	04/26/2002	9/1/2016	WEI 3 Energy Performance Contract	429,034.20	417,468.73
02-048	04/26/2002	3/1/2016	WEI 3 Energy Performance Contract	85,858.00	83,471.77
02-049	04/26/2002	9/1/2008	Development of Integrated Corrections System	207,102.74	195,271.51
02-050	04/26/2002	3/1/2017	WEI 3 Energy Performance Contract; Madison Section 3	1,307,850.00	1,275,107.38
02-051	04/26/2002	3/1/2017	WEI 3 Energy Performance Contract; Madison Health	825,640.24	804,969.96
02-052	05/24/2002	3/1/2017	WEI 3 Energy Performance Contract	250,000.00	245,275.97
02-053	05/24/2002	9/1/2008	DMV DataBase Redesign	295,555.37	282,481.39
02-055	05/24/2002	9/1/2016	WEI 3 Energy Performance Contract	142,872.90	139,959.26
02-056	05/24/2002	3/1/2016	WEI 3 Energy Performance Contract	32,340.00	31,659.26
02-057	05/24/2002	9/1/2008	Development of Integrated Corrections System	32,025.50	30,608.84
02-058	05/24/2002	9/1/2008	Digital Microwave Communication Equipment Phase 2	58,101.76	55,531.61
02-059	05/31/2002	3/1/2017	WEI 3 Energy Performance Contract; Oshkosh	696,128.00	683,857.18
02-060	06/18/2002	9/1/2008	Development of Integrated Corrections System	263,980.00	255,267.97
02-061	06/18/2002	9/1/2016	WEI 3 Energy Performance Contract	127,832.05	125,943.50
02-062	06/18/2002	3/1/2017	WEI 3 Energy Performance Contract; Oshkosh	250,000.00	246,589.26
02-063	06/18/2002	3/1/2017	WEI 3 Energy Performance Contract; Madison Section 3	206,800.00	203,978.63
02-064	06/18/2002	3/1/2016	WEI 3 Energy Performance Contract; Madison Section 2	31,000.00	30,526.55
02-065	06/18/2002	9/1/2008	DMV DataBase Redesign	254,363.07	245,968.43
02-066	06/18/2002	9/1/2008	Digital Microwave Communication Equipment Phase 2	173,195.51	167,479.62
02-067	06/18/2002	9/1/2003	IT Server for Dept of Animal Services	54,893.83	18,171.29
02-068	06/18/2002	9/1/2005	BadgerNet Phase 7&8	791,905.00	241,774.49
02-069	06/18/2002	3/1/2004	IT Equipment/Migration	8,169.61	7,184.78
02-070	06/18/2002	3/1/2007	Golf Course Maintenance Equipment	103,831.00	99,312.88
02-071	06/18/2002	3/1/2016	WEI 3 Energy Performance Contract; King DVA	185,490.00	182,779.48
02-072	07/16/2002	9/1/2004	ADF Document System	500,576.00	452,045.62
02-073	07/16/2002	3/1/2005	PCs for Academic Computing	197,892.00	163,597.93
02-074	07/16/2002	3/1/2006	Truck for Agronomy	17,558.00	16,981.53
02-075	07/16/2002	3/1/2008	Ice Cream Processing	33,520.97	32,835.60
02-076	07/16/2002	3/1/2006	Hardware and Software for Initiative Tax System	813,032.47	455,582.90
02-077	07/16/2002	3/1/2007	Internet Access-Statewide Child Welfare System (WISACWIS)	306,993.80	298,942.39
02-078	07/16/2002	3/1/2005	Replace Mobile Computers	2,912,659.79	2,407,904.77
02-079	07/16/2002	9/1/2008	DMV DataBase Redesign	240,504.45	236,026.72
02-080	07/16/2002	3/1/2007	Pharmaceutical Dispense Machine	21,417.00	20,855.31
02-081	07/16/2002	9/1/2008	Development of Integrated Corrections System	130,647.00	128,214.59
02-082	07/16/2002	9/1/2012	WEI 3 Energy Performance Contract	103,301.00	102,212.27
02-083	07/16/2002	3/1/2017	WEI 3 Energy Performance Contract	79,754.00	79,211.81
02-084	07/16/2002	9/1/2016	WEI 3 Energy Performance Contract	1,006,392.00	999,253.88
02-085	08/22/2002	9/1/2016	WEI 3 Energy Performance Contract	49,230.00	49,259.67
02-086	08/22/2002	3/1/2017	WEI 3 Energy Performance Contract	124,032.00	124,106.74
02-087	08/22/2002	9/1/2016	WEI 3 Energy Performance Contract	175,328.20	175,433.85
02-088	08/22/2002	3/1/2017	WEI 3 Energy Performance Contract	382,687.28	382,917.88
02-089	08/22/2002	3/1/2017	WEI 3 Energy Performance Contract; Madison Section 3	120,000.00	120,072.31
02-090	08/22/2002	9/1/2016	WEI 3 Energy Performance Contract; Madison Section 4	229,500.00	229,638.29
02-091	08/22/2002	9/1/2007	Internet Access-Statewide Child Welfare System (WISACWIS)	456,801.60	457,076.86
02-092	08/22/2002	3/1/2009	DMV DataBase Redesign	294,232.65	294,409.95
02-093	08/22/2002	9/1/2007	State Roll-Out Statewide Child Welfare System (WISACWIS)	644,028.00	644,416.08
02-094	08/22/2002	3/1/2005	Storage Capacity for Laptop Campus	297,178.07	117,248.68
02-096	08/22/2002	3/1/2007	Tractor for University Ridge Golf Course	24,500.00	24,514.76
02-097	08/22/2002	9/1/2008	Development of Initiative Corrections System	301,754.00	301,935.83

Table IV-2 – Continued
OUTSTANDING MASTER LEASE SCHEDULES
(As of December 1, 2002)

Schedule Number	Origination Date	Maturity Date	Lease Item	Financed Amount	Principal Balance
02-098	08/22/2002	9/1/2005	Various IT Hardware/Software Replacement	251,858.26	252,010.03
02-099	09/13/2002	9/1/2007	Systems Furniture - Superior	367,810.71	367,810.71
02-100	09/13/2002	9/1/2007	Grand Piano	17,000.00	17,000.00
02-101	09/13/2002	9/1/2005	Computers - Academic Computing	38,518.95	38,518.95
02-102	09/13/2002	3/1/2005	Extension of WONDER	1,153,199.00	589,312.00
02-103	09/13/2002	9/1/2008	Development of Integrated Corrections System	263,714.84	263,714.84
02-104	09/13/2002	3/1/2017	WEI 3 Energy Performance Contract	682,701.48	682,701.48
02-105	09/13/2002	9/1/2016	WEI 3 Energy Performance Contract	222,320.50	222,320.50
02-106	09/13/2002	9/1/2016	WEI 3 Energy Performance Contract	105,963.42	105,963.42
02-107	09/13/2002	3/1/2017	WEI 3 Energy Performance Contract	553,036.00	553,036.00
02-108	09/13/2002	3/1/2017	WEI 3 Energy Performance Contract; Madison Section 3	575,550.00	575,550.00
02-109	09/13/2002	9/1/2016	WEI 3 Energy Performance Contract; Madison Section 4	419,000.00	419,000.00
02-110	09/13/2002	9/1/2012	WEI 3 Energy Performance Contract; Washington County	34,200.00	34,200.00
02-111	09/13/2002	3/1/2017	WEI 3 Energy Performance Contract	96,300.00	96,300.00
02-112	09/13/2002	9/1/2017	WEI 3 Energy Performance Contract	597,251.20	597,251.20
02-113	09/13/2002	9/1/2013	WEI 3 Energy Performance Contract	75,777.00	75,777.00
02-114	09/13/2002	9/1/2007	Pumps - Hancock Station	20,486.00	16,466.24
02-115	09/13/2002	3/1/2009	DMV DataBase Redesign	281,173.53	281,173.53
02-116	10/04/2002	9/1/2007	Internet Access-Statewide Child Welfare System (WISACWIS)	292,485.20	292,485.20
02-117	10/04/2002	9/1/2007	State Roll-Out Statewide Child Welfare System (WISACWIS)	684,481.00	684,481.00
02-118	10/04/2002	9/1/2005	Wisc. Water Initiative; Dbase Development	23,729.95	23,729.95
02-119	10/04/2002	9/1/2008	Development of Integrated Corrections System	164,610.76	164,610.76
02-120	10/04/2002	9/1/2009	Record Center Shelving	314,453.00	314,453.00
02-121	10/04/2002	9/1/2005	Access Card Readers	82,865.17	57,865.17
02-122	10/04/2002	9/1/2005	Mass Spectrometer	236,989.80	236,989.80
02-123	10/24/2002	3/1/2009	DMV DataBase Redesign	359,712.77	359,712.77
02-124	10/24/2002	9/1/2008	Development of Integrated Corrections System	334,861.41	334,861.41
02-126	10/24/2002	3/1/2017	WEI 3 Energy Performance Contract	30,641.00	30,641.00
02-127	10/24/2002	9/1/2017	WEI 3 Energy Performance Contract	361,201.60	361,201.60
02-128	10/24/2002	9/1/2016	WEI 3 Energy Performance Contract; Madison Section 4	100,000.00	100,000.00
02-129	10/24/2002	3/1/2017	WEI 3 Energy Performance Contract; Madison Section 3	75,000.00	75,000.00
02-130	10/24/2002	9/1/2014	WEI 3 Energy Performance Contract	127,113.00	127,113.00
02-131	10/24/2002	9/1/2013	WEI 3 Energy Performance Contract; Fox Valley	143,756.00	143,756.00
02-132	10/24/2002	3/1/2017	WEI 3 Energy Performance Contract; Madison Section 5	1,077,876.00	1,077,876.00
02-133	10/24/2002	9/1/2007	Systems Furniture - Superior	58,030.00	58,030.00
02-134	11/01/2002	9/1/2009	Co-Generation Facility	11,936,000.00	11,936,000.00
02-135	11/19/2002	9/1/2008	Development of Integrated Corrections System	267,531.96	267,531.96
02-136	11/19/2002	9/1/2005	Digital Video Edit System	241,000.00	241,000.00
02-137	11/19/2002	9/1/2005	Scanning Equipment/PCs	191,830.50	191,830.50
02-138	11/19/2002	9/1/2007	Tractor at Spooner	56,234.63	56,234.63
02-139	11/19/2002	9/1/2005	Extension of Legacy Contract	45,264.00	45,264.00
02-140	11/19/2002	9/1/2004	IBM Mainframe Computer	1,900,000.00	1,900,000.00
02-141	11/19/2002	9/1/2005	PCs and PC Workstations	55,837.60	55,837.60
02-142	11/19/2002	9/1/2007	Internet Access-Statewide Child Welfare System (WISACWIS)	258,494.80	258,494.80
02-143	11/19/2002	3/1/2017	WEI 3 Energy Performance Contract	63,250.00	63,250.00
02-144	11/19/2002	9/1/2013	WEI 3 Energy Performance Contract	65,090.00	65,090.00
02-145	11/19/2002	9/1/2009	DMV DataBase Redesign	788,372.82	788,372.82
02-146	11/19/2002	9/1/2016	WEI 3 Energy Performance Contract; Madison Section 4	90,000.00	90,000.00
02-147	11/19/2002	3/1/2017	WEI 3 Energy Performance Contract; Madison Health	59,634.00	59,634.00
02-148	11/19/2002	3/1/2017	WEI 3 Energy Performance Contract; Madison Section 3	171,500.00	171,500.00
				$ 177,684,208.27	**$ 122,125,452.39**

SUMMARY OF THE MASTER LEASE

The following is a summary of certain provisions of the Master Lease.

Acquisition, Delivery, and Lease of Leased Items

The Master Lease establishes the process for acquiring property and service items. It requires the State to provide written notice to the Lessor, identifying:

- The items it desires to lease
- The anticipated schedule for making Lease Payments
- The anticipated date or dates on which payments to acquire the Leased Item are due and payable

The notice must also confirm that the State expects that sufficient moneys will be available to pay the acquisition costs, as arranged solely by the State. The State (or the Lessor at the State's request) orders each Leased Item from the contractor selected by the State.

The State is responsible for selecting Leased Items, reviewing the terms of purchase, and arranging for the delivery, installation, testing, servicing, and maintenance of the Leased Items.

Upon delivery and any required installation of any Leased Item that is a Property Item, the State is required to inspect such item, and if it meets the State's specifications, 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:

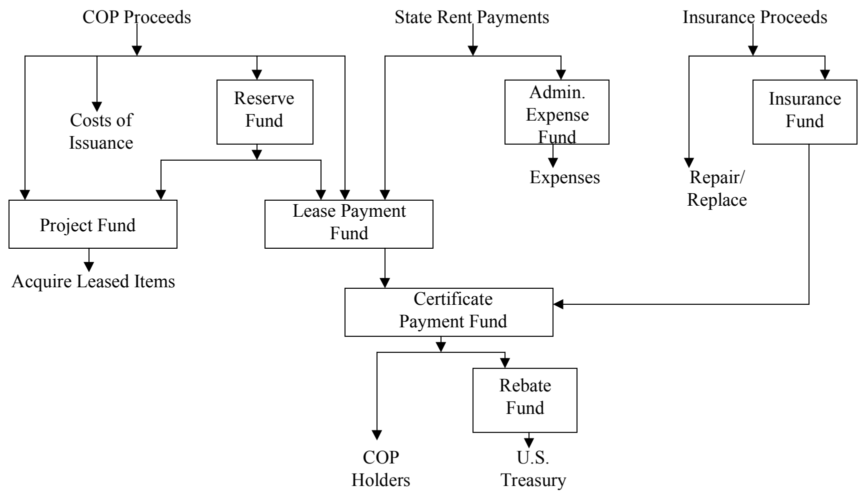
- Obligations of, or obligations guaranteed as to interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States.
- Federal Housing Administration debentures.
- Federal Home Loan Mortgage Corporation participation 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.

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 (12/1/2002)	$1,244,498,000
Amount Outstanding—Fixed Rate Obligations	$1,113,120,000
Amount Outstanding—Variable Rate Obligations	$ 131,378,000
Percentage of Outstanding Obligations in form of Variable Rate Obligations	10.56%
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, 2002, together with unaudited supplementary information. 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, 2002.

Table V-1
OUTSTANDING TRANSPORTATION REVENUE OBLIGATIONS BY ISSUE
(As of December 1, 2002)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
Fixed Rate Transportation Revenue Bonds				
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	0
1992, Series A **(1992 Series A Bonds)**	7/1/92			
Serial Bonds		1999-2006	96,945,000	0
Term Bonds		2009	22,260,000	0
Term Bonds		2012	3,520,000	0
Term Bonds		2022	16,880,000	
1992, Series B **(1992 Series B Bonds)**	7/1/92			
Serial Bonds		1993-2006	55,155,000	0
Term Bonds		2009	18,395,000	0
Term Bonds		2012	21,770,000	0
Term Bonds		2022	104,390,000	0
1993, Series A **(1993 Bonds)**	9/1/93	1994-2012	116,450,000	88,055,000
1994, Series A **(1994 Bonds)**	7/1/94			
Serial Bonds		1995-2012	84,320,000	13,735,000 [a]
Term Bonds		2014	15,680,000	0
1995, Series A **(1995 Bonds)**	9/1/95	1996-2015	105,000,000	24,095,000 [a]
1996, Series A **(1996 Bonds)**	5/15/96	1997-2016	115,000,000	31,115,000 [a]
1998, Series A **(1998 Series A Bonds)**	8/15/98	1999-2016	130,590,000	124,090,000
1998, Series B **(1998 Series B Bonds)**	10/1/98			
Serial Bonds		2000-17	93,905,000	72,040,000 [a]
Term Bonds		2019	16,095,000	16,905,000
2000, Series A **(2000 Bonds)**	9/15/2000	2012-21	123,700,000	93,100,000 [a]
2001, Series A **(2001 Bonds)**	11/15/01	2003-22	140,000,000	140,000,000
2002, Series 1**(2002 Series 1 Bonds)**	4/15/02	2003-19	241,865,000	241,865,000
2002, Series 2 **(2002 Series 2 Bonds)**	4/15/02			
Serieal Bonds		2004-20	39,275,000	39,275,000
Term Bonds		2022	29,655,000	29,655,000
2002, Series A **(2002 Series A Bonds)**	10/15/02	2004-23	200,000,000	200,000,000
Total Fixed-Rate Transportation Revenue Bonds			$1,949,545,740	$ 1,113,120,000
Variable Rate Transportation Revenue Obligations				
1997, Commercial Paper Notes, Series A	5/7/97		$ 188,600,000	$ 131,378,000
Total Transportation Revenue Obligations			$2,138,340,000	$1,244,498,000

[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, 1989 Bonds, 1991 Bonds, 1992 Series A Bonds, and 1992 Series B Bonds have been redeemed in full and are not Outstanding Bonds within the meaning of the General Resolution. The 1993 Bonds, 1994 Bonds, 1995 Bonds, 1996 Bonds, 1998 Series A Bonds, 1998 Series B Bonds, 2000 Bonds, 2001 Bonds, 2002 Series 1 Bonds, 2002 Series 2 Bonds, and 2002 Series A 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 line of credit for liquidity 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.

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. The pledge remains effective until all Bonds and Notes issued under the General Resolution are fully paid in accordance with their terms.

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 received or to be received by the Trustee in the Redemption Fund is to be used:

(1) To pay interest on all Outstanding Bonds

(2) To pay the principal or Redemption Price of all Outstanding Bonds

(3) To maintain the Debt Service Reserve Requirement in the Reserve Fund

(4) To pay Program Expenses

(5) To pay principal and interest on the Notes

All Program Income in excess of the amounts needed for such purposes is to be transferred to the Transportation Fund held by the Department 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 are revenue obligations of the State payable solely out of the Redemption Fund. The State is not generally liable on the Bonds, and the Bonds are not a debt of the State for any purpose whatsoever.

The Notes are revenue obligations of the State payable solely out of the Subordinated Debt Service Fund. The State is not generally liable on the Notes, and the Notes are not a debt of the State for any purpose whatsoever.

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 $51,258,000 (**Surety Bond Coverage**), which is 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, 2023 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 Corporation **(Ambac Assurance)** is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and 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 $5,802,000,000 (unaudited) and statutory capital of approximately $3,564,000,000 (unaudited) as of September 30, 2002. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch, Inc. have each assigned a triple-A financial strength rating to Ambac Assurance.

The parent company of Ambac Assurance, Ambac Financial Group, Inc. **(Company)**, is subject to the informational requirements of the Securities Exchange Act of 1934, as amended **(Exchange Act)**, and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission **(SEC)**. Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the SEC's regional office at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the public reference section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the aforementioned material may also be inspected at the offices of the New York Stock Exchange, Inc. **(NYSE)** at 20 Broad Street, New York, New York 10005. The Company's Common Stock is listed on the NYSE.

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, 19th 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 2003-2012. 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 $131 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

July 1	Total Interest Requirement[a]	Total Debt Service[b]	Estimated Revenue (Millions) [c]	Estimated Coverage Ratio[d]
2003	$49,445,582	$108,106,037 [a]	$326.20	3.02
2004	48,517,724	118,204,554 [a]	343.20	2.90
2005	51,258,485	123,828,628	348.30	2.81
2006	48,478,838	123,658,755	365.00	2.95
2007	45,477,688	123,387,418	370.60	3.00
2008	42,355,820	118,139,450	388.60	3.29
2009	39,166,105	113,196,535	395.30	3.49
2010	36,046,070	101,465,250	414.70	4.09
2011	33,256,421	101,565,114	422.70	4.16
2012	30,311,784	99,324,089	440.10	4.43
2013	27,357,014	99,545,844		
2014	24,143,536	99,305,141		
2015	20,746,186	91,420,391		
2016	17,625,105	83,169,835		
2017	14,807,530	73,944,285		
2018	12,372,630	70,593,773		
2019	9,903,763	61,513,763		
2020	7,284,784	53,324,784		
2021	4,876,949	53,331,949		
2022	2,413,428	37,043,428		
2023	726,038	16,011,038		

(a) Debt service amounts are reduced to reflect accrued interest and purchase premium that, pursuant to the General Resolution, are irrevocably deposited into the interest account and used to make interest payments.

(b) Includes debt service for assumed $131 million bond issue that could be issued to fund currently outstanding transportation revenue commercial paper notes.

(c) Excludes interest earnings.

(d) Assumes that no additional bonds will be issued and continuation of current registration fees. Estimates of revenue and coverage beyond 2012 are not shown.

Table V-3
Amortization Schedule
Amount Due Annually on Transportation Revenue Commercial Paper Notes
Issued to December 1, 2002

Year Ending July 1	Principal
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	8,803,000
	131,378,000

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
1993 to 2002
(Millions of Vehicles)

Fiscal Year (June 30)	Automobiles	Trucks [(a)]	Other Vehicles [(a)]	Total	% Change
1993	2.45	1.25	.43	4.13	—
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
2001	2.41	1.92	.53	4.86	3.40
2002	2.40	2.00	.55	4.95	1.85

[(a)] "Trucks" include minivans and sport utility vehicles.
"Other Vehicles" include mobile homes, mopeds, buses and several other vehicle types.

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
1993 to 2002
(Amounts in Millions)

Fiscal Year (June 30)	Non-IRP Fees	Pledged IRP Fees	Total	% Change
1993	$192.7	$36.0	$228.7	—
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	49.9	294.5	4.9
2000	255.7	55.1	310.8	5.5
2001	258.4	55.5	313.9	1.0
2002	267.9	55.8	323.7	3.1

Source: Wisconsin Department of Transportation

The total amount of Section 341.25 registration fee revenues for fiscal year 2002 are generated from three broad categories of vehicles:

(1) 49.0% of total revenues generated from registration of passenger vehicles (automobiles, mini-van, conversion vans, and sport-utility vehicles).

(2) 16.8% of total revenues generated from registration of small trucks (8,000 pounds or less gross weight).

(3) 34.2% of total revenues generated from registration of large trucks (over 8,000 pounds gross weight plus IRP vehicles).

In recent biennial budgets, the Legislature authorized a number of actions that have had an impact on the Registration Fees over the past ten years. These actions increased the level of Registration Fees.

First, the 2001-2003 biennial budget established an uniform $15 special group license plate issuance and reissuance fee for most special group license plates, effective March 1, 2002.

Second, 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).

Third, 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)

Finally, 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

Interstate truck registration revenues are collected through the International Registration Plan (**IRP**) and is a component of Program Income. 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 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 Global Insight, previously known as 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
2003 to 2012

Fiscal Year	Revenues[(a)] (Amounts in Millions)	% Change
2003	$326.2	—
2004	343.2	5.2%
2005	348.3	1.5
2006	365.0	4.8
2007	370.6	1.5
2008	388.6	4.8
2009	395.3	1.7
2010	414.7	4.9
2011	422.7	1.9
2012	440.1	4.1

(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 2002, the flow of quarterly collections of annual Registration Fee revenues ranged from a low of 22.0% to a high of 28.5%. 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 U.S. Bank, National Association, formerly known as 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, light truck, and motorcycle dealers
- Via internet charge card renewal system
- By financial institutions

- By private financial service centers
- By grocery stores
- By law enforcement agencies
- By County Clerk offices

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 28 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. 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, light truck, and motorcycle 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 participating grocery stores, law enforcement agencies, and County Clerk offices. The Department has contracted with a separate vendor to handle the electronic interface and transmission of data. The grocery stores, law enforcement agencies, and County Clerk offices collect registration fees that are electronically transferred daily from the participating agent to the Trustee for deposit into the Redemption Fund. 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 $1.753 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 80 major highway projects and certain transportation administrative facilities. Of the 80 enumerated major highway projects, the Department has completed construction on 52 projects. The estimated cost of the remaining 28 enumerated major highway projects is at least $1,655,000,000 in 2003 dollars.

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: jay.schad@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 Deutsche Bank Trust Company Americas (previously known as 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, 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 provide a line of credit for a stated amount of $150,000,000 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 $131,378,000 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 1 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 entered into a Credit Agreement, dated as of May 1, 2002, which became effective on May 6, 2002. This Credit Agreement also constituted a Substitute Liquidity Facility under the Program Resolution, as the line of credit under this Credit Agreement replaced a previous standby letter of credit that provided both liquidity and support for the Notes.

Pursuant to the Credit Agreement, the Banks have severally and not jointly agreed, subject to certain conditions, to make **Advances** (as defined in the Credit Agreement) from time to time on any business day during the term of the Credit Agreement to fund the payment by the State of the principal of and interest on any Notes at the stated maturity thereof in accordance with the terms of the Credit Agreement and the Program Resolution.

The aggregate amount of all Advances made on any date may not exceed the amount of the Banks' commitment under the Credit Agreement (initially, an amount equal to $150,000,000), as such amount may be reduced from time to time pursuant to the terms of the Credit Agreement. The obligations of Westdeutsche Landesbank under the Credit Agreement may not at any time exceed $100,000,000 and the obligations of Bayerische Landesbank Girozentrale under the Credit Agreement may not at any time exceed $50,000,000.

Special Events of Default

Upon the occurrence of a Special Event of Default under the Credit Agreement, (i) the obligations of the Banks to make Advances under the Credit Agreement shall automatically and immediately terminate and the amount of the Banks' commitment under the Credit Agreement shall be reduced to zero without notice or other action on the part of the Banks and (ii) all obligations owing by the State to the Banks under the Credit Agreement shall immediately become due and payable.

Suspension Events

Upon the occurrence and during the continuance of an event that would upon the passage of time or giving of notice, or both, become an event of default, the obligations of the Banks to make Advances under the Credit Agreement shall be suspended until the proceeding referred to therein is terminated prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is terminated, the obligations of the Banks to make Advances under the Credit Agreement shall be reinstated and the terms of the Credit Agreement will continue in full force and effect (unless the obligations of the Banks to make Advances under the Credit Agreement shall have otherwise terminated in accordance with the terms of the Credit Agreement or there has occurred a Special Event of Default) as if there had been no such suspension.

Events of Default

Upon the occurrence of certain events of default specified in the Credit Agreement, the Banks may terminate the right of the State to issue Notes and/or all obligations owing by the State to the Banks under the Credit Agreement shall immediately become due and payable. Any such termination, however, would not affect the obligations of the Banks under the Credit Agreement to honor demands for payment by the Issuing and Paying Agent with respect to Notes outstanding immediately prior to such termination.

The Credit Agreement will terminate 364 days from May 6, 2002, which is May 5, 2003, but may be extended for an additional period of 364 days upon the request of the State and the approval by the Banks.

The State's obligation to repay any Advances will be evidenced by the 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.

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

WestLB AG, a wholly owned subsidiary of Landesbank Nordrhein-Westfalen (**Landesbank NRW**), was created as a result of a restructuring **(Restructuring)** of the former Westdeutsche Landesbank Girozentrale **(WestLB)** which separated WestLB's competitive operations from its public-mission business.

WestLB, which traced 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. On August 1, 2002, WestLB was split into two legally separate entities: Landesbank NRW, a financial institution under public law, and WestLB, which comprises all commercial bank activities of the former WestLB except for the Pfandbrief (mortgage bond) business, which was moved to Landesbank NRW. Furthermore, on August 30, 2002, WestLB changed its legal form into a private law corporation named WestLB AG. Under German law, despite this change of legal form, WestLB and WestLB AG are the same legal entity. All branches, representative offices and foreign subsidiaries are maintained by WestLB AG. WestLB AG will continue to be liable for all current obligations and duties of former WestLB except those which have been spun off to Landesbank NRW. In addition, Westdeutsche Landesbausparkasse **(LBS)**, a former division of WestLB which conducted the business of a building and loan association, was spun off into a newly established financial institution under public law owned by the former guarantors of WestLB and became a legally separate entity. Landesbank NRW, WestLB AG and LBS will be jointly and severally liable for all liabilities of former WestLB existing before the spin-offs until the end of 2006.

As a German universal bank, WestLB AG provides commercial and investment banking services regionally, nationally and internationally to public, corporate and bank customers. As of December 31, 2001, the former WestLB had total assets of approximately € 325 billion (US$ 286 billion).

WestLB AG 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 municipal bonds and other bonds and is one of the largest continuous issuers of long term debt in Germany. In addition, WestLB AG acts as the clearing and depository bank for the savings banks in North Rhine-Westphalia. Internationally, the WestLB Group **(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 39 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) were jointly and severally liable without restriction for all obligations of the former WestLB, including all obligations of WestLB New York. The guaranty obligation gave 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 together with the other guarantors were responsible to the former WestLB for the performance of WestLB's obligations, including all obligations of the former WestLB's New York Branch. This maintenance obligation (Anstaltslast), while not a formal guaranty affording creditors of WestLB a direct claim against North Rhine-Westphalia and the other guarantors, required North Rhine-Westphalia and the other guarantors 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.

Several years ago, the European Banking Federation lodged a complaint with the European Commission alleging that the Anstaltslast and the Gewährträgerhaftung constitute illegal state aid in violation of the European Community Treaty. On July 17, 2001, there was a public announcement of an agreement in principle between the European Commission, the Federal Republic of Germany and the German Länder, whereby a four-year transition period has been agreed upon for the abolition of the Gewährträgerhaftung and the modification of the Anstaltslast.

Pursuant to the agreement, any outstanding obligations of WestLB incurred prior to and including July 18, 2001 will be "grandfathered" and will continue to be covered by the Anstaltslast and the Gewährträgerhaftung until they mature. During the four year transition period, the parties have agreed that the Anstaltslast and the Gewährträgerhaftung will continue to apply to any new obligations incurred by WestLB (and after the Restructuring, by WestLB AG) after July 18, 2001 and prior to and including July 18, 2005, provided, however, that such obligations mature no later than the end of 2015.

The New York Branch of WestLB AG **(WestLB AG 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 AG and WestLB AG 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.

The following summary relates to the results of operations and financial condition of the former WestLB prior to the Restructuring.

WestLB's total assets increased by 6.8% (from € 304 billion in 2000) to € 325 billion in the 2001 business year. WestLB's total business volume expanded in 2001 by 9.3% (from € 399 billion in 2000) to € 436 billion in 2001. WestLB's capital and reserves increased by 2 % to € 14,967 million at the end of 2001 (as compared to € 14,672 million at the end of 2000).

WestLB's operating profit after risk provisions/result of evaluation of € 351 million (U.S.$ 309 million) decreased by 33.6% from the previous year. Interest surplus increased by 20.2% (from € 1,768 million in 2000 to € 2,125 million in 2001). Commission surplus decreased by 16.8% (from € 597 million in 2000 to € 497 million in 2001). Staff expenses increased by 1.4% to € 1,076 million (U.S.$ 948 million) in 2001, with other administrative expenses showing an increase of 15.6% to € 1,082 million (U.S.$ 954 million) in 2001. As a result, WestLB's operating result before risk provisions/result of evaluation of € 792 million in 2001 decreased by 2.1% (€ 809 million in 2000).

The financial information for the year ended December 31, 2001 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 **("€" or "Euros")** or United States dollars **("US$" or "U.S. dollars")**. Merely for the convenience of the reader, this summary contains translations of certain Euro amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the Euro amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollar amounts at the rate indicated. Unless otherwise indicated, the translations of Euro into U.S. dollars have been made at € 1.00 = US$ 0.8813 which was the official (Frankfurt fixing) exchange rate on December 31, 2001, the last trading day in 2001. In certain instances, figures reflect the effect of rounding.

Bayerische Landesbank

Bayerische Landesbank 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) **(Federal Banking Act)**. Its statutes authorize Bayerische Landesbank 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'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). In March 2001 the Free State of Bavaria and the Association of Bavarian Savings Banks announced that a new holding company will be holding the Bank (the Free State of Bavaria and the Association of Bavarian Savings Banks will remain shareholders of this holding company); the Statutes of the Bank and the Law on Bayerische Landesbank (formerly known as the Law Establishing Bayerische Landesbank Girozentrale) have recently been amended accordingly and now provide for this future restructuring.

Bayerische Landesbank is equipped to provide a full range of domestic and international banking services; with regard to local banking functions, Bayerische Landesbank also makes use of the Bavarian Savings Bank's network. In the domestic field, Bayerische Landesbank places emphasis on wholesale banking, lending to federal and local authorities and mortgage lending, together with industrial credit. Bayerische Landesbank 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 if the liabilities cannot be satisfied from the Bayerische Landesbank's assets (Gewaehrtraegerhaftung). The owners of Bayerische Landesbank also have an obligation to maintain Bayerische Landesbank 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 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 can only be put into liquidation through a specific law to this effect. However, following a complaint with the European Commission against this Gewährträgerhaftung and Anstaltslast there has been an "Understanding on Anstaltslast and Gewährträgerhaftung" between the European Commission and the German Authorities in July 2001, representing (among others) that "Gewährträgerhaftung shall be abolished" and Anstaltslast shall be replaced by a financial relationship "not different from a normal commercial owner relationship governed by market economy principles, just as between a private shareholder and a limited liability company". The Understanding includes a transitional arrangement that liabilities existing on July 18, 2001 will continue to be covered by Gewährträgerhaftung until their maturities and that there will be a transitional period until July 18, 2005, during which any liability existing by then and created after July 18, 2001 will continue to be covered by Gewährträgerhaftung provided that its maturity does not go beyond December 31, 2015.

Bayerische Landesbank 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 **(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'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; the Bank is subject to the supervision by the Bavarian State Ministries of Finance and of the Interior.

As reported in Bayerische Landesbank's Annual Report for the Fiscal Year ended December 31, 2001, the bank had total assets of 301.1 billion ($265.5 billion at $0.8813 = €1.00 at December 31, 2002). Business volume (balance sheet total, own drawings charged to borrowers, endorsement liabilities, and guarantees) expanded by 5.7% to € 321.7 billion ($283.5 billion) from the previous year end. Bayerische Landesbank's consolidated lending volume increased 1.7% to € 206.7 billion ($182.2 billion) from year end 2000. Total equity of Bayerische Landesbank, including, among other items, nominal capital of € 1.2 billion, profits participation rights with a nominal value of € 2.83 billion, and capital contributions of silent partners in an amount of € 2.89 billion, totaled € 11.1 billion ($9.78 billion), or 3.7% of the unconsolidated balance sheet. Net income amounted to € 254.0 million ($223.9 million), an decrease of 7.8% compared to year end 2000. € 82.3 million ($72.5 million) of such amount has been allocated to revenue reserves, raising the bank's published reserve to € 4.13 billion ($3.6 billion). The accounting principles applied in the preparation of the Bayerische Landesbank'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 is based upon facts and circumstances present on the dates referenced above. Such facts and circumstances may change from time to time. Bayerische Landesbank shall have no obligation to update the foregoing information to reflect any such change.

Copies of Bayerische Landesbank'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, 560 Lexington Avenue, New York, New York 10022, Attention: Corporate Finance.

Bayerische Landesbank has supplied the information relating to it in the previous paragraphs. Bayerische Landesbank 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.

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 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.

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, issued on September 27, 2000.

2001 Bonds means the State of Wisconsin Transportation Revenue Bonds, 2001 Series A, issued on December 6, 2001.

2002 Series 1 Bonds means the State of Wisconsin Transportation Revenue Refunding Bonds, 2002 Series 1, issued on May 7, 2002.

2002 Series 2 Bonds means the State of Wisconsin Transportation Revenue Refunding Bonds, 2002 Series 2, issued on May 7, 2002.

2002 Series A Bonds means the State of Wisconsin Transportation Revenue Bonds, 2002 Series A, issued on October 30, 2002.

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, as amended, pursuant to Section 714(C) of the General Resolution, and pledged to the payment of the Commercial Paper Notes.

Subordinated Debt Service Fund Requirement means, as of any date of calculation, an amount equal to the aggregate Subordinated Debt Service Fund Requirements for each Subordinated Indebtedness Series of Outstanding Bonds (or Commercial Paper Notes) as specified with respect to each such Series in the applicable Series Resolution, 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 Bank One Trust Company, National Association, as trustee appointed by or pursuant to Section 1101 of the General Resolution, and its successor or successors and any other corporation or association that may at any time be substituted in its place pursuant to the General Resolution.

APPENDIX A

AUDITED FINANCIAL STATEMENTS

The following are audited financial statements for the year ended June 30, 2002, and include, (1) for the Transportation Revenue Bond Program, the Report of Independent Public Accountants, dated October 8, 2002, together with unaudited supplementary information pertaining to the Program Revenues, and (2) for the Transportation Revenue Commercial Paper Program, the Report of Independent Public Accountants, dated October 8, 2002, together with unaudited supplementary information pertaining to the Program Revenues.

{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, Reports of Independent Public Accountants, and the unaudited supplementary information. The sequential page numbers for the Annual Report continue in Part VI.}

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM
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, 2000 SERIES A, 2001 SERIES A, 2002 SERIES 1, AND 2002 SERIES 2

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS FOR THE YEARS ENDED JUNE 30, 2002 AND 2001, SUPPLEMENTAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2002 AND INDEPENDENT AUDITORS' REPORT

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

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INDEPENDENT AUDITORS' REPORT

To the Directors of the
Wisconsin Department of Transportation
Revenue Bond Program:

We have audited the accompanying statement of cash receipts and disbursements of the 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, 2000 Series A, 2001 Series A, 2002 Series 1 and 2002 Series 2 bonds of the Wisconsin Department of Transportation Revenue Bond Program (the "Program") for the year ended June 30, 2002. This statement and supplemental information are the responsibility of the Program's directors. Our responsibility is to express an opinion on this statement and supplemental information based on our audit. The statement of cash receipts and disbursements for the year ended June 30, 2001, before restatement, was audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on that financial statement in their report dated September 20, 2001.

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

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

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

As discussed above, the statement of cash receipts and disbursements of the Program for the year ended June 30, 2001 was audited by other auditors who have ceased operations. As described in Note 2, certain reclassifications were made to this 2001 statement of cash receipts and disbursements to conform with the 2002 presentation. We audited these reclassifications that were applied to restate the 2001 statement of cash receipts and disbursements. In our opinion, such reclassifications are appropriate and have been properly applied. However, we were not engaged to audit, review, or apply any procedures to the 2001 statement of cash receipts and disbursements of the Program other than with respect to such reclassifications and, accordingly, we do not express an opinion or any other form of assurance on the 2001 statement of cash receipts and disbursements taken as a whole.

Our audit was made for the purpose of forming an opinion on the 2002 statement of cash receipts and disbursements taken as a whole. The supplemental information required by the State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligations General Resolution on pages 12 through 24 is presented for purposes of additional analysis and is not a required part of the basic financial statement. This information has been subjected to the auditing procedures applied in our audit of the 2002 statement of cash receipts and disbursements and, in our opinion, is fairly stated in all material respects in relation to the 2002 statement of cash receipts and disbursements taken as a whole.

Deloitte & Touche LLP

October 8, 2002

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
YEARS ENDED JUNE 30, 2002 AND 2001

	2002	2001
CASH AND INVESTMENTS, BEGINNING OF YEAR	$ 66,416,659	$ 54,027,808
RECEIPTS:		
Motor vehicle registration fees retained by Trustee	81,112,328	78,570,958
Investment income	2,326,644	2,415,329
Revenue bond proceeds - par value	140,000,000	123,700,000
Revenue bond proceeds - accrued interest and original issuance premium, net of underwriter's discount	5,968,034	711,876
Revenue refunding bond proceeds - par value	310,795,000	-
Revenue refunding bond proceeds - accrued interest and original issuance premium, net of underwriter's discount	15,476,067	-
Total receipts	555,678,073	205,398,163
DISBURSEMENTS:		
Debt service - principal	36,560,000	33,705,000
Debt service - interest	46,453,884	39,488,356
Highway program expenditures	121,878,543	119,202,000
Program expenses	104,913	116,522
Advance to commercial paper program	383,993	318,629
Bond issue costs	1,252,649	178,805
Defeasance of debt - purchase of securities for escrow account	324,226,838	-
Total disbursements	530,860,820	193,009,312
CASH AND INVESTMENTS, END OF YEAR	$ 91,233,912	$ 66,416,659
Cash and investments reserved for debt service	$ 66,795,672	$ 60,401,254
Cash and investments reserved for program expenses	211,972	208,213
Cash and investments reserved for highway expenditures	24,226,268	5,807,192
	$ 91,233,912	$ 66,416,659

See notes to statements of cash receipts and disbursements.

NOTES TO STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
YEARS ENDED JUNE 30, 2002 AND 2001

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. Receipts provided from motor vehicle registration fees are used to service the Program's debt.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash Receipts and Disbursements Basis of Accounting - The statements of cash receipts and disbursements present the Program's cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, cash receipts are recorded when received and disbursements are recorded when paid. The Program's assets consist of money market funds, investment contracts and U.S. treasury notes.

The Wisconsin Department of Transportation ("Department") has entered into trust agreements with Bank One Trust Company National Association (the "trustee"), relating to the creation and administration of the State of Wisconsin Transportation Revenue Bonds, 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, 2000 Series A, 2001 Series A, 2002 Series 1 and 2002 Series 2. 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. It is the Program directors' view that the statements of cash receipts and disbursements along with the related notes meet the reporting requirements of the trust agreements.

Receipts and Disbursements:

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

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

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

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

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

Program Expenses - Program expenses are recorded when paid.

Advance to Commercial Paper Program - Advance to Commercial Paper Program represents payments made by the Program for expenses on behalf of the Commercial Paper Program.

Cash and Investments - The Program's investment policies are governed by the General Resolution and Wisconsin Statutes. The Program is authorized by statute to invest in direct obligations of the United States maturing no more than 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, certain banks, high-quality corporate commercial paper, and certificates of deposit.

For fiscal years 2002 and 2001, the trustee invested the Program's funds in money market funds, guaranteed investment contracts, and U.S. government securities. These program assets are reported at cost. At June 30, 2002, the cost of the Program's investments exceeded their fair market value by approximately $640,000. As of June 30, 2002, $64,855,500 was invested in the Bank One Group Treasury Only Money Market Fund Class I, and $26,378,412 was invested in U.S. Treasury Notes. As of June 30, 2001, $31,355,771 was invested in the Bank One Group Treasury Only Money Market Fund Class I, $5,806,888 was invested in guaranteed investment contracts, and $29,254,000 was invested in U.S. Treasury Notes. Money market funds are categorized as risk category 3 in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, as the investments are not insured or collateralized. The U.S. Treasury Notes were registered and held by the Program's agent in the Program's name. Therefore, these investments are categorized as risk category 1. Under GASB Statement No. 3, guaranteed investment contracts are not classified in categories of credit risk as they are direct contractual investments and are not securities.

Reclassifications - Certain reclassifications have been made to the 2001 statement of cash receipts and disbursements to conform with the current year presentation.

3. REVENUE BONDS

The Program's revenue obligations are issued pursuant to Subchapter II of Chapter 18 of the Wisconsin Statutes as amended, Section 84.59 of the Wisconsin Statutes and a general bond resolution and series resolutions adopted by the State of Wisconsin Building Commission. The bonds are revenue obligations of the State of Wisconsin ("State"), payable solely from the 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. Vehicle registration fees collected in excess of the amount needed to service this Program are transferred to the Department free of the first lien pledge of the General Resolution. The State is not generally liable on the bonds nor are the projects financed by the bonds pledged as collateral.

A summary of these revenue obligations outstanding as of June 30, 2002 and 2001 is as follows:

	2002	2001
Transportation Revenue Bonds, 1991 Series A, fixed interest rate of 6.1%, interest payable semiannually, annual principal payments of variable amounts through 2001		$ 4,735,000
Transportation Revenue Bonds, 1992 Series A and B, varying fixed interest rates from 5.1% to 5.2%, interest payable semiannually, annual principal payments of variable amounts through 2002	$ 15,800,000	229,420,000
Transportation Revenue Bonds, 1993 Series A, varying fixed interest rates from 4.2% to 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2012	88,720,000	89,355,000
Transportation Revenue Bonds, 1994 Series A, varying fixed interest rates from 5.0% to 7.5%, interest payable semiannually, annual principal payments of variable amounts through 2005	17,860,000	42,550,000
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 through 2007	28,230,000	80,610,000
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 through 2008	35,475,000	52,340,000
Transportation Revenue Refunding 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 through 2019	221,255,000	236,435,000
Transportation Revenue Bonds, 2000 Series A, varying fixed interest rates from 5.3% to 5.5%, interest payable semiannually, annual principal payments of variable amounts from 2012 through 2021	93,100,000	123,700,000

	2002	2001
Transportation Revenue Bonds, 2001 Series A, varying fixed interest rates from 3.0% to 5.0%, interest payable seimiannually, annual principal payments of variable amounts through 2022	$ 140,000,000	$ 0
Transportation Revenue Refunding Bonds, 2002 Series 1 and 2, varying fixed interest rates from 3.0% to 5.75%, interest payable seimiannually, annual principal payments of variable amounts through 2022	310,795,000	0
	951,235,000	859,145,000
Less: current maturities	38,115,000	36,560,000
	$ 913,120,000	$ 822,585,000

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

Future maturities of bonds payable as of June 30, 2002 are as follows:

Year Ending June 30,	
2003	$ 38,115,000
2004	46,870,000
2005	51,835,000
2006	54,410,000
2007	56,675,000
Thereafter	703,330,000
	$ 951,235,000

4. DEFEASED REVENUE BONDS

From time to time, the Program issues revenue bonds to defease older revenue bonds in order to take advantage of market conditions. The proceeds from the issuance of revenue bonds, together with assets transferred from the refunded bond series, are deposited with a trustee bank in a separate Escrow Account. These funds are invested by an escrow agent in U.S. Treasury obligations and certain other government securities so that sufficient monies are available to pay the principal, interest and redemption price of the defeased bonds. The defeased bonds are not included in the outstanding revenue bonds summarized in Note 3. Also, the related securities in the Escrow Accounts are not included in the Program's cash and investments. Once defeased, no related activity in the Escrow Accounts is reported in the Program's Statement of Cash Receipts and Disbursements. The following is a summary of these defeased bonds at June 30, 2002.

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

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

The revenue bonds defeased by the 1998 Series A Refunding issued in fiscal 1999 that remain outstanding were as follows:

Series	Maturity	Principal Amount	Redemption Date	Redemption Price
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	July 1, 2002	Par
1992 Series B	July 1, 2005	5,195,000		
	July 1, 2006	5,480,000		
	July 1, 2013	8,110,000		
		18,785,000	July 1, 2002	Par
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	July 1, 2004	Par
1995 Series A	July 1, 2012	7,070,000	July 1, 2005	Par
1996 Series A	July 1, 2011	6,885,000		
	July 1, 2012	7,270,000		
	July 1, 2013	7,685,000		
	July 1, 2014	8,130,000		
	July 1, 2015	8,600,000		
	July 1, 2016	9,100,000		
		47,670,000	July 1, 2006	Par
		$125,650,000		

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

Series	**Maturity**	**Principal Amount**	**Redemption Date**	**Redemption Price**
1992 Series A	July 1, 2003	$ 11,945,000		
	July 1, 2004	16,695,000		
	July 1, 2005	13,290,000		
	July 1, 2006	13,675,000		
	July 1, 2007	8,560,000		
	July 1, 2008	9,060,000		
	July 1, 2009	3,905,000		
	July 1, 2014	1,385,000		
	July 1, 2015	1,460,000		
	July 1, 2016	1,540,000		
	July 1, 2017	1,625,000		
	July 1, 2018	1,715,000		
	July 1, 2019	1,810,000		
		86,665,000	July 1, 2002	Par
1992 Series B	July 1, 2003	4,685,000		
	July 1, 2004	4,930,000		
	July 1, 2014	8,555,000		
	July 1, 2015	9,025,000		
	July 1, 2016	9,520,000		
	July 1, 2017	10,040,000		
	July 1, 2018	10,595,000		
	July 1, 2019	11,180,000		
		68,530,000	July 1, 2002	Par
1994 Series A	July 1, 2006	5,090,000		
	July 1, 2013	7,605,000		
	July 1, 2014	8,075,000		
		20,770,000	July 1, 2004	Par
1995 Series A	July 1, 2009	5,950,000		
	July 1, 2010	6,295,000		
	July 1, 2011	6,670,000		
	July 1, 2013	7,495,000		
	July 1, 2014	7,955,000		
	July 1, 2015	8,440,000		
		42,805,000	July 1, 2005	Par
1996 Series A	July 1, 2009	6,180,000		
	July 1, 2010	6,520,000		
		12,700,000	July 1, 2006	Par
1998 Series B	July 1, 2010	5,400,000		
	July 1, 2011	5,645,000		
		11,045,000	July 1, 2009	Par
2000 Series A	July 1, 2012	9,700,000	July 1, 2010	Par
		$252,215,000		

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

Series	Maturity	Principal Amount	Redemption Date	Redemption Price
1992 Series A	July 1, 2020	$ 1,905,000		
	July 1, 2021	2,010,000		
	July 1, 2022	2,120,000		
		6,035,000	July 1, 2002	Par
1992 Series B	July 1, 2020	11,795,000		
	July 1, 2021	12,440,000		
	July 1, 2022	13,130,000		
		37,365,000	July 1, 2002	Par
1995 Series A	July 1, 2008	5,630,000	July 1, 2005	Par
2000 Series A	July 1, 2013	10,200,000		
	July 1, 2014	10,700,000		
		20,900,000	July 1, 2010	Par
		$ 69,930,000		
Total of all defeased bonds outstanding at June 30, 2002:		$465,375,000		

On July 1, 2002, $232,120,000 of the defeased bonds were redeemed in accordance with the call provisions of the related bonds.

5. DEBT SERVICE RESERVE FUND REQUIREMENT

The General Resolution creates a Debt Service Reserve Fund requirement which is provided from bond program 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 requirements and the Bond Redemption Fund balances, with securities stated at market value, are as follows at June 30, 2002:

	Debt Service Reserve Fund Requirement	Bond Redemption Fund Balance
1991 Series A	$ 3,643,000	$ 1,889
1992 Series A	3,799,800	14,182,822
1992 Series B	8,921,978	7,459,744
1993 Series A		2,751,048
1994 Series A	2,058,000	5,251,537
1995 Series A	3,425,000	6,200,331
1996 Series A	6,100,000	5,655,303
1998 Series A		8,581,338
1998 Series B		6,348,419
2000 Series A	3,535,000	3,368,000
2001 Series A	3,908,600	5,993,036
2002 Series 1		782,451
2002 Series 2		218,266
Program income fund		1,488
	$35,391,378	$66,795,672

The General Resolution provides that in lieu of a deposit to Debt Service Reserve Fund, the State may provide for a letter of credit, municipal bond insurance policy or surety bond in an amount at least equal to the Debt Service Reserve Fund requirement. The Department has obtained a surety bond in an amount sufficient to meet the Debt Service Reserve requirements for each series of bonds outstanding.

6. COMMITMENTS

The Department and the State are currently authorized by State Statutes to use bond proceeds for right-of-way acquisition and construction of projects and certain transportation facilities. The Department has statutory authority (as amended) as of June 30, 2002, to issue a total of $1,753,067,500 of obligations (including defeased bonds), in order to partially finance the costs of the authorized projects, in addition to proceeds from State general obligation debt, federal aid and other money in the Transportation Fund of the State of Wisconsin. As of June 30, 2002, the Department has remaining authority to issue $309,700,000 of additional obligations.

7. CONCENTRATION OF CREDIT RISK

The Program’s main investment as of June 30, 2002 and 2001 was in Bank One Group Treasury Only Money Market in the amount of $64,855,500 and $31,355,771, which represents 71% and 47%, respectively, of the Program asset balance.

8. ADMINISTRATIVE EXPENSES

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

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WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTAL INFORMATION - SCHEDULE OF MONTHLY MOTOR VEHICLE REGISTRATION FEES RETAINED BY TRUSTEE
YEAR ENDED JUNE 30, 2002

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	2000 Series A	Total
July 2001*	$ 64,341	$(3,023)	$ 4,341,016	$ 2,653,716	$1,221,085	$1,618,447	$2,103,441	$1,779,351	$ 3,070,225	$2,244,229	$1,694,062	$20,786,890
October 2001	185,000		4,395,782	2,669,674	1,213,787	1,646,974	2,116,813	1,793,553	3,069,526	2,246,273	1,675,980	21,013,362
January 2002	86,170		4,012,816	2,484,666	1,158,081	1,504,694	1,957,811	1,639,596	2,855,936	2,086,714	1,616,988	19,403,472
April 2002	175,925		4,073,970	2,540,392	1,192,269	1,526,713	1,998,152	1,667,514	2,920,945	2,134,802	1,677,922	19,908,604
	$511,436	$(3,023)	$16,823,584	$10,348,448	$4,785,222	$6,296,828	$8,176,217	$6,880,014	$11,916,632	$8,712,018	$6,664,952	$81,112,328

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

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 1992 SERIES A
JUNE 30, 2002

Maturity July 1,	Rate	Principal
2002	5.20 %	$ 11,350,000
		$ 11,350,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 1992 SERIES B
JUNE 30, 2002

Maturity July 1,	Rate	Principal
2002	5.20 %	$4,450,000
		$4,450,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 1993 SERIES A
JUNE 30, 2002

Maturity July 1,	Rate	Principal
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
		$88,720,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 1994 SERIES A
JUNE 30, 2002

Maturity July 1,	Rate	Principal
2002	5.10 %	$ 4,125,000
2003	7.50	4,340,000
2004	7.50	4,575,000
2005	5.30	4,820,000
		$17,860,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 1995 SERIES A
JUNE 30, 2002

Maturity July 1,	Rate	Principal
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
		$28,230,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 1996 SERIES A
JUNE 30, 2002

Maturity July 1,	Rate	Principal
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
		$35,475,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 1998 SERIES A
JUNE 30, 2002

Maturity July 1,	Rate	Principal
2002	5.00 %	$ 5,130,000
2003	4.00	35,000
2004	4.125	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

SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 1998 SERIES B
JUNE 30, 2002

Maturity July 1,	Rate	Principal
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
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
2018	4.75	7,850,000
2019	4.75	8,245,000
		$92,035,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 2000 SERIES A
JUNE 30, 2002

Maturity July 1,	Rate	Principal
2015	5.50 %	$11,300,000
2016	5.50	11,900,000
2017	5.50	12,500,000
2018	5.30	13,200,000
2019	5.40	14,000,000
2020	5.40	14,700,000
2021	5.40	15,500,000
		$93,100,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 2001 SERIES A
JUNE 30, 2002

Maturity July 1,	Rate	Principal
2003	3.00 %	$ 9,420,000
2004	3.00	5,705,000
2005	3.00	6,015,000
2006	4.00	6,355,000
2007	5.00	16,675,000
2008	5.00	12,385,000
2009	5.00	13,000,000
2010	5.00	13,655,000
2011	5.00	14,330,000
2012	4.00	2,990,000
2013	4.10	3,140,000
2014	4.25	3,295,000
2015	4.25	3,460,000
2016	4.50	3,630,000
2017	4.50	3,815,000
2018	4.60	4,005,000
2019	4.70	4,205,000
2020	4.90	4,415,000
2021	4.90	4,635,000
2022	4.90	4,870,000
		$ 140,000,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

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

Maturity July 1,	Rate	Principal
2003	4.50 %	$ 14,060,000
2004	5.00	21,595,000
2005	5.00	13,175,000
2006	5.25	18,090,000
2007	5.25	8,310,000
2008	5.50	8,750,000
2009	5.50	15,165,000
2010	5.50	17,685,000
2011	5.50	11,785,000
2012	5.50	9,170,000
2013	5.75	14,545,000
2014	5.75	25,035,000
2015	5.75	18,005,000
2016	5.75	10,685,000
2017	5.75	11,295,000
2018	5.125	11,950,000
2019	5.125	12,565,000
		$ 241,865,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

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

Maturity July 1,	Rate	Principal
2004	3.00 %	$ 10,000
2005	3.125	10,000
2006	3.375	10,000
2007	3.625	10,000
2008	5.00	5,265,000
2009	4.00	10,000
2010	4.125	15,000
2011	4.25	15,000
2012	4.30	15,000
2013	5.50	9,815,000
2014	5.50	10,295,000
2015	4.625	15,000
2016	4.75	15,000
2017	4.75	15,000
2018	4.875	20,000
2019	5.00	20,000
2020	5.375	13,720,000
2021	5.125	14,455,000
2022	5.125	15,200,000
		$68,930,000

Supplementary Information

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

Supplementary Information

Wisconsin Department of Transportation
Revenue Obligation Programs

Schedule of Program Revenue (Unaudited)
For the Years Ended June 30, 2002 and 2001

	Total Program Revenues	Section 341.25 Registration Fees Non-IRP	IRP	Interest Earnings on 341.25 Revenues
July 2001	$ 25,695,214	$ 22,760,235	$ 2,934,979	
August 2001	23,765,611	20,620,519	3,145,092	
September 2001	21,612,740	19,469,304	2,143,436	
October 2001	25,118,446	19,324,468	5,793,978	
November 2001	23,393,036	20,060,026	3,333,010	
December 2001	28,905,265	26,445,888	2,459,377	
January 2002	31,746,929	26,536,366	5,210,563	
February 2002	20,839,740	17,906,878	2,932,862	
March 2002	30,334,755	24,792,383	5,542,372	
April 2002	30,666,816	26,006,562	4,660,254	
May 2002	31,205,554	22,346,457	8,859,097	
June 2002	30,478,212	21,672,520	8,805,692	
Total for the Year Ended June 30, 2002	$ 324,966,502	$ 267,941,607	$ 55,820,712	$ 1,204,183
July 2000	$ 23,251,637	$ 18,836,842	$ 4,414,795	
August 2000	26,366,312	23,419,029	2,947,283	
September 2000	22,963,749	19,101,602	3,862,147	
October 2000	24,497,802	19,233,465	5,264,337	
November 2000	17,274,755	14,695,236	2,579,519	
December 2000	31,310,794	29,229,076	2,081,718	
January 2001	32,830,988	29,257,058	3,573,930	
February 2001	18,762,895	16,029,806	2,733,089	
March 2001	30,815,301	24,790,957	6,024,344	
April 2001	27,708,190	21,862,066	5,846,124	
May 2001	31,222,374	19,476,430	11,745,944	
June 2001	27,391,390	22,455,120	4,936,270	
Total for the Year Ended June 30, 2001	$ 316,060,869	$ 258,386,688	$ 56,009,500	$ 1,664,681

IRP The International Registration Plan 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 collected by the state in which the company is headquartered and are split between the participating states on the basis of proportionate mileage.

Source: Wisconsin Department of Transportation

Supplementary Information

Wisconsin Department of Transportation
Revenue Bond Program

Schedule of Motor Vehicle Registration Fees--Cash Basis (Unaudited)
For the Years Ended June 30, 2002 and 2001

	2002	2001
Motor Vehicle Registration Fees Remitted to Trustee	$ 323,762,319	$ 314,396,188
Less:		
Motor Vehicle Registration Fees Available for Commercial Paper Program	(6,842,808)	(10,522,362)
Motor Vehicle Registration Fees Available for Transportation Fund	(235,807,183)	(225,302,868)
Motor Vehicle Registration Fees Retained by Trustee	$ 81,112,328	$ 78,570,958

Source: Wisconsin Department of Transportation

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

Statements of Cash Receipts and Disbursements
For the Years Ended June 30, 2002 and 2001
Together with Independent Auditors' Report

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

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INDEPENDENT AUDITORS' REPORT

To the Directors of the Wisconsin Department of Transportation
Commercial Paper Program:

We have audited the accompanying statement of cash receipts and disbursements of the Transportation Revenue Commercial Paper Notes of 1997, Series A, of the Wisconsin Department of Transportation Commercial Paper Program (the "Program") for the year ended June 30, 2002. This statement is the responsibility of the Program's directors. Our responsibility is to express an opinion on this statement based on our audit. The statement of cash receipts and disbursements for the year ended June 30, 2001 was audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on that financial statement in their report dated September 20, 2001.

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

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

In our opinion, the 2002 financial statement presents fairly, in all material respects, the cash receipts and disbursements of the Transportation Revenue Commercial Paper Notes of 1997, Series A, of the Wisconsin Department of Transportation Commercial Paper Program for the year ended June 30, 2002, on the basis of accounting described in Note 2.

Deloitte & Touche LLP

October 8, 2002

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

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
YEARS ENDED JUNE 30, 2002 AND 2001

	2002	2001
CASH AND INVESTMENTS, BEGINNING OF YEAR	$6,088,130	$ 7,098,000
RECEIPTS:		
Motor vehicle registration fees retained by trustee	6,842,808	10,522,362
Investment income	246,112	55,495
Total receipts	7,088,920	10,577,857
DISBURSEMENTS:		
Debt service - principal	5,060,000	5,583,000
Debt service - interest	2,616,000	6,004,727
Total disbursements	7,676,000	11,587,727
CASH AND INVESTMENTS, END OF YEAR	$5,501,050	$ 6,088,130
Cash and investments reserved for debt service	$5,501,050	$ 6,088,130

See notes to statements of cash receipts and disbursements.

NOTES TO STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS FOR THE YEARS ENDED JUNE 30, 2002 AND 2001

1. NATURE OF PROGRAM

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash Receipts and Disbursements Basis of Accounting - The statements of cash receipts and disbursements present the Program's cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, cash receipts are recorded when received and disbursements are recorded when paid. The Program's assets consist of money market funds and U.S. Treasury notes.

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

Receipts and Disbursements -

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

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

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

Cash and Investments - The Program's 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 no more than 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, certain banks, high-quality corporate commercial paper, and certificates of deposit.

For fiscal years 2002 and 2001, the trustee invested the Program's funds in money market funds and U.S. Government securities. These program assets are reported at cost. At June 30, 2002, the cost of the Program's investments exceeded their fair market value by approximately $72,000. As of June 30, 2002, $2,781,008 was invested in the Bank One Group Money Market Fund Class I and $2,720,042 was invested in U.S. Treasury Notes. As of June 30, 2001, $450,130 was invested in the Bank One Group Money Market Fund Class I, and $5,638,000 was invested in U.S. Treasury Notes. Money market funds are categorized as risk category 3 in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements,* as the investments are not insured or collateralized. The U.S. Treasury Notes were registered and held by the Program's agent in the Program's name. Therefore, these investments are categorized as risk category 1 in accordance with GASB Statement No. 3.

3. NOTES PAYABLE

The notes consist of interest-bearing obligations which are issued in initial denominations of $100,000 and additional increments of $1,000 above $100,000. There are notes payable outstanding of $136,673,000 and $141,733,000 at June 30, 2002 and 2001, respectively. At June 30, 2002, the notes had maturities ranging from August 8, 2002 to December 5, 2002 with a weighted average interest rate of 1.49%.

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 (see Note 4).

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

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

In order to assure the timely payment of principal and interest on the notes, the State obtained a credit agreement on May 7, 1997, which provided a commitment for the issuance of an irrevocable letter of credit in the stated amount up to $188,600,000. On 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. On May 6, 2002, the State replaced the irrevocable letter of credit with a line of credit in a stated amount up to $150,000,000. The line of credit has an initial term of one year and can be extended as provided in the line of 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).

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. The debt service reserve requirement is $5,501,050 as of June 30, 2002.

5. COMMITMENTS

The Department and the State are currently authorized by State Statutes to use note proceeds for right-of-way acquisition and construction of projects comprising major highway projects and certain transportation facilities. The Program resolution has authority to issue notes totaling $200,000,000 (including those issued under the 1997, Series A notes), in order to partially finance the costs of the authorized projects, in addition to proceeds from State general obligation debt, federal aid and other money in the Transportation Fund. At June 30, 2002, the remaining authority for the issuance of notes was $63,325,000.

6. ADMINISTRATIVE EXPENSES

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

* * * * * *

Supplementary Information

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

Wisconsin Department of Transportation
Revenue Obligation Programs

Schedule of Program Revenue (Unaudited)
For the Years Ended June 30, 2002 and 2001

	Total Program Revenues	Section 341.25 Registration Fees		Interest Earnings on 341.25 Revenues
		Non-IRP	IRP	
July 2001	$ 25,695,214	$ 22,760,235	$ 2,934,979	
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Source: Wisconsin Department of Transportation

Supplementary Information

Wisconsin Department of Transportation
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Schedule of Motor Vehicle Registration Fees--Cash Basis (Unaudited)
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Motor Vehicle Registration Fees Available for Transportation Fund	(235,807,183)	(225,302,868)
Motor Vehicle Registration Fees Retained by Trustee	$ 6,842,808	$ 10,522,362

Source: Wisconsin Department of Transportation

PART VI

CLEAN WATER REVENUE BONDS

This part provides information about clean water revenue bonds issued by the State of Wisconsin.

Total Outstanding Balance (12/1/2002)	$656,885,000
Amount Outstanding—Fixed Rate Obligations	$656,885,000
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, 2002. 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**). U.S. 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, 2002.

Table VI-1
OUTSTANDING CLEAN WATER REVENUE BONDS
BY ISSUE
(As of December 1, 2002)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding	
1991, Series 1	3/1/91				
Serial Bonds		1994-2008	$167,555,000	$ 0	[a]
Term Bonds		2011	57,445,000	57,445,000	
1993, Series 1	8/15/93	1996-2013	84,345,000	8,760,000	[a]
1993, Series 2	8/15/93	1994-2008	81,950,000	76,120,000	
1995, Series 1	7/1/95	1997-2015	80,000,000	12,345,000	[a]
1997, Series 1	1/15/97	1999-2017	80,000,000	17,355,000	[a]
1998, Series 1	1/15/98	1999-2018	90,000,000	72,750,000	[a]
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	44,250,000	[a]
Term Bonds		2020	12,035,000	12,035,000	
2001, Series 1	4/2/01	2002-2021	70,000,000	67,690,000	
2002, Series 1	5/1/02	2003-2023	100,000,000	100,000,000	
2002, Series 2	8/1/02	2003-2016	85,575,000	85,575,000	
Total Clean Water Revenue Bonds			$1,081,230,000	$656,885,000	

[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 water pollution control 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. As of September 30, 2002, the State has made $79 million of Safe Drinking Water Loans. These loans are funded from federal capitalization grants and required State match. 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, 2002 the Clean Water Fund Program has agreements with 48 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, 2002, agreements to fund $168 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 $1.968 billion of projects likely to receive funding. The Legislature has authorized $1.398 billion of revenue bonds (other than revenue bonds issued for refunding purposes) and $638 million of general obligations for the Clean Water Fund Program.

As of September 30, 2002, the State had closed Leveraged, Direct, and Proprietary Loans totaling $1.653 billion. Of this amount a total of $1.413 billion had been disbursed. Of the amounts disbursed, $709 million were for Leveraged Loans. The amount remaining to be disbursed, $199 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 2001. As of September 30, 2002, the State has been awarded Capitalization Grants from EPA aggregating $534 million for federal fiscal years 1989 through 2002. 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, 2002, the State had issued $107 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, 2002, $708 million has been disbursed for Loans from the leveraged program and $522 million is the principal balance of these Loans. In addition, $101 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, 2002, 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, 2002. 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 $136 million in principal amount of loans outstanding as of September 30, 2002. See "SECURITY AND SOURCE OF PAYMENT FOR BONDS; Other Information". Other Municipalities had Leveraged Loans in outstanding principal amounts ranging from $55 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".

If 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.

Table VI-2
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING LOANS
September 30, 2002
(Amount in Thousands)

Municipality[(a)]	FAA Loan Amount[(b)]	Total Loan Disbursed	Leveraged Balance[(a)]	Non-Leveraged Balance	Total Outstanding Balance[(c)]	Loan Remaining to Fund[(d)]	% of Revenue Bond Pmt[(e)]
Milwaukee Metropolitan Sewerage District	$528,897.00	$384,331.00	$135,554.00	$137,717.00	$273,271.00	$142,636.00	17.07%
Madison Metropolitan Sewerage District	52,308.00	49,124.00	31,120.00	4,336.00	35,456.00	-	4.05%
City of Manitowoc	20,216.00	19,205.00	17,574.00	-	17,574.00	1,011.00	2.37%
Green Bay Metropolitan Sewerage District	52,754.00	48,579.00	12,176.00	20,128.00	32,304.00	1,079.00	1.57%
Village of Saukville	11,332.00	9,935.00	9,382.00	-	9,382.00	1,373.00	1.27%
City of Racine	41,770.00	29,978.00	8,627.00	17,875.00	26,502.00	11,132.00	1.13%
City of Stevens Point	13,560.00	13,117.00	8,424.00	-	8,424.00	-	1.07%
City of Fort Atkinson	14,594.00	14,266.00	8,312.00	-	8,312.00	-	1.08%
City of Waupaca	11,741.00	10,621.00	7,471.00	655.00	8,126.00	754.00	0.97%
City of Menomonie	8,732.00	8,653.00	7,205.00	-	7,205.00	-	1.02%
Village of Marshall	7,744.00	7,507.00	6,324.00	-	6,324.00	-	0.83%
Village of Sussex	11,029.00	10,605.00	6,271.00	-	6,271.00	-	0.78%
City of Brookfield	30,606.00	29,000.00	6,238.00	19,418.00	25,656.00	938.00	0.84%
City of Sparta	15,726.00	14,325.00	5,581.00	4,282.00	9,863.00	718.00	0.70%
City of Bloomer	6,694.00	6,690.00	5,581.00	-	5,581.00	-	0.73%
Green Lake Sanitary District	8,674.00	8,388.00	5,480.00	-	5,480.00	-	0.66%
Village of Jackson	6,130.00	6,130.00	5,368.00	-	5,368.00	-	0.69%
City of Brodhead	6,549.00	6,284.00	5,292.00	-	5,292.00	-	0.69%
City of Stoughton - Utilities	7,662.00	7,190.00	5,192.00	151.00	5,343.00	274.00	0.67%
Village of Twin Lakes	5,941.00	5,583.00	5,154.00	-	5,154.00	358.00	0.70%
City of South Milwaukee	6,413.00	6,245.00	5,026.00	-	5,026.00	168.00	0.66%
City of Hudson	6,165.00	5,823.00	4,902.00	-	4,902.00	342.00	0.64%
Town of Salem	6,359.00	6,133.00	4,824.00	-	4,824.00	107.00	0.62%
City of Richland Center	6,998.00	6,455.00	4,709.00	-	4,709.00	295.00	0.64%
City of Dodgeville	4,995.00	4,995.00	4,563.00	-	4,563.00	-	0.59%
City of Oconomowoc	5,449.00	5,414.00	4,503.00	-	4,503.00	-	0.58%
Norway Sanitary District #1	5,547.00	4,424.00	4,070.00	-	4,070.00	-	0.54%
Village of West Salem	4,990.00	4,634.00	4,009.00	-	4,009.00	-	0.51%
City of Chippewa Falls	7,593.00	7,252.00	3,954.00	2,087.00	6,041.00	-	0.51%
City of De Pere	8,892.00	7,332.00	3,712.00	3,099.00	6,811.00	1,394.00	0.51%
Village of Black Creek	4,332.00	4,332.00	3,435.00	-	3,435.00	-	0.45%
City of Antigo	4,317.00	4,286.00	3,331.00	-	3,331.00	-	0.43%
City of Rhinelander	5,136.00	5,123.00	3,199.00	-	3,199.00	-	0.41%
City of Chilton	3,418.00	3,418.00	3,135.00	-	3,135.00	-	0.41%
City of Lodi	4,050.00	3,907.00	3,101.00	-	3,101.00	-	0.41%
Village of Plover	6,517.00	6,517.00	3,002.00	2,997.00	5,999.00	-	0.39%
City of Edgerton	4,186.00	3,540.00	3,000.00	-	3,000.00	-	0.39%
Village of Union Grove	8,706.00	3,557.00	2,939.00	-	2,939.00	5,122.00	0.40%
City of Marshfield	24,170.00	22,914.00	2,746.00	17,914.00	20,660.00	1,065.00	0.35%
City of New Richmond	3,320.00	3,202.00	2,655.00	-	2,655.00	-	0.34%
Village of Lake Delton	2,825.00	2,721.00	2,621.00	-	2,621.00	-	0.35%
City of Sheboygan	7,626.00	7,626.00	2,592.00	3,267.00	5,859.00	-	0.34%
City of Mauston	2,905.00	2,759.00	2,589.00	-	2,589.00	146.00	0.39%
Town of Bristol	4,211.00	3,995.00	2,587.00	-	2,587.00	-	0.33%
Village of Somerset	2,981.00	2,744.00	2,554.00	-	2,554.00	-	0.35%
City of Neillsville	3,238.00	3,210.00	2,543.00	-	2,543.00	-	0.33%
Village of Allouez	3,072.00	3,062.00	2,428.00	-	2,428.00	-	0.31%
Village of North Fond du Lac	2,592.00	2,590.00	2,283.00	-	2,283.00	-	0.30%
City of Tomahawk	3,026.00	2,864.00	2,219.00	-	2,219.00	-	0.28%
City of Merrill	4,044.00	4,033.00	2,209.00	-	2,209.00	-	0.28%
City of Wautoma	6,848.00	6,847.00	2,204.00	2,882.00	5,086.00	-	0.25%
City of Ashland	14,010.00	13,476.00	2,199.00	6,070.00	8,269.00	376.00	0.28%
Village of New Glarus	3,503.00	3,434.00	2,177.00	-	2,177.00	-	0.28%
City of Cuba City	2,562.00	2,275.00	2,130.00	-	2,130.00	287.00	0.29%
Village of Reedsville	2,768.00	2,755.00	2,120.00	-	2,120.00	-	0.28%
Freedom Sanitary District #1	2,748.00	2,645.00	2,095.00	-	2,095.00	-	0.27%
Village of Silver Lake	2,318.00	2,201.00	2,054.00	-	2,054.00	118.00	0.28%
City of Adams	2,464.00	2,233.00	2,024.00	-	2,024.00	177.00	0.27%
Village of Shorewood	2,512.00	2,298.00	1,931.00	-	1,931.00	-	0.25%
Village of Belleville	2,563.00	2,413.00	1,909.00	-	1,909.00	-	0.25%
City of Colby	2,837.00	2,647.00	1,862.00	-	1,862.00	-	0.24%
City of Amery	3,060.00	2,875.00	1,820.00	404.00	2,224.00	181.00	0.23%
Black Wolf Sanitary District #1	4,327.00	4,065.00	1,820.00	-	1,820.00	-	0.21%
City of Janesville	3,473.00	3,244.00	1,805.00	967.00	2,772.00	134.00	0.23%

Table VI-2 - Continued
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING LOANS
September 30, 2002
(Amount in Thousands)

Municipality[(a)]	FAA Loan Amount[(b)]	Total Loan Disbursed	Leveraged Balance[(a)]	Non-Leveraged Balance	Total Outstanding Balance[(c)]	Loan Remaining to Fund[(d)]	% of Revenue Bond Pmt[(e)]
City of Weyauwega	3,285.00	3,108.00	1,758.00	-	1,758.00	-	0.23%
Rib Mountain Metro Sewerage District	1,977.00	1,782.00	1,716.00	-	1,716.00	102.00	0.23%
City of Kenosha	33,144.00	29,370.00	1,668.00	17,790.00	19,458.00	101.00	0.21%
Village of Luxemburg	2,053.00	1,896.00	1,587.00	-	1,587.00	-	0.20%
Chain O'Lakes Sanitary District #1	2,082.00	2,063.00	1,582.00	-	1,582.00	-	0.22%
Village of Poynette	2,288.00	2,112.00	1,576.00	-	1,576.00	-	0.20%
Village of Footville	2,131.00	1,842.00	1,541.00	219.00	1,760.00	266.00	0.21%
City of Baraboo	2,382.00	2,276.00	1,517.00	-	1,517.00	-	0.19%
Village of Pewaukee	8,191.00	7,695.00	1,492.00	5,017.00	6,509.00	-	0.19%
Village of Bangor	1,587.00	1,584.00	1,467.00	-	1,467.00	-	0.20%
Village of Monticello	$2,345.00	$2,319.00	$1,464.00	-	$1,464.00	-	0.16%
City of Beloit	2,927.00	2,610.00	1,442.00	-	1,442.00	-	0.17%
Village of Fremont	1,867.00	1,815.00	1,441.00	-	1,441.00	-	0.19%
City of Delafield	1,556.00	1,285.00	1,285.00	-	1,285.00	271.00	0.17%
City of Whitewater	1,564.00	1,564.00	1,239.00	-	1,239.00	-	0.16%
City of Jefferson	7,534.00	3,463.00	1,222.00	2,144.00	3,366.00	4,071.00	0.17%
City of Ripon	6,337.00	1,219.00	1,219.00	-	1,219.00	5,118.00	0.17%
Village of Mount Horeb	3,436.00	3,338.00	1,198.00	650.00	1,848.00	-	0.14%
Village of Wrightstown	1,427.00	1,427.00	1,194.00	-	1,194.00	-	0.16%
Village of Trempealeau	1,559.00	1,544.00	1,189.00	-	1,189.00	-	0.16%
Village of Lake Nebagamon	1,539.00	1,456.00	1,175.00	-	1,175.00	-	0.15%
Wisconsin Dells - Lake Delton Sew. Com.	1,935.00	1,892.00	1,171.00	-	1,171.00	-	0.15%
Village of Iron Ridge	1,441.00	1,254.00	1,157.00	-	1,157.00	-	0.16%
Village of Newburg	1,549.00	1,430.00	1,153.00	-	1,153.00	-	0.15%
Village of Deerfield	5,070.00	1,151.00	1,151.00	-	1,151.00	3,919.00	0.16%
City of Crandon	1,537.00	1,454.00	1,149.00	-	1,149.00	-	0.15%
City of Kewaunee	1,546.00	1,453.00	1,147.00	-	1,147.00	92.00	0.15%
City of Lancaster	1,688.00	1,601.00	1,132.00	-	1,132.00	-	0.15%
City of Lake Mills	1,246.00	1,165.00	1,124.00	-	1,124.00	-	0.16%
City of Two Rivers	1,608.00	1,384.00	1,115.00	-	1,115.00	46.00	0.15%
Town of Menasha	1,659.00	1,642.00	1,111.00	-	1,111.00	-	0.14%
City of Milton	4,328.00	1,078.00	1,078.00	-	1,078.00	3,250.00	0.15%
Village of Dane	1,228.00	1,228.00	1,047.00	-	1,047.00	-	0.13%
City of Manawa	1,408.00	1,391.00	1,045.00	-	1,045.00	-	0.14%
Potosi/Tennyson Sewerage Commission	1,543.00	1,543.00	1,011.00	-	1,011.00	-	0.13%
City of Tomah	15,430.00	14,520.00	996.00	11,643.00	12,639.00	877.00	0.13%
Village of Valders	1,538.00	1,538.00	990.00	87.00	1,077.00	-	0.13%
City of Brillion	1,064.00	1,061.00	988.00	-	988.00	-	0.13%
City of Fond du Lac	2,022.00	1,732.00	962.00	-	962.00	-	0.12%
City of Columbus	1,235.00	1,235.00	920.00	-	920.00	-	0.12%
Village of Mount Calvary	1,430.00	1,430.00	919.00	-	919.00	-	0.10%
City of New Holstein	1,100.00	986.00	914.00	-	914.00	114.00	0.12%
City of Mayville	1,006.00	1,006.00	911.00	-	911.00	-	0.12%
City of Black River Falls	1,894.00	1,767.00	910.00	-	910.00	-	0.11%
City of Mosinee	1,383.00	1,297.00	909.00	-	909.00	-	0.12%
City of Monroe	1,580.00	1,527.00	908.00	-	908.00	-	0.12%
City of Watertown	1,141.00	1,101.00	886.00	-	886.00	-	0.12%
City of Boscobel	1,337.00	1,182.00	884.00	-	884.00	-	0.12%
Village of Bay City	1,224.00	1,200.00	874.00	-	874.00	-	0.12%
City of Viroqua	1,353.00	1,314.00	858.00	-	858.00	-	0.11%
Village of Blue Mounds	1,152.00	1,064.00	843.00	-	843.00	-	0.11%
Village of Fontana	2,725.00	2,573.00	830.00	1,393.00	2,223.00	78.00	0.11%
Village of Hewitt	1,467.00	1,298.00	819.00	-	819.00	-	0.10%
City of River Falls	1,009.00	1,009.00	756.00	-	756.00	-	0.10%
Village of Cross Plains	896.00	887.00	753.00	-	753.00	-	0.10%
Village of Brokaw	969.00	908.00	737.00	-	737.00	-	0.09%
Village of Argyle	1,467.00	1,380.00	728.00	-	728.00	-	0.08%
Wrightstown Sanitary District #1	1,081.00	1,036.00	726.00	-	726.00	-	0.09%
Wolf Treatment Plant Commission	12,847.00	12,377.00	719.00	10,237.00	10,956.00	-	0.09%
City of Cumberland	928.00	808.00	705.00	-	705.00	-	0.09%
Village of Spring Green	950.00	920.00	703.00	-	703.00	-	0.09%
Village of Rockland	967.00	867.00	699.00	-	699.00	-	0.09%
Village of Muscoda	898.00	777.00	679.00	-	679.00	-	0.09%
City of Galesville	1,143.00	1,111.00	661.00	-	661.00	-	0.08%

Table VI-2 - Continued
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING LOANS
September 30, 2002
(Amount in Thousands)

Municipality[a]	FAA Loan Amount[b]	Total Loan Disbursed	Leveraged Balance[a]	Non-Leveraged Balance	Total Outstanding Balance[c]	Loan Remaining to Fund[d]	% of Revenue Bond Pmt[e]
Village of Highland	825.00	784.00	633.00	-	633.00	-	0.08%
City of Mineral Point	6,884.00	625.00	625.00	-	625.00	6,259.00	0.09%
Village of Howards Grove	2,102.00	613.00	613.00	-	613.00	1,489.00	0.08%
Brazeau Sanitary District #1	793.00	758.00	609.00	-	609.00	-	0.08%
Silver Lake Sanitary District	1,063.00	1,063.00	590.00	-	590.00	-	0.07%
Mercer Sanitary District #1	787.00	787.00	588.00	-	588.00	-	0.09%
Village of Redgranite	2,303.00	2,303.00	572.00	1,258.00	1,830.00	-	0.06%
Village of Montfort	779.00	756.00	565.00	-	565.00	-	0.07%
Village of Rosholt	662.00	649.00	542.00	-	542.00	-	0.07%
City of Cudahy	886.00	839.00	537.00	-	537.00	-	0.07%
City of Shullsburg	687.00	626.00	526.00	-	526.00	-	0.07%
Village of Mishicot	718.00	525.00	525.00	-	525.00	193.00	0.07%
Iron River Sanitary District #1	717.00	710.00	523.00	-	523.00	-	0.07%
Village of Knapp	669.00	616.00	510.00	-	510.00	53.00	0.06%
City of Abbotsford	722.00	660.00	506.00	-	506.00	-	0.07%
City of Plymouth	5,848.00	5,396.00	502.00	3,378.00	3,880.00	174.00	0.07%
Neenah Sanitary District #2	1,057.00	1,057.00	484.00	-	484.00	-	0.05%
City of Beaver Dam	819.00	798.00	477.00	-	477.00	-	0.06%
Sextonville Sanitary District	589.00	564.00	458.00	-	458.00	-	0.06%
Village of Brownsville	588.00	534.00	450.00	-	450.00	-	0.06%
City of Chetek	528.00	512.00	430.00	-	430.00	-	0.06%
Laona Sanitary District #1	$746.00	$746.00	$418.00	-	$418.00	-	0.05%
Silver Lake Sanitary District-Waushara Cty.	722.00	722.00	409.00	-	409.00	-	0.04%
City of New Lisbon	1,053.00	777.00	377.00	135.00	512.00	-	0.05%
City of Prescott	5,349.00	4,956.00	370.00	3,123.00	3,493.00	-	0.05%
Village of Prentice	544.00	447.00	340.00	-	340.00	-	0.04%
Village of Almond	530.00	504.00	339.00	-	339.00	-	0.04%
Village of Kohler	401.00	367.00	337.00	-	337.00	-	0.05%
City of Westby	417.00	395.00	331.00	-	331.00	-	0.04%
Village of North Freedom	498.00	473.00	321.00	-	321.00	-	0.04%
Village of Campbellsport	405.00	359.00	320.00	-	320.00	-	0.04%
Village of Pulaski	483.00	483.00	313.00	-	313.00	-	0.04%
Village of Slinger	480.00	480.00	309.00	-	309.00	-	0.04%
Village of Linden	389.00	369.00	306.00	-	306.00	-	0.04%
Village of Mattoon	628.00	586.00	305.00	196.00	501.00	-	0.04%
Village of Cottage Grove	506.00	360.00	302.00	-	302.00	-	0.04%
Village of Belmont	458.00	416.00	300.00	-	300.00	-	0.04%
Iowa County	486.00	486.00	291.00	-	291.00	-	0.04%
Village of Random Lake	464.00	441.00	287.00	-	287.00	-	0.04%
Village of Ellsworth	373.00	373.00	280.00	-	280.00	-	0.04%
Goodman Sanitary District #1	1,074.00	1,074.00	270.00	559.00	829.00	-	0.03%
Sunset Point Sanitary District	686.00	655.00	263.00	-	263.00	-	0.04%
Village of Wyocena	389.00	298.00	263.00	-	263.00	-	0.03%
Village of Cassville	442.00	401.00	257.00	-	257.00	-	0.03%
Village of Walworth	332.00	305.00	255.00	-	255.00	-	0.03%
Village of Coleman	507.00	449.00	248.00	-	248.00	-	0.03%
City of Prairie du Chien	4,106.00	4,050.00	243.00	2,124.00	2,367.00	-	0.03%
City of Montello	260.00	256.00	228.00	-	228.00	-	0.03%
Village of Pepin	363.00	281.00	228.00	-	228.00	-	0.03%
Village of Osceola	298.00	298.00	224.00	-	224.00	-	0.03%
Village of Potosi	291.00	260.00	211.00	-	211.00	23.00	0.03%
Village of Hustisford	446.00	438.00	209.00	38.00	247.00	-	0.03%
City of Shawano	252.00	225.00	198.00	-	198.00	-	0.03%
Village of Baldwin	262.00	262.00	198.00	-	198.00	-	0.03%
Grand Chute - Menasha West Sew. Com.	11,835.00	11,227.00	174.00	7,309.00	7,483.00	-	0.02%
Village of Plum City	249.00	249.00	170.00	-	170.00	-	0.02%
Village of Blue River	281.00	272.00	168.00	-	168.00	-	0.02%
Village of Prairie du Sac	205.00	183.00	147.00	-	147.00	-	0.02%
Village of Gays Mills	180.00	173.00	139.00	-	139.00	-	0.02%
Village of Hancock	151.00	120.00	111.00	-	111.00	31.00	0.02%
Little Elkhart Lake Rehabilitation District	217.00	217.00	109.00	-	109.00	-	0.01%
Village of Webster	204.00	194.00	106.00	-	106.00	-	0.01%
City of Hillsboro	160.00	129.00	105.00	-	105.00	-	0.01%
Village of Spring Valley	120.00	120.00	91.00	-	91.00	-	0.01%

Table VI-2 - Continued
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING LOANS
September 30, 2002
(Amount in Thousands)

Municipality[a]	FAA Loan Amount[b]	Total Loan Disbursed	Leveraged Balance[a]	Non-Leveraged Balance	Total Outstanding Balance[c]	Loan Remaining to Fund[d]	% of Revenue Bond Pmt[e]
Village of Roberts	81.00	81.00	62.00	-	62.00	-	0.01%
Village of Bowler	115.00	107.00	55.00	-	55.00	-	0.01%
Village of Adell	566.00	566.00	-	287.00	287.00	-	
Village of Albany	536.00	472.00	-	423.00	423.00	-	
City of Algoma	5,547.00	5,432.00	-	3,027.00	3,027.00	-	
City of Appleton	16,474.00	13,989.00	-	8,507.00	8,507.00	-	
Village of Arena	1,486.00	1,444.00	-	1,325.00	1,325.00	42.00	
Village of Arlington	1,662.00	1,608.00	-	1,431.00	1,431.00	-	
Aurora Sanitary District #1	15.00	15.00	-	6.00	6.00	-	
Village of Avoca	359.00	344.00	-	257.00	257.00	-	
Village of Bagley	229.00	218.00	-	192.00	192.00	-	
City of Bayfield	276.00	212.00	-	204.00	204.00	64.00	
Village of Bear Creek	432.00	387.00	-	295.00	295.00	-	
Village of Belgium	3,855.00	3,720.00	-	3,720.00	3,720.00	135.00	
Village of Benton	1,100.00	1,100.00	-	1,058.00	1,058.00	-	
Village of Black Earth	4,278.00	4,113.00	-	3,776.00	3,776.00	165.00	
Village of Boaz	106.00	106.00	-	53.00	53.00	-	
Bohner's Lake Sanitary District #1	8,007.00	7,857.00	-	4,431.00	4,431.00	-	
Brookfield Sanitary District #4	5,750.00	5,608.00	-	4,835.00	4,835.00	-	
Brule Sanitary District	367.00	299.00	-	266.00	266.00	-	
City of Burlington	18,488.00	17,855.00	-	9,656.00	9,656.00	-	
Butte des Morts Consolidated SD	2,144.00	2,144.00	-	646.00	646.00	-	
Calumet Sanitary District #1	505.00	505.00	-	271.00	271.00	-	
Caroline Sanitary District	83.00	83.00	-	42.00	42.00	-	
Village of Cedar Grove	577.00	573.00	-	573.00	573.00	-	
Christmas Mountain Sanitary District	1,659.00	1,606.00	-	1,487.00	1,487.00	8.00	
Village of Cleveland	3,610.00	3,452.00	-	2,572.00	2,572.00	-	
Village of Clinton	4,962.00	4,713.00	-	4,525.00	4,525.00	249.00	
Cloverleaf Lakes Sanitary District #1	1,022.00	977.00	-	520.00	520.00	-	
Village of Cochrane	454.00	441.00	-	404.00	404.00	-	
Consolidated S.D. No. 1	155.00	155.00	-	80.00	80.00	-	
Crestview Sanitary District	290.00	238.00	-	229.00	229.00	-	
Village of Crivitz	1,725.00	1,725.00	-	986.00	986.00	-	
Cushing Sanitary District #1	116.00	116.00	-	98.00	98.00	-	
City of Darlington	$3,650.00	$3,650.00	-	$3,511.00	$3,511.00	-	
Village of Denmark	2,241.00	2,223.00	-	1,418.00	1,418.00	-	
Dyckesville Sanitary District	1,476.00	1,476.00	-	826.00	826.00	-	
City of Eagle River	3,563.00	3,401.00	-	2,481.00	2,481.00	-	
Village of Eastman	323.00	323.00	-	162.00	162.00	-	
Edgewood-Shangri La Sanitary District	1,011.00	996.00	-	664.00	664.00	-	
Village of Egg Harbor	508.00	504.00	-	425.00	425.00	-	
Elcho Sanitary District #1	1,418.00	1,418.00	-	1,208.00	1,208.00	-	
Village of Elk Mound	350.00	349.00	-	251.00	251.00	-	
Village of Fairchild	740.00	713.00	-	617.00	617.00	27.00	
Village of Forestville	585.00	552.00	-	489.00	489.00	-	
Germantown Sanitary District	34.00	34.00	-	17.00	17.00	-	
Gordon Sanitary District #1	395.00	395.00	-	208.00	208.00	-	
Green Valley Sanitary District #1	188.00	188.00	-	137.00	137.00	-	
City of Hartford	13,168.00	13,081.00	-	10,911.00	10,911.00	-	
Hatfield Sanitary District #1	1,135.00	1,135.00	-	677.00	677.00	-	
Village of Haugen	285.00	285.00	-	261.00	261.00	-	
Village of Hilbert	2,502.00	2,496.00	-	1,861.00	1,861.00	-	
Holland Sanitary District #1	1,380.00	1,352.00	-	1,311.00	1,311.00	28.00	
Hub-Rock Sanitary District No. 1	494.00	494.00	-	391.00	391.00	-	
Village of Ironton	107.00	107.00	-	41.00	41.00	-	
Island View Sanitary District	2,764.00	2,480.00	-	1,527.00	1,527.00	-	
Ithaca Sanitary District #1	412.00	412.00	-	323.00	323.00	-	
City of Juneau	271.00	237.00	-	191.00	191.00	-	
Kelly Lake Sanitary District #1	2,439.00	2,413.00	-	2,243.00	2,243.00	-	
City of Kiel	2,470.00	2,470.00	-	2,004.00	2,004.00	-	
Lake Como Sanitary District #1	4,459.00	4,459.00	-	3,567.00	3,567.00	-	
Lake Tomahawk Sanitary Dist #1	1,317.00	1,313.00	-	1,176.00	1,176.00	-	
Village of Lannon	2,982.00	2,982.00	-	2,198.00	2,198.00	-	
Lisbon Sanitary District #1	2,849.00	2,706.00	-	1,412.00	1,412.00	-	

Table VI-2 - Continued
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING LOANS
September 30, 2002
(Amount in Thousands)

Municipality[(a)]	FAA Loan Amount[(b)]	Total Loan Disbursed	Leveraged Balance[(a)]	Non-Leveraged Balance	Total Outstanding Balance[(c)]	Loan Remaining to Fund[(d)]	% of Revenue Bond Pmt[(e)]
Little Green Lake Protection & Rehab Dist.	1,898.00	1,734.00	-	1,676.00	1,676.00	164.00	
Little Suamico Sanitary District #1	1,349.00	1,290.00	-	693.00	693.00	-	
Village of Lomira	1,932.00	1,784.00	-	1,254.00	1,254.00	-	
Village of Lyndon Station	615.00	583.00	-	518.00	518.00	-	
Village of Marathon City	1,890.00	1,853.00	-	1,648.00	1,648.00	-	
Village of Mazomanie	4,753.00	4,540.00	-	4,167.00	4,167.00	213.00	
Village of Menomonee Falls	887.00	869.00	-	749.00	749.00	-	
Village of Milltown	337.00	302.00	-	246.00	246.00	-	
City of Milwaukee	19,358.00	17,559.00	-	15,331.00	15,331.00	1,799.00	
Morrisonville Sanitary District #1	278.00	278.00	-	224.00	224.00	-	
Village of Mukwonago	1,886.00	1,805.00	-	1,650.00	1,650.00	-	
Village of Nashotah	286.00	271.00	-	271.00	271.00	14.00	
Village of Necedah	2,937.00	2,908.00	-	2,908.00	2,908.00	29.00	
City of Nekoosa	2,435.00	2,406.00	-	1,805.00	1,805.00	-	
Village of Nelson	640.00	640.00	-	448.00	448.00	-	
City of Niagara	181.00	181.00	-	92.00	92.00	-	
Village of Oakdale	45.00	45.00	-	20.00	20.00	-	
Town of Oconomowoc	6,819.00	6,167.00	-	5,930.00	5,930.00	653.00	
City of Oconto Falls	528.00	415.00	-	400.00	400.00	112.00	
City of Oconto	3,844.00	3,725.00	-	2,610.00	2,610.00	-	
Ogema Sanitary District #1	190.00	181.00	-	110.00	110.00	-	
Village of Oliver	588.00	588.00	-	460.00	460.00	-	
Omro Sanitary District #1	992.00	992.00	-	688.00	688.00	-	
Oneida Utilities Commission	1,210.00	1,210.00	-	573.00	573.00	-	
Onion River Sewage Commission/Adell	721.00	721.00	-	366.00	366.00	-	
Onion River Sewage Commission/Hingham	227.00	227.00	-	120.00	120.00	-	
Village of Oregon	6,785.00	6,641.00	-	4,321.00	4,321.00	-	
Orihula Sanitary District	2,522.00	2,485.00	-	1,569.00	1,569.00	-	
City of Oshkosh	53,985.00	52,716.00	-	44,289.00	44,289.00	-	
City of Osseo	1,575.00	1,496.00	-	1,442.00	1,442.00	79.00	
Packwaukee Sanitary Dist No. 1	242.00	242.00	-	207.00	207.00	-	
City of Park Falls	1,469.00	1,469.00	-	1,350.00	1,350.00	-	
Pell Lake Sanitary District #1	5,917.00	5,917.00	-	5,017.00	5,017.00	-	
Pensaukee Sanitary District #1	1,279.00	1,279.00	-	943.00	943.00	-	
City of Pewaukee	8,049.00	7,831.00	-	6,749.00	6,749.00	-	
City of Phillips	2,233.00	2,122.00	-	2,043.00	2,043.00	112.00	
Pleasant Springs Sanitary District #1	1,029.00	934.00	-	686.00	686.00	-	
City of Port Washington	1,666.00	1,666.00	-	1,583.00	1,583.00	-	
City of Portage	4,341.00	4,272.00	-	3,742.00	3,742.00	-	
Poy Sippi Sanitary District	223.00	223.00	-	214.00	214.00	-	
Village of Readstown	178.00	178.00	-	165.00	165.00	-	
Rockland Sanitary District #1	222.00	222.00	-	100.00	100.00	-	
Roxbury Sanitary District #1	940.00	914.00	-	806.00	806.00	-	
Village of Sharon	635.00	567.00	-	545.00	545.00	68.00	
Village of Sherwood	2,711.00	2,638.00	-	2,354.00	2,354.00	73.00	
Village of South Wayne	1,388.00	1,266.00	-	961.00	961.00	-	
Village of Stetsonville	1,141.00	1,141.00	-	1,055.00	1,055.00	-	
Summit Sanitary District No. 1	7,832.00	7,563.00	-	7,563.00	7,563.00	269.00	
Village of Union Center	299.00	299.00	-	283.00	283.00	-	
Valley Ridge Clean Water Commission	749.00	749.00	-	373.00	373.00	-	
Walworth County Metropolitan Sew. Dis.	19,994.00	19,088.00	-	13,319.00	13,319.00	-	
City of Waukesha	42,072.00	40,531.00	-	23,946.00	23,946.00	-	
Village of Wausaukee	1,662.00	1,662.00	-	1,019.00	1,019.00	-	
Village of Wauzeka	128.00	107.00	-	81.00	81.00	-	
Westboro Sanitary District #1	51.00	51.00	-	38.00	38.00	-	
Village of Whitelaw	1,494.00	1,405.00	-	1,352.00	1,352.00	89.00	
Village of Williams Bay	885.00	836.00	-	709.00	709.00	-	
Winneconne Sanitary District #3	2,079.00	1,985.00	-	1,225.00	1,225.00	-	
Village of Winneconne	1,644.00	1,494.00	-	1,309.00	1,309.00	-	
City of Wisconsin Rapids	11,670.00	11,348.00	-	6,516.00	6,516.00	-	

(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 Remaining to Fund" is the "FAA Loan Amount" less "Total Loan Disbursed", except for Loans that have been closed-out or paid-off, in which case the "Loan 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, 1999 Series 1 Bonds, 2001 Series 1 Bonds, 2002 Series 1 Bonds, and 2002 Series 2 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 2002 Series 1 Bond proceeds.

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 or before the business day preceding each interest payment date, the Trustee shall transfer the Subsidy Fund Transfer Amount from the Subsidy Fund to the Debt Service Fund.

Whenever the money in the Debt Service Fund and money available in the Loan Credit Reserve Fund are insufficient to pay the principal of and interest on the Bonds, the Trustee shall transfer amounts from the Subsidy Fund to the Debt Service Fund to the extent necessary to cure the deficiency.

The General Resolution permits the issuance of a Series of Bonds only if, upon such issuance, an Authorized Officer certifies to the Trustee that upon delivery of such Bonds there will be in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement. In addition, except in the case of a default in payment of the Bonds, the General Resolution permits disbursements from the Loan Fund only upon receipt of a certificate from an Authorized Officer stating that after taking into account the disbursement there is on deposit in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement.

As of September 30, 2002, the Environmental Improvement Fund has purchased $137 million of State general obligation bonds that were deposited into the Subsidy Fund and the amortized balance was $108 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, 2002, the Loan Credit Reserve Fund balance was approximately $73 million. This amount exceeded the Loan Credit Reserve Fund Requirement as of that date, which was $60 million.

As of September 30, 2002, 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 three 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)**.
- $14 million were invested in a pool managed by the State of Wisconsin Investment Board (**SWIB**)

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, 2002, 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 17.8 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.

The Milwaukee Metropolitan Sewerage District (**MMSD**) is expected to provide approximately 17.1 percent of the gross cash flow servicing the Bonds. The MMSD Comprehensive Annual Financial Report for the year ended December 31, 2001 (**MMSD CAFR**) is included by reference as part of this part of the Annual Report. The MMSD CAFR has been filed with each nationally recognized municipal securities information repository **(NRMSIR)** and should be consulted only with respect to MMSD. No representation is made as to the accuracy or completeness of the information included in the MMSD CAFR, or that there has been no material change since its date.

Copies of the MMSD CAFR can be obtained from:

Mark T. Kaminski, Acting Controller
Milwaukee Metropolitan Sewerage District
260 West Seeboth Street
Milwaukee, Wisconsin 53204-1446
(414) 225-2050
tbragstad@mmsd.com

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, 2002, $588 million of Bonds are legislatively 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, 2002 the amount held in the Loan Credit Reserve Fund was $73 million, and the amount required on such date was $60 million.

Current Schedules

The Bonds are currently rated AA+ by Fitch Ratings (**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 Ratings

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:

<u>"AAA" Credit Quality Category.</u> 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.

<u>"AA" Credit Quality Category.</u> 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 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 "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" in this part of the 2002 Annual Report.

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 revenue obligations payable from the revenues of the utility (**110% Coverage**). The net revenues from the existing utility revenues or projected net revenues from a newly imposed user fee rate structure may establish the "net revenues". If the Municipality does not have outstanding any other obligations with a lien on pledged revenues, DOA will require the Municipality to covenant to generate "net revenues" sufficient to provide 110% Coverage. In the event the Municipality has other obligations outstanding with a lien on pledged revenues, DOA will require that the Municipality covenant to generate "net revenues" at least equal to the highest level of debt service coverage (but not less than 110% Coverage) then 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 amount may be allowed only if the project has not been completed.
- In general, capitalized interest is only allowed for unsewered municipalities that will not have revenues available for loan debt service until after the project is complete.

Final Maturity and Amortization
The final maturity on a Loan may not exceed 20 years from the date of its origination. DOA requires principal amortization on a level-debt-service basis or, in certain cases, on a level-principal basis, with principal amortization beginning not later than 12 months (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, 2002, only a small principal amount $291,400 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 45th day preceding the sinking fund redemption date, or such shorter period as shall be acceptable to the Trustee, to:

(1) the purchase of Bonds of the Series and maturity of such Bonds subject to such sinking fund redemption, at prices (including any brokerage and other charges) not exceeding the redemption price payable for such Bonds pursuant to such sinking fund redemption plus unpaid interest accrued to the date of purchase, 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, 2002 and 2001 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 Official Statement.

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, as amended, 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 (**Loan Credit Reserve Fund Schedule** or **Schedule**) approved by such Rating Agency. Each Schedule sets forth the percentage of the annual debt service attributable to each Loan disbursement from the Loan Fund to be deposited in the Loan Credit Reserve Fund with respect to each Loan disbursement. A Schedule may be amended from time to time upon the presentation to the Trustee of a certificate of an Authorized Officer, supported by a certificate from the Rating Agency to which such Schedule applies, confirming that such amendment to the Schedule will not adversely affect the then-outstanding rating assigned to the Bonds by such Rating Agency.

(2) The amount required in the Schedules for each Loan disbursement from the Loan Fund (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 U. S. 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, 2002 and 2001.

[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 for the Year Ended June 30, 2002 and 2001, Supplemental Information for the Year Ended June 30, 2002 and Independent Auditors' Report

AND

LEVERAGED LOAN PORTFOLIO
Financial Statements for the Year Ended June 1, 2002 and Independent Auditors' Report

STATE OF WISCONSIN

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INDEPENDENT AUDITORS' REPORT

To the Secretary of the Department of Administration
and the Secretary of the Department of Natural Resources
of the State of Wisconsin:

We have audited the accompanying balance sheet of the State of Wisconsin Environmental Improvement Fund (an enterprise fund of the State of Wisconsin) as of June 30, 2002, and the related statements of revenues, expenses and changes in fund equity and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements for the year ended June 30, 2001, before restatement, were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated September 20, 2001.

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

As discussed in Note 1, the financial statements present only the State of Wisconsin Environmental Improvement Fund and do not purport to, and do not, present fairly the financial position of the State of Wisconsin as of June 30, 2002, and the changes in its equity and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the 2002 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, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, in 2002 the State of Wisconsin Environmental Improvement Fund changed its method of accounting for certain operating transfers and its method of classifying assets, liabilities and fund equity to conform to GASB Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments* and, retroactively, restated the 2001 financial statements for the change. We audited the adjustments described in Note 1 that were applied to restate the 2001 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. However, we were not engaged to audit, review, or apply any procedures to the 2001 financial statements of the State of Wisconsin Environmental Improvement Fund other than with respect to such adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2001 financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the basic 2002 financial statements taken as a whole. The supplemental financial statements by program as of and for the year ended June 30, 2002 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These supplemental financial statements by program are also the responsibility of management. Such additional information has been subjected to the auditing procedures applied in our audit of the basic 2002 financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic 2002 financial statements taken as a whole.

Deloitte & Touche LLP

October 8, 2002

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

BALANCE SHEETS
JUNE 30, 2002 AND 2001

ASSETS	2002	2001
Current assets:		
Cash and cash equivalents	$ 244,688,416	$ 209,199,167
United States Treasury Notes, purchased in connection with forward delivery agreements, at cost	23,386,624	23,386,486
Investments - State of Wisconsin general obligation clean water bonds, at fair value	7,647,960	5,906,372
Receivables:		
Loans to Wisconsin municipalities - current portion	68,489,849	61,884,007
Due from State of Wisconsin	253,016	51,584
Due from other governmental entities	5,824,667	5,750,333
Accrued investment income	329,808	337,356
Other assets	4,241	5,858
Total current assets	350,624,581	306,521,163
Noncurrent assets:		
Restricted assets - cash equivalents	58,903,293	55,246,841
Investment, State of Wisconsin general obligation clean water bonds, at fair value	101,404,706	101,716,554
Loans to Wisconsin municipalities	1,014,833,313	953,785,468
Deferred debt expense	2,888,893	3,091,871
Total noncurrent assets	1,178,030,205	1,113,840,734
TOTAL ASSETS	$ 1,528,654,786	$ 1,420,361,897

LIABILITIES AND FUND EQUITY	2002	2001
Current liabilities:		
Accrued expenses	$ 146,296	$ 137,198
Accrued interest on bonds	2,982,484	3,190,344
Due to other funds	1,644,505	2,429,377
Revenue obligation bonds - current maturities	35,410,000	30,975,000
Total current liabilities	40,183,285	36,731,919
Noncurrent liabilities:		
Revenue obligation bonds, net (including deferred charge)	624,040,606	556,809,489
Due to other governmental entities	2,673,236	2,175,334
Accrued expenses	26,078	19,746
Total noncurrent liabilities	626,739,920	559,004,569
Total liabilities	666,923,205	595,736,488
Fund equity:		
Unrestricted	32,388,146	30,322,892
Restricted	829,343,435	794,302,517
Total fund equity	861,731,581	824,625,409
TOTAL LIABILITIES AND FUND EQUITY	$ 1,528,654,786	$ 1,420,361,897

See notes to financial statements.

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
YEARS ENDED JUNE 30, 2002 AND 2001

	2002	2001
OPERATING REVENUES:		
Loan interest	$ 32,605,478	$ 30,598,368
Other	23,142	2,293
Total operating revenues	32,628,620	30,600,661
OPERATING EXPENSES:		
Interest	32,425,670	31,011,773
Salaries and benefits	3,465,367	3,968,806
Contractual services and other	1,896,234	1,848,948
Depreciation	1,485	1,889
Total operating expenses	37,788,756	36,831,416
OPERATING (LOSS)	(5,160,136)	(6,230,755)
NONOPERATING REVENUES (EXPENSES):		
Investment income	18,627,763	29,268,723
Operating grants	23,460,107	19,727,697
Hardship grants awarded	(4,706,562)	(5,151,498)
Total nonoperating revenues, net	37,381,308	43,844,922
INCOME BEFORE OPERATING TRANSFERS	32,221,172	37,614,167
Operating Transfers in	4,885,000	16,700,000
INCREASE IN FUND EQUITY	37,106,172	55,314,167
TOTAL FUND EQUITY - BEGINNING OF YEAR	824,625,409	770,311,242
TOTAL FUND EQUITY - END OF YEAR	$ 861,731,581	$ 824,625,409

See notes to financial statements.

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2002 AND 2001

	2002	2001
OPERATING ACTIVITIES:		
Payments to employees for services	$ (4,138,171)	$ (3,086,815)
Payments to suppliers and other	(2,293,037)	(1,761,673)
Net cash used in operations	(6,431,208)	(4,848,488)
NONCAPITAL FINANCING ACTIVITIES:		
Operating grants received	23,616,977	19,466,236
Grants paid	(4,706,562)	(5,151,498)
Operating transfers in	4,885,000	16,700,000
Proceeds from issuance of long-term debt	102,495,341	70,797,963
Retirement of long-term debt	(30,975,000)	(27,245,000)
Interest payments	(32,162,421)	(29,644,623)
Net cash provided by noncapital financing activities	63,153,335	44,923,078
INVESTING ACTIVITIES:		
Origination of loans	(134,754,177)	(129,535,487)
Collection of loans	67,100,490	60,576,596
Interest received on loans	32,374,275	29,984,593
Purchase of investments	(51,762,882)	(56,771,140)
Liquidation of investments	52,669,117	51,328,516
Increase in restricted cash equivalents	(3,656,452)	(5,524,041)
Investment income receipts	16,796,751	22,122,781
Net cash used in investing activities	(21,232,878)	(27,818,182)
Net increase in cash and cash equivalents	35,489,249	12,256,408
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	209,199,167	196,942,759
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 244,688,416	$ 209,199,167

(Continued)

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2002 AND 2001

	2002	2001
RECONCILIATION OF OPERATING (LOSS) TO NET CASH USED IN OPERATIONS - Operating (loss)	$ (5,160,136)	$ (6,230,755)
ADJUSTMENTS TO RECONCILE OPERATING (LOSS) TO NET CASH USED IN OPERATIONS:		
Depreciation	1,485	1,889
Amortization	663,316	808,284
Interest income classified as investing activity	(32,605,478)	(30,598,368)
Interest expense classified as noncapital financing activity	31,970,214	29,484,023
Changes in assets and liabilities:		
(Increase) decrease in other assets	131	(321)
Increase in deferred charges	(120,270)	(96,925)
Increase in due from State of Wisconsin	(201,432)	(169,646)
Increase (decrease) in accounts payable	9,316	(67,781)
Increase (decrease) in interest payable	(207,860)	719,467
Increase (decrease) in compensated absences accrual	4,028	(4,204)
Increase in due to other governmental entities	350	
Increase (decrease) in due to other funds	(784,872)	1,305,849
Total adjustments	(1,271,072)	1,382,267
NET CASH USED IN OPERATIONS	$ (6,431,208)	$ (4,848,488)

(Concluded)

See notes to financial statements.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The State of Wisconsin Environmental Improvement Fund (the "Fund") is an enterprise fund of the State of Wisconsin (the "State") administered by the State of Wisconsin Department of Natural Resources (the "DNR") and the State of Wisconsin Department of Administration (the "DOA").

The Fund was established with the adoption of the 1997-1999 State of Wisconsin budget. The Fund replaced and expanded 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 portfolios comprise the Clean Water Fund Program:

- <u>Leveraged Loan Portfolio</u> - This portfolio is funded by proceeds of revenue obligation bonds and operating transfers from the State. Assets in this portfolio are used for loans for Wisconsin municipal wastewater projects that meet applicable State eligibility and reporting requirements.

- <u>Direct Loan Portfolio</u> - This portfolio is funded by the U.S. Environmental Protection Agency (the "EPA") grants and operating transfers from the State (i.e., a minimum 20% match of EPA capitalization grant). Loans in this portfolio are made for wastewater projects that comply with EPA eligibility and reporting requirements.

- <u>Proprietary Portfolio</u> - This portfolio is funded by operating transfers from the State. Assets of this portfolio 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. There have been three loans granted under this program for a total of $6,891,730. As of June 30, 2002 the total amount drawn on these loans was $5,483,619. The Land Recycling Program loans are included in the Direct Loan Portfolio for reporting purposes.

Net Operating Losses - The Fund incurred net operating losses of $5.2 million and $6.2 million in 2002 and 2001, 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 EPA grants and operating transfers from the State of Wisconsin. EPA grants were approximately $23.5 million and $19.7 million in 2002 and 2001, respectively, and are classified as operating grants. Operating transfers from the State of Wisconsin were approximately $4.9 million and

$16.7 million and are classified as operating transfers in. Management expects the grants and operating transfers 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.

Loans Receivable - Loans receivable are recorded at cost. Direct costs to originate loans are not material and are expensed as incurred. Fees received to originate loans are not material and are recorded as income when received.

Interest on Loans Receivable - Interest on loans receivable is recognized on an accrual basis and recorded within Due From Other Governmental Entities on the balance sheets.

United States Treasury Notes, Purchased in Connection with Forward Delivery Agreements - The Fund holds United States Treasury Notes as investments at June 30, 2002 and records the notes at amortized cost. The Fund purchased these securities which mature on November 30, 2002, 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 four forward delivery agreements described at Note 4 meet the definition of participating investment contracts under GASB 31. At June 30, 2002, 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, 2002. At June 30, 2002, the fair value of its interest in the four agreements exceeded the cost of the treasury securities owned by approximately $480,000. At June 30, 2001, the cost of the treasury securities owned exceeded the fair value of the Fund's interest by approximately $580,000. 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.

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.

Deferred Debt Expense - Issuance costs relating to the revenue obligation bonds are capitalized and are being amortized using the effective rate method.

Revenue Obligation Bonds - Interest expense on revenue obligation bonds is recognized on an accrual basis.

Debt Defeasance - Advance refundings of debt obligations that meet the criteria of GASB Statement No. 23 are recorded as an extinguishment of debt. The securities held in trust and the defeased obligations are not reported in the financial statements (see Note 6).

Deferred Charge - The Fund defers the difference between the reacquisition price and the net carrying amount of defeased debt and amortizes it as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt. The unamortized deferred charge related to debt defeasance is classified as a reduction of revenue obligation bonds.

Cash Equivalents - The Fund considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The Fund also considers as cash equivalents guaranteed investment contracts or repurchase agreements permitting withdrawals required by the bond resolution to meet insufficiencies in debt service payments. Repurchase agreements and guaranteed investment contracts are valued at cost because they are nonparticipating contracts due to the non-negotiability of these investments and because the amount of any withdrawals made do not consider market interest rates.

Cash and cash equivalents in the Direct Loan Portfolio and Leveraged Loan Portfolio, while classified as unrestricted assets under accounting principles generally accepted in the United States ("GAAP"), are restricted as to use under federal statute and code and under the Clean Water Revenue Bond covenants and indenture. Those federal restrictions require that, with few exceptions, the funds can only be used for purposes of making loans to municipalities for program purposes, and that the funds must be kept available "in perpetuity" for such purposes. Likewise, the Clear Water Revenue Bond indenture specifies the use of bond proceeds, proceeds from loan repayments, and money in other accounts created under the bond indenture.

Revenue Recognition - Loan interest and investment income are recognized as revenue when earned. Operating grants are recognized as revenue in the period the related expenditure occurs.

Hardship Grants - Hardship grants are recognized as an expense when the funds are disbursed.

Reclassifications - Certain reclassifications were made to the 2001 financial statements in order to conform with the 2002 presentation.

New Accounting Pronouncements - In December 1998, the Government Accounting Standards Board ("GASB") issued GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions." GASB No. 33 establishes standards for nonexchange transactions involving financial or capital resources. Among other things, the Statement requires proprietary funds to recognize capital contributions from other government entities as revenues. The Fund adopted GASB No. 33 in fiscal 2001. Accordingly, $23.5 million and $19.7 million of contributions received from the EPA are included in operating grants received in the fiscal 2002 and 2001 statements of revenues and expenses, respectively.

In June 1999, the GASB issued Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments." GASB No. 34 establishes financial reporting standards for state and local governments, including states, counties, cities and special purpose governments such as school districts and public utilities. The Fund adopted GASB No. 34 in fiscal 2002.

The adoption of GASB No. 34 requires the Fund to record capital contributions from the State of Wisconsin in the statement of revenues and expenses after nonoperating revenues and expenses. In prior years, contributions from the State of Wisconsin were recorded as additions to contributed capital. The fiscal 2001 financial statements have been restated to conform with this presentation. This restatement increased fiscal 2001 income and decreased contributed capital by $16.7 million. This restatement did not impact the Fund's total equity as of June 30, 2001.

The adoption of GASB No. 34 also requires the Fund to present its assets and liabilities in a classified format to distinguish between current and long-term assets and liabilities. The fiscal 2001 balance sheet has been reclassified to conform with this presentation. The adoption of this statement did not impact the Fund's total assets or total liabilities as of June 30, 2001.

The adoption of GASB No. 34 also requires the Fund to classify its equity based on the presence or absence of restrictions. As a result, all of the equity is classified as either unrestricted or restricted at June 30, 2002. In prior years, the Fund's equity was classified as either contributed capital or retained earnings. The fiscal 2001 financial statements have been restated to conform with this presentation. This restatement did not impact the Fund's total equity as of June 30, 2001.

2. LOANS TO WISCONSIN MUNICIPALITIES

Loans to Wisconsin municipalities at June 30, 2002 and 2001, 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, virtually all 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 losses that can result from this negative interest margin is funded by State operating transfers. Interest rates ranged from 0% to 5.8% in both 2002 and 2001. The weighted average interest rate was 3.04% and 3.06% at June 30, 2002 and 2001, 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. At June 30, 2002, all loans were performing in accordance with the contractual terms.

Of the loans outstanding at June 30, 2002 and 2001, $258,479,881 and $224,289,127 (24% and 22%), respectively, were loans due from the Milwaukee Metropolitan Sewerage District.

The Clean Water Fund Program has made additional financial assistance commitments of $204,077,095 as of June 30, 2002. From July 1, 2002 to October 8, 2002, the Fund made loan disbursements of $21,629,451 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, 2002 and 2001, cash and cash equivalents consisted of the following:

	2002	2001
State of Wisconsin Investment Board ("SWIB") Local Government Investment Pool ("LGIP"), at fair value	$267,901,426	$228,755,725
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
	303,591,709	264,446,008
Less - Amounts classified as restricted assets (see Note 5)	(58,903,293)	(55,246,841)
Total cash and cash equivalents	$244,688,416	$209,199,167

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 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, 2002, the current yield on the LGIP was 1.82%. 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, 2002, the investment had a market value of $6,846,270 and 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, 2002, the agreement had a market value of $26,923,243 and was accruing interest at the rate of 8.1%.

The repurchase agreement with Bayerische Landesbank is collateralized by U.S. Treasury notes, bonds and debentures. At June 30, 2002, the repurchase agreement had a market value of $8,577,714. 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. FORWARD DELIVERY AGREEMENTS

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 ("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 not a compensating payment made 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, coupon rates, the cost and rate at which the Treasury Notes accrue interest in accordance with the Forward Delivery Agreements at June 30, 2002, are as follows:

	Par Value	Coupon Rate	Cost	Agreement Rate	Agreement Maturity Date
Series 1997-1 Agreement	$ 6,986,000	5.75 %	$ 6,991,699	5.58 %	June 1, 2017
Series 1998-1 Agreement	7,266,000	5.75	7,292,103	5.01	June 1, 2018
Series 1993-1 Agreement	2,241,000	N/A	2,183,992	5.22	June 1, 2013
Series 1999-1 Agreement	6,938,000	5.75	6,918,830	6.32	June 1, 2020

5. REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS

Revenue obligation serial and term bonds as of June 30, 2002 and 2001, consisted of the following:

	2002	2001
1991 Series 1:		
Serial Bonds, optional redemption for bonds at 102% of par, June 1, 2001, declining to 100% of par, June 1, 2003		$11,375,000
Term Bonds, mandatory redemption of bonds at 100% of par, June 1, 2009 through June 1, 2011	$57,445,000	57,445,000
	57,445,000	68,820,000
Unamortized discount on bonds	(196,717)	(214,837)
	57,248,283	68,605,163
1993 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2004	28,935,000	33,030,000
Unamortized discount on bonds	(130,057)	(169,690)
	28,804,943	32,860,310
1993 Series 2:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2004	76,120,000	76,770,000
Unamortized premium on bonds	996,432	1,183,189
	77,116,432	77,953,189
1995 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2006	26,990,000	30,630,000
Unamortized premium on bonds	208,920	378,675
	27,198,920	31,008,675

	2002	2001
1997 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2008	$ 45,215,000	$ 48,225,000
Unamortized premium on bonds	145,629	195,307
	45,360,629	48,420,307
1998 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2008	77,565,000	80,850,000
Unamortized premium on bonds	288,347	401,041
	77,853,347	81,251,041
1998 Series 2:		
Serial Bonds, no optional redemption	102,560,000	102,560,000
Unamortized premium on bonds	5,715,011	6,269,209
	108,275,011	108,829,209
1999 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2009	74,885,000	77,495,000
Unamortized discount on bonds	(103,082)	(57,314)
	74,781,918	77,437,686
2001 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2011	67,690,000	70,000,000
Unamortized premium on bonds	820,693	982,131
	68,510,693	70,982,131
2002 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2012	100,000,000	
Unamortized premium on bonds	2,386,608	
	102,386,608	
Total of all series	667,536,784	597,347,711
Unamortized deferred charge related to debt defeasance (Note 6)	(8,086,178)	(9,563,222)
Revenue obligation bonds, net of deferred charge	$659,450,606	$587,784,489

The original issue discount or premium and weighted average yield at June 30, 2002, on the following bonds were:

Series	**Original Issue Discount/(Premium)**	**Weighted Average Yield**
1991 Series 1	$ 1,366,407	6.88 %
1993 Series 1	907,852	4.87
1993 Series 2	(2,349,252)	5.35
1995 Series 1	(1,253,936)	5.68
1997 Series 1	(288,312)	5.30
1998 Series 1	(811,362)	4.78
1998 Series 2	(7,739,808)	5.39
1999 Series 1	(58,061)	5.37
2001 Series 1	(1,022,362)	4.87
2002 Series 1	(2,426,001)	5.04

Yields range from 2.25% to 6.88% on the remaining maturities of the bonds.

Principal maturities of the bonds, net of advance refundings, as of June 30, 2002, 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**	**2001 Series 1**	**2002 Series 1**	**Total**
2003		$ 4,280,000	$ 680,000	$ 3,870,000	$ 3,150,000	$ 3,415,000	$ 12,160,000	$ 2,715,000	$ 2,390,000	$ 2,750,000	$ 35,410,000
2004		4,480,000	13,610,000	4,110,000	3,290,000	3,555,000		2,830,000	2,475,000	2,955,000	37,305,000
2005		4,690,000	14,255,000	4,365,000	3,445,000	3,705,000		2,955,000	2,570,000	3,105,000	39,090,000
2006		4,915,000	14,935,000	4,640,000	3,625,000	3,865,000		3,085,000	2,665,000	3,255,000	40,985,000
2007		5,155,000	15,845,000	4,875,000	3,845,000	4,035,000		3,225,000	2,770,000	3,420,000	43,170,000
2008 - 2023	$57,445,000	5,415,000	16,795,000	5,130,000	27,860,000	58,990,000	90,400,000	60,075,000	54,820,000	84,515,000	461,445,000
	$57,445,000	$28,935,000	$76,120,000	$26,990,000	$45,215,000	$77,565,000	$102,560,000	$74,885,000	$67,690,000	$100,000,000	$657,405,000

The revenue obligation bonds are collateralized by a security interest in all assets of the Leveraged Loan Portfolio. At June 30, 2002 and 2001, the total assets of the Leveraged Loan Portfolio were $817,778,704 and $736,266,365, respectively. Neither the full faith and credit nor the taxing power of the State is pledged for the payment of the revenue obligation bonds. However, as the loans granted to the municipalities are at an interest rate which is less than the Revenue Bond rate, the State is obligated by the Clean Water Fund General Resolution to fund, prior to each loan disbursement, a reserve, which subsidizes the Leveraged Loan Portfolio in an amount to offset this interest rate disparity.

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 consist of substantially all of the MBIA, AIG, Bayerische Landesbank investments, (Note 3), and treasury securities held as part of the forward delivery agreements (Note 4). These amounts are required in order to satisfy the conditions of certain agreements related to maintaining the minimum credit ratings on the bonds.

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 $590,663. 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 is being 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, 2002, $73,765,000 of the 1991 Series 1 Bonds had been called using the proceeds of the 1993 Series 2 Refunding Bonds and $12,120,000 of the 1991 Series 1 Bonds had been called using the proceeds of the 1998 Series 2 Refunding Bonds.

7. OPERATING TRANSFERS IN

Operating transfers in consist of contributions from the State of Wisconsin, net of amounts returned to the State of Wisconsin (all of which are statutorily mandated). Fiscal 2002 operating transfers in consist of $15,085,000 of contributions offset by $10,200,000 returned to the State of Wisconsin. Fiscal 2001 operating transfers in consist of $20,700,000 of contributions offset by $4,000,000 returned to the State of Wisconsin. 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 operating transfers to the fund. The Fund will be required to return $6,000,000 of capital to the State in fiscal 2003.

Using cash contributed by the State, the Fund owned $95,735,139 (par value) of State of Wisconsin General Obligation Bonds ($37,787,745 of Clean Water Fund Series 1 Bonds of 1991, $3,413,392 of Clean Water Fund Series A Bonds of 1993, $15,883,699 of Clean Water Fund Series 1 Bonds of 1994, $3,769,416 of Clean Water Fund Series 1 Bonds of 1995, $4,336,257 of Clean Water Fund Series A Bonds of 1996, $7,936,446 of Clean Water Fund Series A Bonds of 1997, $4,403,184 of Clean Water Fund Series A Bonds of 1998, $4,330,000 of Clean Water Fund Series A Bonds of 1999, $4,750,000 of Clean Water Fund Series A Bonds of 2000, $4,750,000 of Clean Water Fund Series A Bonds of 2001, $4,375,000 of Clean Water Fund Series B Bonds of 2001) as of June 30, 2002. 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 weighted average coupon interest rate of the State of Wisconsin General Obligation Bonds-Clean Water Fund Series are as follows:

	Fair Value		Weighted Average Interest Rate	
	2002	2001	2002	2001
1991 Series 1	$ 45,668,481	$ 47,449,443	9.5 %	9.5 %
1993 Series A	3,951,782	4,066,270	8.3	8.2
1994 Series 1	17,153,790	17,329,176	6.8	6.8
1995 Series 1	4,182,755	4,280,137	7.5	7.4
1996 Series A	4,836,270	5,033,686	7.5	7.4
1997 Series A	8,854,878	9,022,296	7.6	7.5
1998 Series A	4,503,704	4,574,029	6.3	6.1
1999 Series A	4,885,865	4,936,577	7.7	7.6
2000 Series A	5,338,125	5,465,656	7.7	7.7
2001 Series A	5,338,125	5,465,656	7.7	7.7
2001 Series B	4,338,891		5.3	
Total	$109,052,666	$107,622,926		

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, 2002 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	2000 Series A	2001 Series A	2001 Series B	Total
2003	$ 2,866,085	$ 254,008	$ 1,029,652	$ 184,185	$ 333,141	$ 374,683	$ 181,646	$ 175,000	$ 0	$ 0	$1,000,000	$ 6,398,400
2004	3,127,933	269,728	1,139,119	176,883	330,529	393,770	180,371	197,500			250,000	6,065,833
2005	3,417,123	294,573	1,151,359	212,909	386,320	425,401	178,158	195,000				6,260,843
2006	3,736,370	323,840	1,222,620	228,535	415,555	455,420	173,780	195,000				6,751,120
2007	4,085,485	354,038	1,291,129	244,965	446,480	490,147	167,367	185,000				7,264,611
2008 - 2019	20,554,749	1,917,205	10,049,820	2,721,939	2,424,232	5,797,025	3,521,862	3,382,500	4,750,000	4,750,000	3,125,000	62,994,332
	$37,787,745	$3,413,392	$15,883,699	$3,769,416	$4,336,257	$7,936,446	$4,403,184	$4,330,000	$4,750,000	$4,750,000	$4,375,000	$95,735,139

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, 2002 and 2001:

	2002	2001
Interest:		
State of Wisconsin Investment Board Local Government Investment Pool	$ 5,130,627	$ 11,088,368
MBIA Guaranteed Investment Agreement	387,518	387,518
Repurchase Agreement with Bayerishe Landesbank	493,864	493,864
AIG Guaranteed Investment Agreement	1,769,209	1,769,209
United States Treasury Notes	1,299,668	1,362,179
State of Wisconsin General Obligation Bonds	7,921,549	7,594,085
Cash held by trustee		20,348
Total interest	17,002,435	22,715,571
Changes in Unrealized Gains (Losses):		
State of Wisconsin Investment Board Local Government Investment Pool	(213,232)	(273,986)
State of Wisconsin General Obligation Bonds	2,336,112	7,326,453
Total changes in unrealized gains (losses)	2,122,880	7,052,467
Total interest and changes in unrealized gains (losses)	19,125,315	29,768,038
Estimated Rebatable Arbitrage Liability	(497,552)	(499,315)
TOTAL INVESTMENT INCOME	$ 18,627,763	$ 29,268,723

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, expenses and changes in fund equity for the years ended June 30, 2002 and 2001, were $4,298,652 and $4,737,827, respectively. The Fund charges all DNR and DOA expenses to the Direct Loan Portfolio, the Proprietary Portfolio, and the Safe Drinking Water Loan Program. Thus, certain expenses have been allocated to the Leveraged Loan Portfolio 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, 2002 and 2001:

	2002	2001
DNR	$2,944,419	$3,497,487
DOA	520,948	471,319
	$3,465,367	$3,968,806

10. OPERATING, HARDSHIP AND OTHER GRANTS

Operating Grants - The Federal Water Quality Act of 1987 (the "Water Quality Act") established a joint Federal and state program with the U.S. Environmental Protection Agency ("EPA") to assist in providing financial assistance to municipalities within the states for governmentally owned waste water treatment projects. Under the terms of the EPA grant, the State was required (1) to establish the Clean Water Fund Program, a perpetual state revolving fund into which the grant monies must be deposited, (2) to provide State matching funds equal to 20% of the grant and (3) to use the monies to provide financial assistance to municipalities for governmental owned waste water treatment projects in a number of ways, provided that such assistance is not in the form of a grant. Reauthorization of the Water Quality Act of 1987 is 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 $15.9 million for federal fiscal year 2002. Authorization levels for years after 2002 are unknown at this time.

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 2002, the fund expended hardship grants of $3,377,254. At fiscal year end, the Fund had committed to award $112,290 of additional hardship grants. In addition, the Fund expended $1,600,178 of other grants in 2002.

11. SUBSEQUENT EVENT

In August 2002, the State issued $85,575,000 in State of Wisconsin Clean Water Revenue Refunding Bonds, 2002 Series 2, dated August 1, 2002, with a weighted average interest rate of 5.0%. The refunding bonds were issued at a premium, resulting in proceeds of $92,919,710, including accrued interest of $71,354. The purpose of the issue was primarily to advance refund $86,095,000 of outstanding Revenue Obligation Bonds from various previously issued series with a weighted average interest rate of 5.2%. Approximately $92,044,000 of the proceeds were used to purchase United States Treasury Securities which were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on a portion of the 1993 Series 1, 1995 Series 1, 1997 Series 1, 1998 Series 1 and 1999 Series 1 Revenue Obligation Bonds. In accordance with GASB 23, this transaction will be reflected as a defeasance of debt in the Fund's fiscal 2003 financial statements.

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STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

BALANCE SHEET BY PROGRAM
JUNE 30, 2002

ASSETS	Clean Water Fund Program: Direct Loan Portfolio	Clean Water Fund Program: Proprietary Portfolio	Clean Water Fund Program: Leveraged Loan Portfolio	Safe Drinking Water Loan Program	Eliminations	Total
Current assets:						
Cash and cash equivalents	$ 80,196,010	$ 20,160,690	$ 108,168,875	$ 36,162,841		$ 244,688,416
United States Treasury Notes, purchased in connection with forward delivery agreements, at cost			23,386,624			23,386,624
Investments - State of Wisconsin general obligation clean water bonds, at fair value			7,647,960			7,647,960
Receivables:						
Loans to Wisconsin municipalities - current portion	30,395,441	1,409,215	33,270,547	3,414,646		68,489,849
Due from State of Wisconsin		2,239,761			$ (1,986,745)	253,016
Due from other governmental entities	2,355,473	74,936	2,567,921	826,337		5,824,667
Accrued investment income			329,808			329,808
Other assets		4,241				4,241
Total current assets	112,946,924	23,888,843	175,371,735	40,403,824	(1,986,745)	350,624,581
Noncurrent assets:						
Restricted assets - cash equivalents			58,903,293			58,903,293
Investment, State of Wisconsin general obligation clean water bonds, at fair value			101,404,706			101,404,706
Loans to Wisconsin municipalities	449,753,086	19,179,819	479,210,077	66,690,331		1,014,833,313
Deferred debt expense			2,888,893			2,888,893
Total noncurrent assets	449,753,086	19,179,819	642,406,969	66,690,331		1,178,030,205
TOTAL ASSETS	$ 562,700,010	$ 43,068,662	$ 817,778,704	$ 107,094,155	$ (1,986,745)	$ 1,528,654,786

(Continued)

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

BALANCE SHEET BY PROGRAM
JUNE 30, 2002

	Clean Water Fund Program			Safe Drinking Water Loan Program		
LIABILITIES AND NET ASSETS	**Direct Loan Portfolio**	**Proprietary Portfolio**	**Leveraged Loan Portfolio**		**Eliminations**	**Total**
Current liabilities:						
Accrued expenses	$ 278	$ 91,099	$ 2,086	$ 52,833		$ 146,296
Accrued interest on bonds			2,982,484			2,982,484
Due to other funds		1,574,206	1,986,745	70,299	$ (1,986,745)	1,644,505
Revenue obligation bonds - current maturities			35,410,000			35,410,000
Total current liabilities	278	1,665,305	40,381,315	123,132	(1,986,745)	40,183,285
Noncurrent liabilities:						
Revenue obligation bonds, net (including deferred charge)			624,040,606			624,040,606
Due to other governmental entities			2,672,886	350		2,673,236
Accrued expenses		26,078				26,078
Total noncurrent liabilities		26,078	626,713,492	350		626,739,920
Total liabilities	278	1,691,383	667,094,807	123,482	$ (1,986,745)	666,923,205
Fund equity:						
Unrestricted		32,388,146				32,388,146
Restricted	562,699,732	8,989,133	150,683,897	106,970,673		829,343,435
Total fund equity	562,699,732	41,377,279	150,683,897	106,970,673		861,731,581
TOTAL LIABILITIES AND FUND EQUITY	$ 562,700,010	$ 43,068,662	$ 817,778,704	$ 107,094,155	$ (1,986,745)	$ 1,528,654,786

(Concluded)

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY BY PROGRAM
YEAR ENDED JUNE 30, 2002

	Clean Water Fund Program			Safe Drinking Water Loan Program	Eliminations	Total
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio			
OPERATING REVENUES:						
Loan interest	$ 14,401,862	$ 442,037	$ 15,973,355	$ 1,788,224	$	$ 32,605,478
Others		23,142				23,142
Total operating revenues	14,401,862	465,179	15,973,355	1,788,224		32,628,620
OPERATING EXPENSES:						
Interest			32,425,670			32,425,670
Salaries and benefits	922,140	363,286	1,453,146	726,795		3,465,367
Contractual services and other	72,556	133,400	599,011	1,091,267		1,896,234
Depreciation		1,485				1,485
Total operating expenses	994,696	498,171	34,477,827	1,818,062		37,788,756
OPERATING INCOME (LOSS)	13,407,166	(32,992)	(18,504,472)	(29,838)		(5,160,136)
NONOPERATING REVENUES (EXPENSES):						
Investment income	2,532,855	480,312	15,116,339	498,257		18,627,763
Operating grants	8,520,911			14,939,196		23,460,107
Hardship grants awarded		(4,706,562)				(4,706,562)
Total nonoperating revenues, net	11,053,766	(4,226,250)	15,116,339	15,437,453		37,381,308
INCOME (LOSS) BEFORE OPERATING TRANSFERS	24,460,932	(4,259,242)	(3,388,133)	15,407,615		32,221,172
Operating transfers in (out)	(17,113,362)	(61,349)	12,807,623	9,252,088		4,885,000
INCREASE (DECREASE) IN NET FUND EQUITY	7,347,570	(4,320,591)	9,419,490	24,659,703		37,106,172
FUND EQUITY, BEGINNING OF YEAR	555,352,162	45,697,870	141,264,407	82,310,970		824,625,409
FUND EQUITY, END OF YEAR	$ 562,699,732	$ 41,377,279	$ 150,683,897	$ 106,970,673	$	$ 861,731,581

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENT OF CASH FLOWS BY PROGRAM
YEAR ENDED JUNE 30, 2002

	Clean Water Fund Program			Safe Drinking Water Loan Program	Eliminations	Total
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio			
OPERATING ACTIVITIES:						
Payments to employees for services	$ (1,504,906)	$ (127,228)	$ (1,366,826)	$ (1,139,211)	$	$ (4,138,171)
Payments to suppliers and other	(102,917)	(360,278)	(670,646)	(1,159,196)		(2,293,037)
Net cash used in operations	(1,607,823)	(487,506)	(2,037,472)	(2,298,407)		(6,431,208)
NONCAPITAL FINANCING ACTIVITIES:						
Operating grants received	8,704,354			14,912,623		23,616,977
Grants paid		(4,706,562)				(4,706,562)
Operating transfers in/(out)	(17,113,362)	(61,349)	12,807,623	9,252,088		4,885,000
Proceeds from issuance of long-term debt			102,495,341			102,495,341
Retirement of long-term debt			(30,975,000)			(30,975,000)
Interest payments			(32,162,421)			(32,162,421)
Net cash provided by (used in) noncapital financing activities	(8,409,008)	(4,767,911)	52,165,543	24,164,711		63,153,335
INVESTING ACTIVITIES:						
Origination of loans	(73,487,387)	(2,658,269)	(49,008,908)	(9,599,613)		(134,754,177)
Collection of loans	30,363,444	1,595,476	31,846,706	3,294,864		67,100,490
Interest received on loans	14,262,712	429,492	15,934,362	1,747,709		32,374,275
Purchase of investments			(51,762,882)			(51,762,882)
Liquidation of investments			52,669,117			52,669,117
Increase in restricted cash equivalents			(3,656,452)			(3,656,452)
Investment income receipts	2,532,855	480,312	13,285,327	498,257		16,796,751
Net cash provided by (used in) investing activities	(26,328,376)	(152,989)	9,307,270	(4,058,783)		(21,232,878)
Net increase (decrease) in cash and cash equivalents	(36,345,207)	(5,408,406)	59,435,341	17,807,521		35,489,249
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	116,541,217	25,569,096	48,733,534	18,355,320		209,199,167
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 80,196,010	$ 20,160,690	$ 108,168,875	$ 36,162,841	$	$ 244,688,416

(Continued)

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENT OF CASH FLOWS BY PROGRAM
YEAR ENDED JUNE 30, 2002

	Clean Water Fund Program					
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio	Safe Drinking Water Laon Program	Eliminations	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATIONS -						
Operating income (loss)	$ 13,407,166	$ (32,992)	$ (18,504,472)	$ (29,838)	$	$ (5,160,136)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATIONS:						
Depreciation		1,485				1,485
Amortization			663,316			663,316
Interest income classified as investing activity	(14,401,861)	(442,037)	(15,973,356)	(1,788,224)		(32,605,478)
Interest expense classified as noncapital financing activity			31,970,214			31,970,214
Changes in Assets and Liabilities:						
Decrease in other assets		131				131
(Increase) in deferred charges			(120,270)			(120,270)
(Increase) in due from State of Wisconsin		(336,387)			134,955	(201,432)
Increase in accounts payable	278	2,368		6,670		9,316
Increase in interest payable			(207,860)			(207,860)
Increase in compensated absences		4,028				4,028
Increase in due to other government entities				350		350
Increase (decrease) in due to other funds	(613,406)	315,899	134,956	(487,366)	(134,955)	(784,872)
Total adjustments	(15,014,989)	(454,513)	16,467,000	(2,268,570)		(1,271,072)
NET CASH USED IN OPERATIONS	$ (1,607,823)	$ (487,505)	$ (2,037,472)	$ (2,298,408)	$	$ (6,431,208)

(Concluded)

STATE OF WISCONSIN
LEVERAGED LOAN PORTFOLIO

Financial Statements for the Year Ended June 1, 2002 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Secretary of the Department of Administration
and the Secretary of the Department of Natural Resources
of the State of Wisconsin:

We have audited the accompanying balance sheet of the Leveraged Loan Portfolio (an environmental financing program) of the State of Wisconsin Environmental Improvement Fund (an enterprise fund of the State of Wisconsin) as of June 1, 2002, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements present only the Leveraged Loan Portfolio of the State of Wisconsin Environmental Improvement Fund and do not purport to, and do not, present fairly the financial position of the State of Wisconsin as of June 1, 2002, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Leveraged Loan Portfolio of the State of Wisconsin Environmental Improvement Fund as of June 1, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

October 8, 2002

STATE OF WISCONSIN
LEVERAGED LOAN PORTFOLIO

BALANCE SHEET
JUNE 1, 2002

ASSETS

Current assets:	
Cash and cash equivalents	$157,887,415
United States Treasury Notes, purchased in connection with forward delivery agreements, at cost	23,376,259
Investments - State of Wisconsin general obligation clean water bonds, at fair value	7,647,960
Receivables:	
Loans to Wisconsin municipalities - current portion	33,158,100
Due from other governmental entities	1,305,722
Accrued investment income	653,589
Total current assets	224,029,045
Noncurrent assets:	
Restricted assets - cash equivalents	58,610,906
Investments - State of Wisconsin general obligation clean water bonds, at fair value	99,887,446
Loans to Wisconsin municipalities	475,844,826
Deferred debt expense	2,925,018
Total noncurrent assets	637,268,196
TOTAL ASSETS	$861,297,241

LIABILITIES AND NET ASSETS

Current liabilities:	
Accrued expenses	$ 82,086
Accrued interest on bonds	16,023,795
Due to other funds	1,821,183
Revenue obligation bonds - current maturities	30,975,000
Total current liabilities	48,902,064
Noncurrent liabilities:	
Due to other governmental entities	2,625,304
Revenue obligation bonds, net (including deferred charge)	659,465,940
Total noncurrent liabilities	662,091,244
Total liabilities	710,993,308
Net assets -	
Restricted	150,303,933
Total net assets	150,303,933
TOTAL LIABILITIES AND NET ASSETS	$861,297,241

See notes to financial statements.

STATE OF WISCONSIN
LEVERAGED LOAN PORTFOLIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 1, 2002

OPERATING REVENUES -	
Loan interest	$ 15,937,709
OPERATING EXPENSES:	
Interest, including discount amortization	32,881,795
Salaries and benefits	1,445,953
Contractual services and other	595,464
Total operating expenses	34,923,212
Operating loss	(18,985,503)
NONOPERATING REVENUES -	
Investment income	13,776,639
LOSS BEFORE OPERATING TRANSFERS	(5,208,864)
Operating transfers in	12,807,623
INCREASE IN NET ASSETS	7,598,759
TOTAL NET ASSETS - BEGINNING OF YEAR	142,705,174
TOTAL NET ASSETS - END OF YEAR	$ 150,303,933

STATE OF WISCONSIN
LEVERAGED LOAN PORTFOLIO

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 1, 2002

OPERATING ACTIVITIES:	
Payments to employees for services	$ (592,901)
Payments to suppliers and other	(1,366,824)
Net cash used in operations	(1,959,725)
NONCAPITAL FINANCING ACTIVITIES:	
Operating transfers in	12,807,622
Proceeds from issuance of long-term debt	102,495,341
Interest payments	(16,364,623)
Net cash provided by noncapital financing activities	98,938,340
INVESTING ACTIVITIES:	
Origination of loans	(49,168,120)
Collection of loans	31,846,706
Interest received on loans	13,092,612
Purchase of investments	(28,376,259)
Liquidation of investments	29,292,858
Increase in restricted cash equivalents	(9,207,151)
Investment income receipts	15,934,362
Net cash used in investing activities	3,415,008
Net increase in cash and cash equivalents	100,393,623
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	57,493,792
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 157,887,415

(Continued)

STATE OF WISCONSIN
LEVERAGED LOAN PORTFOLIO

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 1, 2002

RECONCILIATION OF OPERATING (LOSS) TO NET CASH USED IN OPERATIONS - Operating (loss)	$ (18,985,503)
ADJUSTMENTS TO RECONCILE OPERATING (LOSS) TO NET CASH USED IN OPERATIONS:	
Amortization	337,778
Interest income classified as investing activity	(15,937,709)
Interest expense classified as noncapital financing activity	16,520,222
Changes in assets and liabilities:	
Increase in deferred charges	(42,017)
Increase in interest payable	16,023,795
Increase in due to other funds	123,709
Total adjustments	17,025,778
NET CASH USED IN OPERATIONS	$ (1,959,725)

(Concluded)

See notes to financial statements.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The Leveraged Loan Portfolio (the "Portfolio") is one of three portfolios of the Clean Water Fund Program, an environmental financing program of the State of Wisconsin Environmental Improvement Fund (the "Fund"). The Fund is an enterprise fund of the State of Wisconsin (the "State") administered by the State of Wisconsin Department of Natural Resources (the "DNR") and the State of Wisconsin Department of Administration (the "DOA").

The Portfolio is funded by proceeds of revenue obligation bonds and contributions from the State. Assets in the Portfolio are used for loans for Wisconsin municipal wastewater projects that meet applicable State eligibility and reporting requirements.

Net Operating Income - The Portfolio incurred an operating loss of $19.0 million in 2002. Management expects the Portfolio will generally incur net operating losses for the foreseeable future. As explained in Note 2, the losses result from the Portfolio's statutory mission to provide loans to municipalities at interest rates below the Portfolio's own cost of funds. The losses have historically been funded by operating transfers from the State. These operating transfers were approximately $12.8 million in 2002. Management expects operating transfers will continue for the foreseeable future sufficient to fund both the future operating losses and, together with additional borrowing, to fund additional loans to municipalities.

Interest on Loans Receivable - Interest on loans receivable is recognized on an accrual basis and recorded within Due From Other Governmental Entities on the balance sheet.

United States Treasury Notes, Purchased in Connection with Forward Delivery Agreements - The Portfolio holds United States Treasury Notes as investments at June 1, 2002 and records the notes at amortized cost. The Portfolio purchased these securities which mature on November 30, 2002, 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 four forward delivery agreements described at Note 4 meet the definition of participating investment contracts under GASB 31. At June 1, 2002, 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 Portfolio's balance sheet, rather than reporting the cost of the treasury securities that the Portfolio owns at June 1, 2002. At June 1, 2002, the fair value of its interest in the four agreements exceeded the cost of the treasury securities owned by approximately $120,000. 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.

Investments - Investments that are stated at fair value include the State of Wisconsin Investment Board ("SWIB") Local Government Investment Pool ("LGIP") (see Note 3). The Portfolio has received fair value information for investments from external sources. Changes in the fair value of investments are included in investment income. All other investments are reported at cost. Accrued interest on investments is recorded as earned. To the extent interest income on investments exceeds applicable arbitrage limits specified in the Internal Revenue Code, the amount that must be rebated ("estimated arbitrage") to the U.S. Treasury is recorded as a reduction of investment income (see Note 8). Investment transactions are recorded on the trade date.

Deferred Debt Expense - Issuance costs relating to the revenue obligation bonds were capitalized and are being amortized using the effective rate method.

Revenue Obligation Bonds - Interest expense on revenue obligation bonds is recognized on an accrual basis.

Debt Defeasance - Advance refundings of debt obligations that meet the criteria of GASB Statement No. 23 are recorded as an extinguishment of debt. The securities held in trust and the defeased obligations are not reported in the financial statements (see Note 6).

Deferred Charge - The Portfolio defers the difference between the reacquisition price and the net carrying amount of defeased debt and amortizes it as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt. The unamortized deferred charge related to debt defeasance is classified as a reduction of revenue obligation bonds.

Cash Equivalents - The Portfolio considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The Portfolio also considers as cash equivalents guaranteed investment contracts or repurchase agreements permitting withdrawals required by the bond resolution to meet insufficiencies in debt service payments. Repurchase agreements and guaranteed investment contracts are valued at cost because they are nonparticipating contracts due to the non-negotiability of these investments and because the amount of any withdrawals made do not consider market interest rates.

New Accounting Pronouncement - In June 1999, the GASB issued Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." GASB No. 34 establishes financial reporting standards for state and local governments, including states, counties, cities and special purpose governments such as school districts and public utilities. The Portfolio adopted GASB No. 34 in fiscal 2002.

The adoption of GASB No. 34 requires the Portfolio to record capital contributions from the State of Wisconsin in the statement of revenues and expenses after nonoperating revenues and expenses. In prior years, contributions from the State of Wisconsin were recorded as additions to contributed capital. The adoption of this statement did not impact the Portfolio's total net assets as of June 30, 2001.

The adoption of GASB No. 34 also requires the Portfolio to present its assets and liabilities in a classified format to distinguish between current and noncurrent assets and liabilities. The adoption of this statement did not impact the Portfolio's total assets or total liabilities as of June 30, 2001.

The adoption of GASB No. 34 also requires the Portfolio to classify its net assets based on the presence or absence of restrictions. As a result, all of the Portfolio's net assets are classified as either unrestricted or restricted at June 30, 2002. In prior years, the Portfolio's net assets were classified as either contributed capital or retained earnings. The adoption of this statement did not impact the Portfolio's total net assets as of June 30, 2001.

2. LOANS TO WISCONSIN MUNICIPALITIES

Loans to Wisconsin municipalities at June 1, 2002, 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 Portfolio are at interest rates that are below the State's cost of borrowing. The net losses that can result from this negative interest margin is funded by State contributions. Interest rates ranged from 0% to 5.8% in 2002. The weighted average interest rate was 3.09% at June 1, 2002. 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 1, 2002, $134,262,347 (26%) were loans due from the Milwaukee Metropolitan Sewerage District.

The Portfolio has made additional financial assistance commitments of $28,571,806 as of June 1, 2002. From June 1, 2002 to October 8, 2002, the Portfolio made loan disbursements of $7,551,743 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 1, 2002, cash and cash equivalents consisted of the following:

Local Government Investment Pool ("LGIP"), at fair value	$180,796,245
Cash held by trustee	11,793
Investments reported at cost:	
MBIA Guaranteed Investment Agreement	6,250,292
Repurchase Agreement with Bayerische Landesbank	7,597,910
American International Group Matched Funding Corp. (AIG) Guaranteed Investment Agreement	21,842,081
	216,498,321
Less - Amounts classified as restricted assets (see Note 5)	58,610,906
Total cash and cash equivalents	$157,887,415

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 money market fund in that the yield earned changes daily and participants may invest or withdraw any or all amounts on a daily basis at par value. The LGIP is strategically managed with a longer average life than a money market fund. The LGIP is not a

SEC registered investment, but is regulated by Wisconsin Statutes 25.14 and 25.17. At June 1, 2002, the current yield on the LGIP was 1.82%. 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 1, 2002, the investment had a market value of $6,765,472 and 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 1, 2002, the agreement had a market value of $26,636,267 and was accruing interest at the rate of 8.1%.

The repurchase agreement with Bayerische Landesbank is collateralized by U.S. Treasury notes, bonds and debentures. At June 1, 2002, the repurchase agreement had a market value of $8,463,146. 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. FORWARD DELIVERY AGREEMENTS

The Portfolio 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 Portfolio, 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 ("Treasury securities") to the Portfolio for purchase. The Treasury securities are held as investments by the Portfolio. The price paid by the Portfolio for the Treasury securities is determined under the contract. That price is that which results in the predetermined annual earnings rate computed on the notional amount, taking into account the coupon interest on the delivered Treasury securities. The redemption value of the securities purchased for investment must equal at least the purchase price of the securities plus earnings calculated by multiplying the notional amount times the annual earnings rate as calculated for the term until the next bond payment date. The First Union agreements may be terminated at the option of the Portfolio and a payment between the parties will be made to compensate for the difference in present value of the earnings expected under each agreement and the earnings available on similar agreements at the time of the termination. Management has asserted that it does not anticipate terminating the agreements at a time when a payment would be required from the Portfolio to 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 not a compensating payment made between the parties.

The agreement with WLG may be terminated at the option of the Portfolio and no compensation payment is made by either party; at termination the Portfolio 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, coupon rates, the cost and rate at which the Treasury Notes accrue interest in accordance with the Forward Delivery Agreements at June 1, 2002, are as follows:

	Par Value	Coupon Rate	Cost	Agreement Rate	Maturity Date
Series 1997-1 Agreement	$ 6,957,000	6.500 %	$ 6,987,954	5.58 %	June 1, 2017
Series 1998-1 Agreement	7,237,000	6.500	7,289,408	5.01	June 1, 2018
Series 1993-1 Agreement	2,241,000	N/A	2,183,992	5.22	June 1, 2013
Series 1999-1 Agreement	6,909,000	6.500	6,914,905	6.32	June 1, 2020

5. REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS

Revenue obligation serial and term bonds as of June 1, 2002 consisted of the following:

1991 Series 1:	
Serial Bonds, optional redemption for bonds at 102% of par, June 1, 2001, declining to 100% of par, June 1, 2003	$ 11,375,000
Term Bonds, mandatory redemption of bonds at 100 of par, June 1, 2009 through June 1, 2011	57,445,000
	68,820,000
Unamortized discount on bonds	(198,297)
	68,621,703
1993 Series 1:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2004	33,030,000
Unamortized discount on bonds	(133,001)
	32,896,999
1993 Series 2:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2004	76,770,000
Unamortized premium on bonds	1,012,595
	77,782,595
1995 Series 1:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2006	30,630,000
Unamortized premium on bonds	219,539
	30,849,539

1997 Series 1:	
Serial Bonds, optional redemption for bonds at 100 of par, June 1, 2008	$ 48,225,000
Unamortized premium on bonds	150,025
	48,375,025
1998 Series 1:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2008	80,850,000
Unamortized premium on bonds	297,888
	81,147,888
1998 Series 2:	
Serial Bonds, no optional redemption	102,560,000
Unamortized premium on bonds	5,762,535
	108,322,535
1999 Series 1:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2009	77,495,000
Unamortized discount on bonds	(100,416)
	77,394,584
2001 Series 1:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2011	70,000,000
Unamortized premium on bonds	832,509
	70,832,509
2002 Series 1:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2012	100,000,000
Unamortized premium on bonds	2,426,001
	102,426,001
Total of all series	698,649,378
Unamortized deferred charge related to debt defeasance (Note 6)	(8,208,438)
Revenue obligation bonds, net of deferred charge	$690,440,940

The original issue discount or premium and weighted average yield at June 1, 2002, on the following bonds were:

Series	Original Issue Discount/(Premium)	Weighted Average Yield
1991 Series 1	$ 1,366,407	6.81 %
1993 Series 1	907,852	4.82
1993 Series 2	(2,349,252)	5.35
1995 Series 1	(1,253,936)	5.75
1997 Series 1	(288,312)	5.25
1998 Series 1	(811,362)	4.75
1998 Series 2	(7,739,808)	5.39
1999 Series 1	(58,061)	5.36
2001 Series 1	(1,022,362)	4.86
2002 Series 1	(2,426,001)	5.04

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 1, 2002, are as follows:

Years Ending June 1,	1991 Series 1	1993 Series 1	1993 Series 2	1995 Series 1	1997 Series 1	1998 Series 1	1998 Series 2	1999 Series 1	2001 Series 1	2002 Series 1	Total
2002*	$11,375,000	$ 4,095,000	$ 650,000	$ 3,640,000	$ 3,010,000	$ 3,285,000	$ 0	$ 2,610,000	$ 2,310,000	$ 0	$ 30,975,000
2003		4,280,000	680,000	3,870,000	3,150,000	3,415,000	12,160,000	2,715,000	2,390,000	2,750,000	35,410,000
2004		4,480,000	13,610,000	4,110,000	3,290,000	3,555,000		2,830,000	2,475,000	2,955,000	37,305,000
2005		4,690,000	14,255,000	4,365,000	3,445,000	3,705,000		2,955,000	2,570,000	3,105,000	39,090,000
2006		4,915,000	14,935,000	4,640,000	3,625,000	3,865,000		3,085,000	2,665,000	3,255,000	40,985,000
2007		5,155,000	15,845,000	4,875,000	3,845,000	4,035,000		3,225,000	2,770,000	3,420,000	43,170,000
2008 - 2023	57,445,000	5,415,000	16,795,000	5,130,000	27,860,000	58,990,000	90,400,000	60,075,000	54,820,000	84,515,000	461,445,000
	$68,820,000	$33,030,000	$76,770,000	$30,630,000	$48,225,000	$80,850,000	$102,560,000	$77,495,000	$70,000,000	$100,000,000	$688,380,000

*June 1, 2002 principal maturities were not paid until June 3, 2002 as June 1 was not a business day.

The revenue obligation bonds are collateralized by a security interest in all assets of the Portfolio. 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 Portfolio in an amount to offset this interest rate disparity.

Among other restrictions under the revenue obligation bond agreements are provisions that require that a specified amount of cash and investments be held by an independent trustee in a reserve account for the purpose of paying bond interest and principal when due. The restricted assets on the balance sheet consist of substantially all of the MBIA, AIG, Bayerische Landesbank investments, (Note 3), and treasury securities held as part of the forward delivery agreements. These amounts are required in order to satisfy the conditions of certain agreements related to maintaining the minimum credit ratings on the bonds.

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 $590,663. 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 Portfolio's balance sheet.

As a result of the defeasance, the Portfolio 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 Portfolio deferred $7,571,888 related to the defeasance of debt described above which is being amortized over the life of the 1998 Series 2 Bonds.

In 1993, the Portfolio 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 Portfolio’s financial statements. As of June 1, 2001, $73,765,000 of the 1991 Series 1 Bonds had been called using the proceeds of the 1993 Series 2 Refunding Bonds and $12,120,000 of the 1991 Series 1 Bonds had been called using the proceeds of the 1998 Series 2 Refunding Bonds.

7. OPERATING TRANSFERS IN

Operating transfers in consist of contributions from the State of Wisconsin. Using cash contributed by the State, the Portfolio owned $95,735,139 (par value) of State of Wisconsin General Obligation Bonds ($37,787,745 of Clean Water Fund Series 1 Bonds of 1991, $3,413,392 of Clean Water Fund Series A Bonds of 1993, $15,883,699 of Clean Water Fund Series 1 Bonds of 1994, $3,769,416 of Clean Water Fund Series 1 Bonds of 1995, $4,336,257 of Clean Water Fund Series A Bonds of 1996, $7,936,446 of Clean Water Fund Series A Bonds of 1997, $4,403,184 of Clean Water Fund Series A Bonds of 1998, $4,330,000 of Clean Water Fund Series A Bonds of 1999, $4,750,000 of Clean Water Fund Series A Bonds of 2000, $4,750,000 of Clean Water Fund Series A Bonds of 2001, $4,375,000 of Clean Water Fund Series B Bonds of 2001) as of June 30, 2002. 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 Portfolio is to hold the Bonds to maturity, the Bonds can be sold without restriction. The estimated market value and the weighted average coupon interest rate of the State of Wisconsin General Obligation Bonds-Clean Water Fund Series are as follows:

	Fair Value 2002	Weighted Average Interest Rate 2002
1991 Series 1	$ 45,036,974	9.5 %
1993 Series A	3,895,381	8.3
1994 Series 1	16,914,679	6.8
1995 Series 1	4,123,604	7.5
1996 Series A	4,769,288	7.5
1997 Series A	8,730,559	7.6
1998 Series A	4,440,547	6.3
1999 Series A	4,817,938	7.7
2000 Series A	5,259,890	7.7
2001 Series A	5,259,890	7.7
2001 Series B	4,286,656	5.3
Total	$107,535,406	

The Bonds are registered in the name of the Portfolio 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 Portfolio's agent in the Portfolio's name).

Principal maturities of the Bonds as of June 1, 2002 are as follows:

Years Ending June 1,	1991 Series 1	1993 Series A	1994 Series 1	1995 Series 1	1996 Series A	1997 Series A	1998 Series A	1999 Series A	2000 Series A	2001 Series A	2001 Series B	Total
2003	$ 2,866,085	$ 254,008	$ 1,029,652	$ 184,185	$ 333,141	$ 374,683	$ 181,646	$ 175,000	$ 0	$ 0	$1,000,000	$ 6,398,400
2004	3,127,933	269,728	1,139,119	176,883	330,529	393,770	180,371	197,500			250,000	6,065,833
2005	3,417,123	294,573	1,151,359	212,909	386,320	425,401	178,158	195,000				6,260,843
2006	3,736,370	323,840	1,222,620	228,535	415,555	455,420	173,780	195,000				6,751,120
2007	4,085,485	354,038	1,291,129	244,965	446,480	490,147	167,367	185,000				7,264,611
2008 - 2019	20,554,749	1,917,205	10,049,820	2,721,939	2,424,232	5,797,025	3,521,862	3,382,500	4,750,000	4,750,000	3,125,000	62,994,332
	$37,787,745	$3,413,392	$15,883,699	$3,769,416	$4,336,257	$7,936,446	$4,403,184	$4,330,000	$4,750,000	$4,750,000	$4,375,000	$95,735,139

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 year ended June 1, 2002:

Interest:	
State of Wisconsin Local Government Investment Pool	$ 1,569,141
MBIA Guaranteed Investment Agreement	387,518
Repurchase Agreement with Bayerishe Landesbank	493,864
AIG Guaranteed Investment Agreement	1,769,209
United States Treasury Notes	1,135,098
State of Wisconsin General Obligation Bonds	7,921,549
Total interest	13,276,379
Changes in Unrealized Gains (Losses):	
State of Wisconsin Investment Board Local Government Investment Pool	(183,535)
State of Wisconsin General Obligation Bonds	1,173,986
Total changes in unrealized gains (losses)	990,451
Total interest and changes in unrealized gains (losses)	14,266,830
Estimated Rebatable Arbitrage Liability	(490,191)
TOTAL INVESTMENT INCOME	$13,776,639

9. TRANSACTIONS WITH RELATED PARTIES

The DNR and DOA have statutory duties to manage the Portfolio. Expenses relating to the management of the Program are allocated to and paid by the Portfolio. Total allocated expenses from DNR and DOA, which are reflected in the statement of revenues, expenses and changes in net assets for the year ended June 1, 2002, were $1,821,183.

The following details total salaries and benefits by agency for the fiscal years ended June 1, 2002:

DNR	$1,034,535
DOA	411,418
	$1,445,953

10. SUBSEQUENT EVENT

In August 2002, the State issued $85,575,000 in State of Wisconsin Clean Water Revenue Refunding Bonds, 2002 Series 2, dated August 1, 2002, with a weighted average interest rate of 5.0%. The refunding bonds were issued at a premium, resulting in proceeds of $92,919,710, including accrued interest of $71,354. The purpose of the issue was primarily to advance refund $86,095,000 of outstanding Revenue Obligation Bonds from various previously issued series with a weighted average interest rate of 5.2%. Approximately $92,044,000 of the proceeds were used to purchase United States Treasury Securities which were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on a portion of the 1993 Series 1, 1995 Series 1, 1997 Series 1, 1998 Series 1 and 1999 Series 1 Revenue Obligation Bonds. In accordance with GASB 23, this transaction will be reflected as a defeasance of debt in the Portfolio's fiscal 2003 financial statements.

* * * * * *

PART VII

PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS

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

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

APPENDIX A includes the audited financial statement for the Petroleum Inspection Fee Revenue Obligation Program for the year ended June 30, 2002. The Wisconsin Statutes provide that the State of Wisconsin Building Commission (**Commission**) has supervision over all matters relating to the issuance by the State of revenue obligations. Employees of the Division of Executive Budget and Finance serve as the Capital Finance Director and staff responsible for managing the State's borrowing programs.

Petroleum inspection fee revenue obligations are issued pursuant to the Program Resolution for State of Wisconsin Petroleum Inspection Fee Revenue Obligations, dated January 19, 2000, as amended and restated on May 2, 2000 **(Program Resolution)**. The State has issued petroleum inspection fee revenue obligations in the form of bonds and extendible municipal commercial paper. The Bank of New York serves as Trustee for the petroleum inspection fee revenue obligation program **(Trustee)**. The Trustee serves as registrar and paying agent for the bonds, and U.S. Bank Trust National Association serves as issuing and paying agent for the extendible municipal commercial paper. The law firm of Foley & Lardner provides bond counsel services to the State for issuance of petroleum inspection fee revenue obligations.

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

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

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

OUTSTANDING OBLIGATIONS

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

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

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

Senior Bonds, as defined in the Program Resolution, include the $170,250,000 Petroleum Inspection Fee Revenue Bonds, 2000 Series A **(2000 Series A Bonds)**, $30,000,000 Petroleum Inspection Fee Revenue Bonds, 2001 Series A **(2001 Series A Bonds)**, interest payments on all series of Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper **(EMCP)**, and any additional parity Bonds that may be issued as such under the Program Resolution. **Junior Subordinate Bonds**, as defined in the Program Resolution, include the principal payments on all series of EMCP and any additional parity Bonds that may be issued as such under the Program Resolution. The term **Bonds** refers to revenue obligations, with regard to seniority, that are issued under the Program Resolution and are payable in whole or in part from the Petroleum Inspection Fees. See "SECURITY".

FINANCING THE PECFA PROGRAM

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

Prior to the issuance of these obligations, remediation payments approved under the PECFA Program were paid with Petroleum Inspection Fees, as they were collected; however, the timing of the collections did not permit all remediation payments to be paid at the time they were presented. When the first revenue obligations were issued in March 2000, the backlog of approved but unpaid claims was about $200 million, up from a backlog of $44 million that existed on June 30, 1997. As of November 1, 2002, the backlog of approved remediation payments was approximately $27 million. The issuance of revenue obligations provides economic savings to the State, since the debt service costs on the obligations are expected to be less than the interest costs that accrue on the unpaid remediation awards.

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

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

SECURITY

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

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

The pledge provided for the payment of principal on the EMCP is junior to the pledge provided to the Senior Bonds. That principal is payable from proceeds of roll-over EMCP or proceeds of Senior Bonds issued to fund the EMCP, or from Petroleum Inspection Fees deposited into the Junior Subordinate Redemption Fund. At the same time the Commission authorized the EMCP, the Commission also authorized the issuance of Senior Bonds that may be issued at the State's discretion to fund the EMCP. See "PETROLEUM INSPECTION FEES" and "SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION".

The petroleum inspection fee revenue obligations are revenue obligations of the State. The State is not generally liable for these obligations, and they shall not be a public debt of the State for any purpose whatsoever.

Non-Impairment Clause

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

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

Additional Bonds

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

The additional bonds test must be met prior to the initial issuance of Bond Anticipation Notes (such as EMCP) *but compliance with the additional bonds test is not required with respect to the issuance of Senior Bonds to fund the Bond Anticipation Notes*. If Senior Bonds are issued to fund Bond Anticipation Notes, under certain circumstances (including among others a decline in Petroleum Inspection Fees or an increase in interest rates) the Projected Annual Revenues at that time may be less than 2.0 times Maximum Annual Debt Service.

Additional Bonds may be designated as Senior Bonds (on parity with the 2000 Series A Bonds, the 2001 Series A Bonds, and the interest payments on the EMCP), as Subordinate Bonds, or as Junior Subordinate Bonds (on a parity with the principal payments on the EMCP).

See "SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION" and "DEFINITIONS OF CERTAIN TERMS" for a complete description of the additional bonds test and a definition of capitalized terms used for the additional bonds test.

Variable Rate Take-Out Capacity Test

Whenever Variable Rate Debt (such as the EMCP) is Outstanding under the Program Resolution, the State will, by the 15th day of each month, provide the Trustee with the results of a Variable Rate Take-Out Capacity Test. Key terms for completing the Variable Rate Take-Out Capacity Test are described in "SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION" and "DEFINITIONS OF CERTAIN TERMS".

Using present value calculations, the test estimates the maximum amount of Variable Rate Debt that, if Outstanding, could be refunded by Senior Bonds while maintaining a Debt Service Coverage Ratio of 2.0. This test then compares the Variable Rate Take-Out Capacity with the Variable Rate Debt Exposure. For purposes of this test, any Senior Bonds assumed to refund Variable Rate Debt are assumed to be repaid within 20 years from the date the Variable Rate Take-Out Capacity Test is completed and bear interest at a rate equal to The Bond Buyer Revenue Bond Index plus 3% per annum.

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

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

If the monthly Variable Rate Take-Out Capacity Test shows that the Variable Rate Take-Out Capacity is equal to or exceeds the Variable Rate Debt Exposure, the State is only required to provide the Trustee with the results of the test. However, if the monthly test shows that the Variable Rate Take-Out Capacity is less than the Variable Rate Debt Exposure, then the State is deemed to have failed the Variable Rate Takeout Capacity Test and is required under the Program Resolution to do the following:

- Immediately notify the Trustee and each Rating Agency.
- Submit to the Trustee and each Rating Agency, within 45 days after the test date, a plan to cause the Variable Rate Take-Out Capacity to equal or exceed the Variable Rate Debt Exposure within 90 days following the test date.

If at any subsequent time the State is able to demonstrate that the Variable Rate Take-Out Capacity is equal to or exceeds the Variable Rate Exposure, any of the above requirements arising from the failure of a previous Variable Rate Takeout Capacity Test no longer apply.

Failure to meet the Variable Rate Take-Out Capacity Test or failure to implement a submitted plan are not Events of Default under the Program Resolution. Accordingly, the Trustee has no enforcement power with respect to such occurrences. Failure to submit the completed test or any required plan to the

Trustee does not initially constitute an Event of Default; however, if the failure is not corrected within 30 days of any notice from the Trustee, it then constitutes an Event of Default.

Debt Service on Outstanding Senior Bonds

Table VII-2 provides the annual debt service amounts, as of December 1, 2002, on Outstanding Senior Bonds.

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

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

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

PETROLEUM INSPECTION FEES

General

Petroleum Inspection Fees are paid by suppliers on all petroleum products distributed in the State. The current rate of the Petroleum Inspection Fee is $0.03 per gallon. The petroleum products include:

- Gasoline products, which include gasoline and gasoline-alcohol fuel blends
- Oil products, which include fuel oil, burner oil, diesel fuel oil, kerosene, and other refined oils

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

Collection and Deposit of Petroleum Inspection Fees.

The Petroleum Inspection Fees and other motor fuel taxes paid by suppliers are received by the State Department of Revenue by the 15th of each month, or the next business day if the 15th falls on a weekend or holiday. This is a combined payment for both Petroleum Inspection Fees and motor fuel taxes due from the suppliers for activity during the previous month. At the time the fees are remitted, there is no separation of the Petroleum Inspection Fees and other motor fuel taxes. The allocation is not known until the tax returns evidencing the payments are processed, usually within 30 to 35 days after receipt of the fees and taxes.

As an example, by about December 15 suppliers submit the amount of fees and taxes due for petroleum products shipped in the month of November. By the end of December, suppliers submit tax returns delineating the payments previously made. By about the next January 20, the State Department of Revenue processes the tax returns.

Due to the 30 to 35 day period between receipt of the combined fees and taxes and tabulation of the returns reporting such fees, the State Department of Revenue will transfer to the Trustee on the Revenue Payment Date an estimated portion of the current month's collection, adjusted upward or downward to reflect the tabulations from the previous month's returns. Currently, the monthly transfer, before adjustment, is $8.8 million. The amount of this monthly transfer may be changed from time to time to reflect actual collection experience.

The State Department of Revenue has available to it the same enforcement powers relating to the collection of Petroleum Inspection Fees as it has for the collection of motor vehicle fuel taxes, including the ability to revoke suppliers' licenses, impose penalties, assess interest on late payments, and enforce criminal penalties for the failure to report or pay Petroleum Inspection Fees. Wisconsin Statutes establish the State as a preferred creditor and the fees as preferred claims in any state court action.

History of Petroleum Inspection Fees

Table VII-3 provides the number of gallons of petroleum products that have been inspected and were subject to the Petroleum Inspection Fee for the last ten fiscal years. Table VII-4 provides the number of gallons of gasoline and oil products that have been inspected since fiscal year 1995.

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

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

Source: Wisconsin Department of Commerce and Legislative Fiscal Bureau.

Table VII-4
GALLONS INSPECTED PER PETROLEUM PRODUCT AND CHARGED PETROLEUM INSPECTION FEE
1995 to 2002
(Actual Basis)

Fiscal Year	Total Gallons of Gasoline Products Inspected	% Increase (Decrease) From Previous Year	Total Gallons of Oil Products Inspected	% Increase (Decrease) From Previous Year
1995	2,293,592,150	0.27%	1,083,230,500	(2.07)
1996	2,342,177,191	2.12	1,144,770,637	5.68
1997	2,337,339,029	(0.21)	1,128,729,192	(1.40)
1998	2,424,076,532	3.71	1,139,740,761	0.98
1999	2,485,279,200	2.52	1,187,861,995	4.22
2000	2,561,717,395	3.08	1,166,837,079	(1.77)
2001	2,523,698,301	(1.48)	1,217,813,299	4.37
2002	2,536,415,636	0.50	1,140,613,204	(6.34)

Source: Wisconsin Department of Commerce and Legislative Fiscal Bureau.

The total amount of Petroleum Inspection Fees collected since 1995 is summarized in Table VII-5. The annual percentage change in the amount of collected Petroleum Inspection Fees in Table VII-5 may not correlate to the annual percentage change in the number of gallons inspected in Table VII-3. This is due to many reasons, including the following:

(1) the collected Petroleum Inspection Fees are reported on an accrual basis through fiscal year 1999 (and cash basis thereafter), while the amount of inspected gallons is reported on an actual basis, and

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

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

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

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

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

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

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

Source: Wisconsin Department of Commerce and Wisconsin Department of Revenue

[a] Department of Revenue staff has indicated that the maximum and minimum collection amounts for fiscal year ending June 30, 2000 reflect problems with a data reporting system that have been subsequently corrected.

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

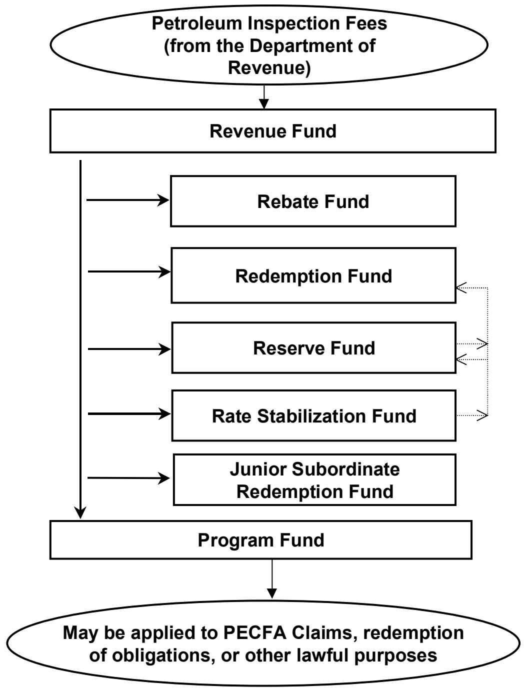
Application of Petroleum Inspection Fees

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

- To pay arbitrage rebate, if any, due on any Outstanding Bonds
- To pay interest on all Outstanding Senior Bonds and other parity obligations
- To pay the principal and redemption price, if any, of all Outstanding Senior Bonds, and other parity obligations, as the same become due
- To maintain the Debt Service Reserve Requirement, if any, in the Reserve Fund
- To make any deposits, at the State's discretion, into the Rate Stabilization Fund
- To make deposits, at the State's discretion or if required, into the Junior Subordinate Redemption Fund
- To pay any expenses payable from the Program Fund

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

Figure VII-1
Application of Petroleum Inspection Fees



The Program Resolution permits the issuance of Subordinate Bonds, which would have a pledge of Petroleum Inspection Fees that is subordinate to the pledge provided the Senior Bonds yet senior to the pledge provided the Junior Subordinate Bonds. As of the date of this Annual Report, Senior Bonds and Junior Subordinate Bonds, but no Subordinate Bonds, have been issued.

The pledge of the Petroleum Inspection Fees remains effective until all Bonds issued under the Program Resolution are fully paid in accordance with their terms. All Petroleum Inspection Fees deposited with the Trustee on each Revenue Payment Date in excess of the amounts required above are transferred at the direction of and to the State for deposit in the Petroleum Inspection Fund and become free of the pledge.

See "SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION" for further information on the required transfer of Petroleum Inspection Fees to these various Funds and Accounts.

EXTENDIBLE MUNICIPAL COMMERCIAL PAPER

The State has issued, and there currently remains outstanding, petroleum inspection fee revenue extendible municipal commercial paper **(EMCP or Notes)**.

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

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

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

Description of EMCP

Each EMCP note is dated the date it is issued. It will be issued as an interest-bearing obligation in a denomination of $100,000 or increments of $1,000 above $100,000. Interest is computed on the basis of a year having 365 or 366 days and the actual number of days elapsed (actual/actual basis). Payment of principal of and interest on each EMCP note will be made to the Depository and then distributed by the Depository.

Each EMCP note will mature on its **Original Maturity Date,** which may range from 1 to 180 days from its original issue date, unless the State exercises its option to extend the maturity date. In that case the EMCP note will mature on the **Extended Maturity Date,** which will be the date that is 270 days after its original issue date.

Each EMCP note will bear interest from its original issue date until the Original Maturity Date at the rate determined on the original issue date, payable on the Original Maturity Date, unless the maturity date is extended, in which case interest will be paid on the date described below. If the State exercises its option to extend the maturity date of an EMCP note, it will bear interest after the Original Maturity Date at the Reset Rate and payable on the dates described below.

If the maturity date of an EMCP note is extended, accrued but unpaid interest to the Original Maturity Date will not be paid on the Original Maturity Date but will be payable on the following date (or any earlier redemption date):

(1) if the Original Maturity Date is before the 15th day of the month, interest will next be payable on the first **Business Day** (which is a day on which banks located in Madison, Wisconsin and in each of the cities that the Principal Office of the Issuing and Paying Agent and Dealers are located are not required or authorized by law or executive order to close for business and a day the New York Stock Exchange is not closed) of the next month, or

(2) if the Original Maturity Date is on or after the 15th day of the month, interest will next be payable on the first Business Day of the second succeeding month after the Original Maturity Date.

For example, if the Original Maturity Date is November 14, the first interest payment will be the first Business Day of December, and if the Original Maturity Date is November 15, the first interest payment will be the first Business Day of January.

Each EMCP note will bear interest from the Original Maturity Date at the **Reset Rate** and will be payable first on the date described above and thereafter, on the first Business Day of each month and on any redemption date or the Extended Maturity Date.

The Reset Rate will be a rate of interest per annum determined by the following formula:

$$(1.35 \times \text{BMA}) + \text{E}$$

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 (basis points)
F-1+	P-1	A-1+	100
F-1	–	A-1	150
F-2	P-2	A-2	200
F-3	P-3	A-3	300
Lower than F-3 (or rating discontinued)	Lower than P-3 (or rating discontinued)	Lower than A-3 (or rating discontinued)	400

Pursuant to the Program Resolution, if at any time any rating agency announces that a lower rating is under consideration for the EMCP, then the Prevailing Rating from such rating agency will not be the rating then assigned to the EMCP; rather, it will be the next lower rating of such rating agency. If the Prevailing Ratings would indicate different *E* variables as a result of split ratings assigned to the EMCP, the *E* variable will be the arithmetic average of those indicated by the Prevailing Ratings.

The Reset Rate applicable to EMCP will be determined weekly by the Issuing and Paying Agent based on the *BMA* variable and the Prevailing Ratings as of 11:00 a.m. (New York time) on its Original Maturity Date and each Thursday thereafter and will apply through the following Wednesday.

SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION

Certain provisions of the Program Resolution are summarized below. Reference should be made to the complete Program Resolution for a full and complete statement of its provisions. A copy of the Program Resolution may be obtained by contacting the State at the address provided on the first page of this part of the Annual Report.

Additional Senior Bonds

The State may issue additional Senior Bonds, upon compliance with certain conditions, including, in some instances, meeting the additional bonds test. In the case of Bond Anticipation Notes, the conditions need be met only on the first date of issuance of any of the Bond Anticipation Notes authorized under the Supplemental Resolution providing for such Bond Anticipation Notes. These conditions include the following:

- Immediately after issuance, there cannot be a deficiency in the Reserve Fund.
- The State must certify that it is not in default in the performance of any of its covenants and agreements in the Program Resolution (unless an opinion of Independent Counsel is given that the default does not deprive any Beneficial Owner in any material respect of security given by the Program Resolution).
- Except with respect to the issuance of Refunding Bonds issued to fund Bond Anticipation Notes that are also Bonds, the State must certify that, as of the date of issuance of the Bonds, the Debt Service Coverage Ratio will be at least 2 to 1; *provided,* that in connection with the issuance of Refunding Bonds, the State may instead certify that the issuance of the Refunding Bonds will not increase Maximum Annual Debt Service.

For this purpose:

"Debt Service" means the aggregate principal payments (whether at stated maturity or pursuant to sinking fund redemption requirements), interest payments, and other payments of the State on all Outstanding Bonds and Other Obligations for any Fiscal Year (including any State Swap Payments, less any Counterparty Swap Payments unless the Swap Counterparty is in default with respect to its payment obligations under the related Swap Agreement, and including any fees with respect to Credit Enhancement Facilities); *provided,* however, that for purposes of calculating such amount:

- Any Variable Rate Bonds shall, for any future period for which the actual interest rate is not known on the date of determination (that is, on the date on which Debt Service is being calculated), be assumed to bear interest at the Projected Interest Rate.
- All Outstanding Bond Anticipation Notes (such as the Notes) shall be assumed to be funded at or before the stated maturity thereof, and all Bond Anticipation Notes which have been authorized by a Supplemental Resolution but not yet issued shall be assumed to be issued and immediately funded on the date of determination, in each case by the issuance of Senior Refunding Bonds in the full amount authorized with respect to Bond Anticipation Notes bearing interest at the Projected Interest Rate and maturing according to such amortization schedule as the State may determine; *provided,* that the final maturity must not be later than 20 years from the original issuance of the Bond Anticipation Notes.
- Amounts of principal or interest due on a particular date shall be excluded from the determination of Debt Service to the extent that such amounts are payable from amounts deposited in trust, escrowed, or otherwise set aside for the payment thereof with the Trustee or another Person approved by the Trustee (including, without limitation, amounts in an Escrow Account established in the Redemption Fund or amounts in the Capitalized Interest Account of the Proceeds Fund).
- State Swap Payments, Counterparty Swap Payments, and payments with respect to Credit Enhancement Facilities shall be determined based upon such assumptions as may be set forth in the Supplemental Resolution authorizing the related Swap Agreement or the Credit Enhancement Facility, as the case may be, or in a State Certificate provided to the Trustee with respect to such Swap Agreement or Credit Enhancement Facility.
- For purposes of applying the additional bonds test in connection with the issuance of Refunding Bonds, the proceeds of such Refunding Bonds shall be assumed to have been applied on their issuance date for the purposes provided in the Supplemental Resolution authorizing such Refunding Bonds.
- Except to the extent provided in a Supplemental Resolution adopted to provide for the issuance of Subordinate or Junior Subordinate Bonds, with respect to the determination of Debt Service for purposes of limitations relating to Subordinate or Junior Subordinate Bonds or Subordinate or Junior Subordinate Other Obligations, debt service payments with respect to Subordinate or Junior Subordinate Bonds and Subordinate or Junior Subordinate Other Obligations shall not be taken into account.

"Debt Service Coverage Ratio" means the ratio of Projected Annual Revenues to Maximum Annual Debt Service.

"Projected Annual Revenues" means the largest amount of Petroleum Inspection Fees collected in any twelve consecutive months during the eighteen most recent months for which such information is available. If legislation changes the rate of the Petroleum Inspection Fee, "Projected Annual Revenues" shall be adjusted to take such change into account.

Variable Rate Take-Out Capacity Test

On each Monthly Reporting Date while any Variable Rate Debt is Outstanding, the State shall provide to the Trustee a State Certificate setting forth the Variable Rate Take-Out Capacity and the Variable Rate

Debt Exposure based on the most current available information. If the Variable Rate Take-Out Capacity is less than the Variable Rate Debt Exposure, the State agrees to (1) promptly notify the Rating Agencies of such fact, and (2) submit to the Trustee and each Rating Agency, no later than 45 days after such Monthly Reporting Date, a plan to cause the Variable Rate Take-Out Capacity to exceed the Variable Rate Debt Exposure by the third Monthly Reporting Date following the Monthly Reporting Date that made the notification and plan necessary.

For this purpose:

"Debt Service" shall, except as specifically provided, be calculated consistently with the provisions set forth above with respect to the additional bonds test.

"Monthly Reporting Date" means, in each month, a date on or before the fifteenth day of the month, as selected by an Authorized Commission Representative.

"Projected Monthly Revenues" means the average of the Petroleum Inspection Fees collected in each of the twelve most recent months for which such information is available; *provided,* that if the rate of the Petroleum Inspection Fee that will be in effect for any future month will be higher or lower than the rate of Petroleum Inspection Fee in effect for any corresponding prior month, "Projected Monthly Revenues" shall be adjusted to take such change into account.

"Senior Bond Anticipation Notes" includes all Bond Anticipation Notes for which the funding Bonds have been authorized as Senior Bonds.

"Variable Rate Debt" (1) includes all Senior Variable Rate Bonds and Senior Bond Anticipation Notes, and (2) includes any Principal Amount of Bonds with respect to which the State shall have entered into Senior Swap Agreements that have the effect of shifting the State's fixed rate liability to a variable rate liability.

"Variable Rate Take-Out Capacity" means an amount equal to the present value of the net revenue stream that would be available after the collection of 50% of the Projected Monthly Revenues in each of the 240 succeeding months and the payment of Debt Service due in each such month with respect to all Outstanding Senior Bonds which do not constitute Variable Rate Debt (assuming the receipt of revenues and the payment of Debt Service on the first day of the month), discounted (on the basis of a 360-day year consisting of twelve 30-day months, and semi-annual compounding) using a discount rate equal to the Projected Interest Rate.

"Variable Rate Debt Exposure" means the difference, if any, of (1) the actual aggregate Outstanding Principal Amount of Variable Rate Debt, less (2) the sum of the balance in the Principal Account allocable to Variable Rate Debt plus the balance of the Rate Stabilization Fund.

Funds and Accounts

The Program Resolution establishes the following Funds and Accounts:

- Proceeds Fund (and within it, a Capitalized Interest Account, an Issuance and Administrative Account, and a Claims Account).
- Revenue Fund.
- Rebate Fund.
- Redemption Fund (and within it, an Interest Account and a Principal Account).
- Reserve Fund.
- Rate Stabilization Fund.
- Junior Subordinate Redemption Fund (and within it, a Junior Subordinate Principal Account).
- Program Fund (and within it, a Program Expense Account).

Proceeds Fund

Upon the delivery of any series of Bonds, the Trustee will credit to the Proceeds Fund the amount specified in the resolution authorizing the Bonds. The amounts, if any, so designated in the resolution will be credited to the Capitalized Interest Account and the Issuance and Administrative Account, respectively, and the remainder will be credited to the Claims Account.

Moneys in the Capitalized Interest Account will be applied only for the payment of interest on the Senior Bonds. Moneys in the Issuance and Administrative Account will be applied to the payment of costs of issuance of the Bonds and administrative expenses. Moneys in the Claims Account will be applied to costs of the petroleum storage remedial action program.

Revenue Fund

The Trustee will credit all Petroleum Inspection Fees received from the Department of Revenue to the Revenue Fund. On each Revenue Payment Date, the Trustee will transfer the money so credited, as follows:

- *First,* to the Rebate Fund.
- *Second,* to the Interest Account for the payment of interest on Senior Bonds or Senior Other Obligations payable therefrom.
- *Third,* to the Principal Account for the payment of principal of Senior Bonds or the payment of Senior Other Obligations payable therefrom.
- *Fourth,* to the Reserve Fund, if necessary to increase the balance to the Reserve Fund Requirement.
- *Fifth*, to the Rate Stabilization Fund, if directed by the State.
- *Sixth,* to the Junior Subordinate Principal Account within the Junior Subordinate Redemption Fund for the payment of principal of Junior Subordinate Bonds or the payment of Other Obligations payable therefrom.
- *Seventh*, to the Program Fund. If the Building Commission creates Funds and Accounts for Subordinate Bonds or Subordinate Other Obligations, it may apply money to Funds and Accounts established for those obligations before applying the money to the Program Fund.

The Program Resolution permits the issuance of Subordinate Bonds, which would have a pledge of Petroleum Inspection Fees that is subordinate to the pledge provided the Senior Bonds yet senior to the pledge provided the Junior Subordinate Bonds. If Subordinate Bonds are issued, a Subordinate Redemption Fund will be created.

Rebate Fund

The State will periodically determine, for each issue of Bonds, the arbitrage rebate liability under federal tax law. The State may specify an amount that should be held in the Rebate Account for arbitrage rebate payments. Any amount not required for arbitrage rebate payments will be transferred to the Interest Account.

If the Trustee is furnished with a written opinion of Bond Counsel to the effect that amounts held in the Rebate Fund are not needed to make arbitrage rebate payments, those amounts will be transferred to the Interest Account.

Redemption Fund

The Redemption Fund will be used only for the payment when due of principal of, premium, if any, and interest on the Senior Bonds and Other Obligations.

Interest Account

The Trustee will credit to the Interest Account any premium or accrued interest paid as part of the purchase price for a series of Senior Bonds. The Trustee will also deposit in the Interest Account:

- The portion of the sale proceeds from the State's borrowings to be used to pay interest on the Senior Bonds (unless those proceeds are deposited into an Escrow Account).
- All Counterparty Swap Payments.
- All investment earnings from money in the Redemption Fund (unless they are required to be in an Escrow Account), the Reserve Fund, the Rate Stabilization Fund, and the Junior Subordinate Redemption Fund.
- Amounts transferred, at the State's direction, from the Rate Stabilization Fund.
- Amounts transferred from the Rebate Fund.
- Other amounts required to be transferred thereto from the Funds and Accounts.

The Trustee will make periodic deposits to the credit of the Interest Account, at least 30 days before payment is due, of amounts determined or estimated to aggregate the full amount of each installment of interest which falls due upon Outstanding Senior Bonds on each regularly scheduled Interest Payment Date, and the reimbursement to all Credit Facility Providers for payments of interest on the Senior Bonds pursuant to Credit Enhancement Facilities.

If money in the Interest Account is insufficient when needed to pay the accrued interest due on the Senior Bonds, all State Swap Payments, and all reimbursements and fees payable to a Credit Facility Provider, or any portion of the purchase price of Senior Bonds to be so purchased attributable to accrued interest, the Trustee will immediately deposit to the credit of the Interest Account an amount equal to such deficiency. Each deposit required to pay the foregoing amounts shall be made by transfer from the following Funds and Accounts, in the following order of priority: the Capitalized Interest Account, the Revenue Fund, the Rate Stabilization Fund, the Reserve Fund, and the Principal Account.

If money in the Interest Account is insufficient when needed to pay amounts payable therefrom, the money shall be applied, *pro rata,* among such obligations based upon such amounts then owing to Beneficiaries and to be paid from the Interest Account.

Principal Account

With respect to each series of Senior Bonds, the Trustee will deposit to the credit of the Principal Account:

- The portion of the sale proceeds from the State's borrowings to be used to pay principal of the Senior Bonds on a Principal Payment Date (unless those proceeds are deposited into an Escrow Account).
- Amounts transferred, at the State's direction, from the Rate Stabilization Fund or the Program Fund.
- Amounts required to be transferred thereto from the Revenue Fund, the Rate Stabilization Fund, and the Reserve Fund.

To provide for the payment of each installment of principal which falls due upon Senior Serial Bonds (other than certain Bond Anticipation Notes) at the stated maturity thereof or Senior Term Bonds on a Sinking Fund Payment Date therefor, the Trustee will make periodic deposits, to aggregate the full amount of such installment at least 30 days before such payment is due. To provide for the payment of the redemption price of Senior Bonds to be redeemed on any other Redemption Date, the Trustee shall make deposits, as directed by a Supplemental Resolution or the State, to aggregate the full amount of such redemption price at least 5 days before such redemption price is due.

Money in the Principal Account will be applied to the payment of Senior Bonds on a Principal Payment Date or for the payment of reimbursements for amounts paid under a Senior Credit Enhancement Facility to pay principal of and premium, if any, on Senior Bonds, to such payment when due.

Each deposit required to be made to the credit of the Principal Account shall be made by transfer from the following Funds and Accounts, in the following order of priority: the Revenue Fund, the Rate Stabilization Fund, and the Reserve Fund.

When the balance in the Principal Account is not sufficient to pay all amounts payable therefrom on such date, the amounts in the account will be applied in the following order of priority: *first,* to the Interest Account; and *second,* to the payment of Senior Bonds at their stated maturity or on a Redemption Date or the reimbursement of such payments made by a Senior Credit Facility Provider, *pro rata,* among such obligations based upon such amounts then owing to Beneficiaries.

Money in the Principal Account may also be applied to the purchase of Senior Bonds if no deficiencies exist at such time in the Interest Account, the Principal Account, or the Rebate Fund. Any such purchase will be limited to those Senior Bonds whose stated maturity or Sinking Fund Payment Date is the next succeeding Principal Payment Date.

Reserve Fund

From the proceeds of any series of Bonds or, at the option of the State, from any other available moneys under the Program Resolution, the Trustee will credit to the Reserve Fund the amount, if any, specified in a resolution providing for the issuance of a series of Bonds, such that upon issuance of such Senior Bonds, the balance in the Reserve Fund shall not be less than the Reserve Fund Requirement. There is no Reserve Fund Requirement at this time.

If on any Revenue Payment Date the balance in the Reserve Fund is less than the Reserve Fund Requirement, the Trustee will transfer an amount equal to the deficiency from the Revenue Fund (to the extent not required for credit to the Rebate Fund or the Redemption Fund).

Money in the Reserve Fund will be applied solely for the payment when due of principal of and interest on the Senior Bonds and amounts owing under Senior Other Obligations. It will be so applied by transfer to the Redemption Fund, if the amounts therein and available in the Revenue Fund, the Capitalized Interest Account, and the Rate Stabilization Fund are insufficient to meet the amount required for deposit to the credit of the Redemption Fund at such time. Amounts in the Reserve Fund shall be applied, *first,* to the payment of interest on the Senior Bonds and the payment of Senior Other Obligations payable from the Interest Account, and *second,* to the payment of principal of the Senior Bonds and the payment of Senior Other Obligations payable from the Principal Account. On the stated maturity date or any Redemption Date of any Senior Bonds, amounts in the Reserve Fund shall, upon State Direction, be applied to the payment at maturity or redemption of all Outstanding Senior Bonds of a series, to the extent that such application, and payment of all deposits to be made to the credit of the Rebate Fund required by the Program Resolution upon such redemption, will not reduce the balance of the Reserve Fund below the Reserve Fund Requirement (calculated as though the Senior Bonds to be retired on such stated maturity date or Redemption Date were not Outstanding as of the date of such calculation). At any time when the aggregate of the amounts in the Redemption Fund, the Capitalized Interest Account, the Reserve Fund, and the Rate Stabilization Fund equals an amount sufficient and available to discharge and satisfy the obligations of the State with respect to all of the Outstanding Senior Bonds and Senior Other Obligations and to make all deposits to the credit of the Rebate Fund required by the Program Resolution, all in the manner described in the Program Resolution, such amounts shall, upon State Direction, be so applied. If on any Revenue Payment Date the balance in the Reserve Fund exceeds the Reserve Fund

Requirement, such excess shall, upon State Direction, be transferred to the Rate Stabilization Fund or the Program Fund.

Rate Stabilization Fund

The Trustee will credit to the Rate Stabilization Fund such amounts as the State directs, from the Revenue Fund, from the Reserve Fund, or from the Program Fund.

On any date on which the balance in the Redemption Fund (after transfers thereto from the Revenue Fund and the Capitalized Interest Account) is not sufficient to pay all amounts payable therefrom on such date, the Trustee will transfer money in the Rate Stabilization Fund, as follows:

- *First,* to the Interest Account for the payment of interest on Senior Bonds or Other Senior Obligations payable therefrom; and
- *Second,* to the Principal Account for the payment of the principal of Senior Bonds or the payment of Other Senior Obligations payable therefrom.

In addition, the Trustee shall transfer from the Rate Stabilization Fund to the Interest Account or the Principal Account such amounts as the State directs.

Junior Subordinate Redemption Fund

The Trustee, or another Fiduciary if directed by a Supplemental Resolution, shall deposit to the credit of the Junior Subordinate Principal Account that portion of the proceeds from the sale of the State's bonds, notes or other evidences of indebtedness, if any, to be used to pay principal of the Junior Subordinate Bonds (such as principal on the Notes) on a Principal Payment Date (unless those proceeds are deposited into an Escrow Account) or other funds provided by the State.

To provide for the payment of each installment of principal which falls due upon such series of Junior Subordinate Bonds prior to the due date, the Trustee shall make deposits from the Revenue Fund only as directed by a Supplemental Resolution or State Certificate.

The Notes Supplemental Resolution authorizing the Notes provides that deposits of Petroleum Inspection Fees into the Junior Subordinate Principal Account are required to be made if there is a default by the State in the payment of principal on any Note on its Extended Maturity Date. The Trustee is required from that time forward to make transfers from the Revenue Fund to the Junior Subordinate Principal Account to aggregate the full amount due to holders of the Note. The amount of these transfers are limited to the amount of Petroleum Inspection Fees deposited into the Revenue Fund and not transferred to Funds and Accounts that are senior to that of the Junior Subordinate Principal Account. Prior to any default by the State, discretionary deposits of Petroleum Inspection Fees may be made at any time into the Junior Subordinate Principal Account. These deposits may be applied to reduce the outstanding principal balance of the Notes while they are outstanding.

The moneys in the Junior Subordinate Principal Account required for the payment of Junior Subordinate Bonds on the maturity date (after taking into account any authorized extension of maturity or any acceleration of maturity) shall be transferred to the Paying Agent for such series of Junior Subordinate Bonds and applied by the Paying Agent to such payment when due without further authorization or direction.

When the balance in the Junior Subordinate Principal Account is not sufficient to pay all amounts payable therefrom on such date, the Trustee shall make periodic deposits from the Revenue Fund, prior to making any deposits to the Program Fund, to aggregate the full amount due on such maturity date from such date to the date of payment, *pro rata,* among such obligations based upon such amounts then owing to Holders of the Junior Subordinate Bonds.

The Program Resolution may be amended to establish Funds and Accounts that are senior in priority to the Junior Subordinate Principal Account.

Program Fund

Any amount in the Revenue Fund that is not required to be transferred to the Rebate Fund, the Redemption Fund, the Reserve Fund, the Rate Stabilization Fund, or any Fund created with respect to a Subordinate class of Bonds or Other Obligations will be transferred to the Program Fund.

Amounts that the State designates will be deposited in the Program Expense Account and will be disbursed for costs of the program of Bond issuance. Money in the Program Fund may be transferred to the Redemption Fund or the Junior Subordinate Redemption Fund, transferred to the Rate Stabilization Fund, or used for the purchase of Bonds. Money in the Program Fund may also be applied to any purpose permitted by law.

Investments

Money in any Fund or Account may be invested in Permitted Investments that mature or are redeemable at the option of the holder before the money is needed for the purpose for which it is held.

Pledge and Security Interest

The Building Commission has pledged the Petroleum Inspection Fees to the payment of the Bonds and Other Obligations. The Wisconsin Statutes create a security interest, for the benefit of the Holders of the Bonds and the Other Beneficiaries, in the Revenue Fund, the Redemption Fund, the Junior Subordinate Redemption Fund, the Reserve Fund, and the Rate Stabilization Fund.

Nonimpairment

The Program Resolution and each Supplemental Resolution will constitute a contract with the Holders of the Bonds and the other Beneficiaries. The State pledges and agrees with the Holders of the Bonds and the Other Beneficiaries that the State will not limit or alter its powers to fulfill the terms of any agreements made with the Holders of the Bonds and the Other Beneficiaries or in any way impair the rights and remedies of the Holders of the Bonds or the Other Beneficiaries until the Bonds, together with interest and all costs and expenses in connection with any action or proceeding by or on behalf of the Holders of the Bonds are fully met and discharged and the Other Obligations are fully discharged or provided for.

Rating

The State covenants that it will, at all times Bonds are Outstanding, request at least one nationally recognized securities rating agency to maintain a rating on the Bonds.

Termination

If the State pays the principal, premium, if any, and interest payable upon any Bond, the Bond will no longer be entitled to any benefit under the Program Resolution. If all Bonds and Other Obligations are paid and all expenses of the Fiduciaries have been paid, or are deemed to be paid, the pledge of the Petroleum Inspection Fees and the security interest in the Funds and Accounts will cease.

Any Outstanding Bond will be deemed to be paid when there shall have been deposited (in an Escrow Account) either moneys in an amount which, or Federal Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide money sufficient to pay when due the principal of and premium, if any, and interest due and to become due on the Bond at or prior to the stated maturity thereof.

Events of Default

If any of the following events occur, it constitutes an Event of Default:

- Default in the due and punctual payment of any interest on any Bond of the most senior class then Outstanding.
- Default in the due and punctual payment of the principal of, or premium, if any, on, any Bond of the most senior class then Outstanding, whether at the stated maturity or a redemption date.
- Default by the State in its obligation to purchase any Bond of the most senior class then Outstanding (or Beneficial Ownership Interests in such a Bond) on a Tender Date.
- Default in the due and punctual payment of any amount owed by the State to any Other Beneficiary under a Swap Agreement or Credit Enhancement Facility.
- Default in the performance of any of the State's obligations to transmit money to be credited to the Revenue Fund, the Rebate Fund, or the redemption fund established for the payment of Bonds of the most senior class then Outstanding as required by the Program Resolution and such default shall have continued for a period of 30 days.
- Default in the performance or observance of any other of the covenants, agreements, or conditions on the part of the State contained in the Program Resolution, or in the Senior Bonds, and such default shall have continued for a period of 30 days after written notice; *provided* that, except with respect to the State's arbitrage rebate covenants, if the default is such that it can be corrected, but not within such 30 days, it shall not constitute an Event of Default if corrective action is instituted by the State within such 30 days and is diligently pursued until the default is corrected.

Acceleration

Whenever any Event of Default has occurred and is continuing, the Trustee may, and upon the written request of the Acting Beneficiaries Upon Default (and for this purpose the specified percentage shall be 25% of the aggregate Principal Amount of Outstanding Bonds of the pertinent class), the Trustee shall, by notice in writing delivered to the State, declare the principal of and interest accrued on all Bonds then Outstanding due and payable.

Before a judgment or decree for payment of the money due has been obtained by the Trustee, the Acting Beneficiaries Upon Default may rescind and annul such declaration and its consequences if there has been paid to or deposited with the Trustee by or for the account of the State, or provision satisfactory to the Trustee has been made for the payment of, a sum sufficient to pay:

- All overdue installments of interest on all Bonds of the most senior class Outstanding.
- The principal of (and premium, if any, on) any Bonds of the most senior class Outstanding which have become due otherwise than by such declaration of acceleration, together with interest thereon at the rate or rates borne by such Bonds.
- To the extent that payment of such interest is lawful, interest upon overdue installments of interest on the Bonds of the most senior class Outstanding at the rate or rates borne by such Bonds.
- All Other Obligations on a parity with Bonds of the most senior class Outstanding which have become due other than as a direct result of such declaration of acceleration.
- All other sums required to be paid to satisfy the State's obligations to transmit money to be credited to the Revenue Fund, the Rebate Fund and the redemption fund established for payment of Bonds of the most senior class Outstanding as required by the Program Resolution.
- All sums paid or advanced by the Trustee or any other Fiduciary under the Program Resolution and the reasonable compensation, expenses, disbursements and advances of the Trustee or other Fiduciaries, their agents, and their counsel.

Similarly, before a judgment or decree for payment of the money due has been obtained by the Trustee, the Acting Beneficiaries Upon Default may rescind and annul such declaration and its consequences if all Events of Default, other than the non-payment of the principal of Bonds of the most senior class Outstanding or Other Obligations on a parity with Bonds of the most senior class Outstanding which have become due solely by, or as a direct result of, such declaration of acceleration, have been cured or waived.

No rescission and annulment will affect any subsequent default or impair any right consequent thereon.

Other Remedies; Rights of Beneficiaries

If an Event of Default has occurred and is continuing, the Trustee may bring legal proceedings to collect money due or to enforce the covenants made by the State.

If an Event of Default has occurred and is continuing, and if it is requested so to do by the Acting Beneficiaries Upon Default (and for this purpose the specified percentage shall be a majority of the aggregate Principal Amount of Outstanding Bonds) or any Other Beneficiary and is indemnified, the Trustee will be obliged to exercise such of the rights and powers as the Trustee, being advised by its counsel, deems most expedient in the interests of the Beneficiaries.

If a default occurs under a Swap Agreement or a Credit Enhancement Facility, the Other Beneficiary may exercise such remedies as are provided therein.

Remedies are not exclusive, and delay in acting is not a waiver.

Application of Moneys

All moneys received by the Trustee pursuant to any right given or action taken will, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities, and advances incurred or made by the Trustee with respect thereto, be applied as follows (except that money received with respect to Credit Enhancement Facilities shall be applied only to the purposes for which such Credit Enhancement Facilities were provided, and shall be so applied prior to the application of other money):

(A) In every case, the Trustee shall apply the amounts to each class in order of priority, namely, Senior Bonds and Senior Other Obligations shall be paid in full before any payment shall be made with respect to Junior Subordinate Bonds and Junior Subordinate Other Obligations.

(B) Unless the principal of all the Outstanding Bonds of a particular class shall have become or shall have been declared due and payable, all such money will be applied to the payment to the Beneficiaries of all installments of principal and interest then due on the Bonds and all Other Obligations, and if the amount available is not sufficient to pay all such amounts in full, then to the payment ratably, in proportion to the amounts due, without regard to due date, to the Holders and to each Other Beneficiary, without any discrimination or preference (being applied first to interest and then to principal).

(C) If the principal of all Outstanding Bonds of a particular class shall have become due or shall have been declared due and payable and such declaration has not been annulled and rescinded, all such moneys will be applied to the payment to the Beneficiaries of the principal and interest then due and unpaid upon the Bonds and all Other Obligations, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Beneficiary over any Other Beneficiary, ratably, according to the amounts due, to the Persons entitled thereto without any discrimination or preference.

(D) If the principal of all the Outstanding Bonds of a particular class shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled, then (subject to the provisions of paragraph (C) above, in the event that the principal of all the Outstanding Bonds shall later become or be declared due and payable) the money held by the Trustee hereunder will be applied in accordance with the provisions of paragraph (B) above.

Whenever money is to be applied by the Trustee as described above, the money will be applied by it when the Trustee determines, having due regard to the amount of such money available and the likelihood of additional money becoming available in the future. Whenever the Trustee shall apply such funds, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposits with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Limitation on Suits by Beneficiaries

Except as may be permitted in a Supplemental Resolution with respect to an Other Beneficiary, no Holder of any Bond or Other Beneficiary shall have any right to institute any suit, action, or proceeding in equity or at law for the enforcement of the Program Resolution or for the execution of any trust or for the appointment of a receiver or any other remedy unless all of the following conditions apply:

- An Event of Default shall have occurred and be continuing.
- The Acting Beneficiaries Upon Default (and for this purpose the specified percentage shall be 25% of the aggregate Principal Amount of Outstanding Bonds) shall have made written request to the Trustee.
- Such Beneficiary or Beneficiaries shall have offered to the Trustee indemnity.
- The Trustee shall have thereafter failed for a period of 60 days after the receipt of the request and indemnification or refused to exercise the powers hereinbefore granted or to institute such action, suit, or proceeding in its own name.
- No direction inconsistent with such written request shall have been given to the Trustee during such 60-day period by such Acting Beneficiaries Upon Default.

No one or more Holders of the Bonds or any Other Beneficiary shall have any right in any manner whatsoever to affect, disturb, or prejudice the security interest created in the Revenue Fund, the Redemption Fund, the Rate Stabilization Fund, the Reserve Fund, and the Junior Subordinate Redemption Fund or to enforce any right except in the manner provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Program Resolution and for the benefit of the Holders of all Outstanding Senior Bonds and Other Beneficiaries under the Program Resolution as their interests may appear hereunder. The Acting Beneficiaries Upon Default may institute any suit, action, or proceeding permitted hereunder in their own names for the benefit of the Holders of all Outstanding Senior Bonds and Other Beneficiaries under the Program Resolution.

Supplemental Resolutions Without Holder Consent

The Building Commission may, without the consent of or notice to the Beneficiaries, adopt Supplemental Resolutions as follows:

- To cure any formal defect, omission, inconsistency, or ambiguity in the Program Resolution; *provided,* that no such action shall adversely affect the interests of the Beneficiaries who have not consented thereto.

- To add other covenants or agreements, or to surrender any right or power reserved or conferred upon the State, and which shall not adversely affect the interests of the Beneficiaries who have not consented thereto.
- To issue a particular series of Senior Bonds or enter into a Swap Agreement or obtain a Credit Enhancement Facility and, in connection therewith, to establish provisions for making deposits to the Redemption Fund to provide for the payment of any Senior Bonds, or Other Obligations and to establish assumptions for computing the Debt Service obligations with respect thereto.
- To cause the Program Resolution to comply with the requirements of the Trust Indenture Act of 1939.
- To provide for the removal of a Fiduciary or the Securities Depository, or the appointment of an additional or successor Fiduciary or a successor Securities Depository.
- To make any change in the Program Resolution required by any Rating Agency in order to maintain the current, or restore the previous, rating by such Rating Agency on the Bonds, and which shall not adversely affect the interests of the Beneficiaries who have not consented thereto.
- To provide for the creation of Funds or Accounts, to which amounts in the Revenue Fund may be credited on any Revenue Payment Date prior to transfer of such amounts to the Junior Subordinate Redemption Fund, but only after all transfers therefrom to the Rebate Fund, the Redemption Fund, the Reserve Fund, the Rate Stabilization Fund, or the creation of one or more subordinate classes of Bonds payable solely from Funds and Accounts created under that or another Supplemental Resolution; *provided,* that no such subordinate class of Bonds or Other Obligations may be senior in any respect to any previously created class of Senior Bonds or Other Obligations any of which are then Outstanding, except to the extent specifically authorized or permitted by the Supplemental Resolution authorizing such previously created class or except to the extent consented to by each Beneficiary who would be adversely affected thereby.
- To modify, alter, amend, or supplement the Program Resolution in any other respect which is not materially adverse to the Beneficiaries who have not consented thereto or which is permitted for Bonds of one or more particular series, as provided in the Supplemental Resolution for Bonds of those series and affects only (1) the Holders of such Bonds and (2) any other Beneficiaries who have consented thereto.
- To modify, alter, amend, or supplement the Program Resolution in any other respect so long as each Rating Agency shall have confirmed that no outstanding ratings on any of the Outstanding Bonds will be reduced or withdrawn as a result of such modification, alteration, amendment, or supplement, as evidenced by written confirmations thereof delivered from each Rating Agency.

In connection with the adoption of any Supplemental Resolution without Bondholder consent, the Trustee must be given an opinion of Bond Counsel to the effect that such Supplemental Resolution is authorized or permitted by the Program Resolution and the Revenue Obligations Act, complies with their respective terms, will be valid and binding upon the State in accordance with its terms, and will not adversely affect the exclusion of the interest payable on the Bonds from gross income of the Holders of the Bonds for federal income tax purposes pursuant to the Code.

Supplemental Resolutions With Holder Consent

The Building Commission may, with the prior written consent of the Holders of a majority of the principal amount of each class of Bonds Outstanding affected by such Supplemental Resolution, and with the prior written consent of the Other Beneficiaries, adopt a Supplemental Resolution to modify, alter, amend, or supplement the Program Resolution in any respect. No Supplemental Resolution, however, may permit any of the following:

- An extension of the stated maturity or reduction in the principal amount of, a reduction in the rate or extension of the time for paying interest on, a reduction of any premium payable on the redemption of, a reduction in the purchase price payable on a Tender Date for, or a reduction in the amount or extension of the time for any principal payment required for any sinking fund or otherwise applicable to, any of the Bonds without the consent of the Holders of all the Bonds and Other Beneficiaries which would be affected by the action to be taken.
- The creation of any security interest prior to or on a parity with the security interest in the Funds and Accounts for the benefit of the Holders of the Bonds and the Other Beneficiaries without the consent of the Holders of all the Bonds Outstanding and the Other Beneficiaries which would be adversely affected by such creation.
- A reduction in the aggregate principal amount of Bonds the Holders of which are required to consent, or the elimination of a requirement that any Other Beneficiary consent, to any Supplemental Resolution without the consent of the Holders of all Bonds at the time Outstanding, and any Other Beneficiary which would be affected by the action to be taken.
- A modification of the rights, duties, or immunities of the Trustee or any Fiduciary without the written consent of the Trustee or Fiduciary.
- The creation of a privilege or priority of any Obligation of one class over any other Obligation of the same class, or of any other class except as provided in the Program Resolution, or the surrender of a privilege or a priority granted by the Program Resolution, to the detriment of another Beneficiary.

DEFINITIONS OF CERTAIN TERMS

The following definitions apply to capitalized terms used in this part of the Annual Report.

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

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

"Account" means any of the accounts in the Funds.

"Acting Beneficiaries Upon Default" means:

- for purposes of the provisions of the Program Resolution concerning acceleration of maturity, the Holders of not less than the specified percentage of the aggregate Principal Amount of Senior Bonds Outstanding if Senior Bonds are Outstanding and otherwise the Holders of not less than the specified percentage of the most senior class of Bonds Outstanding, and
- for all other purposes under the Program Resolution, any Senior Other Beneficiary or the Holders of not less than the specified percentage of the aggregate Principal Amount of Senior Bonds Outstanding if Senior Bonds or Senior Other Obligations are Outstanding and otherwise the Holders of not less than the specified percentage of Bonds of the most senior class of any Bonds or Other Obligations of which are Outstanding and any Other Beneficiary of such class.

"Authorized Commission Representative" means any person at the time designated to act on behalf of the State by written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the State by the Capital Finance Director, and also includes the Capital Finance Director.

"Authorized Department Representative" means any person at the time designated to act on behalf of the Department by written certificate furnished to the Trustee containing the specimen signature of such

person and signed on behalf of the Department by the Secretary of the Department, and also includes the Secretary.

"Beneficial Owner" means the Person in whose name a Bond is recorded as beneficial owner of such Bond by the Securities Depository, Participant, or Indirect Participant, as the case may be.

"*Beneficial Ownership Interest"* means the right to receive payments and notices with respect to Bonds which are held by the Securities Depository under a Book-Entry System and for which the Securities Depository does not act on behalf of the Beneficial Owner in connection with the optional or mandatory tender of Bonds on a Tender Date.

"Beneficiary" means any Holder of Bonds, any Swap Counterparty, and any Credit Facility Provider.

"Bond Anticipation Notes" means obligations for the funding of which the Building Commission has authorized the issuance of Bonds in a Supplemental Resolution.

"Bond Counsel" means any Independent Counsel selected by the State and nationally recognized as an attorney or firm of attorneys whose opinions are generally accepted in the municipal bond market and who is familiar with the transactions contemplated under the Program Resolution. Unless specifically otherwise provided, any opinion of Bond Counsel required by the Program Resolution shall be in writing.

"Bonds" means revenue obligations of the State, however designated and whether Senior, Subordinate, or Junior Subordinate, that are issued pursuant to the Program Resolution and payable, in whole or in part, from the Petroleum Inspection Fees and does not include Bond Anticipation Notes that are payable solely from the proceeds of Bonds authorized in a Supplemental Resolution.

"The Bond Buyer Revenue Bond Index" means the 25-Bond Revenue Bond Index as published by The Bond Buyer.

"Book-Entry System" means a book-entry system established and operated for the recordation of Beneficial Owners of Bonds.

"Building Commission" means the State of Wisconsin Building Commission.

"Business Day" or *"business day"* means, with respect to any series of Bonds, a day on which (a) banks located in the city in which the Principal Office of any Fiduciary with responsibilities for that series of Bonds is located are not required or authorized by law or executive order to close for business, and (b) the New York Stock Exchange is not closed; *provided,* that a Supplemental Resolution may provide for a different meaning with respect to Bonds of any series issued pursuant thereto.

"Capitalized Interest Account" means the Capitalized Interest Account created within the Proceeds Fund.

"Claims Account" means the Claims Account created within the Proceeds Fund.

"Code" means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code herein shall be deemed to include the United States Treasury Regulations in effect or proposed from time to time with respect thereto and applicable to the Bonds or the use of the proceeds thereof.

"Counterparty Swap Payment" means a payment due to or received by the State from a Swap Counterparty pursuant to a Swap Agreement (including, but not limited to, payments in respect of any early termination of such Swap Agreement) and amounts received by the State under any related Swap Counterparty Guaranty.

"Credit Enhancement Facility" means, if and to the extent provided for in a Supplemental Resolution, with respect to Bonds of one or more series, (1) an insurance policy insuring, or a letter of credit, surety bond, or other guaranty providing a direct or indirect source of funds for, the payment of principal of and interest on such Bonds (but not necessarily principal due upon acceleration of maturity) or (2) a letter of

credit, standby purchase agreement, or similar instrument, providing for the purchase of such Bonds (or the Beneficial Ownership Interests therein) on a Tender Date, and in either case, all agreements entered into by the State or the Trustee and the Credit Facility Provider with respect thereto.

"Credit Facility Provider" means any Person or Persons engaged by the State pursuant to a Credit Enhancement Facility, to provide credit enhancement or liquidity for the payment of the principal of and interest on Bonds or the State's obligation to purchase Bonds (or the Beneficial Ownership Interests therein) on a Tender Date.

"Debt Service" means the aggregate principal payments (whether at stated maturity or pursuant to sinking fund redemption requirements), interest payments and other payments of the State on all Outstanding Bonds and Other Obligations for any Fiscal Year (including any State Swap Payments, less any Counterparty Swap Payments unless the Swap Counterparty is in default with respect to its payment obligations under the related Swap Agreement, and including any fees with respect to Credit Enhancement Facilities); *provided,* however, that for purposes of calculating such amount:

- Any Variable Rate Bonds shall, for any future period for which the actual interest rate is not known on the date of determination (that is, on the date on which Debt Service is being calculated), be assumed to bear interest at the Projected Interest Rate.
- All Outstanding Bond Anticipation Notes shall be assumed to be funded at or before the stated maturity thereof, and all Bond Anticipation Notes which have been authorized by a Supplemental Resolution but not yet issued shall be assumed to be issued and immediately funded on the date of determination, in each case by the issuance of Senior Refunding Bonds in the full amount authorized with respect to such Bond Anticipation Notes, bearing interest at the Projected Interest Rate, and maturing according to such amortization schedule as the State may determine; *provided* that the final maturity must not be later than 20 years from the original issuance of the Bond Anticipation Notes.
- Amounts of principal or interest due on a particular date shall be excluded from the determination of Debt Service to the extent that such amounts are payable from amounts deposited in trust, escrowed, or otherwise set aside for the payment thereof with the Trustee or another Person approved by the State or the Trustee (including, without limitation, amounts in an Escrow Account established in the Redemption Fund or amounts in the Capitalized Interest Account of the Proceeds Fund).
- State Swap Payments, Counterparty Swap Payments, and payments with respect to Credit Enhancement Facilities shall be determined based upon such assumptions as may be set forth in the Supplemental Resolution authorizing the related Swap Agreement or the Credit Enhancement Facility, as the case may be, or in a State Certificate provided to the Trustee with respect to such Swap Agreement or Credit Enhancement Facility.
- For purposes of applying the additional bonds test in connection with the issuance of Refunding Bonds, the proceeds of such Refunding Bonds shall be assumed to have been applied on their issuance date for the purposes provided in the Supplemental Resolution authorizing such Refunding Bonds.
- Except to the extent provided in a Supplemental Resolution to provide for a subordinate class of Bonds or other obligations with respect to the determination of Debt Service for purposes of limitations relating to Subordinate or Junior Subordinate Bonds or Subordinate or Junior Subordinate Other Obligations, debt service payments with respect to Subordinate or Junior Subordinate Bonds and Subordinate or Junior Subordinate Other Obligations shall not be taken into account.

"Debt Service Coverage Ratio" means the ratio of Projected Annual Revenues to Maximum Annual Debt Service.

"Department" means the State of Wisconsin Department of Commerce.

"Escrow Account" means a separate and distinct Account created within the Redemption Fund or the Junior Subordinate Redemption Fund hereof in connection with the defeasance of any Bonds.

"EMCP" or *"Notes"* means, collectively, the State of Wisconsin Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper of all series issued pursuant to the Notes Supplemental Resolution.

"*Event of Default*" means one of the events described as such in the Program Resolution.

"Extended Maturity Date" means, for each Bond designated as EMCP, the date that is 270 days after the original issue date.

"Federal Securities" means noncallable, direct obligations of the United States of America.

"Fiduciary" means each of the Trustee, and any co-trustee, Registrar, Issuing Agent, Paying Agent, or other fiscal agent and includes any agent designated by or on behalf of the Building Commission or a Fiduciary to perform the functions of a Fiduciary. One entity may perform multiple Fiduciary functions, and multiple entities may perform a particular Fiduciary function.

"Fiscal Year" means the annual period beginning on July 1 of each year and ending on June 30 of the following year.

"Fund" means any of the funds created by the Program Resolution.

"Holder" means the registered owner of any Bond (which shall be the Securities Depository Nominee so long as a Book-Entry System is being used), as shown on the registration books of the State maintained by the Registrar, except that to the extent and for the purposes provided in a Supplemental Resolution for a series of Bonds (including, without limitation, for purposes of the definition of "Acting Beneficiaries Upon Default"), a Credit Facility Provider that has delivered a Credit Enhancement Facility with respect to such series of Bonds may instead be treated as the Holder of the Bonds of such series.

"Independent Counsel" means an Independent Person duly admitted to practice law before the highest court of any state of the United States of America or the highest court of the District of Columbia, or with respect to opinions relating to the law of a country other than the United States of America, an Independent Person duly admitted to the practice of law in such country. Unless specifically otherwise provided, any opinion of Independent Counsel required by the Program Resolution shall be in writing.

"Independent Person" means a Person designated by the State and not an employee of the State.

"Indirect Participant" means a broker-dealer, bank, or other financial institution for which the Securities Depository holds Bonds as a securities depository through a Participant.

"Interest Account" means the Interest Account created within the Redemption Fund.

"Interest Payment Date" means any date on which interest is due on any Bond pursuant to the Program Resolution.

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

"Issuance and Administrative Account" means the Issuance and Administrative Account created within the Proceeds Fund.

"Issuing Agent" means the entity designated by or on behalf of the Building Commission to perform such duties as may be required of the Issuing Agent under the Program Resolution or any Supplemental Resolution.

"Issuing and Paying Agent" means, for purposes of Bonds issued as EMCP, the issuing and paying agent for EMCP as appointed by the Notes Supplemental Resolution.

"Junior Subordinate" means, (1) when used with respect to a Bond, a Bond of a series designated as such pursuant to the Supplemental Resolution pursuant to which such series of Bonds is issued, (2) when used with respect to a Credit Enhancement Facility, a Credit Enhancement Facility designated as such pursuant to the Supplemental Resolution pursuant to which such Credit Enhancement Facility is obtained by the State, and (3) when used with respect to a Swap Agreement, a Swap Agreement designated as such pursuant to the Supplemental Resolution pursuant to which such Swap Agreement is obtained by the State.

"Junior Subordinate Principal Account" means the Junior Subordinate Principal Account created within the Junior Subordinate Redemption Fund.

"Junior Subordinate Redemption Fund" means the Junior Subordinate Redemption Fund created under the Program Resolution.

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

"Maximum Annual Debt Service" means, as of the date of determination, the maximum annual Debt Service, as computed for the then current or any future Fiscal Year.

"Notes" or *"EMCP"* means, collectively, the State of Wisconsin Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper of all series issued pursuant to the Notes Supplemental Resolution.

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

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

"Original Maturity Date" means, for each Bond designated as EMCP, the date that is from 1 to 180 days from the original issue date, specified as such in the confirmation sent to the Holder of the EMCP.

"Other Beneficiary" shall mean a Person who is a Beneficiary of an Other Obligation.

"Other Obligation" shall mean the State's obligations to pay any amounts under any Swap Agreements and any Credit Enhancement Facilities.

"Outstanding" means, (1) when used in reference to the Bonds as at any given date, all Bonds which have been duly authenticated and delivered by the Registrar or Issuing Agent under the Program Resolution *except*:

- Bonds which have been canceled by the Registrar at or before such date or which have been delivered to the Registrar at or before such date for cancellation;
- Bonds deemed to be paid because their payment has been provided for;
- Bonds in lieu of which other Bonds have been authenticated;
- Bonds not surrendered for payment when due (unless the State shall default in the payment thereof); and

- Bonds which are otherwise not treated as Outstanding pursuant to the terms of the Supplemental Resolution providing for their issuance; and

(2) when used with respect to Other Obligations, means any Other Obligations which have become, or may in the future become, due and payable and which have not been paid or otherwise satisfied.

"Participant" means a broker-dealer, bank, or other financial institution for which the Securities Depository holds Bonds as a securities depository.

"Paying Agent" means an agent of the State designated by or on behalf of the Building Commission to process payments to Holders of the Bonds.

"PECFA Program" means the Petroleum Environmental Cleanup Fund Award Program, which is a petroleum storage remedial program provided for in the Wisconsin Statutes.

"Permitted Investments" means any of the following:

- Direct obligations of the United States and of agencies of and corporations wholly owned by the United States, and direct obligations of federal land banks, federal home loan banks, central bank for cooperatives and banks for cooperatives, international bank for reconstruction and development, the international finance corporation, inter-American development bank, African development bank and Asian development bank, in each case maturing within one year or less from the date of investment;
- Commercial paper maturing within one year or less from the date of investment and rated prime by the national credit office, if the issuing corporation has one or more long-term senior debt issues outstanding, each of which has one of the three highest ratings issued by Moody's Investors Service Inc., Standard & Poor's Ratings Services, or Fitch, Inc.;
- Certificates of deposit maturing within one year or less from the date of investment, issued by banks, credit unions, savings banks or savings and loan associations located in the United States and having capital and surplus of at least $40,000,000; and
- Any other investment permitted by law, so long as each Rating Agency shall have confirmed that no outstanding ratings on any of the Outstanding Unenhanced Bonds will be reduced or withdrawn as a result of such investment, as evidenced by written confirmations thereof delivered from each Rating Agency, or if no Unenhanced Bonds are then Outstanding, but Other Obligations are Outstanding, the Beneficiaries holding such Other Obligations consent to such investment, as evidenced in writing to the Trustee by each such Beneficiary.

"Person" means any natural person, firm, association, corporation, company, trust, partnership, public body, or other entity.

"Petroleum Inspection Fees" means the fees imposed under Section 168.12 (l) of the Wisconsin Statutes, the payments under Section 101.143 (4) (h) lm. of the Wisconsin Statutes, the payments under Section 101.143 (5) (a) of the Wisconsin Statutes, and the net recoveries under Section 101.143 (5) (c) of the Wisconsin Statutes.

"Petroleum Inspection Fund" means the separate nonlapsible trust fund created under Section 25.47, Wisconsin Statutes, which includes all the funds and accounts created under the Program Resolution and a separate fund held in the state treasury.

"Principal Account" means the Principal Account created within the Redemption Fund.

"Principal Amount" when used with respect to a Bond, shall mean the then outstanding principal amount of such Bond; *provided,* that to the extent provided in the Supplemental Resolution for Bonds of such series that pay interest less frequently than semiannually, accrued interest or amortized original issue

discount with respect to such Bond shall be treated as principal, and to the extent provided in the Supplemental Resolution for Bonds of such series that bear no interest, only the purchase price plus amortized original issue discount shall be treated as principal.

"Principal Office" means, with respect to any Fiduciary, the office which may be designated as such, from time to time, by the Fiduciary in writing to the State and (in the case of any Fiduciary which is not the Trustee) to the Trustee.

"Principal Payment Date" means the stated maturity date of principal of any Serial Bond, the Sinking Fund Payment Date for any Term Bond, and any other Redemption Date for any Bond.

"Proceeds Fund" means the Proceeds Fund created under the Program Resolution.

"Program Expense Account" means the Program Expense Account created within the Program Fund.

"Program Fund" means the Program Fund created under the Program Resolution.

"Program Resolution" means the Program Resolution for State of Wisconsin Petroleum Inspection Fee Revenue Obligations, as adopted by the Building Commission on January 19, 2000, as amended and restated by the Notes Supplemental Resolution, together with any and all Supplemental Resolutions.

"Projected Annual Revenues" means the largest amount of Petroleum Inspection Fees collected in any twelve consecutive months during the eighteen most recent months for which such information is available; *provided,* that if, as a result of legislation enacted prior to the time of determination, the rate of the Petroleum Inspection Fee for any future month will be higher or lower than the rate of Petroleum Inspection Fee in effect for any corresponding prior month, "Projected Annual Revenues" shall be adjusted to take such change into account.

"Projected Interest Rate" means the sum of the Bond Buyer Revenue Bond Index, as most recently compiled and published in *The Bond Buyer* as of the date of determination, plus 3% per annum, or if such index is no longer published, "Projected Interest Rate" shall mean an interest rate determined in such alternate manner as the State may establish by State Certificate or Supplemental Resolution; *provided,* that each Rating Agency shall have confirmed that no outstanding ratings on any of the Outstanding Unenhanced Bonds will be reduced or withdrawn as a result of the use of such alternate manner of determination, as evidenced by written confirmations thereof delivered from each Rating Agency, or if no Unenhanced Bonds are then Outstanding, but Other Obligations are Outstanding, the Beneficiaries holding such Other Obligations consent to the use of such alternate manner of determination, as evidenced in writing by each such Beneficiary.

"Rate Stabilization Fund" means the Rate Stabilization Fund created under the Program Resolution.

"Rating Agency" means, at any time, any nationally recognized securities rating agency that is then maintaining a rating on the Bonds at the request of the State. *"Rating Agency"* includes the successors and assigns of such agency.

"Rebate Fund" means the Rebate Fund created under the Program Resolution.

"Redemption Date" means the date fixed for redemption of any Bond pursuant to the Program Resolution.

"Redemption Fund" means the Redemption Fund created under the Program Resolution.

"Refunding Bonds" means Bonds issued or to be issued to provide for the payment of principal of (and, to the extent provided by the Supplemental Resolution authorizing the issuance thereof, premium, if any, and interest on) Bonds previously issued under this Resolution or to fund Bond Anticipation Notes.

"Registrar" means the State Treasurer or an agent of the State designated by or on behalf of the State Treasurer to maintain the registration books for the Bonds.

“Reserve Fund” means the Reserve Fund created under the Program Resolution.

“Reserve Fund Requirement” means, at any time, an amount equal to the greatest amount established as such in any Supplemental Resolution, which may be expressed as a percentage of Outstanding Bonds, as a stated dollar amount, or in any other manner. In calculating the Reserve Fund Requirement, all Bonds to be redeemed or defeased by a series of Refunding Bonds shall be deemed not Outstanding as of the date of calculation.

“Revenue Fund” means the Revenue Fund created under the Program Resolution.

“Revenue Obligations Act” means Subchapter II of Chapter 18, Wisconsin Statutes.

“Revenue Payment Date” shall mean each Business Day on which Petroleum Revenue Fees are received by the Trustee.

“Securities Depository” means the securities depository and any substitute for or successor to such securities depository that shall, at the request of the Building Commission, maintain a Book-Entry System with respect to the Bonds.

“Securities Depository Nominee” means the Securities Depository or the nominee of the Securities Depository in whose name the Bonds are registered during the continuation with such Securities Depository of participation in its Book-Entry System.

“Senior” means (1) when used with respect to a Bond, a Bond of a series designated (or deemed to have been designated) as such pursuant to the Supplemental Resolution pursuant to which such series of Bonds is issued, (2) when used with respect to a Credit Enhancement Facility, a Credit Enhancement Facility designated (or deemed to have been designated) as such pursuant to the Supplemental Resolution pursuant to which such Credit Enhancement Facility is obtained by the State, and (3) when used with respect to a Swap Agreement, a Swap Agreement designated (or deemed to have been designated) as such pursuant to the Supplemental Resolution pursuant to which such Swap Agreement is obtained by the State.

“Serial Bonds” means all Bonds other than Term Bonds.

“Sinking Fund Payment Date” means the date on which any Term Bond is to be called for redemption pursuant to the sinking fund requirements of the Supplemental Resolution providing for the issuance thereof or, if not redeemed, the stated maturity date thereof.

“State” means the State of Wisconsin.

“State Certificate” means a certificate signed by an Authorized Commission Representative and delivered to the Trustee or, if required by the context in which such term is used, to any other Fiduciary.

“State Direction” means a direction to the Trustee or, if required by the context in which such term is used, to any other Fiduciary and signed by an Authorized Commission Representative.

“State Swap Payment” shall mean a payment due to a Swap Counterparty from the State pursuant to the applicable Swap Agreement (including, but not limited to, payments in respect of any early termination of such Swap Agreement).

“Subordinate” means, after the adoption of a Supplemental Resolution to provide for the creation of a subordinate class of Bonds or Other Obligations that is subordinate to Senior Bonds and prior to Junior Subordinate Bonds, (1) when used with respect to a Bond, a Bond of a series designated as such pursuant to the Supplemental Resolution pursuant to which such series of Bonds is issued, (2) when used with respect to a Credit Enhancement Facility, a Credit Enhancement Facility designated as such pursuant to the Supplemental Resolution pursuant to which such Credit Enhancement Facility is obtained by the State, and (3) when used with respect to a Swap Agreement, a Swap Agreement designated as such

pursuant to the Supplemental Resolution pursuant to which such Swap Agreement is obtained by the State.

"Supplemental Resolution" means a resolution adopted by the Building Commission to supplement or amend the Program Resolution.

"Swap Agreement" means an interest rate exchange agreement or other interest rate hedge agreement between the State and a Swap Counterparty, as originally executed and as amended or supplemented, for the purpose of (1) converting, in whole or in part, (a) the State's fixed interest rate liability on all or a portion of any Bonds to a variable interest rate liability, (b) the State's variable interest rate liability on all or a portion of any Bonds to a fixed interest rate liability, or (c) the State's variable interest rate liability on all or a portion of any Bonds to a different variable interest rate liability, or (2) providing a maximum or minimum with respect to the State's variable interest rate liability on all or a portion of any Bonds.

"Swap Counterparty" means any Person with whom the State shall, from time to time, enter into a Swap Agreement.

"Swap Counterparty Guaranty" means a guaranty in favor of the State given in connection with the execution and delivery of a Swap Agreement under the Program Resolution.

"Tender Date" means, with respect to any Bond or Beneficial Ownership Interest, a date on which such Bond or Beneficial Ownership Interest is required to be tendered for purchase by or on behalf of the State, or has been tendered for purchase by or on behalf of the State pursuant to a right given the Holder or Beneficial Owner of such Bond, in accordance with the provisions in the Supplemental Resolution providing for the issuance thereof.

"Term Bonds" means Bonds that are subject to mandatory redemption on Sinking Fund Payment Dates according to a schedule provided in or pursuant to the Supplemental Resolution providing for the issuance of such Bonds.

"Trustee" means the entity designated by or on behalf of the Building Commission to have custody of the Funds and Accounts and to perform such other duties as may be required of the Trustee under the Program Resolution or any Supplemental Resolution. The Building Commission has designated The Bank of New York to serve as Trustee.

"Unenhanced Bond" means a Bond the payment of the principal of and interest on which is not provided for or secured by a Credit Enhancement Facility.

"Variable Rate Bonds" means Bonds whose interest rate is not fixed for the entire remaining term of such Bonds, but varies on a periodic basis as specified in the Supplemental Resolution providing for the issuance thereof.

"Variable Rate Debt" means (1) all Senior Variable Rate Bonds and Senior Bond Anticipation Notes, and (2) includes any Principal Amount of Bonds with respect to the which the State shall have entered into Senior Swap Agreements that have the effect of shifting the State's fixed rate liability to a variable rate liability.

"Variable Rate Debt Exposure" means the difference, if any, of (1) the actual aggregate Outstanding Principal Amount of Variable Rate Debt, less (2) the sum of the balance in the Principal Account allocable to Variable Rate Debt plus the balance of the Rate Stabilization Fund.

Appendix A

AUDITED FINANCIAL STATEMENT

This appendix sets forth the auditor's report and financial statement for the Petroleum Inspection Fee Revenue Obligations Program as of June 30, 2002.

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

AN AUDIT

Petroleum Inspection Fee Revenue Obligations Program

02-19

November 2002

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
Carrie Ferguson

CONTENTS

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November 21, 2002

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

Dear Senator George and Representative Leibham:

At the request of the departments of Commerce and Administration, and to meet our audit responsibilities under s. 13.94, Wis. Stats., we have completed a financial audit of the State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program for the fiscal years ending June 30, 2002, and June 30, 2001. We were able to express our unqualified opinion on the program's Statement of Changes in Program Assets and related notes.

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

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

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

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

Respectfully submitted,

Janice Mueller

Janice Mueller
State Auditor

JM/BN/ss

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

We have audited the accompanying Statement of Changes in Program Assets of the State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program for the years ended June 30, 2002, and June 30, 2001. This financial statement is the responsibility of the program's management. Our responsibility is to express an opinion on the financial statement based on our audits.

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

As discussed in Note 1, the Statement of Changes in Program Assets presents only the Petroleum Inspection Fee Revenue Obligations Program and is not intended to present fairly the financial activity of the State of Wisconsin.

As described in Note 2, to provide a meaningful presentation to bondholders and noteholders regarding resources available to pay debt service, the program's policy is to prepare its financial statement on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

In our opinion, the Statement of Changes in Program Assets presents fairly, in all material respects, the Petroleum Inspection Fee Revenue Obligations Program's assets as of June 30, 2002, and June 30, 2001, and the program's receipts and disbursements for the fiscal years then ended, on the cash basis of accounting.

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

LEGISLATIVE AUDIT BUREAU

November 18, 2002 by Bryan Naab

Bryan Naab
Audit Director

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

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

The accompanying notes are an integral part of this statement.

1. Description of the Program

The State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program originated in January 2000, pursuant to the State of Wisconsin Building Commission Program Resolution for State of Wisconsin Petroleum Inspection Fee Revenue Obligations, adopted on January 19, 2000, and amended and restated on May 2, 2000 (the Program Resolution). The purpose of the program is to provide financing for the payment of claims under the State of Wisconsin Petroleum Environmental Cleanup Fund Award (PECFA) program, which is administered by the State of Wisconsin Department of Commerce.

The Program Resolution establishes special trust funds and accounts and fiduciary responsibilities that are to be undertaken by a corporate trustee for the benefit of the bondholders, extendible municipal commercial paper noteholders, and holders of any other obligations that may be issued. The Bank of New York has been appointed as the trustee for the revenue obligations. The trustee is responsible for maintaining the trust funds in accordance with the Program Resolution, which requires investments of trust fund balances to be in accordance with directives established by the Program Resolution. The Bank of New York is also the registrar and paying agent for revenue bonds. U.S. Bank Trust National Association is the issuing and paying agent and registrar for extendible municipal commercial paper.

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

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

Revenue bond and extendible municipal commercial paper proceeds are held by the trustee until the Department of Commerce and the Department of Administration request the trustee to remit specific amounts to the State to pay PECFA claims.

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

The financial statement presents only the Petroleum Inspection Fee Revenue Obligations Program and is not intended to present fairly the financial activity of the State of Wisconsin.

2. Summary of Significant Accounting Policies

The accompanying Statement of Changes in Program Assets of the Petroleum Inspection Fee Revenue Obligations Program presents the program's receipts and disbursements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. Under the cash basis of accounting, receipts are recorded when received and disbursements are recorded when paid. The program's assets may include cash, consisting of demand deposits held by The Bank of New York and U.S. Bank Trust National Association, and investments. The financial position and activity of the program is presented on the cash basis of accounting to provide a meaningful presentation to bondholders and extendible municipal commercial paper noteholders regarding resources available to pay debt service.

3. Deposits and Investments

The program's deposit and investment policies are governed by the Program Resolution and Wisconsin Statutes. The program is authorized by statutes and the Program Resolution to deposit funds with the trustee and the commercial paper issuing and paying agent. The program is also authorized by statute and the Program Resolution to invest funds reserved for debt service in direct obligations of the United States. In addition, the program is authorized to invest funds not reserved for debt service in direct obligations of the United States; high-quality corporate commercial paper; certificates of deposit; and other investments authorized under s. 25.17(3)(b), Wis. Stats., and permitted by the Program Resolution.

As of June 30, 2002, the demand deposit accounts with the trustee and the commercial paper issuing and paying agent totaled $19,558,847. As of June 30, 2001, demand deposit accounts totaled $7,559,723. Each year, $200,000 was insured against loss by the Federal Deposit Insurance Corporation and, therefore, is categorized as risk category 1 deposits in accordance with Governmental Accounting Standards Board (GASB) Statement No. 3. The remaining $19,358,847 as of June 30, 2002, and $7,359,723 as of June 30, 2001, was not insured or collateralized and, therefore, is categorized as risk category 3.

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

4. Program Assets

Program assets required to be held in the various interest and principal redemption accounts at the trustee and the issuing and paying agent are reported as Program Assets Reserved for Debt Service. Program assets in excess of those reserved for debt service are reported as Unreserved Program Assets. The program's unreserved assets are available to pay PECFA claims, debt issuance costs, or administrative costs of the program. Periodically, the State requests the program's unreserved assets to be remitted to the State to pay for these costs.

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

As of June 30, 2001, the program's assets totaled $7,559,723. Of this amount, $7,557,736, consisting of demand deposits, was reserved for debt service. The remaining $1,987, consisting of demand deposits, was unreserved.

5. Revenue Bonds and Extendible Municipal Commercial Paper

The program's revenue obligations are issued pursuant to Subchapter II of Chapter 18 of Wisconsin Statutes; s. 101.143(9m), Wis. Stats.; and the Program Resolution and supplemental resolutions adopted by the State of Wisconsin Building Commission. The revenue obligations are payable from, and primarily secured by, petroleum inspection fees that suppliers are charged on all petroleum products received for sale in Wisconsin, as received by the trustee (see note 6). The revenue obligations are not general obligations of the State.

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

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

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

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

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

The program may also issue extendible municipal commercial paper, which may have maturities from 1 to 180 days and is not callable prior to maturity. The principal of and interest on the extendible municipal commercial paper will be paid at maturity unless the State exercises its option to extend the maturity date to a date that is up to 270 days after the original issue date. New (roll-over) extendible municipal commercial paper may be issued to pay the principal due on maturing extendible municipal commercial paper. Each note bears interest from its date of issuance, at the rate determined on the date of issuance.

Interest payments on extendible municipal commercial paper are on a parity with the payments on the senior bonds. Principal on extendible municipal commercial paper has a junior subordinate pledge and is payable from proceeds of roll-over notes, issuance of refunding senior bonds, certain moneys held by the trustee, or other funds made available by the State for this purpose.

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

Additional series of senior bonds may be issued on a parity with the current bond series outstanding and collateralized by an equal lien on the petroleum inspection fees. However, no additional series, other than refunding bonds, may be issued unless, among other things, the debt service coverage ratio, as defined in the Program Resolution, is at least 2.0.

Each month that variable rate debt, such as the extendible municipal commercial paper, is outstanding, the State is required by the Program Resolution to provide to the trustee a certificate setting forth the State's "variable rate takeout capacity" and "variable rate debt exposure." The "variable rate takeout capacity" measures the State's ability, given certain conservative interest rate assumptions, to convert variable rate debt to fixed rate debt. "Variable rate debt exposure" measures the State's outstanding variable rate debt. This certification was required and performed each month during FY 2001-02 and FY 2000-01. Because the State's ability to convert variable rate debt to fixed rate debt was higher than the amount of variable rate debt outstanding each month, the State needed to take no further action. For June 2002, the program's variable rate takeout capacity was calculated to be $358,999,526, which was $278,999,526 higher than the variable rate debt exposure of $80,000,000.

6. Petroleum Inspection Fees

Petroleum inspection fees result from the fees imposed under s. 168.12(1) Wis. Stats., and payments received under ss. 101.143(4)(h)1m, 101.143(5)(a), and 101.143(5)(c), Wis. Stats. Under s. 168.12(1), Wis. Stats., the $0.03 per gallon fee is imposed by the State on suppliers for all petroleum products received for sale in Wisconsin. The fees are paid to the State of Wisconsin Department of Revenue by suppliers along with motor fuel taxes. The Department of Revenue determines the amount collected for the fees and remits it to the program trustee on a monthly basis. The other petroleum inspection fees consist of penalty payments made under s. 101.143(4)(h)1m, Wis. Stats., by consultants for submitting claims for ineligible costs; proceeds under s. 101.143(5)(a), Wis. Stats., from the sale of remedial equipment and supplies that had originally been paid for by PECFA awards; and net recoveries under s. 101.143(5)(c), Wis. Stats., related to the Wisconsin Attorney General's actions against fraudulent claims.

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

From July 1, 2000, through June 30, 2002, the following amounts of petroleum inspection fees were remitted by the State of Wisconsin Department of Revenue to the trustee, retained by the trustee to meet debt service requirements and pay Petroleum Inspection Fee Revenue Obligations Program administrative costs, and transferred by the trustee to the State of Wisconsin Petroleum Inspection Fund.

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

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

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

7. Debt Service Coverage Ratio for Senior Debt

There are alternative methods to calculate debt service coverage. For purposes of additional analysis, the debt service coverage ratios for senior debt for FY 2001-02 and FY 2000-01 are provided below and are calculated as the ratio of petroleum inspection fees remitted to the trustee during the respective fiscal years, divided by the senior debt service payments made during each fiscal year.

Debt Service Coverage Ratio for Senior Debt

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

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

8. Contingencies and Commitments

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

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

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

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

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

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

9. Subsequent Events

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

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

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

Compliance

As part of obtaining reasonable assurance about whether the program's Statement of Changes in Program Assets is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

LEGISLATIVE AUDIT BUREAU

November 18, 2002 by Bryan Naab

Bryan Naab
Audit Director