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 977055, 977056, 97705L, and 97705M)

MASTER LEASE CERTIFICATES OF PARTICIPATION
(Base CUSIP 977087)

TRANSPORTATION REVENUE OBLIGATIONS
(Base CUSIP 977123)

CLEAN WATER REVENUE BONDS
(Base CUSIP 977092)

ENVIRONMENTAL IMPROVEMENT FUND REVENUE BONDS
(Base CUSIP 97709T)

PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS
(Base CUSIP 977109)

GENERAL FUND ANNUAL APPROPRIATION BONDS
(Base CUSIP 977100)

DECEMBER 23, 2015

SCOTT WALKER
GOVERNOR

SCOTT A. NEITZEL
SECRETARY

Division of Executive Budget and Finance
Capital Finance Office
Post Office Box 7864
Madison, WI 53707-7864

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December 23, 2015

Thank you for your interest in the State of Wisconsin.

This is the Continuing Disclosure Annual Report for the fiscal year ending June 30, 2015 (**2015 Annual Report**).

The 2015 Annual Report provides information on different securities that the State issues and is provided under 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 2015 Annual Report with the Municipal Securities Rulemaking Board (**MSRB**) through its Electronic Municipal Market Access (**EMMA**) system. EMMA receives, and makes available to the public, continuing disclosure documents and related information that is provided by issuers and obligated persons.

Official Statements for securities that the State issues during calendar year 2016 may incorporate parts of this 2015 Annual Report by reference.

Organization of the 2015 Annual Report

The 2015 Annual Report is divided into nine parts. The first two parts present general information.

- **Part I** presents the **State's continuing disclosure undertakings**. A Master Agreement on Continuing Disclosure (Amended and Restated December 1, 2010) 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 General Purpose External Financial Statements portion of the audited Comprehensive Annual Financial Report for the fiscal year ending June 30, 2015. This part also provides information on the 2015-17 biennial budget and the results of the 2014-15 fiscal year.

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 — Environmental improvement revenue bonds**
- **Part VIII — Petroleum inspection fee revenue obligations (including bonds and extendible municipal commercial paper)**
- **Part IX – General fund annual appropriation bonds (including bonds and variable rate notes)**

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

Security	Fitch Ratings	Kroll Bond Rating Agency, Inc.	Moody's Investors Service, Inc.	Standard & Poor's Ratings Services
General Obligations	AA	AA	Aa2*	AA
Master Lease Certificates of Participation	AA–	AA–	Aa3*	AA–
Transportation Revenue Bonds	AA+	AAA	Aa2	AA+
Clean Water Revenue Bonds	AA+	—	Aa1	AA+
Environmental Improvement Revenue Bonds	AAA	—	—	AAA
Petroleum Inspection Fee Revenue Bonds	AA	—	Aa2	AA
General Fund Annual Appropriation Bonds	AA–	—	Aa3*	AA–

* On November 19, 2014 Moody's Investors Service, Inc. changed the outlook on the State's general obligations and appropriation credits from "stable" to "positive" along with affirming its current rating on those respective obligations.

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 a web site that provides access to both disclosure and non disclosure information. The Capital Finance Office posts to this web site general fund cash flow reports and all event and additional (voluntary) filings that it makes through MSRB's EMMA system.

doa.wi.gov/capitalfinance

We welcome your comments or suggestions about the 2015 Annual Report. I can be reached at (608) 267-0374 or **DOACapitalFinanceOffice@wisconsin.gov**.

Sincerely,

/S/ DAVID R. ERDMAN

David R. Erdman
Capital Finance Director

SUMMARY OF OUTSTANDING STATE OF WISCONSIN OBLIGATIONS AS OF DECEMBER 15, 2015

	Principal Balance 12/15/2014	Principal Issued 12/15/2014 – 12/15/15	Principal Matured, Redeemed, or Defeased 12/15/2014 – 12/15/15	Principal Balance 12/15/2015
		GENERAL OBLIGATIONS[(a)]		
Total	**$7,856,685,602**	**$1,071,720,000**	**$940,181,186**	**$7,988,224,416**
General Purpose Revenue (GPR)	4,885,766,328	615,126,546	674,247,572	4,826,645,302
Self-Amortizing: Veterans	65,845,000	—	11,580,000	54,265,000
Self-Amortizing: Other	2,905,074,274	456,593,454	254,353,614	3,107,314,114
		MASTER LEASE CERTIFICATES OF PARTICIPATION		
Total	**$ 92,103,222**	**$48,837,274**	**$ 28,978,437**	**$111,962,060**
		TRANSPORTATION REVENUE OBLIGATIONS[(a)]		
Total	**$2,034,983,000**	**$432,240,000**	**$360,300,000**	**$2,106,923,000**
		CLEAN WATER REVENUE BONDS		
Total	**$ 764,745,000**	**$133,253,000**	**$ 199,820,000**	**$698,160,000**
		ENVIRONMENTAL IMPROVEMENT FUND REVENUE BONDS		
Total	**—**	**$43,380,000**	**—**	**$43,380,000**
		PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS[(a)]		
Total	**$ 139,100,000**	**—**	**$26,540,000**	**$112,560,000**
		GENERAL FUND ANNUAL APPROPRIATION BONDS[(a)]		
Total	**$3,179,230,000**	**—**	**$63,295,000**	**$3,115,935,000**

(a) This table also includes variable rate obligations that have been issued by the State.

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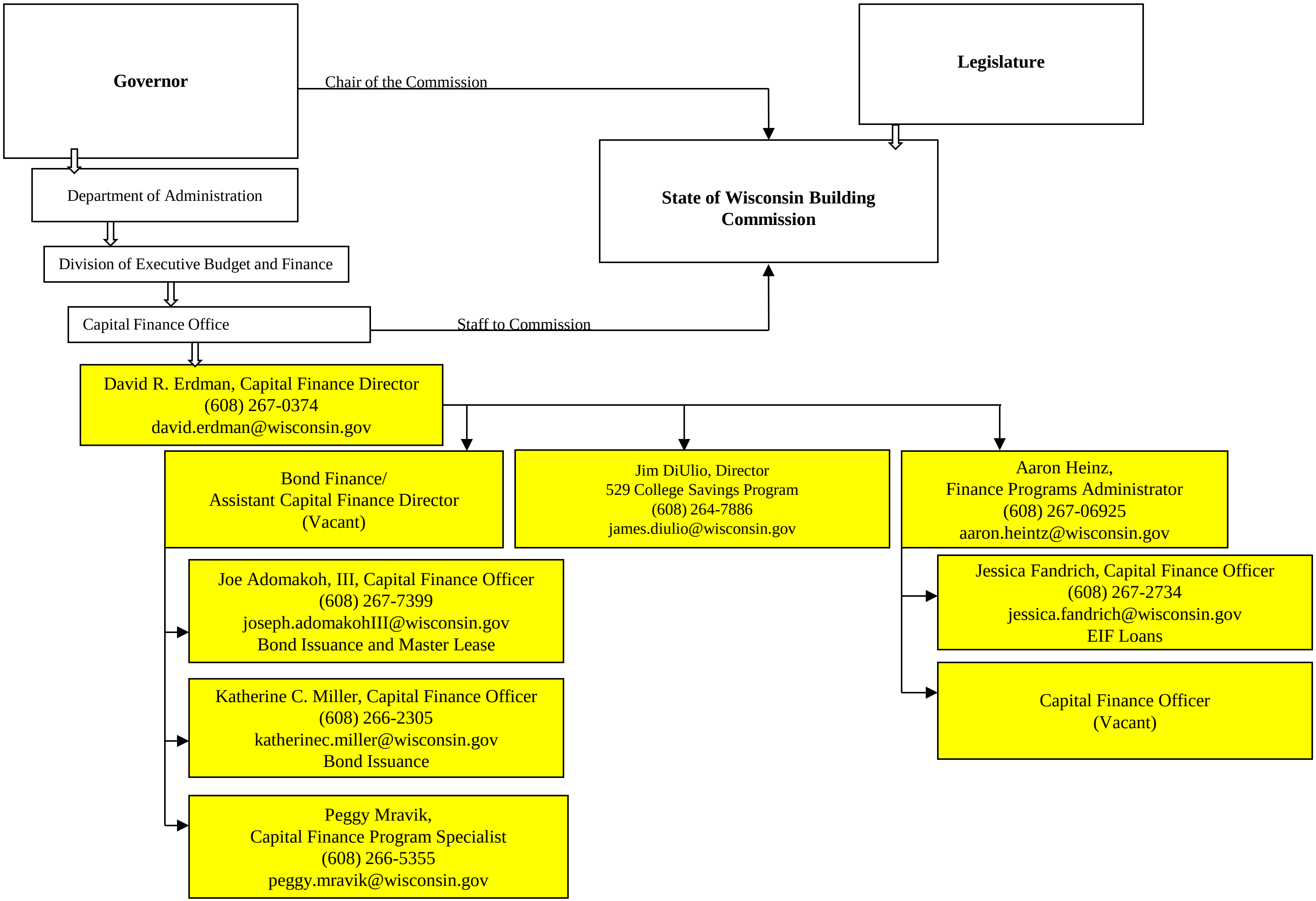
CLEAN WATER REVENUE BONDS

Capital Finance Office Staff (December 15, 2015)



STATE OFFICIALS PARTICIPATING IN ISSUANCE AND SALE OF BONDS AND OTHER OBLIGATIONS

BUILDING COMMISSION MEMBERS*

Voting Members	**Term of Office Expires**
Governor Scott Walker, Chairperson	January 7, 2019
Senator Terry Moulton, Vice Chairperson	January 7, 2019
Senator Jerry Petrowski	January 7, 2019
Senator Janis Ringhand	January 7, 2019
Representative Mark Born	January 2, 2017
Representative Robb Kahl	January 2, 2017
Representative Rob Swearingen	January 2, 2017
Mr. Robert Brandherm, Citizen Member	At the pleasure of the Governor

Nonvoting, Advisory Members	
Vacant, State Chief Engineer Department of Administration	——
Mr. Kevin Trinastic, State Ranking Architect Department of Administration	——

Building Commission Acting Secretary	
Mr. Robinson J. Binau, Director Division of Facilities Development Bureau of Capital Budget and Construction Administration Department of Administration	At the pleasure of the Building Commission and the Secretary of Administration

OTHER PARTICIPANTS

Mr. Brad D. Schimel State Attorney General	January 7, 2019
Mr. Scott A. Neitzel, Secretary Department of Administration	At the pleasure of the Governor

DEBT MANAGEMENT AND DISCLOSURE

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* The Building Commission is composed of eight voting members. The Governor serves as the chairperson. Each house of the Wisconsin State Legislature appoints three members. State law provides for the two major political parties to be represented in the membership from each house. One citizen member is appointed by the Governor and serves at the Governor's pleasure.

PART VI

CLEAN WATER REVENUE BONDS

Part VI of the 2015 Annual Report provides information about clean water revenue bonds **(Bonds)** issued by the State of Wisconsin **(State)**. Selected information is provided on this page for the convenience of the readers; however, all information presented in this Part VI of the 2015 Annual Report should be reviewed to make an informed investment decision.

Total Outstanding Balance (12/15/2015)	$698,160,000
Amount Outstanding of Fixed-Rate Obligations	698,160,000
Amount Outstanding of Variable-Rate Obligations	0
Percentage of Outstanding Obligations in form of Variable-Rate Obligations	0.00%
Ratings[a] (Fitch/Moody's/Standard & Poor's)	
Bonds	AA+/Aa1/AA+
Authority	Clean Water Revenue Bond General Resolution adopted by the Commission on March 7, 1991, as supplemented and amended, and Subchapter II of Chapter 18 and Sections 281.58 and 281.59, Wisconsin Statutes.
Trustee/Paying Agent	U.S. Bank National Association serves as Trustee, registrar, and Paying Agent.
Security	The Bonds are payable solely from (1) Pledged Loan Repayments, (2) amounts in the Loan Fund, Loan Credit Reserve Fund, and Subsidy Fund, and (3) any other Pledged Receipts. The Milwaukee Metropolitan Sewerage District and the State are currently expected to be the sources of approximately 33% and 16%, respectively, of the funds applied to pay debt service on the Outstanding Bonds.
Audit Report and Financial Statements	APPENDIX A to this Part VI of the 2015 Annual Report includes independent auditor's reports and the financial statements for the Environmental Improvement Fund and Leveraged Loan Portfolio.

[a] The ratings presented are the ratings assigned to the State's clean water revenue bonds without regard to any bond insurance policy. No information is provided in the 2015 Annual Report about any rating assigned to any clean water revenue bonds based on any bond insurance policy.

Contact: Capital Finance Office
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The State of Wisconsin Building Commission (**Commission**) supervises all matters concerning the State's issuance of revenue obligations. The Capital Finance Office, which is part of the State of Wisconsin Department of Administration's Division of Executive Budget and Finance, is responsible for managing the State's borrowing programs. The law firm of Foley & Lardner LLP provided bond counsel services in connection with the issuance of clean water revenue bonds. Requests for additional information about the Bonds, the Environmental Improvement Fund, or the Clean Water Fund Program may be directed to the Capital Finance Office.

Most Bonds have been issued as tax-exempt obligations; however, in 2010 one series of taxable obligations was issued as "build America bonds" pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended **(Code)**, for which the State is allowed a refundable tax credit.

The 2015 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 one part of the 2015 Annual Report may differ from those of the same terms used in another part, and the total amount shown in a table may vary from the related sum due to rounding. See "GLOSSARY" for the definitions of capitalized terms used in this Part VI of the 2015 Annual Report. No information or resource referred to in the 2015 Annual Report is part of the report unless expressly incorporated by reference.

Certain statements in this Part VI of the 2015 Annual Report may be forward-looking statements that are based on expectations, estimates, projections, or assumptions. Any forward-looking statements are made as of the date of the 2015 Annual Report, and the State undertakes no obligation to update such statements to reflect subsequent events or circumstances. Actual results could differ materially from the anticipated results.

OUTSTANDING BONDS

The State has issued Bonds on the dates and in the amounts shown in Table VI-1. The table also shows the outstanding principal balances of Bonds as of December 15, 2015. All clean water revenue bonds issued, or to be issued, under the General Resolution are collectively referred to as the **Bonds**. U.S. Bank National Association is the trustee for the Bonds **(Trustee)**. In addition, the Trustee is the registrar **(Registrar)** and paying agent **(Paying Agent)** for the Bonds.

Table VI-1

OUTSTANDING CLEAN WATER REVENUE BONDS
BY ISSUE
(As of December 15, 2015)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
1991- Series 1	3/1/91			
Serial Bonds		1994-2008	$ 167,555,000	-0-
Term Bonds		2011	57,445,000	-0-
1993- Series 1	8/15/93	1996-2013	84,345,000	-0-
Series 2	8/15/93	1994-2008	81,950,000	-0-
1995- Series 1	7/1/95	1997-2015	80,000,000	-0-
1997- Series 1	1/15/97	1999-2017	80,000,000	-0-
1998- Series 1	1/15/98	1999-2018	90,000,000	-0-
Refunding Series 2	8/15/98			
Serial Bonds		1999	1,800,000	-0-
Serial Bonds		2003	12,160,000	-0-
Serial Bonds		2009-17	90,400,000	$ 11,590,000
1999- Series 1	8/15/99			
Serial Bonds		2001-18	67,965,000	-0-
Term Bonds		2020	12,035,000	-0-
2001- Series 1	4/2/01	2002-21	70,000,000	-0-
2002- Series 1	5/1/02	2003-23	100,000,000	-0-
Refunding Series 2	8/1/02	2003-16	85,575,000	3,935,000
2004- Series 1	3/3/04	2006-24	116,795,000	-0-
Refunding Series 2	1/22/05	2009-20	107,025,000	9,265,000 [a]
2006- Series 1	3/16/06	2008-27	80,000,000	3,575,000 [a]

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding	
2006- Series 2	11/7/06	2008-27	$ 100,000,000	-0-	
2008- Series 1	2/12/08	2009-28	100,000,000	$ 12,960,000	(a)
Refunding Series 2	2/12/08	2016-18	27,335,000	27,335,000	
Series 3	12/11/08				
Serial Bonds		2010-21	60,745,000	21,615,000	(a)
Term Bonds		2025	24,825,000	-0-	(a)
Serial Bonds		2026	6,640,000	-0-	(a)
2010- Series 1 Bonds	2/25/10				
Serial Bonds		2012-16	20,180,000	4,390,000	
Serial Bonds		2026-31	47,235,000	47,235,000	
Series 2 Bonds	2/25/10	2019-21	14,070,000	14,070,000	
Series 3 Bonds (Taxable)	2/25/10	2017-25	49,690,000	49,690,000	
Series 4 Bonds	11/18/10	2012-31	116,290,000	100,635,000	
Series 5 Bonds	11/18/10	2018-23	36,760,000	36,760,000	
2012- Series 1 Bonds	7/26/12	2014-33	55,000,000	51,075,000	
Series 2 Bonds	7/26/12	2015-24	92,450,000	87,950,000	
2013- Series 1 Bonds	3/20/13	2016-27	82,845,000	82,845,000	
2015- Series 1 Bonds	7/15/15	2017-28	133,235,000	133,235,000	
Total Outstanding Clean Water Revenue Bonds				$698,160,000	

[a] The principal amount of Bonds for the payment of which funds have been provided as required by the General Resolution is not treated as outstanding for purposes of this table. Pursuant to a refunding escrow agreement, the principal of, and interest on, such Bonds will be paid as it comes due or will be called for redemption prior to maturity.

Table VI-2 provides a historical view of the amount of outstanding Bonds as of December 15th for the previous ten years.

Table VI-2

HISTORICAL OUTSTANDING CLEAN WATER REVENUE BONDS

Year (December 15)	Outstanding Bonds
2005	$ 641,435,000
2006	776,660,000
2007	729,575,000
2008	866,035,000
2009	805,305,000
2010	968,165,000
2011	897,475,000
2012	885,510,000
2013	822,940,000
2014	764,745,000

STATE REVOLVING FUND

Federal Water Quality Act

The Federal Water Quality Act of 1987, amended **(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 a state to assist in providing financial assistance to municipalities within the state for governmentally-owned water treatment projects and other water pollution abatement projects. As a condition to receipt of Capitalization Grants, a state is required to establish a perpetual Federal SRF into which each Capitalization Grant must be deposited and to provide state matching funds **(State Match)** equal to at least 20% of the Capitalization Grant for deposit in the Federal SRF. Amounts in a Federal SRF are permitted to be applied to provide financial assistance to municipalities for governmentally-owned water treatment projects and other water pollution abatement projects in a number of ways.

Capitalization Grants

The federal government has authorized appropriations for Capitalization Grants for federal fiscal years 1989 through 2015. For the Clean Water Fund Program, the State has been awarded Capitalization Grants from EPA aggregating approximately $1.076 billion for federal fiscal years 1989 through 2015. For the Safe Drinking Water Loan Program, the State has been awarded Capitalization Grants from EPA aggregating approximately $351 million for federal fiscal years 1998 through 2015. The aggregate amounts of Capitalization Grants stated above also include funds awarded to the State pursuant to the American Recovery and Reinvestment Act of 2009, for which no State Match was required. The State has previously issued general obligations to provide the State Match required for the State to receive its Capitalization Grants. The State currently expects to issue environmental improvement fund revenue bonds under the Environmental Improvement Fund Revenue Obligations Program Resolution to provide funds for the State Match required for the Clean Water Fund Program and to continue to issue general obligations for the State Match required for the Safe Drinking Water Loan Program.

Any reduction in future Capitalization Grants (including through sequestration or failure to make an appropriation) will not have any impact on the Bonds, because the Capitalization Grants are not pledged to the repayment of the Bonds.

State Revolving Fund

In response to the Water Quality Act, the State created the Environmental Improvement Fund and the Clean Water Fund Program. Financial assistance is made available to Municipalities in the form of Loans from the Clean Water Fund Program. See "ENVIRONMENTAL IMPROVEMENT FUND" and "CLEAN WATER FUND PROGRAM".

ENVIRONMENTAL IMPROVEMENT FUND

The State's Environmental Improvement Fund currently provides for the following separate environmental financing programs:

- **Clean Water Fund Program.** Established in 1990, the Clean Water Fund Program is a municipal financial assistance program for water pollution control projects and includes the State's implementation of a Federal SRF Program under the Water Quality Act. This program also funds the Land Recycling Loan Program, which is a municipal loan program for remediation of contaminated lands. See "CLEAN WATER FUND PROGRAM".

- **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. Loans from the Safe Drinking Water Loan Program are primarily funded from federal Capitalization Grants awarded for this purpose, the required State Match for those Capitalization Grants, and recycled State Drinking Water Loan payments.

Under current law the State is authorized to issue Bonds to make loans under the Clean Water Fund Program only for water treatment and other water pollution abatement projects. If changes were to be made to Wisconsin Statutes, Bond proceeds could be used to make loans under the Safe Drinking Water Loan Program and Land Recycling Loan Program for drinking water projects and remediation of contaminated land projects; however, no legislation is pending that would make such changes.

FINANCING PLAN

Since 1991, the State has issued Bonds to fund loans under the Clean Water Fund Program. The security for the Bonds is outlined in this Part VI of the 2015 Annual Report. The State does not intend to issue any additional Bonds under the General Resolution other than Bonds for refunding purposes. In 2015, the State established a new framework and a separate program for the issuance of environmental improvement fund revenue bonds to provide financing for the Clean Water Fund Program. The environmental improvement fund revenue bond program and security for the environmental improvement fund revenue bonds is described in Part VII of the 2015 Annual Report. The pledged revenues and pledged loans for each revenue bond program are different, and readers of this 2015 Annual Report are asked to use caution to ensure they are making reference to the correct part of the 2015 Annual Report.

Environmental Improvement Fund Revenue Bond Program Resolution

As of December 15, 2015, approximately $43 million of the environmental improvement fund revenue bonds were outstanding. Those bonds are not secured by the Pledged Revenues under the General Resolution and the Bonds are not secured by the program resolution for the environmental improvement fund revenue bonds.

CLEAN WATER FUND PROGRAM

The Clean Water Fund Program is a single program that consists of three loan portfolios, based on the sources of funds:

- **Leveraged Portfolio,** consisting of **Pledged Loans** funded with Bond proceeds. The term "Pledged Loans" is used in this Part VI of the 2015 Annual Report to refer to the same loans that were called "Leveraged Loans" and "Loans" in both the Clean Water Revenue Bond General Resolution, adopted by the Building Commission on March 7, 1991, as amended (**General Resolution**), and some prior continuing disclosure annual reports of the State.
- **Direct Portfolio,** consisting of **Direct Loans** funded with federal Capitalization Grants, the required State Match, and proceeds of environmental improvement fund revenue bonds, together with repayments of principal of, and interest on, those Direct Loans. The Direct Portfolio is pledged to secure payment of the outstanding environmental improvement fund revenue bonds and does not secure the Bonds under the General Resolution.
- **Proprietary Portfolio**, consisting in part of **Proprietary Loans** funded primarily with State general obligation bond proceeds along with repayments of principal of, and interest on, Proprietary Loans. Proprietary Loans are used to fund projects that may not meet all the construction or financial criteria of the Leveraged Portfolio or Direct Portfolio. The Proprietary Portfolio also includes State general obligation proceeds that are used to provide hardship low-interest loans and grants to municipalities.

Only Pledged Loans are funded with Bond proceeds, and only **Pledged Loan Repayments** are pledged to the repayment of the Bonds. In other words, Bond proceeds do not fund Direct Loans or Proprietary Loans, and repayments of Direct Loans or Proprietary Loans, along with the federal Capitalization Grants and State Match, are not pledged to the repayment of the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR BONDS".

The Clean Water Fund Program receives applications for financial assistance and reviews and approves such application prior to the award of any loan. All loans are made to Municipalities pursuant to Financial Assistance Agreements. As evidence of each Loan, the Municipality is required to issue and deliver to the State a bond or note of the Municipality **(Municipal Obligation)** obligating the Municipality to repay the Loan on the maturity schedule and at the interest rate set forth in the Financial Assistance Agreement. See "LOANS".

Funding Levels

The Legislature has authorized the issuance of $2.527 billion of revenue bonds (not including refunding bonds) for the Clean Water Fund Program. The Legislature has also authorized the issuance of general obligations in the aggregate amount of $687 million for the Clean Water Fund Program. These general obligations are used to provide the State Match, to fund Proprietary Loans, and to fund deposits into the Subsidy Fund, all as described further within this Part VI of the 2015 Annual Report.

As of December 15, 2015, approximately $914 million of authority remained for the issuance of revenue bonds, and $60 million of authority remained for the issuance of general obligations for the purposes described above. As of December 15, 2015, the amount of Pledged Loans that had been awarded but not yet disbursed was $10 million.

Bonds for the funding of loans under the Clean Water Fund Program were most recently issued July 2012. Starting in June 2013, loans that previously would have been funded with Bond proceeds have been funded with unallocated moneys of the Direct Portfolio; this funding is an allowable investment activity of that portfolio. In December, 2015, the State issued environmental improvement fund revenue bonds. The State does not intend to issue any additional Bonds under the General Resolution other than potential refunding Bonds; however, it reserves the right to do so.

Management

Management responsibilities for the Clean Water Fund Program are shared between two State agencies. The State of Wisconsin Department of Natural Resources **(DNR)** is responsible for the environmental and programmatic management of the Clean Water Fund Program. The State of Wisconsin Department of Administration (**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 details their respective roles. Joint responsibilities between DNR and DOA include issuing notices of financial assistance commitment (**Commitments**) to Municipalities and entering into financial assistance agreements **(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, and the sources of the funding projected to be provided.

Operating Agreement with EPA

In connection with receipt of Capitalization Grants, the State, acting through DNR and DOA, has entered into an Operating Agreement, as amended, with EPA. The Operating Agreement sets forth the objectives and structure of the Clean Water Fund Program and 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

Pledged Loan Repayments are pledged to the Trustee to secure the Bonds; payments of principal of, and interest on, either Direct Loans or Proprietary Loans are not pledged as security for the Bonds.

Each Pledged Loan must meet the criteria described under "LENDING CRITERIA" and must be evidenced by a Municipal Obligation. The State expects to continue to make most of the Pledged Loans to Municipalities with terms not exceeding 20 years and at interest rates that are below market rates. Due to the below-market interest rates, Pledged Loan Repayments are not expected to be sufficient to pay the principal of, and interest on, the Bonds as they become due. The State has provided, and expects to continue to provide, additional moneys to fund the difference between debt service payments due on the

Bonds and revenues to be derived from Pledged Loan Repayments. Such additional moneys include payments from State general obligations that are deposited into the Subsidy Fund.

Revenue Obligations

Each Series of Bonds is issued on parity with all other Bonds previously issued or to be issued from time to time under the General Resolution. See "OUTSTANDING BONDS". The State is currently authorized by the Building Commission to issue up to $192 million of Bonds for refunding purposes; these Bonds, when and if issued, would be issued on a parity with the Bonds issued by the State pursuant to the General Resolution. With the creation of the environmental improvement fund revenue bond program, the State does not intend to issue any Bonds other than potential refunding Bonds. See "FINANCING PLAN".

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, or interest on, the Bonds from any funds of the State other than those pledged pursuant to the General Resolution, and neither the full 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, or interest on, 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 or redemption price of, or interest on, the Bonds in accordance with the terms and provisions of the General Resolution:

(1) all Pledged Receipts, which are defined in the General Resolution as follows:

- All Pledged 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 Portfolio pursuant to a State "moral obligation" for individual Pledged 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) certain funds and accounts established in connection with the issuance of the Bonds, including the Loan Fund (pending use to make or acquire Pledged Loans), the Subsidy Fund, and the Loan Credit Reserve Fund, but not including the Rebate Fund or the State Equity Fund.

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 Pledged Loans, see "LOANS; Statutory Powers".

Pledged Loans

The proceeds of Bonds and other amounts deposited into the Loan Fund are used for the purpose of making Pledged Loans to Municipalities. Each Pledged Loan must meet the criteria described under "LENDING CRITERIA". As of December 1, 2015, disbursements for Pledged Loans totaled $1.577 billion, and the outstanding principal balance of these Pledged Loans was $671 million. As of December 1, 2015, amounts on deposit in the Loan Fund totaled $0.

Table VI-3 identifies all Municipalities that have entered into Financial Assistance Agreements, the amount that had been disbursed to each Municipality as of December 1, 2015, and the amount that remained to be disbursed pursuant to its Financial Assistance Agreement. Table VI-3 also provides information as to the principal loan balance outstanding under the Financial Assistance Agreement for each Municipality. The term "FAA Loan" used in Table VI-3 refers to the loan made under a Financial Assistance Agreement. The Municipalities are listed in the order of the principal amounts of the Pledged Loans outstanding.

In addition, the percentage of a Municipality's debt service payments on its Pledged Loan (or Pledged Loans) to the total debt service payments on the Outstanding Bonds will change when changes occur in either the repayment schedules for the Pledged Loans or the debt service payments remaining on the Outstanding Bonds. If a has Municipality entered into a Financial Assistance Agreement that is funded with both Pledged Loans and Direct Loans or Proprietary Loans, or if it has entered into multiple Financial Assistance Agreements that are funded with both Pledged Loans and Direct Loans or Proprietary Loans, then the entire amount of all Financial Assistance Agreements is included in the table. In these circumstances, there are separate columns that identify the "Pledged Loan Balance" and the "Non-Pledged Loan Balance".

Pledged Loan Repayments are the majority of the revenues available to pay debt service on the Bonds. The extent to which the failure of one Municipality to make its Pledged Loan Repayments affects the Clean Water Fund Program's ability to pay debt service on the Bonds will vary based on the percentage of debt service payments on the Bonds to be paid from the Pledged Loan Repayments from that 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 Pledged 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 Pledged Loan. However, a persistent failure by one or more Municipalities to pay debt service on Pledged Loans may adversely affect the ability of the Clean Water Fund Program to pay debt service on the Bonds. See "LOANS; Statutory Powers", "LOAN CREDIT RESERVE FUND SCHEDULES", and "SECURITY AND SOURCE OF PAYMENT FOR BONDS; Subsidy Fund".

The Milwaukee Metropolitan Sewerage District (**MMSD**) is currently the largest borrower with respect to loans in the Leveraged Portfolio, with $260 million in principal amount of Pledged Loans outstanding as of December 1, 2015. See "SECURITY AND SOURCE OF PAYMENT FOR BONDS; Milwaukee Metropolitan Sewerage District". Other Municipalities had Pledged Loans outstanding in the principal amounts ranging from $17,000 to $37 million as of the same date. For a discussion about the information that is available concerning the Municipalities, see "SECURITY AND SOURCE OF PAYMENT FOR BONDS; Additional Information".

As of December 1, 2015, the Municipal Obligations that evidenced outstanding Pledged Loans consisted of 59% (by total outstanding principal amount) general obligations and 41% (by total outstanding principal amount) revenue or special assessment obligations.

As discussed in more detail under "LOANS; Statutory Powers", DOA may intercept State Aid payable to certain types of Municipalities if such a Municipality defaults on a Loan. As of December 1, 2015, 41% (by total outstanding principal amount) of Municipal Obligations that evidenced outstanding Pledged Loans represented Loans with such State Aid intercept provisions. These percentages will change as new Pledged Loans are made and existing Pledged Loans are repaid.

Table VI-3
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING PLEDGED LOAN PRINCIPAL BALANCES
December 1, 2015[a]
(Amount in Thousands)

Municipality	FAA Loan Amount[b][c]	Total FAA Loan Disbursed	Leveraged Balance[c]	Non-Pledged Loan Balance	Total Outstanding Balance[d]	FAA Loan Remaining to Fund[e]	% of Bond Payment[a][f]
Milwaukee Metro Sewer District	$1,146,565	$1,036,447	$259,840	$391,881	$651,721	$36,664	32.51%
City of Fond du Lac	91,744	91,124	37,137	23,391	60,528	-	4.49%
Madison Metropolitan Sewerage District	191,480	175,583	35,926	102,192	138,118	9,936	4.43%
Green Bay Metropolitan Sewerage District	235,021	90,053	34,333	25,887	60,220	140,101	4.42%
City of Janesville	36,899	36,747	23,384	2,999	26,383	-	2.91%
City of Franklin	27,563	24,589	21,492	866	22,358	-	2.80%
Heart of the Valley Metropolitan Sewerage District	40,884	39,461	19,331	4,744	24,075	-	2.34%
City of Milwaukee - Comptroller's Office	171,680	163,915	12,673	110,999	123,672	1,526	1.66%
Grand Chute - Menasha West Sewerage Commission	15,941	15,802	12,139	545	12,684	-	1.57%
City of Reedsburg	20,026	19,615	10,352	2,781	13,133	214	1.28%
City of Eau Claire	41,396	38,808	10,111	28,697	38,808	2,588	1.36%
Village of East Troy	10,102	9,819	6,761	-	6,761	-	0.84%
Walworth County Metropolitan Sewerage District	25,167	25,070	6,641	11,609	18,250	-	0.85%
City of Superior	7,047	6,747	5,374	351	5,725	-	0.71%
Village of Sussex	7,813	7,633	5,235	-	5,235	-	0.65%
Village of New Glarus	8,160	7,865	5,222	-	5,222	-	0.65%
City of Manitowoc	23,018	22,512	4,878	789	5,667	-	0.56%
Delafield - Hartland Pollution Control Commission	10,000	10,000	4,848	-	4,848	-	0.58%
City of Menomonie	13,749	13,482	4,798	-	4,798	-	0.60%
Village of Cottage Grove	10,029	9,205	4,640	2,531	7,171	-	0.59%
City of Two Rivers	14,995	14,394	4,530	4,755	9,285	124	0.56%
Village of Belleville	9,252	9,101	4,431	-	4,431	-	0.54%
Village of Whitefish Bay	8,329	8,032	4,353	1,697	6,050	-	0.57%
Village of Hortonville	5,533	5,393	4,253	-	4,253	-	0.53%
City of Racine	125,404	124,225	4,209	50,601	54,810	701	0.51%
Town of Salem	18,337	16,551	4,129	7,412	11,541	1,353	0.52%
Village of Cross Plains	10,534	9,586	4,016	2,691	6,707	452	0.49%
Village of Cambridge	6,880	6,538	3,768	161	3,929	-	0.46%
City of Sheboygan	24,185	20,343	3,522	9,873	13,395	3,282	0.45%
City of Monroe	24,362	22,684	3,210	17,802	21,012	1,217	0.42%
Town of Oakland Sanitary District #1	5,768	5,211	3,064	-	3,064	-	0.37%
Village of Saukville	9,754	9,138	3,056	-	3,056	-	0.35%
City of Brookfield	32,065	30,727	2,930	2,218	5,148	-	0.35%
City of Waupun	6,249	6,062	2,888	-	2,888	-	0.35%
City of Beloit	3,482	3,398	2,844	-	2,844	-	0.37%
Village of Union Grove	9,268	9,121	2,837	1,640	4,477	-	0.34%
City of Edgerton	7,478	6,768	2,712	109	2,821	-	0.34%
City of Mineral Point	6,884	6,244	2,681	-	2,681	-	0.32%
Village of Ellsworth	3,209	3,087	2,585	112	2,697	-	0.34%
City of Ripon	6,337	5,773	2,479	-	2,479	-	0.29%
Village of Dousman	3,268	3,124	2,468	-	2,468	-	0.32%
Village of Hammond	4,101	3,923	2,400	-	2,400	177	0.29%
City of Stevens Point	15,915	15,765	2,387	10,643	13,030	-	0.30%
City of Stoughton - Utilities	9,770	8,954	2,383	3,628	6,011	-	0.29%
City of Whitewater	4,977	4,945	2,332	532	2,864	-	0.30%
Village of Cedar Grove	4,400	4,253	2,146	214	2,360	-	0.26%
City of Omro	3,510	3,354	2,057	-	2,057	-	0.25%
City of Baraboo	3,902	3,802	1,990	-	1,990	-	0.24%
Village of Deerfield	5,611	5,031	1,954	385	2,339	-	0.23%
City of South Milwaukee	17,923	17,520	1,913	10,527	12,440	-	0.23%
Village of Lomira	3,563	3,334	1,879	380	2,259	-	0.23%
City of Milton	4,328	4,091	1,759	-	1,759	-	0.21%
City of Oshkosh	49,022	47,388	1,735	17,709	19,444	1,191	0.21%
Village of Twin Lakes	8,156	8,124	1,580	1,723	3,303	-	0.18%
Village of Caledonia	14,522	14,094	1,460	9,062	10,522	-	0.17%
Village of Lake Delton	26,675	25,593	1,434	13,616	15,050	771	0.17%
Town of Menasha	1,828	1,716	1,360	-	1,360	-	0.18%
City of Rhinelander	17,321	16,985	1,246	12,872	14,118	153	0.16%
Village of Bristol	2,153	2,082	1,211	-	1,211	-	0.15%
Village of Jackson	6,130	6,130	1,189	-	1,189	-	0.13%
City of Waupaca	4,646	4,333	1,177	562	1,739	-	0.14%
Norway Sanitary District #1	5,547	4,424	1,147	-	1,147	-	0.13%
City of Waterloo	1,466	1,385	1,103	169	1,272	-	0.15%
Village of Marshall	8,209	7,944	1,079	401	1,480	-	0.12%
City of Dodgeville	4,995	4,995	1,012	-	1,012	-	0.11%
Village of Black Creek	6,656	6,398	965	1,180	2,145	-	0.12%
City of Mauston	2,905	2,759	928	-	928	-	0.11%
City of Brodhead	6,549	6,284	927	-	927	-	0.10%
Village of Random Lake	1,455	1,299	914	-	914	-	0.11%
City of Bloomer	6,694	6,690	895	-	895	-	0.10%
Village of Slinger	6,528	6,082	871	3,053	3,924	-	0.10%
City of Chilton	5,737	5,703	867	1,686	2,553	-	0.10%

Table VI-3—Continued
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING PRINCIPAL BALANCES
December 1, 2015[(a)]
(Amount in Thousands)

Municipality	FAA Loan Amount[(b)(c)]	Total FAA Loan Disbursed	Leveraged Balance[(c)]	Non-Pledged Loan Balance	Total Outstanding Balance[(d)]	FAA Loan Remaining to Fund[(e)]	% of Bond Payment[(a)(f)]
Village of Somerset	2,981	2,744	849	-	849	-	0.10%
Village of Luxemburg	3,178	2,945	839	-	839	-	0.10%
City of Mayville	2,129	2,026	811	200	1,011	-	0.10%
City of Portage	5,630	5,536	791	891	1,682	-	0.10%
Village of Howards Grove	2,102	1,905	791	-	791	-	0.09%
Village of Allouez	8,445	6,822	756	2,935	3,691	1,446	0.10%
City of Juneau	1,365	1,302	749	31	780	-	0.09%
City of Viroqua	4,219	4,123	736	1,752	2,488	-	0.09%
Village of Silver Lake	2,318	2,318	731	-	731	-	0.08%
City of Cuba City	2,562	2,316	722	-	722	-	0.08%
City of Oconomowoc	5,449	5,414	716	-	716	-	0.08%
City of Neenah	27,506	26,663	698	14,239	14,937	-	0.09%
Village of Plover	12,754	12,644	673	6,131	6,804	-	0.08%
Village of West Salem	8,049	7,510	630	2,122	2,752	-	0.07%
Village of North Fond du Lac	2,592	2,590	630	-	630	-	0.07%
City of Hudson	4,483	4,140	609	-	609	-	0.07%
City of Delafield	1,556	1,556	585	-	585	-	0.07%
Town of Ixonia	1,340	1,308	545	-	545	-	0.06%
Village of Footville	2,131	2,097	514	177	691	-	0.06%
City of New Richmond	3,627	3,510	503	509	1,012	-	0.06%
Village of Coleman	717	707	497	-	497	-	0.06%
Village of Bangor	1,587	1,584	488	-	488	-	0.06%
City of Ashland	6,594	6,050	486	1,718	2,204	73	0.05%
Western Racine County Sewerage District	11,459	10,617	462	5,165	5,627	-	0.06%
City of Marshfield	24,170	22,996	434	3,998	4,432	-	0.05%
City of Lake Mills	1,246	1,165	426	-	426	-	0.05%
City of Jefferson	8,708	8,121	418	3,356	3,774	-	0.05%
City of Oconto Falls	11,501	11,270	416	9,608	10,024	114	0.05%
Village of Albany	1,396	1,231	390	431	821	96	0.05%
Village of Iron Ridge	1,441	1,254	382	-	382	-	0.04%
O'Dell's Bay Sanitary District #1	475	475	368	-	368	-	0.05%
Village of Frederic	470	435	365	-	365	-	0.05%
City of Galesville	588	584	354	130	484	-	0.05%
City of Chippewa Falls	12,453	11,802	343	4,400	4,743	-	0.04%
Village of Little Chute	427	427	340	-	340	-	0.05%
City of Darlington	5,687	5,649	333	2,778	3,111	-	0.04%
Village of Boyceville	411	391	330	-	330	-	0.04%
City of Brillion	2,754	2,705	329	1,644	1,973	46	0.04%
City of New Holstein	4,300	3,609	305	2,574	2,879	492	0.04%
Village of Mishicot	4,106	3,966	281	2,253	2,534	-	0.03%
Village of Shorewood	2,512	2,298	277	-	277	-	0.03%
City of Antigo	3,988	3,971	275	-	275	-	0.03%
City of Lodi	4,050	3,907	270	-	270	-	0.03%
City of Kewaunee	667	667	251	-	251	-	0.03%
City of Altoona	846	756	244	381	625	-	0.03%
Village of Cambria	302	297	234	-	234	-	0.03%
Village of Dane	2,862	2,817	231	1,520	1,751	-	0.03%
City of Marinette	18,676	17,426	221	11,865	12,086	-	0.03%
City of Neillsville	3,238	3,210	221	-	221	-	0.02%
Village of Wrightstown	14,909	10,048	191	7,353	7,544	4,748	0.02%
Village of Lake Nebagamon	1,539	1,456	190	-	190	-	0.02%
Village of Lena	3,128	2,824	187	2,540	2,727	245	0.02%
Village of Newburg	1,549	1,430	185	-	185	-	0.02%
Village of Viola	633	558	185	242	427	-	0.02%
Village of Reedsville	3,921	3,842	184	748	932	-	0.02%
Freedom Sanitary District #1	2,748	2,645	180	-	180	-	0.02%
Village of Brokaw	1,051	996	177	218	395	-	0.02%
City of Tomah	20,454	19,284	157	4,409	4,566	-	0.02%
Village of Mount Horeb	1,774	1,685	157	1,461	1,618	-	0.02%
City of Cumberland	2,488	2,368	156	1,280	1,436	-	0.02%
Village of Muscoda	898	777	150	-	150	-	0.02%
City of Watertown	30,535	29,384	142	12,219	12,361	-	0.02%
Village of Fontana	4,751	4,678	134	1,921	2,055	-	0.01%
Village of Pewaukee	8,191	7,695	129	436	565	-	0.01%
City of Boscobel	698	593	117	-	117	-	0.01%
City of Shullsburg	687	626	116	-	116	-	0.01%
Village of Rockland	1,311	1,210	112	219	331	-	0.01%
Wisconsin Dells - Lake Delton Sewerage Commission	449	416	102	-	102	-	0.01%
Village of Highland	1,381	1,329	101	440	541	-	0.01%

Table VI-3—Continued
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING PRINCIPAL BALANCES
December 1, 2015[(a)]
(Amount in Thousands)

Municipality	FAA Loan Amount[(b)(c)]	Total FAA Loan Disbursed	Leveraged Balance[(c)]	Non-Pledged Loan Balance	Total Outstanding Balance[(d)]	FAA Loan Remaining to Fund[(e)]	% of Bond Payment[(a)(f)]
Village of Brownsville	1,017	917	99	177	276	-	0.01%
City of Crandon	1,537	1,454	99	-	99	-	0.01%
Brazeau Sanitary District #1	793	758	98	-	98	-	0.01%
Village of Kohler	401	367	95	-	95	-	0.01%
City of Chetek	528	512	95	-	95	-	0.01%
Village of Campbellsport	2,087	1,963	90	1,389	1,479	-	0.01%
Village of Knapp	669	669	90	-	90	-	0.01%
Village of Rosholt	662	649	87	-	87	-	0.01%
Village of Linden	224	216	78	-	78	-	0.01%
Sextonville Sanitary District	589	564	74	-	74	-	0.01%
Village of Blue Mounds	1,152	1,064	73	-	73	-	0.01%
City of Westby	417	395	73	-	73	-	0.01%
Village of Wyocena	389	298	73	-	73	-	0.01%
City of Montello	260	256	64	-	64	-	0.01%
Village of Spring Green	950	920	61	-	61	-	0.01%
City of Shawano	2,361	1,937	55	1,275	1,330	-	0.01%
City of Abbotsford	1,403	1,302	44	424	468	-	0.00%
Village of Walworth	584	557	41	189	230	-	0.00%
Village of Hancock	503	457	41	323	364	26	0.00%
Village of Pepin	588	506	37	207	244	-	0.00%
Village of Potosi	291	260	34	-	34	-	0.00%
Village of Prentice	544	447	29	-	29	-	0.00%
Village of Combined Locks	117	40	24	-	24	-	0.00%
Village of Prairie du Sac	1,798	1,737	24	1,352	1,376	-	0.00%
Village of Gays Mills	180	173	22	-	22	-	0.00%
City of Hillsboro	2,471	2,354	17	1,764	1,781	52	0.00%
Totals	$ 3,108,708	$ 2,769,829	$ 670,898	$ 1,019,069	$ 1,689,967	$ 207,788	

(a) Amounts and percentages were determined after the November 1, 2015 interest payments due on the loans, including Pledged Loans, and after the December 1, 2015 interest payments due on the Bonds, were made.

(b) For Municipalities that have entered into a Financial Assistance Agreement that is funded with both Pledged Loans and Direct Loans or Proprietary Loans, or for Municipalities that have entered into more than one Financial Assistance Agreement that is funded, in part, with Pledged Loans, the entire amount all Financial Assistance Agreements are included in the table.

(c) The amount of financial assistance depicts only loans. Not included are amounts for any grants and other awards such as those made pursuant to the American Recovery and Reinvestment Act of 2009 and the grants awarded pursuant to the Capitalization Grant received for federal fiscal years 2010 and 2011, which have been awarded in the aggregate amount of approximately $277 million.

(d) The principal balance may be less than the total amount disbursed due to repayment of loans.

(e) "FAA Loan Remaining to Fund" is the "FAA Loan Amount" less "Total FAA Loan Disbursed", except for loans that have been closed out or paid off, in which case the "FAA Loan Remaining to Fund" is zero. Since the entire amount of all Financial Assistance Agreements is shown in aggregate, specific loans that have been closed out (and for which the "FAA Loan Remaining to Fund" is zero) may result in deviations in the above formula.

(f) Total remaining Pledged Loan Repayments (excluding amounts payable after the retirement of the previously issued and Outstanding Bonds) are shown as a percentage of total debt service remaining on the Outstanding Bonds, less those Bonds that have been defeased. If any Pledged Loans have amortization periods of shorter duration than the Bonds, then they 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 Pledged Loans to be originated in the future.

Subsidy Fund

In order to supplement revenues produced by Pledged Loan Repayments, the General Resolution creates a Subsidy Fund and establishes provisions concerning both a Subsidy Fund Requirement and a Subsidy Fund Transfer Amount. The State expects to continue to make most of the Pledged Loans to Municipalities at interest rates that are less than the Clean Water Fund Program's cost of borrowing.

The Subsidy Fund Requirement is a projected amount equal to the amount that Aggregate Debt Service payable during each period commencing after an interest payment date and ending on the next interest payment date (**Period**) exceeds the sum of scheduled disbursements from the Capitalized Interest Account and Pledged Loan repayments scheduled to be received in the same Period. In making the projections, estimated investment earnings may be taken into account.

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, and
- 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 Pledged Loan Repayments; *provided* that prior to each Pledged 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 may not make a requisition for the disbursement.

The Subsidy Fund Transfer Amount is the amount by which Aggregate Debt Service payable during a Period exceeds the sum of:

- Pledged Loan Repayments scheduled to be received and delinquent Pledged 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 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 December 1, 2015, the outstanding balance of State general obligations issued and on deposit in the Subsidy Fund was $154 million. As of that date, future principal and interest payments due the Subsidy Fund from these State general obligations, and other cash on deposit in the Subsidy Fund totaled $221 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:

- DOA has already delivered, and upon the future disbursements of funds for Pledged Loans from the Loan Fund will deliver, to the Trustee an approved schedule of credit quality categories and loan credit reserve fund requirements (**Schedule**) for each Rating Agency. Each Schedule sets forth the percentage of the annual debt service attributable to each Pledged Loan disbursement from the Loan Fund to be deposited in the Loan Credit Reserve Fund with respect to each Pledged 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 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 highest 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.

Prior to the issuance of Bonds or other obligations that are on parity with the Bonds, the State must certify that, upon the delivery of such Bonds, there will be on deposit in the Loan Credit Reserve Fund an amount at least equal to the Loan Credit Reserve Fund Requirement. The Trustee may not disburse moneys from the Loan Fund unless 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, then the Contribution Amount may be reduced by 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 will be available until issuance of a subsequent Series of Bonds, whereupon a new Funded Amount is required to be 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 Pledged Loan disbursement. Failure to make required deposits in the Loan Credit Reserve Fund (including deemed deposits from the Funded Amount) would preclude making any subsequent disbursements from the Loan Fund.

If at any time 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 that would otherwise be transferred to the State Equity Fund.

If at any time moneys and securities in the Loan Credit Reserve Fund (excluding earnings required to be transferred to the Revenue Fund) 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 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 December 1, 2015, the Loan Credit Reserve Fund consisted of $98 million in cash and investments, which equaled the Loan Credit Reserve Fund Requirement as of that date.

As of December 1, 2015, the cash and investments in the Loan Credit Reserve Fund were invested as follows:

- $31 million in direct obligations of the United States under four forward delivery agreements with Wells Fargo Bank, National Association, as successor to Wachovia Bank, National Association.
- $14 million in direct obligations of the United States under two separate reserve fund forward delivery agreements with JPMorgan Chase Bank, NA.
- $10 million in general obligations of the State of Wisconsin with an extendible maturity date.
- $43 million in an investment pool managed by the State of Wisconsin Investment Board.

Each of the above investments allows for liquidation of the investment if and when required by the terms of the General Resolution.

No information is provided in Part VI of the 2015 Annual Report about any rating assigned to an obligor or guarantor of any investment agreement or forward delivery agreement held on deposit in the Loan Credit Reserve Fund. Certain events related to the investments or agreements could occur that may affect the Loan Credit Reserve Fund or the amount available in the Loan Credit Reserve Fund to meet the Loan Credit Reserve Fund Requirement.

If one or more Municipalities fail to make their Pledged Loan Repayments, and the amount of the delinquent payments is in excess of the amount available from the Loan Credit Reserve Fund, the Clean Water Fund Program may be unable to make timely payments of the principal or redemption price of, or interest on, the Bonds.

Statutory Powers

Sections 281.58 and 281.59 of the Wisconsin Statutes, as amended **(Act),** include several provisions that may provide additional security for payment of the principal or redemption price of, or interest on, the Bonds. These provisions include state aid intercept, collection through county treasurers, and state moral obligation, if designated. See "LOANS; Statutory Powers" for more information.

Lending Criteria and Conditions of Clean Water Fund Program

Although the Act permits financial assistance to take forms other than loans, such as guaranteeing or purchasing insurance for Municipal Obligations, awarding hardship grants to certain 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 with terms up to 20 years at interest rates that are at or below market rates, as specified in the Act.

The State currently determines the market interest rate based on a calculated cost of borrowing using various indices and taking into consideration other factors. A review is done quarterly to complete this determination. The market interest rate for the Clean Water Fund Program changed from 3.50% to 3.00% on January 1, 2015, and from 3.00% to 3.25% on July 1, 2015.

Proceeds of loans are disbursed in installments pursuant to a Municipality's Financial Assistance Agreement, as project costs are incurred. As proceeds are disbursed, interest on the loan accrues 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 is structured to provide level annual debt service from the disbursement dates until the final maturity specified in the respective Municipality's Financial Assistance Agreement. Upon project completion, a Municipality's loan repayment schedule under its Financial Assistance Agreement will reflect the cumulative principal amortization of the disbursements to the Municipality.

If an audit of the project conducted after the final disbursement of a loan 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.

Each Financial Assistance Agreement requires the Municipality to submit annual audited financial statements to the State, within 180 days after the end of the Municipality's fiscal year, for the State's review. DOA takes an active role in the collection of these documents with initial and follow-up requests to Municipalities that have not complied with this requirement. The State's review of these financial statements focuses on revenue sufficiency; if concerns about sufficient revenues are identified, the Municipality is notified and required, pursuant to the Financial Assistance Agreement, to take actions to address the concerns. In addition, each Municipality covenants in the Financial Assistance Agreement to review its user charge system every two years for the life of the Loan.

See "MUNICIPALITIES", "LOANS", and "LENDING CRITERIA" for additional information concerning the loan application process, lending criteria, levy limits for municipalities, and Financial Assistance Agreements.

As of December 1, 2015, no Municipality has been in default of any Municipal Obligations issued to evidence Pledged Loans.

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 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 obligations 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 would 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 or redemption price of, or interest on, the Bonds.

Although the State has no present intent to cause this to happen, State general obligations 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.

Based on the general obligations of the State deposited in the Subsidy Fund and cash-flow calculations as of December 1, 2015, the State's general obligations were expected to be the source of approximately 16% of the cash flow servicing the Outstanding Bonds. The percentage changes when changes occur in the amount of general obligations issued by the State for this purpose, the repayment schedules for the Pledged Loans, or the debt service payments remaining on the Outstanding Bonds. This percentage was also approximately 16% as of December 1, 2014. The State's Continuing Disclosure Annual Report, dated December 26, 2014, included an incorrect percentage.

Information about the State, including its financial statements, is included in Part II of the 2015 Annual Report.

Milwaukee Metropolitan Sewerage District

As of December 1, 2015, payments from MMSD were expected to be the source of approximately 33% of the cash flow servicing the Outstanding Bonds. The percentage changes when changes occur in the amount of general obligations issued by the State deposited in the Subsidy Fund, the repayment schedules for the Pledged Loans, or the debt service payments remaining on the Outstanding Bonds. This percentage was approximately 32% as of December 1, 2014.

MMSD has issued Municipal Obligations to evidence its obligation to repay its Pledged Loans. The Municipal Obligations issued by MMSD are general obligations; MMSD has made an irrepealable levy of ad valorem property taxes sufficient to pay debt service on its Pledged Loans when due.

The MMSD Comprehensive Annual Financial Report for the year ended December 31, 2014 (**MMSD CAFR**) is incorporated by reference as part of Part VI of the 2015 Annual Report. The MMSD CAFR has been filed with the Municipal Securities Rulemaking Board (**MSRB**) through its EMMA system 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:

Milwaukee Metropolitan Sewerage District
Attention: Mark T. Kaminski, Controller/Treasurer
260 West Seeboth Street
Milwaukee, Wisconsin 53204-1446
Telephone: (414) 225-2050
Email: mkaminski@mmsd.com
Website: http://mmsd.com/financial/financial-reports

Build America Bond Payments

As of December 1, 2015, one series of taxable Bonds treated as "build America bonds" pursuant to Section 54AA of the Code, for which the State is allowed a refundable tax credit, had been issued in the amount of $50 million and remained outstanding in the same amount. The Code provides for direct payments of the refundable tax credit, in the amount of 35% of each interest payment, but the amount has and continues to be subject to reduction pursuant to federal sequestration.

The direct payment the State expects to receive from the United States Treasury with respect to interest payable by the State for taxable Bonds previously issued by the State and treated as "build America bonds" is not a revenue, receipt, fund, or money pledged under the General Resolution, and is not pledged to the payment of debt service on the Bonds.

Additional Information

The Financial Assistance Agreements require that financial statements be provided to the Clean Water Fund Program by each Municipality that has received a loan. The financial statements for MMSD (but not those of any other Municipality) are included by reference in Part VI of the 2015 Annual Report.

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. There is no statutory limit that restrains the amount of Bonds that may be issued for refunding purposes. With the creation of the environmental improvement fund revenue bond program, the State does not intend to issue any additional Bonds under the General Resolution other than potential refunding Bonds. See "FINANCING PLAN". If additional Bonds were to be issued, as a condition to the issuance of additional Bonds, the General Resolution requires that there 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 all 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

The State may sell, assign, transfer, or otherwise dispose of any loan and the Municipal Obligations evidencing such loan , 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, 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 Obligations evidencing such loan, 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 Obligations evidencing such loan 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 on deposit in the Loan Credit Reserve Fund, based on Schedules reviewed by no fewer 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 required to be available 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 December 1, 2015, the total amount available of $98 million in the Loan Credit Reserve Fund equaled the amount required on such date.

No information is provided in this Part VI of the 2015 Annual Report about any rating assigned to an obligor or guarantor of any investment agreement, forward delivery agreement, or other investment held on deposit in the Loan Credit Reserve Fund.

Current Schedules

The Bonds are currently rated AA+ by Fitch Ratings (**Fitch**), Aa1 by Moody's Investors Service, Inc. (**Moody's**), and AA+ by Standard & Poor's Ratings Services (**S&P**). The following describes each of the Schedules approved by the respective Rating Agency.

Fitch Ratings

Based on certain credit characteristics, each Pledged Loan will be assigned to one of six credit categories, which are explained below. Any assignment of a Pledged 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 on deposit in the Loan Credit Reserve

Fund with respect to a particular Pledged Loan and any amounts disbursed under that Pledged Loan differ, depending on the Municipality. The Municipality having the largest total outstanding balance of Pledged Loans in a credit category 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 Pledged Loan or Pledged Loans to that Borrower over the four-year period in which such debt service payments are the greatest. For any Pledged Loan to a Municipality 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 Pledged Loans over the four-year period in which such debt service payments are the greatest times the factor, described below, assigned to Pledged Loans of the applicable credit category.

Pledged 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.

If a Municipal Obligation is not rated by Fitch, then the State may request that Fitch assign a credit quality estimate, or "shadow rating", for the Municipal Obligation. The State recognizes that the credit quality estimate, or "shadow rating", is not necessarily the official or public Fitch rating for the Municipal Obligation and is used solely for purposes of analyzing the credit quality of the Bonds. The intercept power is described under "LOANS; Statutory Powers".

Credit categories to which Pledged Loans may be assigned by Fitch currently include the following:

"AAA" Credit Quality Category. A Pledged Loan is assigned to this category if its related Municipal Obligation is deemed to be of the highest credit quality, denoting the lowest expectation of credit risk. Assignments to this category are made only in cases of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

"AA" Credit Quality Category. A Pledged 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 Pledged 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 Pledged 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. A Pledged Loan is currently assigned to this category if (1) its related Municipal Obligation is not rated by Fitch or is 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 Pledged Loan, whether or not the entire amount has been disbursed.

Not Rated; Interceptable State Aid Factor Less Than 2.0. A Pledged Loan is currently assigned to this category if (1) its related Municipal Obligation is not rated by Fitch or is 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 Pledged 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	6
"BBB" Credit Quality Category	12
Not Rated; Interceptable State Aid Factor 2.0 or Greater	6
Not Rated; Interceptable State Aid Factor Less Than 2.0	34

The State recognizes that lower factors may be assigned to Pledged 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 Pledged 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 Municipalities receiving Pledged Loans. Other factors upon which the Bonds' rating is based currently include, but are not limited to, Fitch's rating of the State's general obligations, 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. Factors upon which the Bonds' rating is based may change in the future. The State 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 has further agreed 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 Fund at a level that corresponds to certain loan portfolio credit characteristics. The amount required to be on deposit in the Loan Credit Reserve Fund is the product of the average annual debt service of the outstanding, disbursed Pledged Loans times a factor of 120%, and is based on an evaluation of the Pledged Loans shown in "SECURITY AND SOURCE OF PAYMENT FOR BONDS; Pledged Loans".

Standard & Poor's Ratings Services

Based on certain credit characteristics, each Pledged 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 Pledged 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

Pledged 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.

If the Municipal Obligation is not rated by S&P, then 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. The intercept power is described under "LOANS; Statutory Powers".

Higher Investment Grade Rating. A Pledged Loan is assigned to this category if the Municipal Obligation is rated by S&P in either of the two highest rating categories (AAA or AA).

Medium Investment Grade Rating. A Pledged 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 Pledged Loan to be assigned to this category, regardless of whether or not the Municipal Obligation is rated, in the event the State designates the Pledged Loan as one to which the State "moral obligation" applies. The State "moral obligation" is described in "LOANS; Statutory Powers".

Lower Investment Grade Rating. A Pledged 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 Pledged Loan is assigned to this category if (1) the Municipal Obligation 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 Pledged Loan, whether or not the entire amount has been disbursed.

Not Rated; Lesser State Aids. A Pledged Loan is assigned to this category if (1) the Municipal Obligation 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 Pledged 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 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 has further agreed 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 has agreed 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 guaranty, 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 further 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. The following discussion applies to all loans under the Clean Water Fund Program. 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 one of several general categories:

- *General purpose Municipalities*, such as counties, cities, villages, and towns, may borrow for a variety of public purposes, including the construction or improvement of wastewater and water 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, or installment lease contracts.
- *Special purpose Municipalities,* such as town sanitary districts, public inland lake protection rehabilitation districts, and metropolitan sewer districts, may borrow for the purpose for which they are created, primarily wastewater and water 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 for a town utility district is secured by the full faith and credit of the entire town.
- *Indian tribes and bands* are sovereign governments that may borrow for various purposes, including the construction or improvement of wastewater and water facilities.
- *Intergovernmental Cooperation Commissions* ***(ICC)*** are special purpose intergovernmental bodies formed by agreements authorized under State law between two or more Municipalities, some of which own and operate wastewater treatment facilities. Because an ICC does not have general taxing powers and typically depends upon its contracting members to collect revenues via user fees or tax levies from individual users of wastewater facilities, loans are made only to the individual Municipalities that constitute the ICC.

Constitutional and Statutory Requirements

Municipal powers are primarily statutory and in some instances established by the State Constitution. 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 otherwise to contract indebtedness. As a condition for making any 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 "LENDING CRITERIA", the Act requires that a Municipality must comply with a number of requirements, including 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. For a discussion of real property taxes and special assessments, see "MUNICIPALITIES; Collection of Real Property Taxes and 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 Legislature. As discussed in more detail under "LOANS; Statutory Powers", DOA may intercept State Aid payable to certain types of Municipalities if such a Municipality defaults on a loan.

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 based upon the taxing power of the Municipality or the police power of the Municipality. The clearest difference between the two types of special assessments is 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 public 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 assessments, 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 of supervisors, 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 "LOANS; 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, however, abate such levy, 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 sewer (or water) utility revenues to pay the Municipal Obligation or, alternatively, 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.

Municipalities Exhibiting Financial Distress

Certain State municipalities that are borrowers from the Environmental Improvement Fund loan programs have made prior disclosures relating to financial distress they were undergoing. These municipalities have made the Environmental Improvement Fund aware of such disclosures, and they are discussed below; however, *the Environmental Improvement Fund loans made to these municipalities are not Pledged Loans and thus are not pledged to the repayment of the Bonds.*

Village of Warrens

The Village of Warrens had a Clean Water Fund loan, dated August 24, 2005, in an amount as of June 30, 2014, of nearly $4 million. The Village of Warrens retired the outstanding Clean Water Fund loan in full on June 30, 2014.

The Municipal Obligation issued to the Environmental Improvement Fund to secure the loan was a revenue obligation, and the Village of Warrens planned to pay debt service with expected tax increment receipts from its Tax Increment District No. 1, established to capture tax increments from a residential and commercial real estate development. Coincidentally with a recent recession, property values for this development fell, resulting in a shortfall of tax increment receipts and other revenues, and the Village of Warrens failed to make full principal and interest payments on this loan when due. DOA entered into a Forbearance Agreement with the Village of Warrens on May 1, 2010, and amended such agreement on November 1, 2010, May 1, 2011, November 1, 2011, May 1, 2012, December 12, 2013 and May 1, 2014.

The Village of Warrens is current on its repayment obligations (principal and interest) for a Safe Drinking Water Loan Program loan, dated June 23, 2004, in the outstanding amount of $265,152.

Further details of these and other matters relating to the Village of Warrens may be found in disclosure filings made by the Village of Warrens with the MSRB through its EMMA system at www.emma.msrb.org. The disclosure filings from the Village of Warrens are not part of the 2015 Annual Report.

City of Menasha

The Environmental Improvement Fund has made ten loans to the City of Menasha for Safe Drinking Water Loan Program and Clean Water Fund Program purposes. All these loans are performing loans. Four of the loans are from the Safe Drinking Water Loan Program; the initial security for those loans was a pledge of revenues from the City of Menasha water utility. Separately, the City of Menasha issued its steam utility revenue bonds and notes to convert an existing electrical generation plant to a municipal steam utility. Due to both project cost overruns and insufficient steam customer contracts, the project failed to provide sufficient revenues to pay debt service on certain steam utility obligations, and those obligations are in default. To partially address this situation, the City of Menasha entered into a sale and lease-back of the City of Menasha's electric utility assets. On March 24, 2011, at the request of the City of Menasha, the Environmental Improvement Fund determined that sufficient water utility revenues were available to service the then-outstanding Safe Drinking Water Loan Program loans, and the Environmental Improvement Fund released the City of Menasha's security pledge of electric utility revenues to the outstanding Safe Drinking Water Loan Program loans discussed above. On December 1, 2011, the federal court approved a settlement with holders of the steam utility obligations that were in default. The City of Menasha is current on its repayment obligations (principal and interest) for all ten loans from the Environmental Improvement Fund.

Further details of these and other matters relating to the City of Menasha may be found in disclosure filings made by the City of Menasha with the MSRB through its EMMA system at www.emma.msrb.org. The disclosure filings from the City of Menasha are not part of the 2015 Annual Report.

LOANS

Financial Assistance

Projects are segregated into four different project-type categories. Prior to July 1, 2011, the interest rate on each loan varied by project type and the Clean Water Fund Program's costs of borrowing; the differing interest rates were designed to provide greater incentives for compliance with environmental requirements than for new sewer systems or correcting discharge permit violations. Loans made after July 1, 2011 and prior to July 13, 2015 to finance most project-type categories have the same interest rate, which is an annual rate equal to 75% of the Clean Water Fund Program's actual or calculated cost of borrowing. Loans made on or after July 13, 2015 have an interest rate equal to 70% of the cost of borrowing. The four project types include the following:

- *Compliance Maintenance Projects*–Projects that are necessary to maintain compliance with permit requirements or to implement new or changed effluent limits required by DNR. If the project includes construction of a septage receiving and treatment facility, that portion of the project may be eligible for an interest rate of 0%.
- *Stormwater & Nonpoint Projects*–Projects pertaining to urban stormwater and nonpoint pollution sources.
- *Unsewered Projects*–Projects involving unsewered areas within Municipalities. More than two-thirds of the initial flow must be wastewater originating from residences in existence at least 20 years prior to the application date for this type of project to qualify for assistance.
- *Industrial, Violator, and Future 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 at least 20 years prior to the application date. These projects were not affected by the 2011 and 2015 changes to interest rates, and these projects may receive loans that bear interest at a per annum rate equal to 100% of the Clean Water Fund Program's actual or calculated cost of borrowing.

If a Municipality undertakes a project that includes more than one of the above categories (or components within a category), 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 and Safe Drinking Water Loan 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 establishes a program to provide additional assistance to municipalities qualified as "hardship". In addition, financial assistance in the form of principal forgiveness has been a component of recent Capitalization Grants. Between October 1, 1989 and

December 1, 2015, agreements have been made with municipalities to fund $301 million in project costs with additional financial assistance.

In addition, the Clean Water Fund Program and the Safe Drinking Water Loan Program provided financial assistance using awards made to the State pursuant to the American Recovery and Reinvestment Act of 2009. This financial assistance funded $145 million of projects, and the funds were committed between October 28, 2009 and February 17, 2010.

The majority of loans have been made for compliance maintenance projects.

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, 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.

DNR is responsible for establishing eligibility criteria for determining applicants and projects that 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, and
- The security that will be required to be pledged by the Municipality for the loan.

A loan is made only if DOA determines that the Municipality is likely to be able to repay the loan.

Commitments

Upon a determination by DOA that the Municipality meets the financial criteria that DOA has established, DNR and DOA may approve an application and 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 is the loan agreement by which the loan is made. 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

Proceeds of Loans are disbursed in installments pursuant to a Municipality's Financial Assistance Agreement, as Project costs are incurred. As proceeds are disbursed, interest on the Loan accrues 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 is structured to provide level annual debt service from the disbursement dates 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 Financial Assistance Agreement will reflect the cumulative principal amortization of the 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 has 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, a Municipality is required to issue and deliver to the State one or more Municipal Obligations evidencing the obligation of the Municipality to repay the loan. The Municipal Obligations will reflect the terms of the loan set forth in the Financial Assistance Agreement. Upon execution of a Financial Assistance Agreement and issuance of one or more Municipal Obligations, a Municipality will be required to deliver an opinion of counsel concerning the validity and enforceability of its obligations under the agreement.

Statutory Powers

The Act includes several provisions that may provide additional security in the event a Municipality does not make payment of principal of, or interest on, its loan. These provisions include state aid intercept, collection through county treasurers, and, if designated, a State moral obligation.

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 with respect to Pledged Loans to the extent State payments are available. Certain Municipalities, including town sanitary districts, public inland lake protection rehabilitation districts, metropolitan sewerage districts, and intergovernmental cooperation commissions, do not receive any State payments. The amount of money realized by the Clean Water Fund Program from the exercise of the intercept power will depend on the amount of State payments to the Municipality. 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 to a particular Municipality. As of December 1, 2015, DOA had not exercised this intercept power.

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 the underlying governmental entities, and the special charges are then collected with the annual property tax. 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. As of December 1, 2015, DOA had not completed any actions under this authorization.

Power to Designate a Loan as a 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 a loan is so designated, 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 designated loan. Recognizing its "moral obligation" to do so, the Legislature expressed in the Act its expectation and aspiration that, if ever called upon to do so, it would make the appropriation. The "moral obligation" does not apply to the Bonds; it applies only to the loans that are specifically designated by the Commission at the time the loan is made.

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.

No loan currently financed from proceeds of the Bonds has been designated as a "moral obligation" loan, and no loan is expected to be so designated.

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 after the expected date of substantial completion of the project (except in the case of a refinancing, in which case principal amortization generally begins immediately).

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 payment of principal and interest on May 1 may be allowed to align more closely with the date on which the Municipality's collection of the special assessments is deposited into its debt service fund.

Special Provisions

DOA requires that the Financial Assistance Agreement include certain provisions that apply if an event of default occurs. These provisions permit the State to intercept any State aids to the Municipality and to 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 property tax bill of the user.

Tax Levy Rate Limit for Counties

Counties are subject to a tax levy 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.

Tax Levy Limit for Cities, Villages, Towns, and Counties

Under current law and subject to certain exceptions and adjustments, no city, village, town, or county (**political subdivision**) may increase its property tax levy in any year by a percentage that exceeds its valuation factor. The valuation factor is the greater of zero percent and the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed between January 1 of the previous year and the current year. However, the levy increase limit may be increased in either of the following ways by action of the governing body:

- If a political subdivision's allowable levy in the prior year was greater than its actual levy, the levy increase limit otherwise applicable may be increased by the difference between the two amounts, up to a maximum increase of 1.5% of the actual levy in the prior year, or
- The levy increase limit may be increased by the total amount by which the valuation factor exceeded the actual percentage increase in the levy for each of the previous five years (beginning in 2014), up to a maximum increase of 5% of the actual levy in the prior year, to the extent such excess had not previously formed the basis for such an increase.

A political subdivision may also exceed the levy limit by action of its governing body that is approved by a referendum.

Exceptions apply to amounts levied to pay general obligation debt service. The levy increase limit otherwise applicable does not apply to property taxes levied to pay debt service on general obligations authorized on or after July 1, 2005. For general obligations authorized before July 1, 2005, if the amount of scheduled debt service in the preceding year is less than the amount of debt service needed in the current year, the levy increase limit otherwise applicable is increased by the difference in the two amounts. If the levy for debt service on general obligations issued before July 1, 2005 (and general obligations issued to fund or refund such general obligations) is less in the current year than it was in the previous year, the political subdivision shall reduce its levy increase limit in the current year by an amount equal to the amount that its levy was reduced; this adjustment does not apply to a political subdivision in any year in which the political subdivision does not increase its levy increase limit otherwise applicable, by action of the governing body or at referendum.

The levy increase limit otherwise applicable does not apply to the amount that a political subdivision levies to make up any revenue shortfall for the debt service on a revenue bond issued under Section 66.0621 of the Wisconsin Statutes, which authorizes revenue obligations. Other exceptions or adjustments to the levy increase limit, which are not described in this summary, apply in specified situations.

Interest Rate Subsidies for Small Loans

In addition to providing loans 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 $2,000,000 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 from the State Board of Commissioners of Public Lands. As of December 1, 2015, the Clean Water Fund Program had outstanding agreements with 35 municipalities to provide annual interest subsidies on 40 projects. Proceeds of the Bonds are not used for this purpose, and the subsidy payment is not paid from any funds pledged to the repayment of the Bonds.

LENDING CRITERIA

The same general loan underwriting standards are generally applied to all loans regardless of the Clean Water Fund Program loan portfolio to which they will be assigned.

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 and 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 the full faith and credit of the Municipality.

Some loans may be evidenced by more than one type of Municipal Obligations.

Revenue Obligations

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. Sewer utility revenues typically include sewer user charges and investment earnings but may also include impact fees, hook-up fees, and payments from tax incremental districts for their beneficial share of wastewater projects. Most of the Municipalities receiving financial assistance under the Clean Water Fund Program do not have sewer utilities regulated by the State of Wisconsin Public Service Commission.

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 is required to provide general obligations as security for its loans.

Coverage Ratio

For a revenue obligation, DOA will require the Municipality to covenant to generate each year "net revenues" (that is, utility revenues after deducting operating and maintenance expenses but not deducting depreciation, debt service, tax equivalents, or 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 required under the Municipality's outstanding revenue bonds. 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 senior, 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 were to breach 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 so 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 additional senior bonds, the rating of the Municipal Revenue Obligation evidencing the Clean Water Fund Program loan will be no lower than AA or Aa2 or equivalent.

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 shortfall. 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, the Wisconsin 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, the Municipality's ability to levy taxes for this purpose may be adversely affected by applicable levy limits.

No Debt Service Reserve Fund or Mortgage

Although Wisconsin municipalities issuing revenue obligations typically establish a debt service reserve fund and sometimes 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

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

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

When a Municipality 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 Municipality 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 Municipality 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.
- As required by law, the Municipality must levy taxes sufficient to pay when due the principal of, and interest on, the loan.

Intergovernmental Cooperation Commissions

The Clean Water Fund Program does not make loans to intergovernmental cooperation commissions. Instead, DOA will analyze each member's credit, and separate loans will be made to its members in proportion to their participation in the project.

SUMMARY OF CERTAIN PROVISIONS OF GENERAL RESOLUTION

Through the General Resolution, the State pledges revenues that secure the Bonds, establishes the funds and accounts, specifies the conditions under which Bonds may be issued, and makes covenants and other provisions for the benefit of Bondowners. The terms and provisions of the General Resolution are summarized below. Certain capitalized terms are defined in either the General Resolution or the "GLOSSARY". As indicated earlier in Part VI of the Annual Report, the term "Pledged Loans" is being used in Part VI of the 2015 Annual Report to refer to the same loans that are called "Leveraged Loans" and "Loans" in the General Resolution. A copy of the General Resolution may be obtained by contacting the State at the address provided on the first page of Part VI of the 2015 Annual Report.

In addition, as indicated earlier in this Part VI of the 2015 Annual Report, in 2015, the State established a new framework and a separate program for the issuance of environmental improvement fund revenue bonds to provide financing for the Clean Water Fund Program. A description of those environmental improvement fund revenue bonds is included in Part VII of the 2015 Annual Report.

Resolution to Constitute a Contract

The provisions of the General Resolution are deemed to be a contract among the State, the Trustee, and the owners from time to time of the Bonds. 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 are for the equal benefit, protection, and security of the owners of the Bonds, all of which are of equal rank without preference, priority, or distinction of any of the Bonds over any other Bonds except as expressly provided in the General Resolution.

Pledge

Under the General Resolution, the State pledges to the Trustee, for the benefit of all current and future Bondowners and any owner of a Parity Reimbursement Obligation, the Pledged Receipts, all funds and accounts established in connection with the issuance of the Bonds (except the Rebate Fund and the State Equity Fund), the investments of the funds and accounts and the proceeds of such investments for the payment of the principal and redemption price of, and interest on, the Bonds and the payment of any Parity Reimbursement Obligation, subject only to the provisions of the General Resolution permitting or further limiting the application thereof. Subject to the provisions of the General Resolution providing for defeasance of Bonds, the pledge is valid and binding, and the lien of such pledge is 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 of the lien.

Establishment of Funds and Accounts

The following funds (and within certain of the funds, the following 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 funds and accounts, or assets for each of the funds and accounts, are 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 is held and maintained by the State.

Loan Fund

Each Series Resolution authorizing a Series of Bonds will specify the amount of the proceeds of the Bonds of the Series and any other State moneys that are required to be deposited in the Loan Fund. Amounts in the Loan Fund shall be applied by the State from time to time as follows:

(1) For financing Pledged Loans to Municipalities under the Clean Water Fund Program, including transfers of Pledged 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 Pledged 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 Pledged 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 Pledged Loan, the State shall deliver to the Trustee: (1) a copy of the original executed Financial Assistance Agreement evidencing the Pledged Loan to be so made and (2) a copy of the Municipal Obligation evidencing or securing such Pledged Loan in an aggregate principal amount equal to the maximum permissible Pledged 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 capitalized interest on a Pledged Loan from the Loan Fund (which shall be deemed to be Pledged Loan disbursements), as directed in a certificate of an Authorized Officer;

(2) Other transfers of moneys from the Loan Fund;

(3) All Pledged Loan Repayments (excluding prepayments of Pledged 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 each interest payment date the amount required for the payment of capitalized interest on such Bonds due on such interest payment date.

The Trustee shall pay out of the Interest Account of the Debt Service Fund (1) on each interest payment date, the amount required for the payment of interest on Bonds due on such interest payment date and (2) on any redemption date, the amount required for the payment of accrued interest on Bonds redeemed, unless the payment of such accrued interest shall be otherwise provided for.

The Trustee shall pay out of the Principal Account on each principal payment date or sinking fund redemption date, as applicable (as set forth in a Series Resolution), the amounts required for the payment of such principal on such date or such sinking fund redemption price on such date, as applicable.

The amount accumulated in the Principal Account for each sinking fund redemption may, and if so directed by the State shall, be applied (together with amounts accumulated in the Interest Account of the Debt Service Fund with respect to interest on the Bonds subject to sinking fund redemption) by the Trustee prior to the 45^{th} day preceding the sinking fund redemption date, or such shorter period as shall be acceptable to the Trustee, to:

(1) the purchase of Bonds of the Series and maturity of such Bonds subject to such sinking fund redemption, at prices (including any brokerage and other charges) not exceeding the redemption price payable for such Bonds pursuant to such sinking fund redemption plus unpaid interest accrued to the date of purchase, 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 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 such installment (or the original amount of any such sinking fund installment if no such amounts shall have been so credited) shall constitute the unsatisfied balance of such sinking fund installment for the purpose of the calculation of principal installments due on a future date.

If, 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 on any interest payment date, 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 Pledged Loan disbursement subject to the requirements applicable to Pledged 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 Trustee shall pay out of the Redemption Account of the Debt Service Fund to the Paying Agents on each redemption date (as set forth in a Series Resolution) for any such Bonds for which there have 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

If at any time 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. The State may designate the amounts, from the SRF Account and Non-SRF Account, respectively, to be applied by the Trustee for such payment.

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, transfer all, or any portion of, such surplus from the SRF Account to any account within the Clean Water Fund Program or from the Non-SRF Account to the State Equity Fund. However, if any Municipality is in default with respect to Pledged Loan Repayments, no such transfer shall 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 Pledged Loan Repayments then in default and not otherwise provided for. After a defaulting Municipality has cured its 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.

See "GLOSSARY" for a definition of the Loan Credit Reserve Fund Requirement.

Subsidy 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 in excess of 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.

See "GLOSSARY" for definitions of the Subsidy Fund Requirement and the Subsidy Fund Transfer Amount.

Notes

Whenever the Commission shall authorize the issuance of a Series of Bonds, the Commission is authorized to issue Notes (including 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 from the proceeds of the sale of the Series of Bonds in anticipation of which such Notes were 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 may issue additional Series of Bonds 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;

(2) All other requirements applicable to the issuance of Bonds are met, including 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; and

(3) Evidence satisfactory to the Trustee that any credit rating assigned to the proposed Series of Bonds is no lower than the lowest credit rating then assigned by such Rating Agency to any Outstanding Bonds of similar tenor, and no notice has been received from any Rating Agency that the issuance of the proposed Series of Bonds will cause such Rating Agency to lower, suspend, remove, or otherwise modify adversely the credit ratings then assigned by it to any Outstanding Bonds.

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 notice of redemption to the owners of the Bonds being refunded; and

(2) Either Investment Obligations described below under “Defeasance” in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications, or such amount of moneys, as shall be necessary to comply with the defeasance provisions of the General Resolution.

Payment of Bonds

The State covenants that it 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 represents that it 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 State represents that 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 that all action on the part of the State to that end has been duly and validly taken. The State further represents that 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 covenants that it shall at all times, to the extent permitted by law, defend, preserve, and protect the pledge of the Pledged Receipts and revenues, receipts, funds, and 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 covenants that it 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 Pledged 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 statements for the preceding Fiscal Year with respect to the Leveraged Portfolio, 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 Pledged Loan Repayments, Municipal Obligations, and 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 Bonds 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 auditor’s reports and financial statements for the Environmental Improvement Fund and the Leveraged Loan Portfolio for the years ended June 30, 2015 and 2014 is set forth in APPENDIX A to Part VI of the 2015 Annual Report.

Clean Water Revenue Bond Program

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 covenants that it 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 EPA and DNR and in effect and with the provisions of the General Resolution, use and apply the proceeds of the Bonds to finance Pledged Loans pursuant to the 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. The State further covenants that it shall do all such acts and things necessary to receive and collect the Pledged 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 Pledged Loans. However, the State has the authority to modify those terms and conditions, subject to the limitations in the General Resolution.

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 contained in the General Resolution, any Series Resolution, any Supplemental Resolution, or the Bonds, and such failure, refusal, or default shall continue for a period of 45 days after written notice thereof is given to the State 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 clauses (1) or (2) immediately above, the Trustee shall proceed, or upon the occurrence and continuance of any Event of Default specified in clause (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, 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 Pledged Loan Repayments adequate to carry out the covenants and agreements as to, and the pledge of, such Pledged 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) Bring 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 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 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 under the General Resolution 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 to 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 their 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 under the General Resolution, 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, 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 at maturity 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) 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 be deemed to have been paid within the meaning and with the effect expressed in the immediately preceding paragraph if all the following conditions apply:

(1) In case any of such 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 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 of, and interest on, such Bonds on, and prior to, the redemption date or maturity date thereof, as the case may be.

(3) In the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the State shall have given the Trustee 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 the payment of the principal or redemption price, if applicable, and interest on said Bonds. 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 due and to become due on such 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.

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.

Right to Adopt Another General Resolution

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. As discussed above, the State has exercised that right through the establishment of a separate program resolution for environmental improvement fund revenue bonds.

GLOSSARY

The following definitions apply to capitalized terms used in this Part VI of the 2015 Annual Report.

Accreted Value means, with respect to any Capital Appreciation Bond, the initial principal amount at which such Capital Appreciation Bond is sold to the initial purchaser by the State without reduction to reflect underwriter's discount, compounded from the date of delivery of such Bonds semiannually on each interest payment date prior to the date of calculation (and including such date of calculation if such date of calculation is 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 is not 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 is an interest payment date, in which case it 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.

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 Bonds 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 Wisconsin Statutes to authorize and direct the issuance of Bonds.

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.

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 such Credit Facility must be rated, or the effect of such Credit Facility must be to cause bonds insured or secured thereby to be rated, by each Rating Agency in a rating category 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 Loans means loans made primarily from the proceeds of federal capitalization grants, the State Match, environmental improvement fund revenue bonds, or repayments of Direct Loans, and excludes any Pledged Loan or Proprietary Loan. This type of loan is not funded with Bond proceeds.

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 Wisconsin 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 Clean Water Fund Program 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 2nd day of June and ending on the 1st 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 amended by resolutions adopted by the Commission on July 30, 2003 and June 28, 2006, as the same may be further 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) above 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) above 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 (4) 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 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) DOA has delivered to the Trustee, with respect to each Rating Agency, a schedule of credit quality categories and loan credit reserve fund requirements (each a **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 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 different total Contribution Amounts, then the highest 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.

Municipal Obligations means the bonds, notes, or other evidences of debt issued by any Municipality and authorized by law and acquired by the State as evidence of indebtedness of a Pledged 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, or a general obligation secured by a tax levy and a pledge of the full faith and credit 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 by the General Resolution within the Loan Credit Reserve Fund.

Notes mean any bond anticipation notes issued by the State pursuant to the Act.

Outstanding, when used with reference to Bonds, other than 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 the General Resolution. 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.

Parity Reimbursement Obligation means the obligation of the State to directly reimburse the issuer of a Credit Facility for amounts paid under the terms of such Credit Facility, together with interest thereon, whether or not such obligation to so reimburse is evidenced by a promissory note or other similar instrument, which obligation shall be secured on a parity with the lien created by the General Resolution.

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 Loan or Leveraged Loan means a loan made by the State to a Municipality from the Loan Fund pursuant to a Financial Assistance Agreement and the Act. This type of loan is funded from the Loan Fund and with Bond proceeds.

Pledged Loan Repayments or Leveraged Loan Repayments means any payment on a Pledged 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 Pledged Loan, including scheduled payments of principal of, 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 Pledged Loan or Municipal Obligations, and any amounts paid with respect to such Pledged Loan or Municipal Obligation on account of (1) acceleration of the due date of such Pledged Loan or such Municipal Obligation, (2) the sale or other disposition of such Pledged Loan or the Municipal Obligations and other collateral securing such Pledged Loan, (3) the receipt of proceeds of any insurance or guaranty of such Pledged Loan or Municipal Obligations or any Credit Facility applicable to such Pledged 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 Pledged Loan or Municipal Obligations, but specifically excluding any payment of Fees and Charges.

Pledged Receipts means:

(1) all Pledged 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, as a result of the designation of an individual Pledged Loan as one to which the State's "moral obligation" applies),

(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 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 Pledged Loan. This financial assistance is not funded with Bond proceeds.

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 preceding a payment date or, if such day shall not be a Business Day, the immediately preceding Business Day. For the 2006 Series 2 Bonds and all subsequently issued Bonds, each respective Series Resolution provides that **Record Date** means the close of business on the 15th day (whether or not a business day) of the calendar month next preceding the interest payment date.

Redemption Account means the account of that name established within the Debt Service Fund by the General Resolution.

Redemption Price, means (1) when used with respect to a Bond other than a Capital Appreciation Bond, or a portion of a Bond 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 and (2) when used with respect to a Capital Appreciation Bond, the Accreted Value on the date of redemption of such Bond or portion thereof plus the applicable premium, if any, pursuant to the General Resolution and the applicable Series Resolution.

Refunding Bonds means Bonds issued 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, (1) 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 (2) 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 by the General Resolution within the Loan Credit Reserve Fund.

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 on 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) Pledged 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 were invested at an appropriate rate of interest to the final maturity of Bonds and (b) such undisbursed amounts and the earnings thereon were 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 is repayable in accordance with the applicable Municipal Obligations).

Subsidy Fund Transfer Amount means, with respect to any interest payment date, the amount by which Aggregate Debt Service payable during the Period (as such term is used in the definition of Subsidy Fund Requirement) ending on such interest payment date 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 the 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, 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 auditor's report and financial statements for the Environmental Improvement Fund for the years ended June 30, 2015 and 2014, along with supplemental information as of June 30, 2015, and the independent auditor's report and financial statements for the Leveraged Loan Portfolio for the year ended June 1, 2015.

Financial statements present the financial position, results of operations, and cash flows of the Environmental Improvement Fund for the fiscal years ended June 30, 2015 and 2014. 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.

Baker Tilly Virchow Krause, LLP, the independent auditor of the Environmental Improvement Fund, has not been engaged to perform and has not performed, since the date of its reports included on the following pages, any procedures on the financial statements addressed in those reports. Baker Tilly Virchow Krause, LLP also has not performed any procedures related to Part VI of the 2015 Annual Report.

{This page number is the last sequential page number of the 2015 Annual Report to be used in Part VI of the 2015 Annual Report. The following uses page numbers from the financial statements and independent auditor's report. The sequential page numbers for the 2015 Annual Report continue in Part VII.}

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended June 30, 2015 and 2014

AND

SUPPLEMENTAL INFORMATION

As of and for the Year Ended June 30, 2015

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

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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
State of Wisconsin Environmental Improvement Fund
Madison, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the State of Wisconsin Environmental Improvement Fund, an enterprise fund of the State of Wisconsin, as of and for the years ended June 30, 2015, and 2014, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the State of Wisconsin Environmental Improvement Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the State of Wisconsin Environmental Improvement Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Secretary of the Department of Administration and the Secretary of the Department of Natural Resources of the State of Wisconsin
State of Wisconsin Environmental Improvement Fund

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State of Wisconsin Environmental Improvement Fund, an enterprise of the State of Wisconsin, as of June 30, 2015 and 2014, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

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, 2015, and 2014, and the changes in financial position, or cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the State of Wisconsin Environmental Improvement Fund adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68* effective July 1, 2014. Adoption of these standards resulted in a restatement to net position as of the beginning of the year as discussed in Note 11. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Net Position by Program, Statement of Revenues, Expenses, and Changes in Net Position by Program, and the Statement of Cash Flows by Program as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Net Position by Program, Statement of Revenues, Expenses, and Changes in Net Position by Program, and the Statement of Cash Flows by Program are fairly stated in all material respects, in relation to the financial statements as a whole.

To the Secretary of the Department of Administration and the Secretary of the Department of Natural Resources of the State of Wisconsin
State of Wisconsin Environmental Improvement Fund

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the State of Wisconsin Environmental Improvement Fund's financial statements. The "Other Information" listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2015 on our consideration of the State of Wisconsin Environmental Improvement Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Wisconsin Environmental Improvement Fund's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
October 23, 2015

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENTS OF NET POSITION
As of June 30, 2015 and 2014

	2015	2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Unrestricted cash and cash equivalents	$ 365,403,382	$ 375,033,225
United States Treasury Notes, purchased in connection with forward delivery agreements, at cost	45,594,883	45,554,347
Receivables		
Loans to local governments - current portion	177,337,982	168,949,259
Due from other funds	2,849	661,007
Due from other governmental entities	8,805,800	8,929,850
Accrued investment income	190,009	231,164
Prepaid items	20,181	21,949
Total Current Assets	597,355,086	599,380,801
Noncurrent Assets		
Restricted assets - cash equivalents	98,781,334	102,561,070
Investments - State of Wisconsin general obligation clean water bonds, at fair value	176,611,170	188,914,802
Loans to local governments	1,861,526,894	1,840,695,634
Advances to other funds	6,222,149	6,216,596
Prepaid items	133,688	150,575
Net pension assets	81,885	-
Capital Assets		
Equipment	-	20,357
Less: Accumulated depreciation	-	(20,357)
Total Noncurrent Assets	2,143,357,120	2,138,538,677
Total Assets	2,740,712,206	2,737,919,478
Deferred Outflows of Resources		
Changes related to net pension asset	48,406	-
Unamortized charges	14,411,933	17,726,016
Total Deferred Outflows of Resources	14,460,339	17,726,016
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 2,755,172,545	$ 2,755,645,494
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities		
Accrued expenses	$ 149,714	$ 83,447
Accrued interest on bonds	2,888,107	3,127,704
Due to other funds	1,263,841	1,311,367
Due to other governmental entities	223,903	225,682
Compensated absences - current portion	57,440	39,141
Revenue obligation bonds - current maturities	59,935,000	58,400,000
Total Current Liabilities	64,518,005	63,187,341
Noncurrent Liabilities		
Accrued expenses	28,826	30,304
Due to other governmental entities	574,584	987,721
Compensated absences	28,359	46,567
Revenue obligation bonds (including unamortized premium)	698,780,909	768,022,265
Total Noncurrent Liabilities	699,412,678	769,086,857
Total Liabilities	763,930,683	832,274,198
Deferred Inflows of Resources		
Changes related to net pension asset	821	-
Net Position		
Restricted for environmental improvement	1,977,236,321	1,907,586,775
Unrestricted	14,004,720	15,784,521
Total Net Position	1,991,241,041	1,923,371,296
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 2,755,172,545	$ 2,755,645,494

See accompanying notes to financial statements.

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Loan interest	$ 33,640,973	$ 31,356,377
Interest income used as security for revenue bonds	18,870,494	20,409,280
Miscellaneous other	30,703	34,230
Total Operating Revenues	52,542,170	51,799,887
OPERATING EXPENSES		
Interest	31,300,577	33,782,824
Salaries and benefits	4,457,673	3,835,880
Contractual services and other	3,221,916	2,262,994
Total Operating Expenses	38,980,166	39,881,698
Operating Income	13,562,004	11,918,189
NONOPERATING REVENUES (EXPENSES)		
Investment income	1,135,325	1,079,236
Investment income used as security for revenue bonds	3,463,690	11,727,152
Intergovernmental grants	55,812,249	51,214,815
Grants awarded	(9,532,629)	(10,133,150)
Total Nonoperating Revenues (Expenses)	50,878,635	53,888,053
INCOME BEFORE TRANSFERS	64,440,639	65,806,242
Transfers in	11,306,642	22,486,488
Transfers out	(8,011,761)	(8,017,113)
Increase in Net Position	67,735,520	80,275,617
TOTAL NET POSITION - Beginning of Year (as restated for 2015)	1,923,505,521	1,843,095,679
TOTAL NET POSITION - END OF YEAR	$ 1,991,241,041	$ 1,923,371,296

See accompanying notes to financial statements.

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Collection of loans	$ 174,170,680	$ 166,981,430
Interest received on loans	52,415,116	51,650,051
Origination of loans	(203,390,663)	(201,054,323)
Payments to employees for services	(3,990,235)	(4,027,190)
Payments to suppliers and other	(3,135,564)	(2,130,304)
Other operating revenues	30,703	34,230
Net Cash Flows From Operating Activities	16,100,037	11,453,894
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Intergovernmental grants received	56,173,000	51,297,679
Grants paid	(9,532,629)	(10,133,150)
Transfers in	11,306,642	22,486,488
Transfers out	(8,011,761)	(8,017,113)
Retirement of long-term debt	(58,400,000)	(58,195,000)
Interest payments	(37,532,446)	(40,493,758)
Advances to other funds	(2,553)	(1,251,224)
Net Cash Flows From Noncapital Financing Activities	(45,999,747)	(44,306,078)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(31,032)	(10,705,087)
Liquidation of investments	7,768,448	5,930,397
Investment and interest income	8,752,715	9,068,558
Net Cash Flows From Investing Activities	16,490,131	4,293,868
Net Decrease in Cash and Cash Equivalents	(13,409,579)	(28,558,316)
CASH AND CASH EQUIVALENTS - Beginning of Year	477,594,295	506,152,611
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 464,184,716	$ 477,594,295

	2015	2014
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	$ 13,562,004	$ 11,918,189
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities		
Interest expense classified as noncapital financing activity	31,300,577	33,782,824
Changes in assets and liabilities		
Loans to other governments	(29,219,984)	(34,072,842)
Due from other funds	133,295	(672,870)
Proportionate share of contributions	(34,821)	-
Prepaid items	18,655	16,318
Compensated absences	92	2,036
Other assets	39,577	-
Other post employment benefits	(1,479)	1,218
Accrued expenses	66,266	57,802
Accrued interest on bonds	(96,351)	(115,609)
Due to other funds	333,985	566,367
Due to other governmental entities	(1,779)	(29,539)
Total Adjustments	2,538,033	(464,295)
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 16,100,037	$ 11,453,894

	2015	2014
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Unrestricted cash and cash equivalents - statement of net position	$ 365,403,382	$ 375,033,225
Investments in United States Treasury Notes, purchased in connection with forward delivery agreements	45,594,883	45,554,347
Investments in State of Wisconsin general obligation clean water bonds	176,611,170	188,914,802
Restricted cash and cash equivalents - statement of net position	98,781,334	102,561,070
Total Cash and Investments	686,390,769	712,063,444
Less: Noncash equivalents	(222,206,053)	(234,469,149)
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 464,184,716	$ 477,594,295

	2015	2014
NONCASH INVESTING AND NONCAPITAL FINANCING ACTIVITIES		
Net change in unrealized gains and losses	$ 4,540,353	$ (4,019,579)
Bond premium amortization	$ 9,306,356	$ 10,026,524

See accompanying notes to financial statements.

NOTE 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 the Clean Water Fund Program and expanded loan activity to include drinking water system loans and brownfield loans. 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 Safe Drinking Water Loan Program was established in 1997 and provides municipal loans for the construction or repair of municipal drinking water facilities. The following four loan portfolios comprise the Environmental Improvement Fund:

- Leveraged Loan Portfolio—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 of the Clean Water Fund Program.
- Direct Loan Portfolio—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). Repayments from loans in this portfolio are also used to fund new loans. Loans in this portfolio are made for wastewater projects that comply with EPA eligibility and reporting requirements of the Clean Water Fund Program.
- Proprietary Loan/Grant Portfolio—This portfolio is funded by operating transfers from the State. Assets of this portfolio are used to fund both loans and hardship grants for qualifying wastewater projects. Repayments from loans in this portfolio may be used to fund new loans or hardship grants under the Clean Water Fund Program.
- Drinking Water Loan Portfolio—This portfolio is funded by the EPA grants and operating transfers from the State (the State is required to match a minimum of 20% of EPA grants). Repayments from loans in this portfolio may be used to fund new loans. Loans in this portfolio are made for drinking water projects that comply with EPA eligibility and reporting requirements under the Safe Drinking Water Loan Program.

The Land Recycling Loan Program is a municipal loan program for the remediation of contaminated lands. As of June 30, 2015 and 2014, there were ten loans granted under this program for a total of $15,218,891. As of June 30, 2015 and 2014, the total amount drawn on these loans was $13,500,343. The Land Recycling Program loans are included in the Clean Water Fund Program – Direct Loan Portfolio for reporting purposes.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Implementation of Accounting Standards— In June 2012, the GASB issued statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and in November 2013, the GASB issued statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These statements establish the accounting and financial reporting standards for the employer share of pension plan activities that are administered through trusts and meet certain criteria as well as employer contributions made in a fiscal year subsequent to the pension plan's measurement date. These standards were implemented July 1, 2014. Additional footnote disclosures related to these standards have not been included within this report as amounts are not material to these financial statements. For further information, see the State of Wisconsin's Comprehensive Annual Financial Report as of and for the year ended June 30, 2015.

Net Operating Income/Loss—The Fund incurred net operating income of $13.6 million in 2015 and $11.9 million in 2014. Management anticipates the Fund will periodically incur net operating losses. As explained in Note 2, a loss will generally result from the Fund's statutory mission to provide loans to municipalities at interest rates below the Fund's own cost of funds. Previous losses have historically been funded by EPA grants and operating transfers from the State of Wisconsin. EPA grants were approximately $55.8 million and $51.2 million in 2015 and 2014, respectively, and are classified as intergovernmental grants. Transfers from the State of Wisconsin were approximately $3.1 million and $2.9 million in 2015 and 2014, respectively, and are classified as transfers in. Management expects the grants and transfers will continue for the foreseeable future sufficient to fund both the anticipated 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 statements of net position.

Investments—The Fund 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 corporation notes and bonds, bankers acceptances, participation agreements, privately placed bonds and mortgages, common and preferred stock and other securities approved by applicable sections of the Wisconsin Statutes, bond resolutions, and various trust indentures (see Note 3).

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 8). 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 9). Investment transactions are recorded on the trade date.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

United States Treasury Notes, Purchased in Connection with Forward Delivery Agreements—The Fund holds United States Treasury Notes as investments at June 30, 2015 and 2014 and records the notes at cost. The Fund purchased these securities in accordance with the Forward Delivery Agreements (see Note 4).

GASB Statement No. 31 (GASB No. 31) states that investments in participating interest-earning investment contracts must be reported at fair value. The four forward delivery agreements with Wachovia Bank, NA ("Wachovia") and two forward delivery agreements with JP Morgan Chase Bank ("JP Morgan") described in Note 4 would be considered participating investment contracts under GASB No. 31. Management has accounted for the agreements as investments in short-term U.S. treasury notes, at cost, rather than as investment contracts at fair value because management believes the difference between cost and fair value does not have a material impact on the financial statements. At June 30, 2015, the fair value of the Fund's interest in these agreements was above the cost of the treasury securities owned by $1,081,587. At June 30, 2014, the fair value was above the cost by $1,003,262.

Comparative Data—Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

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 7).

Deferred Outflows of Resources—A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

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 deferred outflow of resources.

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 Clean Water Revenue Bond indenture specifies the use of bond proceeds, proceeds from loan repayments, and money in other accounts created under the bond indenture.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Restricted Assets—Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements. The restricted assets will be used for retirement of related long-term debt in the event that sufficient resources are not otherwise available.

Deferred Inflows of Resources—A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Net Position—Net position is classified as either restricted or unrestricted based on the presence or absence of restrictions, including federal laws, the Cleanwater Act of 1987, resolutions, state statutes, and Title XIV of the 1996 Safe Drinking Water Act, as amended. When both restricted and unrestricted resources are available for use, restricted resources are used first, then unrestricted as they are needed.

Revenue Recognition—Loan interest and investment income are recognized as revenue when earned. Operating grants are recognized as revenue in the period the related expense occurs and include $56.5 million and $51.2 million of EPA contributions in 2015 and 2014, respectively.

Hardship Grants—Hardship grants are recognized as an expense when the funds are disbursed.

Transfers In/(Out)—Transfers in consist of capital contributions from the State of Wisconsin and are recognized as the contributions are received. Transfers out consist of items related to debt service.

Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Claims and Judgments—Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments are recorded as expenses when the related liabilities are incurred. Refer to Note 13 on commitments and contingencies.

NOTE 2 – FINANCIAL ASSISTANCE AGREEMENTS TO LOCAL GOVERNMENTS

Loans to local governments at June 30, 2015 and 2014 represent loans for wastewater treatment projects or drinking water 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, Safe Drinking Water Loan Program and Land Recycling Loan 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 are funded by State transfers. Interest rates on loans receivable ranged from 4.95% to 0% in 2015 and 4.95% to 0% in 2014. The weighted average interest rate was 2.500% and 2.519% at June 30, 2015 and 2014, respectively. The loans contractually are revenue obligations or general obligations of the local governments, 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 local government, induce an additional charge to the amount of property taxes levied by the county in which the applicable local government is located, or both. Accordingly, no reserve for loan loss is deemed necessary. At June 30, 2015, all loan repayments were performing in accordance with the contractual terms.

NOTE 2 – FINANCIAL ASSISTANCE AGREEMENTS TO LOCAL GOVERNMENTS (cont.)

Of the loans outstanding at June 30, 2015 and 2014, $648,935,006 and $668,058,748 (32% and 33%), respectively, were loans due from the Milwaukee Metropolitan Sewerage District.

The Clean Water Fund Program, Safe Drinking Water Loan Program, and Land Recycling Loan Program entered into $172,173,563 of new loans and $7,533,727 of new grants during fiscal year 2015. For fiscal year 2014, these same programs entered into $173,522,321 of new loans and $9,286,532 of new grants. As of June 30, 2015, they had undisbursed commitments of $125,038,717 relating to loans and $1,185,752 relating to grants. For fiscal year 2014, they had undisbursed commitments of $164,530,418 relating to loans and $2,977,691 relating to grants. From July 1, 2015 to September 19, 2015, the Fund made additional loan disbursements of $15,548,944 for financial assistance agreements that were outstanding prior to June 30, 2015. $24,301,054 of additional loans were executed between July 1, 2015 and September 19, 2015. These funding commitments are generally met through the proceeds from additional Federal grants, recycled loan payments, and from the issuance of additional revenue obligation bonds (Note 6).

NOTE 3 – CASH AND CASH EQUIVALENTS

As of June 30, 2015 and 2014, cash and cash equivalents consisted of the following:

	2015	2014
Local Government Investment Pool ("LGIP"), at fair value	$ 464,184,509	$ 469,996,385
Investments reported at cost:		
Repurchase Agreement with Bayerische Landesbank	-	7,597,910
Miscellaneous cash	208	-
	464,184,717	477,594,295
Less: Amounts classified as restricted assets (see Note 6)	(98,781,335)	(102,561,070)
Total Unrestricted Cash and Cash Equivalents	$ 365,403,382	$ 375,033,225

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 and liquidity while earning a competitive money market rate of return. The LGIP functions in a manner similar to a money market fund in that the yield earned changes daily and participants may invest or withdraw any or all amounts on a daily basis at par value. The LGIP is not a Securities and Exchange Commission ("SEC") registered investment, but is regulated by Wisconsin Statutes 25.14 and 25.17. At June 30, 2015, the current yield on the LGIP was 0.14%, compared to 0.09% as of June 30, 2014. The LGIP investment is stated at fair value.

The repurchase agreement with Bayerische Landesbank was collateralized by U.S. Treasury notes, bonds and debentures. At June 30, 2015, the investment had matured and was liquidated. At June 30, 2014, the repurchase agreement had a market value of $8,058,860. The collateral was held by Wells Fargo Bank pursuant to a custody agreement. The repurchase agreement contained a fixed yield of 6.5%. The repurchase agreement provided for liquidation of investments at par if and when required by the terms of the Clean Water Revenue Bond General Resolution.

NOTE 3 – CASH AND CASH EQUIVALENTS (cont.)

As of June 30, 2015	Amount	Exposure to Custodial Credit Risk	Credit Risk	Interest Rate Risk	Interest Rate Highly Sensitive	Foreign Currency Rate	% of Portfolio
LGIP	$ 464,184,509	N/A	Not rated	N/A	N/A	N/A	67.6%
Treasury notes – Forward delivery	45,594,883	$0	N/A	See Note 4	N/A	N/A	6.7
GO Bonds-WI	176,611,170	$0	Aa2	5-1-33 final maturity	N/A	N/A	25.7

As of June 30, 2014	Amount	Exposure to Custodial Credit Risk	Credit Risk	Interest Rate Risk	Interest Rate Highly Sensitive	Foreign Currency Rate	% of Portfolio
LGIP	$ 469,996,385	N/A	Not rated	N/A	N/A	N/A	66.0%
Repo BL (vs. veterans affairs)	7,597,910	$0	Not rated	6-15-28 final maturity	N/A	N/A	1.0
Treasury notes – Forward delivery	45,554,347	$0	N/A	See Note 4	N/A	N/A	6.5
GO Bonds-WI	188,914,802	$0	Aa2	5-1-33 final maturity	N/A	N/A	26.5

The Fund does not have an investment policy for custodial credit risk, credit risk, interest rate risk, or concentration of credit risk.

Restricted assets of $98,781,334 and $102,561,070 at June 30, 2015 and 2014, respectively, represent amounts legally restricted by the Clean Water Revenue Bonds. The amounts restricted are the product of the average annual debt service of the outstanding, disbursed loans times a factor of 120%.

NOTE 4 – FORWARD DELIVERY AGREEMENTS

The Fund has entered into multiple 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 6). Four of the agreements are with Wachovia and two are with JP Morgan and each provides for the delivery to, and purchase by, the Fund, of securities with a maturity value equal to the purchase price plus earnings calculated at the rate of the agreements. The agreements were entered into in conjunction with the 1997 Series 1, 1998 Series 1, 1999 Series 1, 2006 Series 1, 2006 Series 2, and 2008 Series 1 Revenue Obligation Bonds.

NOTE 4 – FORWARD DELIVERY AGREEMENTS (cont.)

Every six months during the term of the agreements, Wachovia and JP Morgan 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 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 Wachovia or JP Morgan. If the agreements were terminated at a time when a payment would be due to Wachovia or JP Morgan, 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.

By GASB definition, these securities are classified as having no exposure to custodial credit risk. 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, 2015, are as follows:

	Par Value of Treasuries	Coupon Rate of Treasuries	Cost of Treasuries	Agreement Interest Rate	Agreement Maturity Date	Agreement Market Value
Series 1997-1 Agreement	$ 7,138,000	1.375%	$ 6,992,075	5.58%	June 1, 2017	$ 7,185,056
Series 1998-1 Agreement	7,424,000	1.375	7,292,832	5.01	June 1, 2018	7,472,942
Series 1999-1 Agreement	7,088,000	1.375	6,918,903	6.32	June 1, 2020	7,134,727
Series 2006-1 Agreement	6,560,000	0.250	6,422,000	4.56	June 1, 2027	6,565,971
Series 2006-2 Agreement	8,183,000	0.250	8,000,000	4.84	June 1, 2027	8,190,448
Series 2008-1 Agreement	10,061,000	1.375	9,969,073	4.10	June 1, 2028	10,127,326

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, 2014, are as follows:

	Par Value of Treasuries	Coupon Rate of Treasuries	Cost of Treasuries	Agreement Interest Rate	Agreement Maturity Date	Agreement Market Value
Series 1997-1 Agreement	$ 7,187,000	2.000%	$ 6,992,011	5.58%	June 1, 2017	$ 7,170,415
Series 1998-1 Agreement	7,475,000	2.000	7,292,215	5.01	June 1, 2018	7,457,751
Series 1999-1 Agreement	7,137,000	2.000	6,918,023	6.32	June 1, 2020	7,120,531
Series 2006-1 Agreement	6,545,000	0.375	6,421,714	4.56	June 1, 2027	6,542,458
Series 2006-2 Agreement	8,163,000	0.375	7,999,509	4.84	June 1, 2027	8,159,830
Series 2008-1 Agreement	10,130,000	2.000	9,927,034	4.10	June 1, 2028	10,106,624

NOTE 5 – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfunds resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The following is a schedule of transfers between the loan portfolios and/or other funds at the State of Wisconsin at June 30, 2015 and 2014:

Transferred To	Transferred From	June 30, 2015 Amount	June 30, 2014 Amount	Principal Purpose
Direct Loan Portfolio	Proprietary Portfolio	$ 7,575,311	$ 7,217,401	State match
Proprietary Portfolio	Capital Improvement	8,221,642	19,591,119	Future debt service
Safe Drinking Water Loan Program	Capital Improvement	3,085,000	2,895,369	State match
Bond Security and Redemption	Direct Loan Portfolio	8,000,000	8,000,000	G.O. bond debt service
Debt Service Fund Program	Proprietary Portfolio	11,761	17,113	Personal services
Leveraged Loan Portfolio	Proprietary Portfolio	-	10,700,000	Future debt service
Subtotal		26,893,714	48,421,002	
Less: Eliminations		(23,598,833)	(33,951,627)	
Total Transfers – Statements of Revenues, Expenses and Changes in Net Position		$ 3,294,881	$ 14,469,375	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS

REVENUE OBLIGATION BONDS

Revenue bonds are payable only from revenues derived from the operation of the loan programs.

Revenue bonds activity as of June 30, 2015 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds	$ 764,745,000	$ -	$ 58,400,000	$ 706,345,000	$ 59,935,000
Add:					
Unamortized premiums	61,677,265	-	9,306,356	52,370,909	-
Totals	$ 826,422,265	$ -	$ 67,706,356	$ 758,715,909	$ 59,935,000

Revenue bonds activity as of June 30, 2014 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds	$ 822,940,000	$ -	$ 58,195,000	$ 764,745,000	$ 58,400,000
Add:					
Unamortized premiums	71,703,789	-	10,026,524	61,677,265	-
Totals	$ 894,643,789	$ -	$ 68,221,524	$ 826,422,265	$ 58,400,000

NOTE 6 – Revenue Obligation Bonds And Restricted Assets (cont.)

Revenue Obligation Bonds (cont.)

Revenue obligation serial and term bonds as of June 30, 2015 and 2014 consisted of the following:

	2015	2014
1998 Series 2:		
Serial Bonds, no optional redemption, June 1, 2017	$ 11,590,000	$ 21,560,000
Unamortized premium on bonds	102,847	235,047
	11,692,847	21,795,047
2002 Series 2:		
Serial Bonds, no optional redemption, June 1, 2016	3,935,000	7,675,000
Unamortized premium on bonds	39,793	121,977
	3,974,793	7,796,977
2004 Series 2:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2015 (refunded July 15, 2015 – see Note 15)	37,305,000	51,770,000
Unamortized premium on bonds	757,927	1,270,261
	38,062,927	53,040,261
2006 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2016	3,575,000	6,980,000
Unamortized premium on bonds	36,000	109,703
	3,611,000	7,089,703
2006 Series 2:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2015	-	4,255,000
Unamortized premium on bonds	-	44,381
	-	4,299,381
2008 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2018	76,105,000	80,010,000
Unamortized premium on bonds	2,876,440	3,406,785
	78,981,440	83,416,785
2008 Series 2:		
Serial Bonds, no optional redemption, June 1, 2018	27,335,000	27,335,000
Unamortized premium on bonds	841,299	1,225,760
	28,176,299	28,560,760
2008 Series 3:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2018	71,850,000	75,680,000
Unamortized premium on bonds	812,595	1,018,776
	72,662,595	76,698,776

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS (cont.)

REVENUE OBLIGATION BONDS (cont.)

	2015	2014
2010 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2031	$ 51,625,000	$ 55,810,000
Unamortized premium on bonds	3,084,863	3,438,989
	54,709,863	59,248,989
2010 Series 2:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2021	14,070,000	14,070,000
Unamortized premium on bonds	1,079,235	1,276,945
	15,149,235	15,346,945
2010 Series 3:		
Build America Bonds, optional redemption for bonds at 100% of par, June 1, 2025	49,690,000	49,690,000
2010 Series 4:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2031	100,635,000	104,800,000
Unamortized premium on bonds	7,814,270	8,888,693
	108,449,270	113,688,693
2010 Series 5:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2023	36,760,000	36,760,000
Unamortized premium on bonds	3,278,199	3,863,823
	40,038,199	40,623,823
2012 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2033	51,075,000	53,055,000
Unamortized premium on bonds	6,974,614	7,720,737
	58,049,614	60,775,737
2012 Series 2:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2024	87,950,000	92,450,000
Unamortized premium on bonds	12,452,102	15,111,330
	100,402,102	107,561,330
2013 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2027	82,845,000	82,845,000
Unamortized premium on bonds	12,220,725	13,944,058
	95,065,725	96,789,058
Total of All Series	$ 758,715,909	$ 826,422,265

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS (cont.)

REVENUE OBLIGATION BONDS (cont.)

The original premium at issuance and the interest rates for bonds outstanding at June 30, 2015 or June 30, 2014, were the following:

Series	Original Issue (Premium)	Interest Rates
1998 Series 2	$ (7,739,808)	4.00 – 5.50%
2002 Series 2	(7,344,000)	3.00 – 5.50%
2004 Series 2	(11,408,668)	3.25 – 5.25%
2006 Series 1	(4,951,135)	3.50 – 5.00%
2006 Series 2	(4,359,628)	4.00 – 5.00%
2008 Series 1	(7,712,015)	4.00 – 5.00%
2008 Series 2	(3,393,398)	5.00%
2008 Series 3	(2,764,120)	3.00 – 5.50%
2010 Series 1	(5,917,653)	3.00 – 5.00%
2010 Series 2	(2,065,947)	5.00%
2010 Series 3	-	3.957% - 5.441%*
2010 Series 4	(13,528,717)	3.00 – 5.00%
2010 Series 5	(5,845,742)	5.00%
2012 Series 1	(9,195,497)	2.00 – 5.00%
2012 Series 2	(20,160,489)	3.96 – 5.00%
2013 Series 1	(16,100,626)	4.50 – 5.00%

* - The effect of the interest rate subsidy on the 2010 Series 3 revenue bonds through June 1, 2025 is $5,446,902. The amount due in the next fiscal year is $831,375.

Principal and interest due on the bonds, net of advance refundings, as of June 30, 2015, are as follows:

Years Ending June 30,	Principal	Interest	Totals
2016	$ 59,935,000	$ 34,657,283	$ 94,592,283
2017	60,775,000	31,729,095	92,504,095
2018	60,510,000	28,824,553	89,334,553
2019	55,315,000	25,856,664	81,171,664
2020	54,780,000	23,143,864	77,923,864
2021-2025	239,810,000	78,094,832	317,904,832
2026-2030	147,475,000	25,573,425	173,048,425
2031-2033	27,745,000	1,798,000	29,543,000
Totals	$ 706,345,000	$ 249,677,716	$ 956,022,716

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS (cont.)

REVENUE OBLIGATION BONDS (cont.)

Principal and interest due on the bonds, net of advance refundings, as of June 30, 2014, are as follows:

Years Ending June 30,	Principal	Interest	Totals
2015	$ 58,400,000	$ 37,532,446	$ 95,932,446
2016	59,935,000	34,657,283	94,592,283
2017	60,775,000	31,729,095	92,504,095
2018	60,510,000	28,824,553	89,334,553
2019	55,315,000	25,856,664	81,171,664
2020-2024	253,335,000	90,507,717	343,842,717
2025-2029	168,170,000	33,889,154	202,059,154
2030-2033	48,305,000	4,213,250	52,518,250
Totals	$ 764,745,000	$ 287,210,162	$ 1,051,955,162

The revenue obligation bonds are collateralized by a security interest in all assets of the Leveraged Loan Portfolio. At June 30, 2015 and 2014, the total assets of the Leveraged Loan Portfolio were $985,342,392 and $1,060,427,775, 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.

Revenue obligation bonds are payable only from revenues derived from 1) pledged loan repayments, 2) amounts in the Loan Fund, Loan Credit Reserve Fund, and Subsidy Fund, and 3) all other pledged receipts.

The Environmental Improvement Fund has pledged future loan revenues, net of specified operating expenses, to repay $706.4 million in revenue bonds issued between 1998-2013. Proceeds from the bonds provided financing for loans to municipalities to construct or improve water and wastewater projects. The bonds are payable solely from loan revenues and are payable through 2033. Annual principal and interest payments on the bonds are expected to require 53% of revenues. The total principal and interest remaining to be paid on the bonds is $956,022,716. Principal and interest paid for the current year and total net revenues were $95.9 million and $100.5 million, respectively.

RESTRICTED ASSETS

Among other restrictions under the revenue obligation bond agreements are provisions that require 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 statement of net position consist of $98.8 million of the LGIP balance held as a credit reserve. This amount is required in order to satisfy the conditions of certain agreements related to maintaining the minimum credit ratings on the bonds.

NOTE 7 – DEBT REFUNDING

PRIOR-YEAR DEFEASANCE OF DEBT

In prior years, the fund defeased certain revenue obligation bonds by placing the proceeds of new 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. At June 30, 2015, $53,325,000 of bonds outstanding are considered defeased. At June 30, 2014, $124,445,000 of bonds outstanding are considered defeased. The bonds are callable as follows:

Call Date	Amount as of June 30, 2015	Amount as of June 30, 2014
6/1/2015	$ -	$ 71,120,000
6/1/2016	53,325,000	53,325,000

NOTE 8 – GLOBAL CERTIFICATE AND STATE OF WISCONSIN GENERAL OBLIGATION BONDS

In April 2004, all of the State of Wisconsin General Obligation Bonds previously owned by the Fund were exchanged for a State of Wisconsin General Obligation Bond as part of the Clean Water Program ("Global Certificate"). Subsequent to the Global Certificate, additional State of Wisconsin General Obligation Bonds were issued for the Clean Water Fund Program. Details of these investments as of June 30, 2015 are as follows:

Series	Par Value	Weighted Average Coupon Interest Rate	Market Value
2004	$ 56,855,080	0.00%	$ 49,534,793
2007A	8,934,070	5.52	10,231,584
2007B	6,851,446	5.76	7,987,137
2008A	10,300,000	Less than 1%	10,300,000
2008B	16,600,000	6.16	20,548,786
2009A	17,700,000	5.78	20,957,780
2010A	15,243,000	5.47	17,403,345
2010B	15,000,000	5.96	17,859,396
2012A	11,900,000	2.96	11,820,034
2014A	9,800,000	3.40	9,968,315
Totals	$ 169,183,596		$ 176,611,170

NOTE 8 – GLOBAL CERTIFICATE AND STATE OF WISCONSIN GENERAL OBLIGATION BONDS (cont.)

The details of the investments as of June 30, 2014 are as follows:

Series	Par Value	Weighted Average Coupon Interest Rate	Market Value
2004	$ 62,528,244	0.00%	$ 54,287,495
2007A	9,724,186	5.50	11,502,353
2007B	6,851,446	5.76	8,458,665
2008A	10,300,000	Less than 1%	10,300,000
2008B	16,600,000	6.16	21,751,058
2009A	17,700,000	5.78	21,702,256
2010A	15,243,000	5.47	18,303,867
2010B	15,000,000	5.96	18,807,717
2012A	12,300,000	2.89	12,565,068
2014A	10,700,000	3.13	11,236,323
Totals	$ 176,946,876		$ 188,914,802

The Global Certificate and bonds listed above are all registered in the name of the Fund and held by an independent trustee.

Par value of the principal maturities of the Global Certificate and State of Wisconsin General Obligation bonds as of June 30 excluding the 2008A issue which does not have a repayment schedule are as follows:

Years Ending June 30,	2015	2014
2015	$ -	$ 7,763,280
2016	8,291,289	8,291,289
2017	12,025,350	12,025,350
2018	13,424,630	13,424,630
2019	11,522,163	11,522,163
2020	10,887,904	10,887,904
2021-2025	38,353,120	38,353,120
2026-2030	42,964,140	42,964,140
2031-2033	21,415,000	21,415,000
Totals	$ 158,883,596	$ 166,646,876

NOTE 9 – 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, 2015 and 2014:

	2015	2014
Interest		
State of Wisconsin Investment Board Local Government Investment Pool	$ 454,517	$ 386,847
Repurchase Agreement with Bayerishe Landesbank	452,709	493,864
United States Treasury Notes	2,280,203	2,280,105
State of Wisconsin General Obligation Bonds	5,435,970	5,136,698
Federal Interest on Build America Bonds	770,685	771,516
Total Interest	9,394,084	9,069,030
Changes in Realized and Unrealized Gains (Losses)		
State of Wisconsin General Obligation Bonds	(4,540,353)	4,019,579
Total Interest and Changes in Unrealized Gains	4,853,731	13,088,609
Change in Estimated Rebatable Arbitrage Liability	(254,716)	(282,221)
TOTAL INVESTMENT INCOME	$ 4,599,015	$ 12,806,388

NOTE 10 – OPERATING GRANTS AND HARDSHIP ASSISTANCE

EPA Operating Grants for Wastewater Projects—The Federal Water Quality Act of 1987 (the "Water Quality Act") established a joint Federal and State program with the EPA to assist in providing financial assistance to municipalities within the states for governmentally owned wastewater 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 wastewater 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 expected to result in the allocation of capitalization grants to Wisconsin of approximately $38.0 million for federal fiscal year 2015. Four percent of the EPA grant amount may be used for wastewater program administrative expenses. Authorization levels for years after 2015 are unknown at this time.

EPA Operating Grants for Drinking Water Projects—The Federal Safe Drinking Water Act Amendment of 1996 (the "Safe Drinking Water Act") established a joint Federal and State program with the EPA to assist in providing financial assistance to municipal and community water system projects. Under the terms of the EPA grant, the State was required (1) to establish the Safe Drinking Water Loan 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 municipal and community water system projects. The Safe Drinking Water Act was authorized through federal fiscal year 2015 and a grant to Wisconsin of approximately $15.4 million is expected for federal fiscal year 2015.

Reauthorization of the Safe Drinking Water Act may not be acted upon by the present Congress of the United States, although the Fund expects EPA capitalization grants to states to continue into the future. Four percent of the EPA grant amount may be used for water program administrative expenses plus a portion of the grant may be used by DNR for various water-related issues and initiatives.

NOTE 10 – OPERATING GRANTS AND HARDSHIP ASSISTANCE (cont.)

Hardship Assistance—Wisconsin statutes require that the Fund provide financial hardship assistance to 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 for wastewater projects subject to limitations prescribed by the statute. At June 30, 2015 and 2014, the Fund was committed to award $0 and $2,937,544, respectively, of additional hardship grants. At June 30, 2015 and 2014, the Fund had projected additional hardship grants of $0 for both years. In addition to hardship grants, the Fund was committed to award $7,533,727 and $6,348,988, respectively, of reduced interest rate loans. At June 30, 2015 and 2014, the Fund had projected additional reduced interest rate loans of $6,665,553 and $2,378,339, respectively.

NOTE 11 – RESTATEMENT

Net position has been restated as a result of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which requires the measurement and recognition of certain liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to defined benefit pension plans. These items had not previously been measured or recorded. The details of this restatement is as follows:

Net Position – June 30, 2014 (as reported)	$ 1,923,371,296
Add: Net pension asset	134,225
Net Position – June 30, 2014 (as restated)	$ 1,923,505,521

NOTE 12 – EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

> Statement No. 72, *Fair Value Measurement and Application*

> Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*

> Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*

> Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

> Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

> Statement No. 77, *Tax Abatement Disclosures*

When they become effective, application of these standards may restate portions of these financial statements.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Occasionally the Fund is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the state legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Fund's financial position or results of operations.

NOTE 14 – RISK MANAGEMENT

The State of Wisconsin's policy is generally not to purchase commercial insurance for the risk of losses to which it is exposed. Instead, risks are managed internally through self-insurance accounted for in an internal service fund. No separate policies exist for the Fund itself.

NOTE 15 – SUBSEQUENT EVENTS

On July 15, 2015, the Fund issued Series 1 Clean Water Revenue Refunding Bonds in the amount of $133,235,000 with interest rates varying between 0.73% and 2.81% to refund 2004 Series 2 as well as partially refund 2008 Series 1 and 3 Clean Water Revenue Bonds.

SUPPLEMENTAL INFORMATION

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENT OF NET POSITION
BY PROGRAM
As of June 30, 2015

	Clean Water Fund Program		
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current Assets			
Unrestricted cash and cash equivalents	$ 258,929,644	$ 7,226,866	$ (9,685,825)
United States Treasury Notes, purchased in connection with forward delivery agreements, at cost	-	44,285	45,550,598
Receivables			
Loans to local governments - current portion	88,787,525	1,060,477	64,961,323
Due from other funds	1,000	1,702,731	-
Due from other governmental entities	4,490,733	34,426	2,842,936
Accrued investment income	-	-	190,009
Prepaid items	-	3,294	16,887
Total Current Assets	352,208,902	10,072,079	103,875,928
Noncurrent Assets			
Restricted assets - cash equivalents	-	-	98,781,334
Investments - State of Wisconsin general obligation clean water bonds, at fair value	-	-	176,611,170
Loans to local governments	996,284,913	7,059,943	605,940,272
Advances to other funds	6,222,149	-	-
Prepaid items	-	-	133,688
Net pension assets	-	81,885	-
Total Noncurrent Assets	1,002,507,062	7,141,828	881,466,464
Total Assets	1,354,715,964	17,213,907	985,342,392
Deferred Outflows of Resources			
Changes related to net pension asset	-	48,406	-
Unamortized charges	-	-	14,411,933
Total Deferred Outflows of Resources	-	48,406	14,411,933
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 1,354,715,964	$ 17,262,313	$ 999,754,325

Safe Drinking Water Loan Program	Eliminations	Totals
$ 108,932,697	$ -	$ 365,403,382
-	-	45,594,883
22,528,657	-	177,337,982
1,849	(1,702,731)	2,849
1,437,705	-	8,805,800
-	-	190,009
-	-	20,181
132,900,908	(1,702,731)	597,355,086
-	-	98,781,334
-	-	176,611,170
252,241,766	-	1,861,526,894
-	-	6,222,149
-	-	133,688
-	-	81,885
252,241,766	-	2,143,357,120
385,142,674	(1,702,731)	2,740,712,206
-	-	48,406
-	-	14,411,933
-	-	14,460,339
$ 385,142,674	$ (1,702,731)	$ 2,755,172,545

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENT OF NET POSITION
BY PROGRAM
As of June 30, 2015

	Clean Water Fund Program		
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio
LIABILITIES AND NET POSITION			
Current Liabilities			
Accrued expenses	$ 1,106	$ 13,437	$ 40,000
Accrued interest on bonds	-	-	2,888,107
Due to other funds	371,961	731,015	1,452,731
Due to other governmental entities	-	-	-
Compensated absences - current portion	-	57,440	-
Revenue obligation bonds - current maturities	-	-	59,935,000
Total Current Liabilities	373,067	801,892	64,315,838
Noncurrent Liabilities			
Accrued expenses	-	28,826	-
Due to other governmental entities	-	-	574,584
Compensated absences	-	28,359	-
Revenue obligation bonds (including unamortized premium)	-	-	698,780,909
Total Noncurrent Liabilities	-	57,185	699,355,493
Total Liabilities	373,067	859,077	763,671,331
Deferred Inflows of Resources			
Changes related to net pension asset	-	821	-
Net Position			
Restricted for environmental improvement	1,354,342,897	2,397,695	236,082,994
Unrestricted	-	14,004,720	-
Total Net Position	1,354,342,897	16,402,415	236,082,994
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 1,354,715,964	$ 17,262,313	$ 999,754,325

Safe Drinking Water Loan Program	Eliminations	Totals
$ 95,171	$ -	$ 149,714
-	-	2,888,107
410,865	(1,702,731)	1,263,841
223,903	-	223,903
-	-	57,440
-	-	59,935,000
729,939	(1,702,731)	64,518,005
-	-	28,826
-	-	574,584
-	-	28,359
-	-	698,780,909
-	-	699,412,678
729,939	(1,702,731)	763,930,683
-	-	821
384,412,735	-	1,977,236,321
-	-	14,004,720
384,412,735	-	1,991,241,041
$ 385,142,674	$ (1,702,731)	$ 2,755,172,545

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY PROGRAM
For the Year Ended June 30, 2015

	Clean Water Fund Program		
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio
OPERATING REVENUES			
Loan interest	$ 27,523,427	$ 233,205	$ -
Interest income used as security for revenue bonds	-	-	18,870,494
Miscellaneous other	-	30,703	-
Total Operating Revenues	27,523,427	263,908	18,870,494
OPERATING EXPENSES			
Interest	-	-	31,300,577
Salaries and benefits	1,503,908	268,292	1,073,168
Contractual services and other	134,529	94,891	1,081,689
Total Operating Expenses	1,638,437	363,183	33,455,434
Operating Income (Loss)	25,884,990	(99,275)	(14,584,940)
NONOPERATING REVENUES (EXPENSES)			
Investment income	245,580	7,839	770,685
Investment income used as security for revenue bonds	-	-	3,463,690
Intergovernmental grants	38,156,526	-	-
Grants awarded	(1,529,820)	(1,318,744)	-
Total Nonoperating Revenues (Expenses)	36,872,286	(1,310,905)	4,234,375
INCOME (LOSS) BEFORE TRANSFERS	62,757,276	(1,410,180)	(10,350,565)
Transfers in	7,575,311	8,221,642	-
Transfers out	(8,000,000)	(7,587,072)	-
Change in Net Position	62,332,587	(775,610)	(10,350,565)
TOTAL NET POSITION - Beginning of Year (as restated)	1,292,010,310	17,178,025	246,433,559
TOTAL NET POSITION - END OF YEAR	$ 1,354,342,897	$ 16,402,415	$ 236,082,994

Safe Drinking Water Loan Program	Eliminations	Totals
$ 5,884,341	$ -	$ 33,640,973
-	-	18,870,494
-	-	30,703
5,884,341	-	52,542,170
-	-	31,300,577
1,612,305	-	4,457,673
1,910,807	-	3,221,916
3,523,112	-	38,980,166
2,361,229	-	13,562,004
111,221	-	1,135,325
-	-	3,463,690
17,655,723	-	55,812,249
(6,684,065)	-	(9,532,629)
11,082,879	-	50,878,635
13,444,108	-	64,440,639
3,085,000	(7,575,311)	11,306,642
-	7,575,311	(8,011,761)
16,529,108	-	67,735,520
367,883,627	-	1,923,505,521
$ 384,412,735	$ -	$ 1,991,241,041

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENT OF CASH FLOWS
BY PROGRAM
For the Year Ended June 30, 2015

	Clean Water Fund Program		
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio
CASH FLOWS FROM OPERATING ACTIVITIES			
Collection of loans	$ 85,230,273	$ 1,187,085	$ 67,088,424
Interest received on loans	27,143,264	237,742	19,172,441
Origination of loans	(166,057,660)	-	-
Payments to employees for services	(1,736,952)	438,238	(794,952)
Payments to suppliers and other	(132,557)	(89,037)	(1,032,830)
Other operating revenues	-	30,703	-
Net Cash Flows From Operating Activities	(55,553,632)	1,804,731	84,433,083
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental grants received	38,165,731	-	-
Grants paid	(1,529,820)	(1,318,744)	-
Transfers in	7,575,311	8,221,642	-
Transfers out	(8,000,000)	(7,587,072)	-
Retirement of long-term debt	-	-	(58,400,000)
Interest payments	-	-	(37,532,446)
Advances to other funds	(2,553)	-	-
Net Cash Flows From Noncapital Financing Activities	36,208,669	(684,174)	(95,932,446)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-	-	(31,032)
Liquidation of investments	-	-	7,768,448
Investment and interest income	245,580	(6,833)	8,402,746
Net Cash Flows From Investing Activities	245,580	(6,833)	16,140,162
Net Increase (Decrease) in Cash and Cash Equivalents	(19,099,383)	1,113,724	4,640,799
CASH AND CASH EQUIVALENTS - Beginning of Year	278,029,027	6,113,142	84,454,710
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 258,929,644	$ 7,226,866	$ 89,095,509

Safe Drinking Water Loan Program	Eliminations	Totals
$ 20,664,898	$ -	$ 174,170,680
5,861,669	-	52,415,116
(37,333,003)	-	(203,390,663)
(1,896,569)	-	(3,990,235)
(1,881,140)	-	(3,135,564)
-	-	30,703
(14,584,145)	-	16,100,037
18,007,269	-	56,173,000
(6,684,065)	-	(9,532,629)
3,085,000	(7,575,311)	11,306,642
-	7,575,311	(8,011,761)
-	-	(58,400,000)
-	-	(37,532,446)
-	-	(2,553)
14,408,204	-	(45,999,747)
-	-	(31,032)
-	-	7,768,448
111,222	-	8,752,715
111,222	-	16,490,131
(64,719)	-	(13,409,579)
108,997,416	-	477,594,295
$ 108,932,697	$ -	$ 464,184,716

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENT OF CASH FLOWS
BY PROGRAM
For the Year Ended June 30, 2015

	Clean Water Fund Program		
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	$ 25,884,990	$ (99,275)	$ (14,584,940)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities			
Interest expense classified as noncapital financing activity	-	-	31,300,577
Changes in assets and liabilities:			
Loans to other governments	(80,827,388)	1,187,085	67,088,424
Due from other funds	-	80,661	-
Proportionate share of contributions	-	(34,821)	-
Prepaid items	-	1,768	16,887
Compensated absences	-	92	-
Other assets	-	39,577	-
Other postemployment benefits	-	(1,479)	-
Accrued expenses	1,106	(1,053)	38,325
Accrued interest on bonds	(380,163)	4,537	301,947
Due to other funds	(232,177)	627,639	271,863
Due to other governmental entities	-	-	-
Total Adjustments	(81,438,622)	1,904,006	99,018,023
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ (55,553,632)	$ 1,804,731	$ 84,433,083
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION			
Unrestricted cash and cash equivalents - statement of net position	$ 258,929,644	$ 7,226,866	$ (9,685,825)
Investments in United States Treasury Notes, purchased in connection with forward delivery agreements	-	44,285	45,550,598
Investments in State of Wisconsin general obligation clean water bonds	-	-	176,611,170
Restricted cash and cash equivalents - statement of net position	-	-	98,781,334
Total Cash and Investments	258,929,644	7,271,151	311,257,277
Less: Noncash equivalents	-	(44,285)	(222,161,768)
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 258,929,644	$ 7,226,866	$ 89,095,509
NONCASH INVESTING AND NONCAPITAL FINANCING ACTIVITIES			
Net change in unrealized gains and losses	$ -	$ -	$ 4,540,353
Bond premium amortization	$ -	$ -	$ 9,306,356

Safe Drinking Water Loan Program	Totals
$ 2,361,229	$ 13,562,004
-	31,300,577
(16,668,105)	(29,219,984)
52,634	133,295
-	(34,821)
-	18,655
-	92
-	39,577
-	(1,479)
27,888	66,266
(22,672)	(96,351)
(333,340)	333,985
(1,779)	(1,779)
(16,945,374)	2,538,033
$ (14,584,145)	$ 16,100,037
$ 108,932,697	$ 365,403,382
-	45,594,883
-	176,611,170
-	98,781,334
108,932,697	686,390,769
-	(222,206,053)
$ 108,932,697	$ 464,184,716
$ -	$ 4,540,353
$ -	$ 9,306,356

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

OTHER INFORMATION (UNAUDITED)
For the Years Ended June 30, 2015 and 2014

In management's opinion, the Governmental Accounting Standards Board (GASB) does not require an MD&A for individual fund reports under GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Therefore, the State has not prepared an MD&A for the State of Wisconsin Environmental Improvement Fund. An MD&A is included in the Comprehensive Annual Financial Report for the State of Wisconsin, which includes all funds and component units.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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
State of Wisconsin Environmental Improvement Fund
Madison, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America 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 State of Wisconsin Environmental Improvement Fund, an enterprise fund of the State of Wisconsin, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the State of Wisconsin Environmental Improvement Fund's financial statements, and have issued our report thereon dated October 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Wisconsin Environmental Improvement Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Wisconsin Environmental Improvement Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Wisconsin Environmental Improvement Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Wisconsin Environmental Improvement Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
October 23, 2015

STATE OF WISCONSIN
LEVERAGED LOAN PORTFOLIO

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended June 1, 2015

STATE OF WISCONSIN
LEVERAGED LOAN PORTFOLIO

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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
Leveraged Loan Portfolio
Madison, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements 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 and for the year ended June 1, 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Leveraged Loan Portfolio's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Leveraged Loan Portfolio's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Secretary of the Department of Administration and the Secretary of the Department of
Natural Resources of the State of Wisconsin
Leveraged Loan Portfolio

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Leveraged Loan Portfolio as of June 1, 2015, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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, 2015, or June 30, 2015, and the changes in financial position, or cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Leveraged Loan Portfolio's financial statements. The "Other Information" listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
October 23, 2015

STATE OF WISCONSIN
LEVERAGED LOAN PORTFOLIO

STATEMENT OF NET POSITION
As of June 1, 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Unrestricted cash and cash equivalents	$	(9,247,844)
United States Treasury Notes, purchased in connection with forward delivery agreements, at cost		45,550,597
Receivables		
Loans to local governments - current portion		64,961,323
Due from other governmental entities		1,445,561
Prepaid items		151,982
Total Current Assets		102,861,619
Noncurrent Assets		
Restricted assets - cash equivalents		98,781,335
Investments - State of Wisconsin general obligation clean water bonds, at fair value		177,780,691
Loans to local governments		605,940,272
Total Noncurrent Assets		882,502,298
Total Assets		985,363,917
Deferred Outflows of Resources		
Unamortized charges		14,662,925
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	1,000,026,842
LIABILITIES AND NET POSITION		
Current Liabilities		
Due to other funds	$	1,331,670
Revenue obligation bonds - current maturities		59,935,000
Total Current Liabilities		61,266,670
Noncurrent Liabilities		
Due to other governmental entities		952,547
Revenue obligation bonds (including unamortized premium)		699,495,924
Total Noncurrent Liabilities		700,448,471
Total Liabilities		761,715,141
Net Position		
Restricted for environmental improvement		238,311,701
Total Net Position		238,311,701
TOTAL LIABILITIES AND NET POSITION	$	1,000,026,842

See accompanying notes to financial statements.

STATE OF WISCONSIN
LEVERAGED LOAN PORTFOLIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 1, 2015

OPERATING REVENUES	
Interest income used as security for revenue bonds	$ 19,018,909
Total Operating Revenues	19,018,909
OPERATING EXPENSES	
Interest	31,508,548
Salaries and benefits	1,049,983
Contractual services and other	600,948
Total Operating Expenses	33,159,479
Operating Loss	(14,140,570)
NONOPERATING REVENUES	
Investment income used as security for revenue bonds	3,982,059
Other revenues	770,685
Total Nonoperating Revenues	4,752,744
Change in Net Position	(9,387,826)
TOTAL NET POSITION - Beginning of Year	247,699,527
TOTAL NET POSITION - END OF YEAR	$ 238,311,701

See accompanying notes to financial statements.

STATE OF WISCONSIN
LEVERAGED LOAN PORTFOLIO

STATEMENT OF CASH FLOWS
For the Year Ended June 1, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Collection on loans	$ 67,088,424
Interest and dividends received on loans	19,172,441
Payments to employees for services	(794,952)
Payments to suppliers and other	(589,884)
Net Cash Flows From Operating Activities	84,876,029
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Retirement of long-term debt	(116,595,000)
Interest payments	(57,779,325)
Net Cash Flows From Noncapital Financing Activities	(174,374,325)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(31,032)
Liquidation of investments	7,797,233
Investment and interest income	9,803,380
Net Cash Flows From Investing Activities	17,569,581
Net Decrease in Cash and Cash Equivalents	(71,928,715)
CASH AND CASH EQUIVALENTS - Beginning of Year	161,462,206
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 89,533,491

RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS USED BY OPERATIONS	
Operating loss	$ (14,140,570)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Interest expense classified as noncapital financing activity	31,508,548
Changes in assets and liabilities:	
Prepaid items	16,887
Loans to other governments	67,088,424
Interest receivable	153,532
Due to other funds	249,208
Total Adjustments	99,016,599
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 84,876,029

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION	
Unrestricted cash and cash equivalents - statement of net position	$ (9,247,844)
Investments in United States Treasury Notes, purchased in connection with forward delivery agreements	45,550,597
Investments in State of Wisconsin general obligation clean water bonds	177,780,691
Restricted cash and cash equivalents - statement of net position	98,781,335
Total Cash and Investments	312,864,779
Less: Noncash equivalents	(223,331,288)
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 89,533,491

NONCASH INVESTING ACTIVITIES	
Net change in unrealized gains and losses	$ 3,656,846
Bond premium amortization	$ 9,367,091

See accompanying notes to financial statements.

NOTE 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 Loss—The Portfolio incurred an operating loss of $14.1 million in 2015. 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 transfers from the State. There were no such transfers made in 2015 for this purpose. Management expects 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.

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 statement of net position.

United States Treasury Notes, Purchased in Connection with Forward Delivery Agreements—The Portfolio holds United States Treasury Notes as investments at June 1, 2015 and records the notes at cost. The Portfolio purchased these securities in accordance with the Forward Delivery Agreements (see Note 4).

GASB Statement No. 31 (GASB No. 31) states that investments in participating interest-earning investment contracts must be reported at fair value. The four forward delivery agreements with Wachovia Bank, NA ("Wachovia") and two forward delivery agreements with JP Morgan Chase Bank (JP Morgan) described in Note 4 would be considered participating investment contracts under GASB No. 31. Management has accounted for the agreements as investments in short-term U.S. treasury notes, at cost, rather than as investment contracts at fair value because management believes the difference between cost and fair value does not have a material impact on the financial statements. At June 1, 2015, the fair value of the Fund's interest in these agreements exceeded the cost of the treasury securities owned by approximately $1,118,011.

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 9). Investment transactions are recorded on the trade date.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Restricted Assets—Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements. The restricted assets will be used for retirement of related long-term debt in the event that sufficient resources are not otherwise available.

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 7).

Unamortized Charges—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 deferred outflow of resources.

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.

Net Position—Net position are classified as either restricted or unrestricted based on the presence or absence of restrictions, including federal laws, the Clean Water Act of 1987, resolutions, state statutes, and Title XIV of the 1996 Safe Drinking Water Act, as amended.

Revenue Recognition—Loan interest and investment income are recognized as revenue when earned.

Transfers In—Transfers in consist of capital contributions from the State of Wisconsin and are recognized as the contributions are received. No transfers occurred during fiscal 2015.

Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Claims and Judgments—Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments are recorded as expenses when the related liabilities are incurred. Refer to Note 11 on commitments and contingencies.

NOTE 2 – Financial Assistance Commitments to Local Governments

Leveraged loans to local governments at June 1, 2015, represent loans for wastewater 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 are funded by State contributions. Interest rates on loans receivable ranged from 0% to 4.95% in 2015. The weighted average interest rate was 2.583% at June 1, 2015. The loans contractually are revenue obligations or general obligations of the local governments, 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 local government, induce an additional charge to the amount of property taxes levied by the county in which the applicable local government is located, or both. Accordingly, no reserve for loan loss is deemed necessary.

Of the loans outstanding at June 1, 2015, $259,840,445 (39%) were loans due from the Milwaukee Metropolitan Sewerage District.

The Leverage Portfolio did not enter into any new loans during the 12 month period ended June 1, 2015. As of June 1, 2015, the Portfolio had undisbursed loan commitments totaling $16,526,512. From June 1, 2015 to September 19, 2015, the Portfolio made no additional loan disbursements for financial assistance agreements that were outstanding prior to June 1, 2015. There were no additional leverage loans executed between June 1, 2015 and September 19, 2015. These funding commitments are generally met through the proceeds from the issuance of additional Clean Water revenue bonds and investment earnings thereon (Note 6). Financial assistance in the form of grants is not provided in the Leverage Portfolio. The management of the EIF may elect to switch the target funding portfolio for a loan from Leverage to another loan portfolio based on various business or program needs.

NOTE 3 – Cash and Cash Equivalents

As of June 1, 2015, cash and cash equivalents consisted of the following:

Local Government Investment Pool ("LGIP"), at fair value Cash held by custodian	$ 89,533,491
Less: Amounts classified as restricted assets (see Note 6)	(98,781,335)
Total Unrestricted Cash and Cash Equivalents	$ (9,247,844)

NOTE 3 – CASH AND CASH EQUIVALENTS (cont.)

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 and liquidity while earning a competitive money market rate of return. The LGIP functions in a manner similar to a money market fund in that the yield earned changes daily and participants may invest or withdraw any or all amounts on a daily basis at par value. The LGIP is not a SEC registered investment, but is regulated by Wisconsin Statutes 25.14 and 25.17. At June 1, 2015, the current yield on the LGIP was 0.13%. The LGIP investment is stated at fair value.

	Amount	Exposure to Custodial Credit Risk	Credit Risk	Interest Rate Risk	Interest Rate Highly Sensitive	Foreign Currency Rate	% of Portfolio
LGIP	$ 89,533,491	N/A	Not rated	N/A	N/A	N/A	28.6%
Treasury notes – Forward delivery	45,550,597	$0	N/A	See Note 4	N/A	N/A	14.6
GO Bonds-WI	177,780,691	$0	Aa2	5-1-33 final maturity	N/A	N/A	56.8

The Leveraged Loan Portfolio does not have an investment policy for custodial credit risk, credit risk, interest rate risk, or concentration of credit risk.

Restricted assets of $98,781,335 represent amounts legally restricted by the Clean Water Revenue Bonds. The amount restricted is the product of the average annual debt service of the outstanding, disbursed loans times a factor of 120%.

NOTE 4 – FORWARD DELIVERY AGREEMENTS

The Portfolio has entered into six 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 6). Four of the agreements are with Wachovia and two are with JP Morgan and each provides for the delivery to, and purchase by, the Portfolio, of securities with a maturity value equal to the purchase price plus earnings calculated at the rate of the agreements. The agreements were entered into in conjunction with the 1997 Series 1, 1998 Series 1, 1999 Series 1, 2006 Series 1, 2006 Series 2, and 2008 Series 1 Revenue Obligation Bonds.

Every six months during the term of the agreements, Wachovia and JP Morgan 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 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.

NOTE 4 – FORWARD DELIVERY AGREEMENTS (cont.)

Management has asserted that it does not anticipate terminating the agreements at a time when a payment would be required from the Portfolio to Wachovia or JP Morgan. If the agreements were terminated at a time when a payment would be due to Wachovia or JP Morgan, 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.

By GASB definition, these securities are classified as having no exposure to custodial credit risk. 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, 2015, are as follows:

	Par Value of Treasuries	Coupon Rate of Treasuries	Cost of Treasuries	Agreement Interest Rate	Agreement Maturity Date	Agreement Market Value
Series 1997-1 Agreement	$ 7,138,000	1.375%	$ 6,992,075	5.58%	June 1, 2017	$ 7,183,815
Series 1998-1 Agreement	7,424,000	1.375	7,292,832	5.01	June 1, 2018	7,471,650
Series 1999-1 Agreement	7,088,000	1.375	6,918,903	6.32	June 1, 2020	7,133,494
Series 2006-1 Agreement	6,560,000	0.250	6,422,000	4.56	June 1, 2027	6,564,927
Series 2006-2 Agreement	8,183,000	0.250	8,000,000	4.84	June 1, 2027	8,189,146
Series 2008-1 Agreement	10,061,000	1.375	9,924,787	4.10	June 1, 2028	10,125,576

NOTE 5 – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund receivables and payables:

Receivable Fund	Payable Fund	Amount
Proprietary Portfolio	Leveraged Loan Portfolio	$ 1,331,670
Total Due to Other Funds – Statement of Net Position		$ 1,331,670

This interfund resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS

REVENUE OBLIGATION BONDS

Revenue bonds are payable only from revenues derived from the operation of the loan programs.

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds	$ 822,940,000	$ -	$ 116,595,000	$ 706,345,000	$ 59,935,000
Add:					
Unamortized premiums	62,453,015	-	9,367,091	53,085,924	-
Totals	$ 885,393,015	$ -	$ 125,962,091	$ 759,430,924	$ 59,935,000

Revenue obligation serial and term bonds as of June 1, 2015 consisted of the following:

	2015
1998 Series 2:	
Serial Bonds, no optional redemption, June 1, 2017	$ 11,590,000
Unamortized premium on bonds	108,852
	11,698,852
2002 Series 2:	
Serial Bonds, no optional redemption, June 1, 2016	3,935,000
Unamortized premium on bonds	43,368
	3,978,368
2004 Series 2:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2015	37,305,000
Unamortized premium on bonds	785,323
	38,090,323
2006 Series 1:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2016	3,575,000
Unamortized premium on bonds	39,239
	3,614,239
2008 Series 1:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2018	76,105,000
Unamortized premium on bonds	2,916,219
	79,021,219
2008 Series 2:	
Serial Bonds, no optional redemption, June 1, 2018	27,335,000
Unamortized premium on bonds	874,073
	28,209,073
2008 Series 3:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2018	71,850,000
Unamortized premium on bonds	830,623
	72,680,623

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS (cont.)

REVENUE OBLIGATION BONDS (cont.)

	2015
2010 Series 1:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2031	$ 51,625,000
Unamortized premium on bonds	3,105,094
	54,730,094
2010 Series 2:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2021	14,070,000
Unamortized premium on bonds	1,096,072
	15,166,072
2010 Series 3:	
Build America Bonds, optional redemption for bonds at 100% of par, June 1, 2025	49,690,000
2010 Series 4:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2031	100,635,000
Unamortized premium on bonds	7,898,307
	108,533,307
2010 Series 5:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2023	36,760,000
Unamortized premium on bonds	3,327,962
	40,087,962
2012 Series 1:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2033	51,075,000
Unamortized premium on bonds	7,034,080
	58,109,080
2012 Series 2:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2024	87,950,000
Unamortized premium on bonds	12,660,664
	100,610,664
2013 Series 1:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2027	82,845,000
Unamortized premium on bonds	12,366,048
	95,211,048
Total of All Series	$ 759,430,924

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS (cont.)

REVENUE OBLIGATION BONDS (cont.)

The original issue discount or premium at issuance and the interest rates at June 1, 2015, on the following bond series were:

Series	Original Issue Discount/ (Premium)	Interest Rates
1998 Series 2	$ (7,739,808)	4.00 – 5.50%
2002 Series 2	(7,344,000)	3.00 – 5.50%
2004 Series 2	(11,408,668)	3.25 – 5.25%
2006 Series 1	(4,951,135)	3.50 – 5.00%
2008 Series 1	(7,712,015)	4.00 – 5.00%
2008 Series 2	(3,393,398)	5.00%
2008 Series 3	(2,764,120)	3.00 – 5.00%
2010 Series 1	(5,917,653)	3.00 – 5.00%
2010 Series 2	(2,065,947)	5.00%
2010 Series 3	-	3.957% - 5.441%*
2010 Series 4	(13,528,717)	3.00 – 5.00%
2010 Series 5	(5,845,742)	5.00%
2012 Series 1	(9,195,497)	2.00 – 5.00%
2012 Series 2	(20,160,489)	3.96 – 5.00%
2013 Series 1	(16,100,626)	4.50 – 5.00%

* - The effect of the interest rate subsidy on the 2010 Series 3 revenue bonds through June 1, 2025 is $5,446,902. The amount due in the next fiscal year is $831,375.

Principal and interest due on the bonds, net of advance refundings, as of June 1, 2015, are as follows:

Years Ending June 1,	Principal	Interest	Totals
2016	$ 59,935,000	$ 34,657,283	$ 94,592,283
2017	60,775,000	31,729,095	92,504,095
2018	60,510,000	28,824,553	89,334,553
2019	55,315,000	25,856,664	81,171,664
2020	54,780,000	23,143,864	77,923,864
2021-2025	239,810,000	78,094,832	317,904,832
2026-2030	147,475,000	25,573,425	173,048,425
2031-2033	27,745,000	1,798,000	29,543,000
Totals	$ 706,345,000	$ 249,677,716	$ 956,022,716

The revenue obligation bonds are collateralized by a security interest in all assets of the Leveraged Loan Portfolio. At June 1, 2015, the total assets of the Leveraged Loan Portfolio were $985,363,917. 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.

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS (cont.)

REVENUE OBLIGATION BONDS (cont.)

Revenue obligation bonds are payable only from revenues derived from 1) pledged loan repayments, 2) amounts in the Loan Fund, Loan Credit Reserve Fund, and Subsidy Fund, and 3) all other pledged receipts.

The Environmental Improvement Fund has pledged future loan revenues, net of specified operating expenses, to repay $706.4 million in revenue bonds issued between 1998-2013. Proceeds from the bonds provided financing for loans to municipalities to construct or improve water and wastewater projects. The bonds are payable solely from loan revenues and are payable through 2033. Annual principal and interest payments on the bonds are expected to require 53% of revenues. The total principal and interest remaining to be paid on the bonds is $956,022,716. Principal and interest paid for the current year and total net revenues were $154.1 million and $100.7 million, respectively.

RESTRICTED ASSETS

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 statement of net position consist of $9.2 million of the Treasury securities (Note 4) and $89.5 million of the LGIP balance held as a credit reserve. These amounts are required in order to satisfy the conditions of certain agreements related to maintaining the minimum credit ratings on the bonds.

NOTE 7 – PRIOR-YEAR DEFEASANCE OF DEBT

In prior years, the fund defeased certain revenue obligation bonds by placing the proceeds of new 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. At June 1, 2015, $53,325,000 of bonds outstanding are considered defeased. The bonds are callable as follows:

Call Date	Amount as of June 1, 2015
6/1/2016	$ 53,325,000

NOTE 8 – GLOBAL CERTIFICATE AND STATE OF WISCONSIN GENERAL OBLIGATION BONDS

In April 2004, all of the State of Wisconsin General Obligation Bonds previously owned by the Fund were exchanged for a State of Wisconsin General Obligation Bond as part of the Clean Water Program ("Global Certificate"). Subsequent to the Global Certificate, additional State of Wisconsin General Obligation Bonds were issued for the Clean Water Fund Program. Details of these investments as of June 1, 2015 are as follows:

Series	Par Value	Weighted Average Coupon Interest Rate	Market Value
2004	$ 56,855,080	0.00%	$ 49,609,062
2007A	8,934,070	5.52	10,263,474
2007B	6,851,446	5.76	8,077,452
2008A	10,300,000	Less than 1%	10,300,000
2008B	16,600,000	6.16	20,765,029
2009A	17,700,000	5.78	21,041,920
2010A	15,243,000	5.47	17,640,441
2010B	15,000,000	5.96	18,120,069
2012A	11,900,000	2.96	11,897,784
2014A	9,800,000	3.40	10,065,460
Totals	$ 169,183,596		$ 177,780,691

The Global Certificate and bonds listed above are all registered in the name of the Fund and held by an independent trustee.

Par value of the principal maturities of the Global Certificates as of June 1 excluding the 2008A issue which does not have a repayment schedule are as follows:

Years Ending June 1,	
2016	$ 8,291,289
2017	12,025,350
2018	13,424,630
2019	11,522,163
2020	10,887,904
2021-2025	38,353,120
2026-2030	42,964,140
2031-2033	21,415,000
Totals	$ 158,883,596

NOTE 9 – 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, 2015:

Interest	
State of Wisconsin Investment Board Local Government Investment Pool	$ 85,655
Repurchase Agreement with Bayerishe Landesbank	493,864
United States Treasury Notes	2,280,203
State of Wisconsin General Obligation Bonds	5,435,970
Total Interest	8,295,692
Changes in Realized and Unrealized Gains (Losses)	
State of Wisconsin General Obligation Bonds	(3,656,846)
Total Interest and Changes in Unrealized Gains (Losses)	4,638,846
Change in Estimated Rebatable Arbitrage Liability	(656,787)
TOTAL INVESTMENT INCOME	$ 3,982,059

NOTE 10 – EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

> Statement No. 72, *Fair Value Measurement and Application*

> Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*

> Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*

> Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

> Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

> Statement No. 77, *Tax Abatement Disclosures*

When they become effective, application of these standards may restate portions of these financial statements.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Occasionally the Portfolio is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the state legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Portfolio's financial position or results of operations.

NOTE 12 – RISK MANAGEMENT

The State of Wisconsin's policy is generally not to purchase commercial insurance for the risk of losses to which it is exposed. Instead, risks are managed internally through self-insurance accounted for in an internal service fund. No separate policies exist for the Portfolio itself.

NOTE 13 – SUBSEQUENT EVENTS

On July 15, 2015, the Leveraged Loan Portfolio issued Series 1 Clean Water Revenue Refunding Bonds in the amount of $133,235,000 with interest rates varying between 0.73% and 2.81% to refund 2004 Series 2 as well as partially refund 2008 Series 1 and 3 Clean Water Revenue Bonds.

STATE OF WISCONSIN LEVERAGED LOAN PORTFOLIO

OTHER INFORMATION (UNAUDITED)
For the Year Ended June 1, 2015

In management's opinion, the Governmental Accounting Standards Board (GASB) does not require an MD&A for individual fund reports under GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Therefore, the State has not prepared an MD&A for the State of Wisconsin Leveraged Loan Portfolio. An MD&A is included in the Comprehensive Annual Financial Report for the State of Wisconsin, which includes all funds and component units.