

OFFICIAL STATEMENT

New Issue

This Official Statement provides information about the 2015 Series A Bonds. Some of the information appears on this cover page for ready reference. To make an informed investment decision, a prospective investor should read the entire Official Statement. Unless otherwise indicated, capitalized terms are defined in [APPENDIX C](#).

\$43,380,000 STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND REVENUE BONDS, 2015 SERIES A

Dated: Date of Delivery

Due: June 1, as shown on the inside front cover

Ratings	AAA Fitch Ratings AAA Standard & Poor's Ratings Services
Tax Exemption	Interest on the 2015 Series A Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers— Pages 21-23 . Interest on the 2015 Series A Bonds is not exempt from current State of Wisconsin income or franchise taxes— Page 23 .
Redemption	The 2015 Series A Bonds maturing on or after June 1, 2025 are callable at par on or after June 1, 2024— Page 6 .
Security	The 2015 Series A Bonds are payable solely from Pledged Revenues, which include (1) Loan Repayments on Pledged Loans, (2) moneys received by the State upon any default under Municipal Obligations, and (3) any other moneys or revenues pledged in the Program Resolution to secure the Bonds, and from any amounts on deposit in the Loan Fund, Revenue Fund, Redemption Fund and certain other funds created under the Program Resolution— Pages 8-17 .
Priority	The 2015 Series A Bonds are the first series of Bonds to be issued under the Program Resolution and are issued on a parity with all future Senior Bonds that may be issued under the Program Resolution — Page 8 .
Purpose	Proceeds of the 2015 Series A Bonds are being used to make Pledged Loans under the Clean Water Fund Program to municipalities, primarily for construction or improvement of their wastewater treatment facilities, and to pay Costs of Issuance — Page 5 .
Interest Payment Dates	June 1 and December 1, commencing June 1, 2016
Closing/Settlement	On or about December 3, 2015
Denominations	Multiples of \$5,000
Trustee/Registrar/Paying Agent	U.S. Bank National Association
Bond Counsel	Foley & Lardner LLP
Issuer Contact	Wisconsin Capital Finance Office (608) 267-0374; DOACapitalFinanceOffice@wisconsin.gov
Book-Entry-System	The Depository Trust Company— Page 7 .

The prices and yields listed on the [inside front cover](#) were determined on November 9, 2015 at negotiated sale. The 2015 Series A Bonds were purchased at an aggregate purchase price of \$50,147,251.20.

Citigroup
J.P. Morgan

BofA Merrill Lynch
Ramirez & Co., Inc.

November 9, 2015

**CUSIP NUMBERS, MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS,
PRICES, AND REDEMPTION INFORMATION**

\$43,380,000

**STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND REVENUE BONDS,
2015 SERIES A**

CUSIP	Year (June 1)	Principal Amount	Interest Rate	Yield at Issuance	Price at Issuance	First Optional Call Date (June 1)	Call Price
97709T AA4	2016	\$ 3,245,000	3.00%	0.20%	101.383%	Not Callable	-
97709T AB2	2017	2,275,000	5.00	0.58	106.567	Not Callable	-
97709T AC0	2018	2,390,000	5.00	0.81	110.326	Not Callable	-
97709T AD8	2019	2,510,000	5.00	1.03	113.591	Not Callable	-
97709T AE6	2020	2,640,000	5.00	1.26	116.292	Not Callable	-
97709T AF3	2021	2,770,000	5.00	1.50	118.393	Not Callable	-
97709T AG1	2022	2,910,000	5.00	1.74	119.937	Not Callable	-
97709T AH9	2023	3,055,000	5.00	1.96	121.092	Not Callable	-
97709T AJ5	2024	3,210,000	5.00	2.11	122.367	Not Callable	-
97709T AK2	2025	1,975,000	5.00	2.24	121.241	^(a) 2024	100%
97709T AL0	2026	1,000,000	5.00	2.38	120.042	^(a) 2024	100
97709T AM8	2027	3,575,000	5.00	2.49	119.110	^(a) 2024	100
97709T AN6	2028	3,750,000	5.00	2.58	118.354	^(a) 2024	100
97709T AP1	2029	3,940,000	5.00	2.68	117.520	^(a) 2024	100
97709T AQ9	2030	4,135,000	5.00	2.77	116.776	^(a) 2024	100

(a) These 2015 Series A Bonds are priced to the June 1, 2024 first optional call date.

This document is called an official statement because it is the only document the State has authorized for providing information about the 2015 Series A Bonds. This document is not an offer or solicitation for the 2015 Series A Bonds, and no unlawful offer, solicitation, or sale may occur through the use of this document or otherwise. This document is not a contract, and it provides no investment advice. Prospective investors should consult their advisors and legal counsel with questions about this document, the 2015 Series A Bonds, and anything else related to the offering.

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

Certain statements in this document are forward-looking statements that are based on expectations, estimates, projections, or assumptions. Forward-looking statements contained in this document are made as of the date hereof, 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.

Some of the people who prepared, compiled, or reviewed the information in this document had specific functions that covered some of its aspects but not others. For example, financial staff may have been asked to assist with quantitative financial information, and legal counsel with specific documents or legal issues.

No dealer, broker, sales representative, or other person has been authorized by the State to give any information or to make any representations about the 2015 Series A Bonds other than what is in this document. The information and expressions of opinion in this document may change without notice. The delivery of this document or any sale of the 2015 Series A Bonds does not imply that there has been no change in the matters contained in this document since the date of this document. Material referred to in this document is not part of this document unless expressly incorporated.

In connection with the offering of the 2015 Series A Bonds, the Underwriters may over-allot or effect transactions which stabilize or maintain the market prices of the 2015 Series A Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the 2015 Series A Bonds to certain dealers and dealer banks and banks acting as agents at prices lower than the public offering prices stated on the **inside front cover** hereof and such public offering prices may be changed from time to time by the Underwriters.

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STATE OFFICIALS PARTICIPATING IN ISSUANCE AND SALE OF THE 2015 SERIES A BONDS

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 Chief 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
Ms. Cathy Stepp, Secretary Department of Natural Resources	At the pleasure of the Governor

DEBT MANAGEMENT AND DISCLOSURE

Department of Administration
Capital Finance Office
P.O. Box 7864
101 E. Wilson Street, 10th Floor
Madison, WI 53707-7864
Telefax (608) 266-7645
DOACapitalFinanceOffice@wisconsin.gov

Mr. David R. Erdman
Capital Finance Director
(608) 267-0374
david.erdman@wisconsin.gov

Mr. Aaron Heintz
Finance Programs Administrator
(608) 266-0739
aaron.heintz@wisconsin.gov

* 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.

SUMMARY DESCRIPTION OF THE 2015 SERIES A BONDS

Selected information is presented on this page for the convenience of the reader. To make an informed investment decision regarding the 2015 Series A Bonds, a prospective investor should read the entire Official Statement.

Description:	Environmental Improvement Fund Revenue Bonds, 2015 Series A
Principal Amount:	\$43,380,000
Denominations:	Multiples of \$5,000
Date of Issuance:	Date of delivery (On or about December 3, 2015)
Interest Payments:	June 1 and December 1, commencing June 1, 2016
Record Dates:	May 15 and November 15
Maturities:	June 1, 2016-2030
Redemption:	<i>Optional</i> —The 2015 Series A Bonds maturing on or after June 1, 2025 are callable at par on June 1, 2024 or any date thereafter— <i>Page 6</i>
Form:	Book-entry-only— <i>Page 7</i>
Trustee/Paying Agent:	All payments of principal of, and interest on, the 2015 Series A Bonds will be made by U.S. Bank National Association, as Paying Agent. All payments will be made to The Depository Trust Company, which will distribute payments to DTC Participants as described herein.
Security for Bonds:	<p>The 2015 Series A Bonds, and all other Bonds to be issued in the future pursuant to the Program Resolution, are payable solely from Pledged Revenues, which include (1) Loan Repayments on Pledged Loans, (2) moneys received by the State upon any default under Municipal Obligations, and (3) any other moneys or revenues pledged in the Program Resolution to secure the Bonds, and from any amounts on deposit in the Loan Fund, Revenue Fund, Redemption Fund and certain other funds created under the Program Resolution.</p> <p>The 2015 Series A Bonds are not payable from revenues associated with the Prior General Resolution, and the State is not obligated to make payment on the 2015 Series A Bonds from any revenues of the State other than those pledged pursuant to the Program Resolution—<i>Pages 8-17</i></p>
Additional Parity Bonds:	The 2015 Series A Bonds are the first series of Bonds to be issued under the Program Resolution. Additional Senior Bonds may be issued without limitation as to amount, subject to any applicable statutory limitation, payable on a parity with the 2015 Series A Bonds, provided that the Program Resolution requirements are satisfied— <i>Page 16</i>
Authority for Issuance:	The 2015 Series A Bonds are authorized under Chapter 18 and Sections 281.58 and 281.59, Wisconsin Statutes, and pursuant to the Program Resolution adopted by the Commission.
Purpose:	Proceeds of the 2015 Series A Bonds are being used to make Pledged Loans under the Clean Water Fund Program to municipalities, primarily for construction or improvement of their wastewater treatment facilities, and to pay Costs of Issuance.
Tax Exemption:	<p>Interest on the 2015 Series A Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers—<i>Pages 21-23</i></p> <p>Interest on the 2015 Series A Bonds is not exempt from current State of Wisconsin income or franchise taxes—<i>Page 23</i></p>
Legal Opinion:	Validity and tax opinion to be provided by Foley & Lardner LLP— <i>APPENDIX E</i>

OFFICIAL STATEMENT
\$43,380,000
STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND REVENUE BONDS,
2015 SERIES A

INTRODUCTION

This Official Statement provides information about the \$43,380,000 Environmental Improvement Fund Revenue Bonds, 2015 Series A (**2015 Series A Bonds**) to be issued by the State of Wisconsin (**State**).

The 2015 Series A Bonds are authorized under the Wisconsin Statutes and an Environmental Improvement Fund Revenue Obligations Program Resolution adopted by the State of Wisconsin Building Commission (**Commission**) on October 7, 2015 (**Program Resolution**). The 2015 Series A Bonds are being issued under a Supplemental Resolution adopted by the Commission on October 7, 2015. The Program Resolution and the Supplemental Resolution adopted on October 7, 2015 are collectively referred to as the **Resolution**.

The 2015 Series A Bonds are the first series of Bonds to be issued under the Program Resolution. The Program Resolution establishes a new framework and a separate program for the issuance of bonds to provide financing for the Clean Water Fund Program. Although the State has previously issued clean water revenue bonds pursuant to the Prior General Resolution for the same general purpose as the 2015 Series A Bonds, those bonds are not secured by the Pledged Revenues under the Program Resolution. See **“CLEAN WATER FUND PROGRAM; Prior General Resolution”**.

The Commission has authorized the State Department of Administration (**DOA**) to prepare this Official Statement. This Official Statement contains information furnished by the State or obtained from the sources indicated. Requests for additional information, including copies of the Resolution, Financial Assistance Agreements, or Municipal Obligations, may be directed to:

Contact: State of Wisconsin Department of Administration
Capital Finance Office
Phone: (608) 267-0374
Mail: 101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
E-mail: DOACapitalFinanceOffice@wisconsin.gov
Website: www.doa.wi.gov/capitalfinance

Unless otherwise indicated, capitalized terms used in this Official Statement are defined in **APPENDIX C**. Certain documents are expressly incorporated into this Official Statement by reference; however, all other web sites listed in this Official Statement are provided for informational purposes only and are not incorporated by reference into this Official Statement.

STATE REVOLVING FUND

Federal Water Quality Act

The Federal Water Quality Act of 1987, as 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 State has previously issued general obligations to provide the State Match required for the State to receive its Capitalization Grants, and the State currently expects to issue Bonds under the Program Resolution for the State Match required for the Clean Water Fund Program and State general obligations for the State Match required for the Safe Drinking Water Loan Program.

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. 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 Safe Drinking Water Loan payments.

Although the Program Resolution establishes funds and accounts to accommodate financing for the Safe Drinking Water Loan Program, the Act does not currently authorize the issuance of State revenue obligations under the Revenue Obligations Act with respect to the Safe Drinking Water Loan Program. If changes were made to the Wisconsin Statutes, Bond proceeds could be used to make loans under the Safe Drinking Water Loan Program; however, no legislation is pending that would make such changes.

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:

- **Direct Portfolio,** consisting of Loans funded with Capitalization Grants and the required State Match, together with repayments of the principal of, and interest on, those Loans. Upon issuance

of the 2015 Series A Bonds, it is expected that all existing Loans under the Direct Portfolio, the Loans made from the proceeds of the 2015 Series A Bonds, and certain future Loans made under the Direct Portfolio, as designated by the State, will be Pledged Loans under the Program Resolution.

- **Leveraged Portfolio**, consisting of Loans that were funded with clean water revenue bond proceeds under the Prior General Resolution referred to below, together with repayments of the principal of, and interest on, those Loans. The Leveraged Portfolio is pledged to secure payment of the outstanding clean water revenue bonds issued under the Prior General Resolution, and does not secure the Bonds issued under the Program Resolution.
- **Proprietary Portfolio**, consisting of Loans funded with State general obligation bond proceeds, together with repayments of the principal of, and interest on, those Loans.

Only Pledged Loans for purposes of the Program Resolution will be funded with Bond proceeds, and only repayments of Pledged Loans are pledged to the repayment of the Bonds. In other words, Bond proceeds will not fund Loans in the Leveraged or Proprietary Portfolios, and repayments of Loans in the Leveraged or Proprietary Portfolios will not be pledged to the repayment of the Bonds.

Under EPA regulations, Grant Proceeds and principal repayments of Pledged Loans are not permitted to be used to pay any amounts due with respect to debt incurred to finance the State Match. For that reason, the Bonds and the proceeds of the Bonds will be allocated to State Match Portions and Leveraged Portions, and the principal of, and interest on, the State Match Portions of the Bonds will be paid solely from interest receipts with respect to the Pledged Loans and investment earnings on the Funds and Accounts.

The Clean Water Fund Program receives applications for financial assistance and reviews and approves such application prior to the award of any Loans. 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.

Information concerning the Clean Water Fund Program is included as **APPENDIX A**, which presents information about the following matters:

- Municipalities
- Loans
- Lending Criteria

APPENDIX B includes 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. All of the revenue obligations referred to in the financial statements and accompanying notes were issued under the Prior General Resolution.

Funding Levels

The following table presents the historical funding sources for the Clean Water Fund Program's Direct Portfolio, reflecting only federal Capitalization Grants and required State Match.

Fiscal Year				
Federal	State	Federal Funding	State Match	Total
Prior to 1995	Prior to 1996	\$244,352,400	\$ 48,870,400	\$ 293,222,800
1995	1996	33,298,900	6,659,800	39,958,700
1996	1997	54,544,500	10,908,900	65,453,400
1997	1998	16,849,000	3,369,800	20,218,800
1998	1999	36,404,000	7,280,800	43,684,800
1999	2000	39,981,800	7,996,400	47,978,200
2000	2001	36,283,600	7,256,700	43,540,300
2001	2002	35,960,900	7,192,200	43,153,100
2002	2003	36,123,400	7,224,700	43,348,100
2003 ^(a)	2004	37,162,600	7,229,200	44,391,800
2004	2005	35,828,500	7,165,700	42,994,200
2005	2006	29,132,000	5,826,400	34,958,400
2006	2007	23,673,900	4,734,800	28,408,700
2007	2008	28,934,800	5,787,000	34,721,800
2008	2009	18,396,600	3,679,300	22,075,900
2009 ^(b)	2010	124,344,800	3,679,300	128,024,100
2010	2011	55,083,000	11,016,600	66,099,600
2011	2012	39,920,900	7,984,200	47,905,100
2012	2013	38,208,000	7,641,600	45,849,600
2013	2014	36,093,000	7,218,600	43,311,600
2014	2015	37,905,000	7,581,000	45,486,000
2015	2016	37,711,000	7,542,200	45,253,200
Total		\$1,076,192,600	\$193,845,600	\$1,270,038,200

^(a) Includes grant under the Federal Rural Communities Hardship Grants Program

^(b) The American Recovery and Reinvestment Act of 2009 provided \$104 million for grants and \$2 million for administration and did not require a State Match

The amount of federal funding available in the future may affect the amount of Loans to be made by the Clean Water Fund Program and the amount of Bonds to be issued by the State. However, any change in the amount and timing of future Capitalization Grants would not affect the Pledged Revenues available for payment of Debt Service on the Bonds.

In addition, the Legislature has authorized the issuance of \$2.527 billion of revenue bonds (not including refunding bonds) for the Clean Water Fund Program. The State has issued \$1.570 billion of clean water revenue bonds and an additional \$782 million of clean water revenue refunding bonds under a General Resolution for Clean Water Fund Program (**Prior General Resolution**). The remaining statutory revenue bond authorization may be used for the issuance of additional Bonds under the Program Resolution; see **“SECURITY; Additional Bonds”**.

Prior General Resolution

As of October 1, 2015, approximately \$698 million of the clean water revenue bonds were outstanding under the Prior General Resolution. Those bonds are not secured by the Pledged Revenues under the Program Resolution.

The Program Resolution establishes a new framework and a separate program for the issuance of bonds to provide financing for the Clean Water Fund Program. The 2015 Series A Bonds are not secured by the

Prior General Resolution. The State does not intend to issue any additional bonds under the Prior General Resolution other than potential refunding bonds.

PLAN OF FINANCE

Sources and Uses of Funds

The proceeds of the 2015 Series A Bonds are being issued to make Pledged Loans under the Clean Water Fund Program and to pay Costs of Issuance of the 2015 Series A Bonds. The portion of the proceeds of the 2015 Series A Bonds used to fund new Pledged Loans will be further apportioned as either (i) a State Match Clean Water Portion, or (ii) a Leveraged Clean Water Portion, which are subject to adjustment as set forth in a State Direction.

	State Match Clean Water Portion	Leveraged Clean Water Portion	Total
Sources:			
Principal Amount	\$6,575,000.00	\$36,805,000.00	\$43,380,000.00
Original Issue Premium	<u>1,027,823.35</u>	<u>6,011,845.50</u>	<u>7,039,668.85</u>
Total Sources.....	<u>\$7,602,823.35</u>	<u>\$42,816,845.50</u>	<u>\$50,419,668.85</u>
Uses:			
Loan Fund	\$7,542,200.00	\$42,457,800.00	\$50,000,000.00
Underwriters' Discount.....	37,541.47	234,876.18	272,417.65
Costs of Issuance.....	<u>23,081.88</u>	<u>124,169.32</u>	<u>147,251.20</u>
Total Uses.....	<u>\$7,602,823.35</u>	<u>\$42,816,845.50</u>	<u>\$50,419,668.85</u>

The State Match Clean Water Portion and the Leveraged Clean Water Portion are not represented by particular 2015 Series A Bonds, but are allocable portions of all 2015 Series A Bonds or an allocable portion of all 2015 Series A Bonds having a particular stated maturity, or sinking fund payment date, and interest rate.

The State Match Clean Water Portion of the 2015 Series A Bond proceeds, along with other available funds, will meet the federal fiscal year 2015 State Match requirement of approximately \$8 million, pursuant to federal Capitalization Grants to be received for the Clean Water Program under the Capitalization Grant Agreement. Grant Proceeds received as a result of the issuance of the 2015 Series A Bonds will be deposited in the Direct Portfolio for the use in the Clean Water Fund Program.

2015 SERIES A BONDS

General

The **inside front cover of this Official Statement** sets forth the maturity dates, principal amounts, interest rates, and other information for the 2015 Series A Bonds. The 2015 Series A Bonds are being issued in book-entry-only form, so the registered owner will be a securities depository or its nominee. The Commission has appointed, as the securities depository for the 2015 Series A Bonds, The Depository Trust Company, New York, New York (**DTC**). **See "2015 SERIES A BONDS; Book-Entry-Only Form".**

The 2015 Series A Bonds will be dated the date of their delivery (expected to be December 3, 2015) and will bear interest from that date, payable on June 1 and December 1 of each year, beginning on June 1, 2016.

Interest on the 2015 Series A Bonds will be computed on the basis of a 360-day year of twelve 30-day months. So long as the 2015 Series A Bonds are in book-entry-only form, payments of the principal of, and interest on, each 2015 Series A Bond will be paid to the securities depository.

The 2015 Series A Bonds are being issued as fully registered bonds without coupons in denominations of \$5,000 or any multiple of \$5,000.

The 2015 Series A Bonds and all other bonds to be issued under the Program 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 2015 Series A Bonds.

Redemption Provisions

Optional Redemption

The 2015 Series A Bonds maturing on or after June 1, 2025 may be redeemed on June 1, 2024 or any date thereafter, in whole or in part in multiples of \$5,000, at a redemption price equal to par (100% of the principal amount to be redeemed), plus accrued interest to the redemption date. The Commission (or the Capital Finance Director, on behalf of the Commission) may decide whether to redeem the 2015 Series A Bonds and may direct the amounts and maturities of the 2015 Series A Bonds to be redeemed.

Notice of Redemption

So long as the 2015 Series A Bonds are in book-entry-only form, any redemption notice will be sent by the Trustee (by registered or first class mail, postage prepaid) to the securities depository between 30 and 60 days before the redemption date.

All redemption notices will also be sent to each Rating Agency and the Information Services. Failure to give any required notice of redemption as to any particular 2015 Series A Bonds will not affect the validity of the call for redemption of any 2015 Series A Bonds in respect of which no such failure has occurred. Any notice mailed as described above shall be conclusively presumed to have been duly given, whether or not the registered owner receives the notice.

Interest on any 2015 Series A Bond called for redemption will cease to accrue on the redemption date so long as the 2015 Series A Bond is paid or money is provided for its payment. If moneys are not available on the redemption date, the 2015 Series A Bonds or portions that are subject to any redemption notice shall continue to bear interest, until paid, at the same rate as they would have borne had they not been called for redemption.

The Trustee may revoke any notice of redemption by sending notice to the securities depository not less than five days prior to the proposed date of redemption.

Selection of 2015 Series A Bonds to be Redeemed

So long as the 2015 Series A Bonds are in book-entry-only form, selection of the beneficial owners affected by any redemption will be made by the securities depository and its participants in accordance with their rules.

Payment of 2015 Series A Bonds

So long as the 2015 Series A Bonds are in book-entry-only form, payments of principal and interest will be made by wire transfer to the securities depository or its nominee.

Ratings

The following ratings have been assigned to the 2015 Series A Bonds:

<u>Rating</u>	<u>Rating Agency</u>
AAA	Fitch Ratings
AAA	Standard & Poor's Ratings Services

Any explanation of what a rating means may only be obtained from the Rating Agency giving the rating. A securities rating is not a recommendation to buy, sell, or hold securities. No one can offer any assurance that a rating given to the 2015 Series A Bonds will be maintained for any period of time; a

Rating Agency may lower or withdraw the rating it gives if in its judgment circumstances so warrant. Any downgrade or withdrawal of a rating may adversely affect the market price of the 2015 Series A Bonds. The State may elect not to continue requesting ratings on the 2015 Series A Bonds from a particular Rating Agency or may elect to request ratings on the 2015 Series A Bonds from a different nationally recognized rating agency.

Book-Entry-Only Form

The 2015 Series A Bonds will initially be issued in book-entry-only form. Purchasers of the 2015 Series A Bonds will not receive bond certificates but instead will have their ownership in the 2015 Series A Bonds recorded in the book-entry system.

2015 Series A Bond certificates are to be issued and registered in the name of a nominee of DTC, which acts as securities depository for the 2015 Series A Bonds. Ownership of the 2015 Series A Bonds by the purchasers is shown in the records of brokers and other organizations participating in the DTC book-entry system (**DTC Participants**). All transfers of ownership in the 2015 Series A Bonds must be made, directly or indirectly, through DTC Participants.

Payment

The Paying Agent will make all payments of principal of, and interest on, the 2015 Series A Bonds to DTC. Owners of the 2015 Series A Bonds will receive payments through the DTC Participants.

Notices and Voting Rights

The State or the Trustee will provide any notices or other communications about the 2015 Series A Bonds to DTC. Owners of the 2015 Series A Bonds will receive any notices or communications through the DTC Participants. In any situation involving voting rights, DTC will not vote but rather will assign its voting rights through the DTC Participants.

Redemption

If less than all the 2015 Series A Bonds of a given maturity are being redeemed, DTC's practice is to determine by lottery the amount of the 2015 Series A Bonds to be redeemed from each DTC Participant.

Discontinued Service

In the event that participation in DTC's book-entry system were discontinued without a successor securities depository being appointed, bond certificates would be executed and delivered to DTC Participants.

Further Information

Further information concerning DTC and DTC's book-entry system is available at www.dtcc.com. The State is not responsible for any information available on DTC's web site. That information may be subject to change without notice.

Neither the State nor the Trustee is responsible for a failure by DTC or any DTC Participant to transfer payments or notices to the owners of the 2015 Series A Bonds or to follow the procedures established by DTC for its book-entry system.

Possible Discontinuance of Book-Entry-Only System

In the event that participation in DTC's book-entry system were to be discontinued without a successor securities depository being appointed, how the 2015 Series A Bonds are transferred, redeemed, and paid would differ.

Transfer

The 2015 Series A Bonds would be transferable only upon the registration books maintained by the Trustee, as Registrar, upon surrender to the Trustee of the 2015 Series A Bond to be transferred, together with an instrument of transfer satisfactory to the Trustee. The Trustee would not be required to transfer or

exchange any 2015 Series A Bond during the 15 days immediately preceding any interest payment date for the 2015 Series A Bonds, or in the case of the proposed redemption of 2015 Series A Bonds, immediately preceding the date of the selection of the 2015 Series A Bonds to be redeemed. In the event that less than the entire principal amount of a maturity were to be redeemed, the Trustee would issue a new 2015 Series A Bond certificate or certificates in the principal amount outstanding after redemption on the redemption date.

Redemption

2015 Series A Bonds would be selected for redemption by the Trustee by lot or such other manner as the Trustee may determine. Any notice of the redemption of any 2015 Series A Bonds would be sent by the Trustee (by registered or first class mail, postage prepaid) to the owners of the 2015 Series A Bonds being redeemed between 30 and 60 days before the redemption date. Failure to give any required notice would not affect the validity of the call for redemption in respect of which no such failure has occurred. Interest on any 2015 Series A Bond called for redemption would cease to accrue on the redemption date so long as the 2015 Series A Bond was paid or moneys were on deposit with the Trustee for its payment. If moneys are not available on the redemption date, the 2015 Series A Bonds or portions that are subject to any redemption notice shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption. The Trustee may revoke any notice of redemption by sending notice to each owner of the 2015 Series A Bonds not less than five days prior to the proposed date of redemption.

Payment

Payment of principal would be made by check or draft upon the presentation and surrender of 2015 Series A Bonds at the office of the Paying Agent, and interest would be paid when due by check or draft mailed to the owners of record at the address appearing on the registration books on the Record Date—which is the 15th day (whether or not a business day) of the calendar month next preceding the interest payment date. A registered owner of \$1 million or more in principal amount of 2015 Series A Bonds outstanding would be paid by wire transfer to such account as the owner may designate.

SECURITY

General

The 2015 Series A Bonds are the first series of Bonds issued under the Program Resolution and are Senior Bonds for purposes of the Program Resolution. Any other Bonds that may be issued under the Program Resolution in the future may be issued as Senior Bonds on a parity with the 2015 Series A Bonds, or as Subordinate Bonds.

The Bonds are special obligations of the State of Wisconsin, payable from the revenues or receipts, funds or moneys pledged under the Program Resolution. It is anticipated that Loan Repayments on Pledged Loans pursuant to the Financial Assistance Agreements will be sufficient to pay principal of and interest on the Bonds. In addition, the Bonds are further secured by other amounts and Funds and Accounts held under the Program Resolution. Debt Service on the 2015 Series A Bonds and all Bonds is secured by a pledge of:

- Pledged Revenues, consisting of:
 - Loan Repayments made by Municipalities on Pledged Loans;
 - moneys received by the State upon a default under a Municipal Obligation (State payments intercepted by the DOA, and taxes collected by county treasurers);
 - any Counterparty Swap Payments under a Swap Agreement;
 - earnings or income from Funds and Accounts payable into the Revenue Fund;
 - other moneys held or received relating to any Municipal Obligation; and
 - any other revenues pledged to secure Bonds.

- Amounts in the Loan Fund, Cost of Issuance Fund, Revenue Fund, and Redemption Fund, subject to any limits in a Supplemental Resolution.

The Program Resolution also contains provisions for:

- The establishment and funding of an account within the Reserve Fund (or, in the case of Subordinate Bonds, within the Subordinate Reserve Fund) in connection with the issuance of a series of Bonds; and
- The State to obtain letters of credit, bond insurance policies, or other credit enhancement instruments (each, a **Credit Enhancement Facility**) to provide a source of payment or security for a particular series of Bonds.

No account within the Reserve Fund is being established, and no Credit Enhancement Facility is being obtained, in connection with the issuance of the 2015 Series A Bonds. The 2015 Series A Bonds are not expected to be entitled to the benefit of any Account within the Reserve Fund that may be established, or Credit Enhancement Facility that may be obtained, in the future.

The Program Resolution also established an Equity Fund and a Rebate Fund, which are not pledged to the payment of the Bonds.

The State is not obligated to pay the principal of, and interest on, the 2015 Series A Bonds or any other Bonds from any revenues or funds of the State other than those pledged pursuant to the Program 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 2015 Series A Bonds or any other Bonds. The 2015 Series A Bonds are not secured by the Prior General Resolution.

Pledged Loans

Upon issuance of the 2015 Series A Bonds, it is expected that all existing Loans under the Direct Portfolio, the Loans made from the proceeds of the 2015 Series A Bonds and certain future Loans made under the Direct Portfolio, as designated by the State, will be Pledged Loans under the Program Resolution. The State may designate additional Loans which are not otherwise subject to the pledge of the Program Resolution as Pledged Loans, and thereby assign and grant to the Trustee a security interest in the related Loan Repayments and other related Pledged Revenues, which will then become subject to the lien of the Program Resolution.

The Act sets forth certain requirements for eligibility of a Municipality to receive financial assistance from the Clean Water Fund Program. Financial assistance can only be awarded to one of the types of governments specified by the Act. The Act provides that the Municipality must comply with a number of requirements, including 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 the State of Wisconsin Department of Natural Resources (**DNR**), and developing and adopting a system of equitable user charges.

The following table identifies all Municipalities that have received Loans under the Direct Portfolio and provides certain other information about the Loans made to these Municipalities. As of September 1, 2015, disbursements for Loans under the Direct Portfolio totaled \$2.2 billion, and the outstanding principal balance of the Loans was \$1.1 billion. Upon issuance of the 2015 Series A Bonds, it is expected that all existing Loans in the Direct Portfolio will be Pledged Loans under the Program Resolution.

The table includes the outstanding Pledged Loan principal balance under the Financial Assistance Agreement for each Municipality, as of July 1, 2015, and the percentage of such balance compared to the principal balances for all outstanding Pledged Loans. The table also includes the amount that remained to be disbursed pursuant to each Municipality's Financial Assistance Agreements as of the same date. The amounts included in the table only include information on Pledged Loans, and does not include 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.

Loan Repayments of Pledged Loans are the primary revenues available to pay debt service on the Bonds. The extent to which the failure of a particular Municipality to make its Loan Repayment of Pledged Loans affects the State'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 Loan Repayments of Pledged Loans to that Municipality. The State believes that the security provisions of the Financial Assistance Agreements will limit the effect on Bondowners of a failure by one or more Municipalities to pay debt service on their Pledged Loans. However, persistent failures 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" in Appendix A](#).

The Milwaukee Metropolitan Sewerage District (MMSD) is currently the largest borrower with respect to Loans in the Direct Portfolio, with \$389 million in principal amount of Pledged Loans outstanding as of July 1, 2015. Other Municipalities had amounts ranging from \$19,000 to \$95 million in principal amount of Pledged Loans outstanding as of the same date.

Upon issuance of the 2015 Series A Bonds, it is expected that all existing Loans under the Direct Portfolio will be Pledged Loans under the Program Resolution. As of July 1, 2015, the Municipal Obligations that evidenced outstanding Loans under the Direct Portfolio consisted of 57% (by total outstanding principal amount) general obligations and 43% (by total outstanding principal amount) revenue or special assessment obligations.

As discussed in more detail under ["LOANS; Statutory Powers" in Appendix A](#), DOA may intercept State Aid payable to certain types of Municipalities if such a Municipality defaults on a Loan. As of July 1, 2015, 47% (by total outstanding principal amount) of Municipal Obligations that evidenced outstanding Loans under the Direct Portfolio represented Loans with such State Aid intercept provisions. These percentages will change as new Pledged Loans are made and existing Loans under the Direct Portfolio are repaid.

**STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING PLEDGED LOAN PRINCIPAL BALANCES
July 1, 2015^(a)**

Municipality	Pledged Loan Principal Balance^{(a)(b)}	% of All Pledged Loans^{(a)(b)}	Remaining Amount to Be Drawn^{(a)(b)(c)}
Milwaukee Metropolitan Sewerage District	\$ 388,562,812	35.69%	\$ 34,529,482
City of Milwaukee	94,859,935	8.71%	-
Madison Metropolitan Sewerage District	92,261,826	8.47%	21,013,931
City of Racine	38,151,566	3.50%	-
City of Waukesha	27,686,438	2.54%	20,896,689
City of Eau Claire	26,940,209	2.47%	4,344,752
Green Bay Metropolitan Sewerage District	25,336,138	2.33%	1,771,866
City of Wisconsin Rapids	20,838,067	1.91%	-
Neenah - Menasha Sewerage Commission	19,348,541	1.78%	389,747
City of Monroe	17,802,282	1.64%	1,216,965
City of Watertown	12,218,527	1.12%	-
Walworth County Metropolitan Sewerage District	11,609,336	1.07%	-
City of Burlington	10,637,764	0.98%	282,858
Ho-Chunk Nation	9,856,154	0.91%	-
Village of Lake Delton	9,845,710	0.90%	-
City of Rhinelander	9,375,631	0.86%	-
City of Sun Prairie	9,222,387	0.85%	-
Village of Caledonia	8,685,673	0.80%	-
City of Beaver Dam	8,427,170	0.77%	-
City of Oconto Falls	8,215,419	0.75%	-
Village of Paddock Lake	7,686,938	0.71%	-
City of Sheboygan	7,347,698	0.67%	1,157,628
Village of Kewaskum	6,536,798	0.60%	-
Town of Salem	6,305,384	0.58%	230,379
City of Saint Croix Falls	5,289,379	0.49%	1,179,310
Western Racine County Sewerage District	5,164,697	0.47%	-
City of South Milwaukee	5,010,862	0.46%	-
Village of Plover	4,921,548	0.45%	-
Village of Suamico	4,913,282	0.45%	-
City of Platteville	4,890,812	0.45%	-
Heart of the Valley Metropolitan Sewerage District	4,744,376	0.44%	-
City of Marshfield	3,997,858	0.37%	-
Village of Brooklyn	3,560,512	0.33%	-
Village of Wrightstown	3,533,167	0.32%	-
City of Evansville	3,443,486	0.32%	-
City of Oshkosh	3,389,573	0.31%	3,093,661
Village of Osceola	3,351,484	0.31%	-
City of Richland Center	3,284,856	0.30%	332,226
Village of Belmont	3,283,401	0.30%	33,372
City of Stoughton - Utilities	3,177,924	0.29%	-
Ashippun Sanitary District	3,095,018	0.28%	-
Consolidated Koshkonong Sanitary Commission	3,081,081	0.28%	-
Village of Slinger	3,053,454	0.28%	-
City of Columbus	2,952,854	0.27%	-
Wolf Treatment Plant Commission	2,831,708	0.26%	-
City of Chippewa Falls	2,591,293	0.24%	-
City of Darlington	2,550,481	0.23%	67,950
City of Reedsburg	2,475,386	0.23%	213,804
City of Tomah	2,464,968	0.23%	-
City of Green Lake	2,448,450	0.22%	-
City of New Lisbon	2,415,977	0.22%	-
City of Gillett	2,391,567	0.22%	-
City of Jefferson	2,338,567	0.21%	-
City of Ladysmith	2,309,807	0.21%	152,860

**STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING PLEDGED LOAN PRINCIPAL BALANCES
July 1, 2015^(a)**

Municipality	Pledged Loan Principal Balance ^{(a)(b)}	% of All Pledged Loans ^{(a)(b)}	Remaining Amount to Be Drawn ^{(a)(b)(c)}
Village of Mishicot	\$ 2,252,650	0.21%	-
City of Brookfield	2,218,352	0.20%	-
City of Hartford	2,208,123	0.20%	-
Village of Waldo	2,123,775	0.20%	-
City of West Allis	2,103,554	0.19%	-
Lyons Sanitary District #2	2,046,461	0.19%	-
Village of Belgium	2,044,637	0.19%	-
City of River Falls	1,904,974	0.17%	-
Village of Roberts	1,894,637	0.17%	-
Village of Port Edwards	1,756,365	0.16%	-
Town of Oconomowoc	1,750,505	0.16%	-
Village of Twin Lakes	1,723,320	0.16%	-
Village of Whitefish Bay	1,696,874	0.16%	-
City of Chilton	1,686,396	0.15%	-
Village of Genoa City	1,663,146	0.15%	-
City of Menasha	1,629,202	0.15%	-
City of Two Rivers	1,611,425	0.15%	\$ 242,910
Village of Denmark	1,609,050	0.15%	-
Greenville Sanitary District No. 1	1,601,006	0.15%	-
Village of Fontana	1,594,400	0.15%	-
City of Wisconsin Dells	1,567,293	0.14%	-
Village of Clinton	1,560,999	0.14%	-
Village of Lowell	1,518,381	0.14%	-
City of Owen	1,472,356	0.14%	189,235
Village of Mount Horeb	1,461,192	0.13%	-
City of Peshtigo	1,455,377	0.13%	-
City of Tomahawk	1,446,556	0.13%	1,907,694
City of Sparta	1,422,175	0.13%	-
City of Black River Falls	1,401,399	0.13%	-
City of Hillsboro	1,348,704	0.12%	-
City of Whitehall	1,331,015	0.12%	-
Village of Athens	1,322,709	0.12%	-
City of Pittsville	1,290,575	0.12%	-
City of Shawano	1,268,353	0.12%	-
Village of Sharon	1,216,670	0.11%	118,670
Village of Campbellsport	1,212,939	0.11%	-
City of Montreal	1,209,343	0.11%	89,965
City of Janesville	1,206,515	0.11%	-
Village of Black Creek	1,174,966	0.11%	112,414
Village of Mazomanie	1,142,009	0.10%	-
Village of Necedah	1,100,461	0.10%	-
City of Bayfield	1,064,924	0.10%	-
Village of Black Earth	1,035,125	0.10%	-
City of Prairie du Chien	1,014,257	0.09%	-
Village of Rio	998,186	0.09%	164,470
Village of Plum City	979,730	0.09%	-
Village of Cascade	962,730	0.09%	-
St. Joseph's Sanitary District No. 1	951,923	0.09%	-
Harmony Grove - Okee Sewerage Commission	926,337	0.09%	-
City of Franklin	865,532	0.08%	-
Village of Waterford	837,720	0.08%	-
City of Portage	825,343	0.08%	-
City of Independence	823,113	0.08%	-
Village of Ephraim	813,417	0.07%	-

**STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING PLEDGED LOAN PRINCIPAL BALANCES
July 1, 2015^(a)**

Municipality	Pledged Loan Principal Balance ^{(a)(b)}	% of All Pledged Loans ^{(a)(b)}	Remaining Amount to Be Drawn ^{(a)(b)(c)}
City of Phillips	\$ 809,175	0.07%	-
City of Manitowoc	789,210	0.07%	-
Town of Dover	752,594	0.07%	-
Village of Birchwood	717,108	0.07%	-
Village of Bayside	711,745	0.07%	-
City of Park Falls	688,074	0.06%	-
Kelly Lake Sanitary District #1	668,948	0.06%	-
Lake Como Sanitary District #1	668,807	0.06%	-
Little Suamico Sanitary District #1	662,281	0.06%	-
Village of Vesper	646,104	0.06%	-
City of Marinette	645,598	0.06%	-
Town of Beloit	644,295	0.06%	\$ 4,451,870
Mindoro Sanitary District #1	610,734	0.06%	-
Village of Rockdale	602,777	0.06%	-
City of Pewaukee	587,037	0.05%	-
City of Delavan	573,497	0.05%	-
City of Osseo	568,563	0.05%	-
Grand Chute - Menasha West Sewerage Commission	544,569	0.05%	-
Village of Whitelaw	536,828	0.05%	-
City of Whitewater	532,466	0.05%	-
City of Ashland	519,440	0.05%	73,170
City of New Richmond	508,859	0.05%	-
Christmas Mountain Sanitary District	502,266	0.05%	-
City of Kenosha	494,084	0.05%	-
Village of Minong	467,240	0.04%	-
Village of Marathon City	464,424	0.04%	-
Village of Pewaukee	436,401	0.04%	-
Village of Edgar	429,662	0.04%	-
City of Abbotsford	423,517	0.04%	-
Brookfield Sanitary District #4	420,550	0.04%	-
City of New Holstein	417,489	0.04%	2,006,853
Village of Junction City	416,284	0.04%	-
Village of Arlington	405,876	0.04%	-
Village of Benton	394,595	0.04%	-
City of Clintonville	387,825	0.04%	-
Village of Saint Nazianz	385,340	0.04%	-
Village of Dallas	383,418	0.04%	-
Madeline Sanitary District	379,161	0.03%	-
Lebanon Sanitary District #1	373,146	0.03%	-
Pikes Bay Sanitary District	358,096	0.03%	-
Village of Camp Douglas	353,183	0.03%	-
City of Superior	351,129	0.03%	-
Village of Stetsonville	350,819	0.03%	-
Krakow Sanitary District No. 1	350,210	0.03%	-
Village of Arena	343,680	0.03%	-
City of Kiel	329,686	0.03%	-
Village of Grantsburg	310,335	0.03%	-
Village of Stoddard	309,461	0.03%	-
City of Shell Lake	298,532	0.03%	144,412
Village of Winneconne	292,835	0.03%	-
Lake Tomahawk Sanitary Dist #1	292,515	0.03%	-
Village of Bloomfield	281,716	0.03%	-
Village of Merrilan	276,343	0.03%	-
Wrightstown Sanitary District #1	268,283	0.02%	-

**STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING PLEDGED LOAN PRINCIPAL BALANCES
July 1, 2015^(a)**

Municipality	Pledged Loan Principal Balance ^{(a)(b)}	% of All Pledged Loans ^{(a)(b)}	Remaining Amount to Be Drawn ^{(a)(b)(c)}
City of Waupaca	\$ 257,260	0.02%	-
City of Arcadia	254,815	0.02%	-
Village of Rib Lake	231,546	0.02%	-
Roxbury Sanitary District #1	222,874	0.02%	-
City of Greenwood	215,638	0.02%	-
City of Fountain City	215,363	0.02%	-
City of Mayville	199,503	0.02%	-
Village of Kendall	191,791	0.02%	\$ 62,886
Village of Watworth	188,766	0.02%	-
Village of New Auburn	181,881	0.02%	-
Rockland Sanitary District #1	177,314	0.02%	-
Village of Poplar	171,868	0.02%	-
City of Waterloo	168,963	0.02%	-
Village of Albany	146,756	0.01%	-
Village of Curtiss	143,271	0.01%	-
Village of Forestville	137,694	0.01%	-
Village of Hilbert	135,140	0.01%	-
Winneconne Sanitary District #3	130,381	0.01%	-
City of Galesville	129,891	0.01%	-
Village of Sherwood	124,041	0.01%	-
City of Amery	122,294	0.01%	-
Village of Ellsworth	111,630	0.01%	-
City of Edgerton	109,400	0.01%	-
Village of De Soto	98,879	0.01%	-
Poy Sippi Sanitary District	79,995	0.01%	-
Village of Haugen	73,696	0.01%	-
Village of South Wayne	71,654	0.01%	-
Village of Menomonee Falls	65,164	0.01%	-
Village of Orfordville	59,863	0.01%	291,177
Village of Bagley	53,747	0.00%	-
Island View Sanitary District	51,600	0.00%	-
Village of Allouez	48,483	0.00%	-
City of Loyal	35,355	0.00%	-
City of Juneau	30,549	0.00%	-
Village of Tennyson	20,647	0.00%	191,570
Village of Viola	19,397	0.00%	-
Fulton Sanitary District No. 2	19,259	0.00%	-
Total	<u>\$ 1,088,696,583</u>		<u>\$ 100,954,775</u>

^(a) Amounts and percentages as of July 1, 2015 and after the Loan Repayments due May 1, 2015 on Pledged Loans.

^(b) For Municipalities that have entered into a Financial Assistance Agreement that is funded with both Pledged Loans and Loans from other portfolios, or for Municipalities that have entered into more than one Financial Assistance Agreement that are funded, in part, with Pledged Loans, only the amount of the Pledged Loan is included in this table.

^(c) Remaining amounts to be drawn that are equal to zero reflect Pledged Loans that have been closed out or paid off. Since the entire amount of all Financial Assistance Agreements awarded to a Municipality is shown in aggregate, specific Pledged Loans for a Municipality that have been closed out may not be apparent in this table.

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, and the interest rates for the Leveraged Clean Water Portion of the 2015 Series A Bonds will be a factor for the next 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 of 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.

Additional information concerning the loan application process, lending criteria, levy limits for municipalities, and Financial Assistance Agreements is included in [APPENDIX A](#).

As of October 15, 2015, no Municipality has been in default of any Municipal Obligations issued to evidence Pledged Loans.

Milwaukee Metropolitan Sewerage District

Based on balances as of July 1, 2015, Loans to the Milwaukee Metropolitan Sewerage District (MMSD) were approximately 36% of the total principal amount of all outstanding Loans in the Direct Portfolio. This percentage will change when changes occur in the amount of Loans in the Direct Portfolio. Upon issuance of the 2015 Series A Bonds, it is expected that all existing Loans in the Direct Portfolio will be Pledged Loans under the Program Resolution.

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 irrevocable levy of ad valorem property taxes sufficient to pay debt service on its Pledged Loans when due.

This Official Statement incorporates by reference the MMSD Comprehensive Annual Financial Report (MMSD CAFR) for the period ending December 31, 2014. 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.

Additional Bonds

The Program Resolution permits the issuance of additional Senior Bonds or Subordinate Bonds. Prior to the issuance any Bonds, the State must certify that the State is not in default in the performance of any of its covenants and agreements in the Program Resolution and that after giving effect to the issuance of the Bonds and the pledge of any additional Pledged Loans to be financed with such Bonds or otherwise to be pledged, (i) the Aggregate Debt Service Coverage Ratio will be at least 1.0 to 1 for each future Fiscal Year, and (ii) if the Bonds to be issued are Senior Bonds, the Senior Debt Service Coverage Ratio will be at least 1.0 to 1 for each future Fiscal Year.

In connection with the issuance of Refunding Bonds, the State may instead certify that the issuance of the Refunding Bonds will not increase Debt Service in any Fiscal Year.

Disposition of Loans

The State may sell, assign, transfer or otherwise dispose of any Pledged Loan and the Municipal Obligation(s) evidencing such Pledged Loan, free and clear of the pledge of the Program Resolution and at such price as the Commission (or the Capital Finance Director, on behalf of the Commission) may determine. Prior to any such sale or disposition, the State must deliver a State Certificate to the effect that, immediately following such sale, assignment, transfer or disposition (and if applicable, giving effect to the deposit of the proceeds thereof into the applicable Fund or Account and the further application thereof), the State could issue at least \$1 of additional Bonds under the tests set forth in the Program Resolution and described above under "SECURITY; Additional Bonds".

The State may also assign, transfer or otherwise dispose of any Pledged Loan and the Municipal Obligation evidencing such Pledged Loan and deposit the proceeds in the applicable Account of the Revenue Fund as specified in a State Certificate, if such Pledged Loan is delinquent in payments of principal or interest and if in the reasonable opinion of the State, as evidenced by a State Certificate, the proceeds of such sale, assignment, transfer or disposition are not less than the fair market value of such delinquent Pledged Loan and Municipal Obligation.

Amendment of Loan Terms

The State may consent or agree to permit amendment or modification of any Financial Assistance Agreement or Municipal Obligation, including amendments and modifications made in connection with settlement of any delinquency or default on any Pledged Loan which settlement the State determines to be in the best interests of the State. However, an amendment or modification will be permitted only if the amended Financial Assistance Agreement or Municipal Obligation and the Pledged Loan thereunder satisfies the requirements of the Program Resolution for a Pledged Loan and the State determines that the modification will not have a material adverse effect, taking into account the reasonable expectations with respect to the Pledged Loan in question immediately prior to the modification, on the State's ability to pay the principal of and interest on the Bonds and the Other Obligations. In addition, prior to any such amendment or modification that reduces the payments due under the Municipal Obligation securing any Pledged Loan, the State must file with the Trustee a State Certificate to the effect that, immediately following such amendment or modification, the State could issue at least \$1 of additional Bonds under the tests set forth in the Program Resolution and described under "SECURITY; Additional Bonds".

Prepayment of Pledged Loans Limited

The State may consent to prepayment of any Pledged Loan and the Municipal Obligation evidencing such Pledged Loan only if it delivers a State Certificate to the effect that, immediately following such

prepayment (and giving effect to the deposit of the proceeds thereof into the applicable Fund or Account and the further application thereof), the State could issue at least \$1 of additional Bonds under the tests set forth in the Program Resolution and described above under “**SECURITY; Additional Bonds**”.

Flow of Funds

Within the Revenue Fund there are a Clean Water Revenue Account and a Safe Drinking Water Revenue Account, within each of which Accounts there are a Principal Receipts Subaccount, and an Interest Receipts Subaccount. Upon receipt, all Pledged Revenues (other than (i) payments under Credit Enhancement Facilities or for the payment of the purchase price of Bonds on a Tender Date and (ii) any proceeds of the sale or other disposition of Pledged Loans that the State directs to be deposited in the Loan Fund or another Fund) shall be deposited to the Revenue Fund. Revenue obligations for the Safe Drinking Water Program are not contemplated at this time and could only be issued after appropriate changes to the Act.

All Loan Repayments and other Pledged Revenues received with respect to Pledged Loans under the Clean Water Fund Program, and all Counterparty Swap Payments allocable to the Leveraged Clean Water Portion and the State Match Clean Water Portion, shall be credited to the Clean Water Revenue Account. No Swap Agreements are being entered into in connection with the issuance of the 2015 Series A Bonds, or are otherwise contemplated at that time.

The Equity Fund will be held and maintained by the State, and will not be subject to the lien of the Program Resolution. There shall be deposited in the Equity Fund (i) all Fees and Charges, (ii) amounts transferred from the Revenue Fund and (iii) such additional funds that are not subject to the lien of the Program Resolution as may be directed by an Authorized Commission Representative. Moneys and securities may be transferred from the Equity Fund for any purpose authorized by the Act and deposited into other funds and accounts established by the Program Resolution at the written direction of an Authorized Commission Representative.

The diagram on the **following page** is a detailed summary of the flow of funds under the Program Resolution. Further details of the flow of funds within the Program Resolution are outlined in **APPENDIX D**.

No Acceleration

Upon the occurrence of an Event of Default under the Program Resolution, there is no remedy of acceleration available to the Trustee with respect to the 2015 Series A Bonds or any other Bonds.

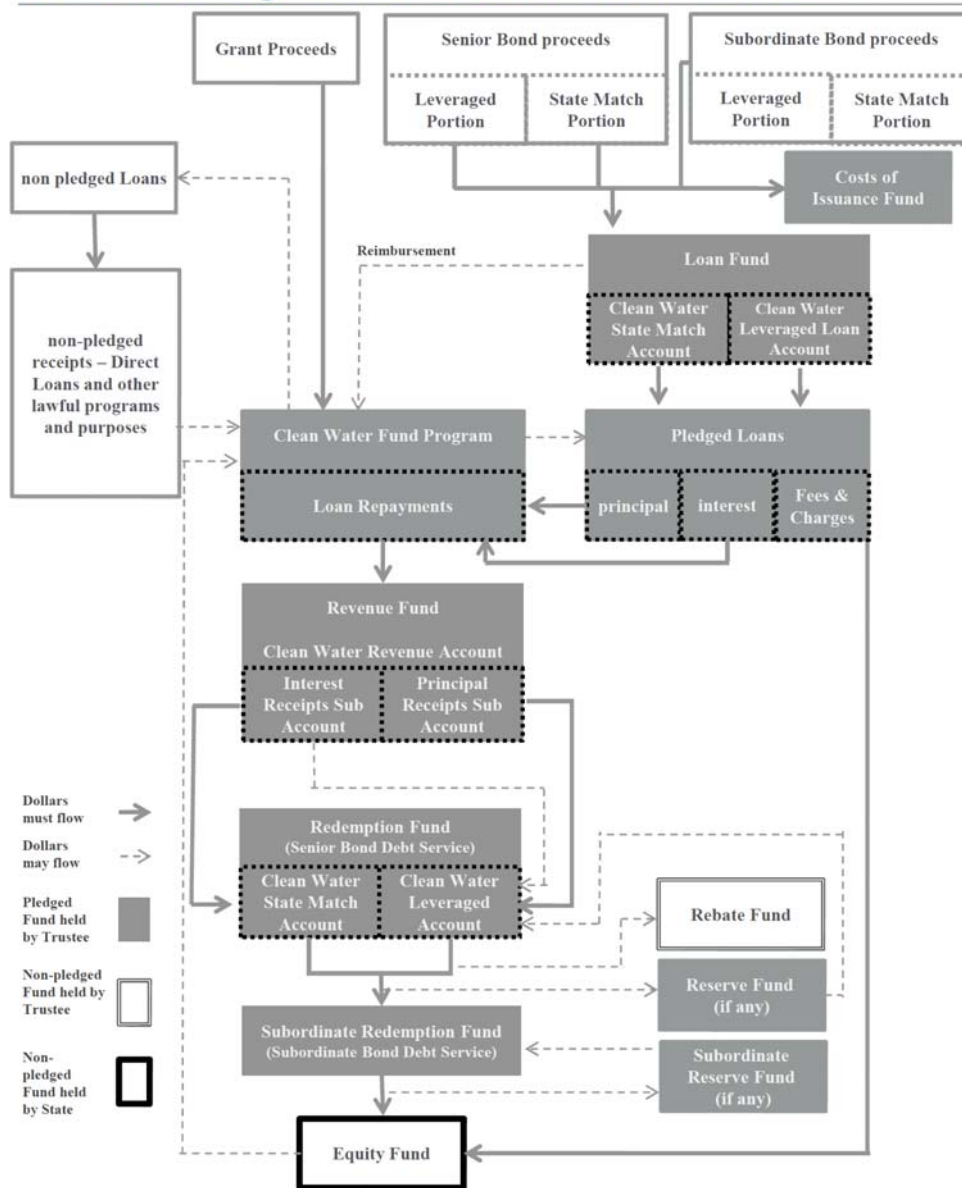
Investment of Funds

Moneys held under the Program Resolution, including proceeds of the Bonds held in the Loan Fund pending disbursement under Financial Assistance Agreements, will be invested by the Trustee, at the direction of the State, in Permitted Investments.

Non-Impairment

Under Section 18.61 (2), Wisconsin Statutes, the State pledges and agrees with the Holders of the Bonds that the State will not limit or alter its powers to fulfill the terms of any agreements made with the Holders of the Bonds or in any way impair the rights and remedies of the Holders of the Bonds until the Bonds, together with interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of the Holders of the Bonds are fully met and discharged.

Detailed Program Resolution Flow of Funds*



*This diagram does not depict any Accounts or subaccounts or any revenues related to the Safe Drinking Water Loan Program because loans under that program cannot be financed with Bonds under current law

PROJECTED CASH FLOW AND DEBT SERVICE TABLE

The following table sets forth projections of Projected Annual Revenues, Debt Service, and Aggregate Debt Service Coverage Ratio for each fiscal year following the issuance of the 2015 Series A Bonds. The projections are based upon assumptions that all Loans in the Direct Portfolio are Pledged Loans, that proceeds of the 2015 Series A Bonds deposited to the Loan Fund are used to acquire additional Pledged Loans over a twelve month period, and that there are no defaults on the Pledged Loans. Actual events may vary from those assumptions and any variations may be material and adverse. The presentation of projected Aggregate Debt Service Coverage Ratios does not constitute a representation by the State that the Projected Annual Revenues will be realized or will be received at the times or in the amounts projected.

The following table also assumes that the 2015 Series A Bonds are the only Bonds outstanding under the Program Resolution. The future issuance of additional Bonds and the acquisition of additional Pledged Loans will affect the Projected Annual Revenues, the annual Debt Service amounts, and the Debt Service Coverage Ratios. See “**SECURITY; Additional Bonds**”.

Although satisfying certain projected Aggregate Debt Service Coverage Ratio tests is a condition to the issuance of additional Bonds under the Program Resolution, failure to maintain any level of coverage is not a default under the Program Resolution.

PROJECTED DEBT SERVICE COVERAGE; 2015 SERIES A BONDS

Year (June 30)	Projected Annual		Aggregate Debt Service
	Revenues	Debt Service	Coverage Ratio
2016	\$ 116,058,790	\$ 4,285,361	27.08x
2017	111,007,602	4,281,750	25.93x
2018	110,062,611	4,283,000	25.70x
2019	106,876,690	4,283,500	24.95x
2020	103,953,137	4,288,000	24.24x
2021	101,454,858	4,286,000	23.67x
2022	86,530,088	4,287,500	20.18x
2023	77,814,233	4,287,000	18.15x
2024	77,058,337	4,289,250	17.97x
2025	73,227,954	2,893,750	25.31x
2026	65,953,043	1,820,000	36.24x
2027	58,014,331	4,345,000	13.35x
2028	49,186,082	4,341,250	11.33x
2029	42,026,559	4,343,750	9.68x
2030	39,373,559	4,341,750	9.07x

OTHER MATTERS

State of Wisconsin

The State is located in the Midwest among the northernmost tier of states. The State ranks 20th among the states in population and 25th in land area. Wisconsin attained statehood in 1848, its capital is Madison, and its largest city is Milwaukee. Requests for additional information on the State may be directed to:

Contact: State of Wisconsin Department of Administration
Capital Finance Office
Phone: (608) 267-0374
Mail: 101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
E-mail: DOACapitalFinanceOffice@wisconsin.gov
Website: www.doa.wi.gov/capitalfinance

The State is not obligated to pay the principal of, and interest on, the 2015 Series A Bonds or any other Bonds from any revenues or funds of the State other than those pledged pursuant to the Program 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 2015 Series A Bonds or any other Bonds.

Borrowing Plans for 2015

The 2015 Series A Bonds are the first Bonds issued under the Program Resolution and no other Bonds are expected to be issued in calendar year 2015. The amount and timing of the issuance of additional Bonds depends on loan originations under the Clean Water Fund Program.

Underwriting

The 2015 Series A Bonds are being purchased by the **Underwriters** listed on **the front cover**, for which Citigroup Global Markets Inc. is acting as the representative.

The Underwriters have agreed, subject to certain conditions, to purchase from the State the 2015 Series A Bonds at an aggregate purchase price, not including accrued interest, of \$50,147,251.20 (reflecting an aggregate original issue premium of \$7,039,668.85 and Underwriters' discount of \$272,417.65). The Underwriters' obligations are subject to certain conditions, and they will be obligated to purchase all the 2015 Series A Bonds if any 2015 Series A Bonds are purchased.

The Underwriters have agreed to reoffer the 2015 Series A Bonds at the public offering prices or yields set forth on the **inside front cover** of this Official Statement. The 2015 Series A Bonds may be offered and sold to certain dealers (including dealers depositing the 2015 Series A Bonds into investment trusts) at prices lower than such public offering prices, and such prices may be changed, from time to time, by the Underwriters. Certain of the Underwriters may have entered into retail distribution agreements with third party broker-dealers, under which the Underwriters may distribute municipal securities to retail investors through the respective financial advisors or electronic trading platforms of such third party broker-dealers. As part of these arrangements, the Underwriters may share a portion of their underwriting compensation with such third party broker-dealers.

Certain legal matters will be passed upon for the Underwriters by their counsel, Nixon Peabody LLP.

Reference Information About 2015 Series A Bonds

The table on the **inside front cover** includes information about the 2015 Series A Bonds and is provided for reference. The CUSIP number for each maturity has been obtained from sources the State believes are reliable, but the State is not responsible for the correctness of the CUSIP numbers. The Underwriters have provided the initial reoffering yields and prices. For each of the 2015 Series A Bonds subject to optional redemption, the yield at issuance shown is the lower of the yield to the first optional call date or the yield to the nominal maturity date.

Financial Advisor

Public Financial Management, Inc. has been engaged by the State to perform professional services in the capacity of financial advisor (**Financial Advisor**). The Financial Advisor has provided advice on the structure of the Program Resolution and the 2015 Series A Bonds, and has also reviewed certain legal and disclosure documents, including this Official Statement, for financial matters, and reviewed the pricing of the 2015 Series A Bonds by the Underwriters.

Legal Investment

State law provides that the 2015 Series A Bonds are legal investments for the following:

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

Certain Legal Matters

Legal matters relating to the authorization, issuance, and sale of the 2015 Series A Bonds are subject to the approval of **Bond Counsel**, which is Foley & Lardner LLP. Bond Counsel will deliver an approving opinion when the 2015 Series A Bonds are delivered, in substantially the form shown in **APPENDIX E**. If certificated 2015 Series A Bonds are issued, then the opinion will be printed on the reverse side of each 2015 Series A Bond.

As a condition to making a loan from the Clean Water Fund Program or Safe Drinking Water Loan Program, the State requires an opinion of counsel (which counsel need not be a nationally recognized bond counsel) to the effect that (subject to certain exceptions for bankruptcy, insolvency, and similar laws affecting creditors' rights or remedies and equitable principles), among other things, the related Financial Assistance Agreement and Municipal Obligation constitute legal, valid, and binding obligations of the Municipality enforceable against the Municipality in accordance with their respective terms.

Absence of Litigation

As required by law, the office of the Attorney General of the State will examine a certified copy of all proceedings preliminary to issuance of the 2015 Series A Bonds. Upon delivery of the 2015 Series A Bonds, the State will furnish an opinion of the Attorney General, dated the date of delivery of the 2015 Series A Bonds, to the effect that there is no action, suit, or proceeding, either pending or threatened in writing, known to the Attorney General, restraining or enjoining the issuance, sale, execution, or delivery of the 2015 Series A Bonds, or in any way contesting or affecting:

- the titles to their respective offices of any of the State officers involved in the issuance of the 2015 Series A Bonds,
- the validity of the 2015 Series A Bonds or any of the proceedings taken with respect to the issuance and sale thereof, or
- the pledge or application of any moneys or security to the payment of the 2015 Series A Bonds.

In addition, the opinion will state that there is no controversy or litigation of any nature then pending or threatened by or against the State in which an adverse judgment or ruling could have a material adverse impact on the power of the State to collect and enforce the collection of the Pledged Revenues or other revenues, receipts, funds, or moneys pledged for the payment of the 2015 Series A Bonds.

Each Municipality entering into a Financial Assistance Agreement is required, as a condition of the loan, to deliver a certificate to the effect that there is no controversy or litigation of any nature pending or, to its knowledge, threatened against the Municipality contesting or affecting the validity or enforceability of the related Financial Assistance Agreement or Municipal Obligation or the use of the proceeds of the Municipal Obligation. In addition, the certificate must state that there is no controversy or litigation of any nature then pending or, to the Municipality's knowledge, threatened by or against the Municipality in which an adverse ruling could have a material adverse impact on the financial condition of the Municipality or adversely affect the power of the Municipality to levy, collect, and enforce the levying or collection of taxes (if the Municipal Obligation is a general obligation) or the imposition of rates or charges (if the Municipal Obligation is a revenue obligation) or the collection of any of the foregoing for the payment of its Municipal Obligation. Those certifications are not made as of any date after the delivery of the respective Municipal Obligations.

Tax Exemption

Federal Income Tax

In the opinion of Bond Counsel, under existing law, interest on the 2015 Series A Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers; however, interest on the 2015 Series A

Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. The State must comply with certain requirements of the Internal Revenue Code of 1986, as amended (**Code**), for interest on the 2015 Series A Bonds to be, or continue to be, excluded from gross income for federal income tax purposes. The State has agreed to comply with those requirements to the extent it may lawfully do so. Its failure to do so may cause interest on the 2015 Series A Bonds to be included in gross income for federal income tax purposes, perhaps even starting from the date on which the 2015 Series A Bonds are issued. No provision is made for an increase in interest rates or a redemption of the 2015 Series A Bonds in the event interest on the 2015 Series A Bonds is included in gross income.

Each Municipality that obtains a Loan promises to limit private business use of the financed project. The State has adopted program procedures concerning Loans made under the Clean Water Fund Program, including investigation as to use of the proceeds of each Loan. In addition, for each Loan exceeding the amount of \$1 million, the State requires an opinion from a bond counsel that the related Municipal Obligation is not a “private activity bond” within the meaning of the Code and that interest on the Municipal Obligation is excluded from gross income for federal income tax purposes. Failure of one or more Municipalities to limit private business use of a financed project may cause interest on the 2015 Series A Bonds to be included in gross income for federal income tax purposes, perhaps even starting from the date on which the 2015 Series A Bonds are issued, depending upon the aggregate amount of private business use associated with Loans financed with proceeds of the 2015 Series A Bonds, and if the State were not to take a timely remedial action.

The opinion of Bond Counsel will be based on legal authorities that are current as of its date, will cover certain matters not directly addressed by those authorities, and will represent Bond Counsel’s judgment regarding the proper treatment of the 2015 Series A Bonds for federal income tax purposes. It will not be binding on the Internal Revenue Service (**IRS**) or the courts and will not be a guaranty of result. As to questions of fact, Bond Counsel will rely upon certified proceedings and certifications of public officials and others without independently undertaking to verify them.

Bond Counsel will express no opinion about other federal tax matters regarding the 2015 Series A Bonds. Other federal tax law provisions may adversely affect the value of an investment in the 2015 Series A Bonds for particular owners of those 2015 Series A Bonds. Prospective investors should consult their own tax advisors about the tax consequences of owning a 2015 Series A Bond.

The IRS has an active tax-exempt bond enforcement program. Under current IRS procedures, owners of the 2015 Series A Bonds would have little or no right to participate in an IRS examination of the 2015 Series A Bonds. Moreover, it may not be practicable to obtain judicial review of IRS positions with which the State disagrees. Any action of the IRS, including selection of the 2015 Series A Bonds for examination, the conduct or conclusion of such an examination, or an examination of obligations presenting similar tax issues, may affect the marketability of the 2015 Series A Bonds.

Current and future legislative proposals, if enacted into law, may cause the interest on the 2015 Series A Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent the owners of the 2015 Series A Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals may also affect the marketability of the 2015 Series A Bonds. Prospective investors should consult their own tax advisors about federal legislative proposals.

Premium Bonds

Under existing law, no deduction is allowed for any amortizable bond premium on the 2015 Series A Bonds. The excess of the issue price over the principal amount of that Bond is the amortizable bond premium. The issue price of the 2015 Series A Bonds having a common maturity date and interest rate generally is the initial offering price to the public, excluding underwriters or other intermediaries, at

which price a substantial amount of such maturity of the 2015 Series A Bonds were first sold. Based on representations from the Underwriters, the State expects the issue price of each maturity of the 2015 Series A Bonds to be the Price at Issuance set forth in the table on the **inside front cover**.

During each taxable year, an owner of 2015 Series A Bonds with amortizable bond premium must reduce his, her, or its tax basis in the Bond by the amount of the amortizable bond premium that is allocable to the portion of that taxable year during which the owner owned the Bond. The adjusted tax basis in a 2015 Series A Bond will be used to determine taxable gain or loss upon a disposition (for example, upon a sale, exchange, redemption, or payment at maturity) of the Bond.

Owners of 2015 Series A Bonds purchased at a premium should consult their own tax advisors with respect to the federal tax consequences of owning such 2015 Series A Bonds, including computation of their tax basis and the effect of any purchase of 2015 Series A Bonds that is not made in the initial offering at the issue price. Owners of such 2015 Series A Bonds should also consult their own tax advisors with respect to the state and local tax consequences of owning those 2015 Series A Bonds.

State of Wisconsin Income and Franchise Taxes

Interest on the 2015 Series A Bonds is not exempt from current State of Wisconsin income or franchise taxes. Prospective investors should consult their own tax advisors about the state and local tax consequences of owning a 2015 Series A Bond.

CONTINUING DISCLOSURE

The State has made an undertaking, for the benefit of the beneficial owners of the 2015 Series A Bonds, to provide an annual report presenting certain financial information and operating data about the State (**Annual Reports**). By December 27 of each year, the State will file the Annual Report with the Municipal Securities Rulemaking Board (**MSRB**) through its Electronic Municipal Market Access (**EMMA**) system. The State will also provide to the MSRB notices of the occurrence of certain events specified in the undertaking.

APPENDIX F contains information about the undertaking and includes the State's Master Agreement on Continuing Disclosure (Amended and Restated December 1, 2010). **APPENDIX F** also includes the forms of the Addendum Describing Annual Report for Environmental Improvement Fund Revenue Obligations and the Supplemental Agreement for the 2015 Series A Bonds; both of these documents will be provided on the delivery date of the 2015 Series A Bonds.

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

State of Wisconsin Department of Administration
Capital Finance Office
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
(608) 267-0374
DOACapitalFinanceOffice@wisconsin.gov
www.doa.wi.gov/capitalfinance

The undertaking also describes the consequences if the State fails to provide any required information. The State must report the failure to the MSRB. In the last five years, the State has not failed to comply in any material respect with this or any similar undertaking. During that period, rating agencies have changed their respective ratings with respect to various bond insurers. Certain obligations previously issued by the State were insured by policies issued by these bond insurers, and the State did not file notice of those rating changes, based on a determination that the changes were not material. On July 31, 2014, the State filed with the MSRB through its EMMA system, as a technical clarification, a written notice of

those rating changes of bond insurers where the rating before the change was above the underlying rating of the respective State obligations.

Dated: November 9, 2015

STATE OF WISCONSIN

/s/ SCOTT WALKER

Governor Scott Walker, Chairperson
State of Wisconsin Building Commission

/s/ SCOTT A. NEITZEL

Scott A. Neitzel, Secretary
State of Wisconsin Department of Administration

/s/ ROBINSON J. BINAU

Robinson J. Binau, Acting Secretary
State of Wisconsin Building Commission

APPENDIX A

INFORMATION ABOUT THE CLEAN WATER FUND PROGRAM

This Appendix includes information concerning the State of Wisconsin (**State**) Clean Water Fund Program and general information about the Environmental Improvement Fund. More specifically, this Appendix presents information about the following matters:

- Municipalities
- Loans
- Lending Criteria

CLEAN WATER FUND PROGRAM

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.

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. The Program Resolution provides for financial assistance to other Borrowers, however, amendments to the Act would be needed before any such financial assistance could occur.

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"** in this Appendix, 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"** in this Appendix.

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"** in this Appendix, 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**” in this Appendix, 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.

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 from 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 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 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 assistance to municipalities qualified as "hardship". In addition, financial assistance in the form of principal forgiveness has been a component of recent Capitalization Grants.

In addition, the Clean Water Fund Program and 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, including 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 Program 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 September 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 September 1, 2015, DOA has 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 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 September 1, 2015, the Clean Water Fund Program had outstanding agreements with 35 municipalities to provide annual interest subsidies on 39 projects. Proceeds of the Bonds will not be used for this purpose, and the subsidy payment will not be 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 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.

APPENDIX B

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.

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 this Official Statement.

**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 Vinchow 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	698,412,678	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

	<u>2015</u>	<u>2014</u>
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	<u>2,538,033</u>	<u>(464,295)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 16,100,037</u>	<u>\$ 11,453,894</u>
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	<u>98,781,334</u>	<u>102,561,070</u>
Total Cash and Investments	686,390,769	712,063,444
Less: Noncash equivalents	<u>(222,206,053)</u>	<u>(234,469,149)</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 464,184,716</u>	<u>\$ 477,594,295</u>
NONCASH INVESTING AND NONCAPITAL FINANCING ACTIVITIES		
Net change in unrealized gains and losses	<u>\$ 4,540,353</u>	<u>\$ (4,019,579)</u>
Bond premium amortization	<u>\$ 9,306,356</u>	<u>\$ 10,026,524</u>

See accompanying notes to financial statements.

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2015 and 2014

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.

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2015 and 2014

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.

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2015 and 2014

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.

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2015 and 2014

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.

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2015 and 2014

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.

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2015 and 2014

NOTE 3 – CASH AND CASH EQUIVALENTS (cont.)

<u>As of June 30, 2015</u>	<u>Amount</u>	<u>Exposure to Custodial Credit Risk</u>	<u>Credit Risk</u>	<u>Interest Rate Risk</u>	<u>Interest Rate Highly Sensitive</u>	<u>Foreign Currency Rate</u>	<u>% of Portfolio</u>
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

<u>As of June 30, 2014</u>	<u>Amount</u>	<u>Exposure to Custodial Credit Risk</u>	<u>Credit Risk</u>	<u>Interest Rate Risk</u>	<u>Interest Rate Highly Sensitive</u>	<u>Foreign Currency Rate</u>	<u>% of Portfolio</u>
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.

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2015 and 2014

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

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2015 and 2014

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		<u>\$ 3,294,881</u>	<u>\$ 14,469,375</u>	

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.

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2015 and 2014

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:

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

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

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

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2015 and 2014

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

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2015 and 2014

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

<i>REVENUE OBLIGATION BONDS</i> (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
	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

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2015 and 2014

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	<u>\$ 706,345,000</u>	<u>\$ 249,677,716</u>	<u>\$ 956,022,716</u>

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2015 and 2014

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	<u>\$ 764,745,000</u>	<u>\$ 287,210,162</u>	<u>\$ 1,051,955,162</u>

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.

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2015 and 2014

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

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2015 and 2014

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	<u>\$ 176,946,876</u>		<u>\$ 188,914,802</u>

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	<u>\$ 158,883,596</u>	<u>\$ 166,646,876</u>

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2015 and 2014

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 Bayerische 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 Rebateable 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.

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2015 and 2014

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	<u>134,225</u>
Net Position – June 30, 2014 (as restated)	<u>\$ 1,923,505,521</u>

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.

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2015 and 2014

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	<u>352,208,902</u>	<u>10,072,079</u>	<u>103,875,928</u>
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	<u>1,002,507,062</u>	<u>7,141,828</u>	<u>881,466,464</u>
Total Assets	<u>1,354,715,964</u>	<u>17,213,907</u>	<u>985,342,392</u>
Deferred Outflows of Resources			
Changes related to net pension asset	-	48,406	-
Unamortized charges	-	-	14,411,933
Total Deferred Outflows of Resources	<u>-</u>	<u>48,406</u>	<u>14,411,933</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,354,715,964</u>	<u>\$ 17,262,313</u>	<u>\$ 999,754,325</u>

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
<u>132,900,908</u>	<u>(1,702,731)</u>	<u>597,355,086</u>
-	-	98,781,334
-	-	176,611,170
252,241,766	-	1,861,526,894
-	-	6,222,149
-	-	133,688
-	-	81,885
<u>252,241,766</u>	<u>-</u>	<u>2,143,357,120</u>
<u>385,142,674</u>	<u>(1,702,731)</u>	<u>2,740,712,206</u>
-	-	48,406
-	-	14,411,933
<u>-</u>	<u>-</u>	<u>14,460,339</u>
<u>\$ 385,142,674</u>	<u>\$ (1,702,731)</u>	<u>\$ 2,755,172,545</u>

**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	<u>373,067</u>	<u>801,892</u>	<u>64,315,838</u>
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	<u>-</u>	<u>57,185</u>	<u>699,355,493</u>
Total Liabilities	<u>373,067</u>	<u>859,077</u>	<u>763,671,331</u>
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	<u>1,354,342,897</u>	<u>16,402,415</u>	<u>236,082,994</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 1,354,715,964</u>	<u>\$ 17,262,313</u>	<u>\$ 999,754,325</u>

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
<u>729,939</u>	<u>(1,702,731)</u>	<u>64,518,005</u>
-	-	28,826
-	-	574,584
-	-	28,359
-	-	698,780,909
-	-	699,412,678
<u>729,939</u>	<u>(1,702,731)</u>	<u>763,930,683</u>
-	-	821
384,412,735	-	1,977,236,321
-	-	14,004,720
<u>384,412,735</u>	-	<u>1,991,241,041</u>
<u>\$ 385,142,674</u>	<u>\$ (1,702,731)</u>	<u>\$ 2,755,172,545</u>

**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	<u>27,523,427</u>	<u>263,908</u>	<u>18,870,494</u>
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	<u>1,638,437</u>	<u>363,183</u>	<u>33,455,434</u>
Operating Income (Loss)	<u>25,884,990</u>	<u>(99,275)</u>	<u>(14,584,940)</u>
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)	<u>36,872,286</u>	<u>(1,310,905)</u>	<u>4,234,375</u>
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)	<u>1,292,010,310</u>	<u>17,178,025</u>	<u>246,433,559</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 1,354,342,897</u>	<u>\$ 16,402,415</u>	<u>\$ 236,082,994</u>

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

**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	<u>(55,553,632)</u>	<u>1,804,731</u>	<u>84,433,083</u>
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	<u>36,208,669</u>	<u>(684,174)</u>	<u>(95,932,446)</u>
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	<u>245,580</u>	<u>(6,833)</u>	<u>16,140,162</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(19,099,383)	1,113,724	4,640,799
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>278,029,027</u>	<u>6,113,142</u>	<u>84,454,710</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 258,929,644</u>	<u>\$ 7,226,866</u>	<u>\$ 89,095,509</u>

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
<u>(14,584,145)</u>	<u>-</u>	<u>16,100,037</u>
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)
<u>14,408,204</u>	<u>-</u>	<u>(45,999,747)</u>
-	-	(31,032)
-	-	7,768,448
<u>111,222</u>	<u>-</u>	<u>8,752,715</u>
<u>111,222</u>	<u>-</u>	<u>16,490,131</u>
(64,719)	-	(13,409,579)
<u>108,997,416</u>	<u>-</u>	<u>477,594,295</u>
<u>\$ 108,932,697</u>	<u>\$ -</u>	<u>\$ 464,184,716</u>

**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	<u>(81,438,622)</u>	<u>1,904,006</u>	<u>99,018,023</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (55,553,632)</u>	<u>\$ 1,804,731</u>	<u>\$ 84,433,083</u>
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	<u>258,929,644</u>	<u>7,271,151</u>	<u>311,257,277</u>
Less: Noncash equivalents	-	(44,285)	(222,161,768)
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 258,929,644</u>	<u>\$ 7,226,866</u>	<u>\$ 89,095,509</u>
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
<u>\$ 2,361,229</u>	<u>\$ 13,562,004</u>
-	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)
<u>(16,945,374)</u>	<u>2,538,033</u>
<u>\$ (14,584,145)</u>	<u>\$ 16,100,037</u>
\$ 108,932,697	\$ 365,403,382
-	45,594,883
-	176,611,170
-	98,781,334
<u>108,932,697</u>	<u>686,390,769</u>
-	(222,206,053)
<u>\$ 108,932,697</u>	<u>\$ 464,184,716</u>
<u>\$ -</u>	<u>\$ 4,540,353</u>
<u>\$ -</u>	<u>\$ 9,306,356</u>

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.

**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.

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

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 Vinchow Krause, LLP
Madison, Wisconsin
October 23, 2015

APPENDIX C

DEFINITIONS OF CERTAIN TERMS

The following definitions apply to capitalized terms used in this Official Statement.

Account means any of the accounts in the Funds created by or pursuant to the Program Resolution.

Act means Sections 281.58 and 281.59 of the Wisconsin Statutes, as amended from time to time.

Acting Beneficiaries Upon Default means:

- (1) for purposes of the direction of proceedings by the Trustee, the Holders of not less than the specified percentage of the aggregate Principal Amount of Senior Bonds Outstanding if Senior Bonds are Outstanding and otherwise the Holders of not less than the specified percentage of the most senior class of Bonds Outstanding, and
- (2) for all other purposes under the Program Resolution, any Senior Other Beneficiary or the Holders of not less than the specified percentage of the aggregate Principal Amount of Senior Bonds Outstanding if Senior Bonds or Senior Other Obligations are Outstanding and otherwise the Holders of not less than the specified percentage of Bonds the most senior class any Bonds or Other Obligations of which are Outstanding and any Other Beneficiary of such class.

Aggregate Debt Service Coverage Ratio means, for any Fiscal Year, the ratio of Projected Annual Revenues to Debt Service.

Authorized Commission Representative means any person at the time designated to act on behalf of the State by written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the State by the Capital Finance Director, and also includes the Capital Finance Director.

Balloon Bonds means any series of Bonds, 25% or more of the aggregate principal amount of which mature in a single year.

Balloon Payments means principal payments with respect to a series of Balloon Bonds that are due in any year in which 25% or more of the aggregate principal amount of such series of Balloon Bonds matures.

Beneficial Owner means the Person in whose name a Bond is recorded as beneficial owner of such Bond by the Securities Depository, Participant, or Indirect Participant, as the case may be.

Beneficial Ownership Interest means the right to receive payments and notices with respect to Bonds which are held by the Securities Depository under a Book-Entry System and for which the Securities Depository does not act on behalf of the Beneficial Owner in connection with the optional or mandatory tender of Bonds on a Tender Date.

Beneficiary means any Holder of Bonds and, to the extent provided in a Supplemental Resolution, any Swap Counterparty and any Credit Facility Provider.

Bond Anticipation Notes means obligations for the funding of which the Building Commission has authorized the issuance of Bonds in a Supplemental Resolution.

Bond Counsel means any Independent Counsel selected by the State and nationally recognized as an attorney or firm of attorneys whose opinions are generally accepted in the municipal bond market and who is familiar with the transactions contemplated under the Program Resolution. Any opinion of Bond Counsel required by the Program Resolution shall be in writing.

Bonds means revenue obligations of the State, however designated and whether Senior or Subordinate, that are issued pursuant to the Program Resolution and payable, in whole or in part, from the Pledged Revenues but does not include Bond Anticipation Notes that are payable solely from the proceeds of Bonds authorized in a Supplemental Resolution.

Book-Entry System means a book-entry system established and operated for the recordation of Beneficial Owners of Bonds pursuant to the Program Resolution and the Supplemental Resolution providing for the issuance of such Bonds.

Borrower means any Person authorized to obtain a Loan under the Act pursuant to a Program.

Building Commission means the State of Wisconsin Building Commission or any successor body having the power under subchapter II of Chapter 18 of the Wisconsin Statutes (or any successor provision) to authorize and direct the issuance of Bonds.

Capitalization Grant means grants that EPA is authorized to make, pursuant to the Water Pollution Control Act or the Safe Drinking Water Act, 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.

Capitalization Grant Agreement means the agreement the State has entered into with EPA for receipt of the Capitalization Grant.

Clean Water Fund Program means the Clean Water Fund Program as defined in and established by the Act.

Code means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code in the Program Resolution shall be deemed to include the United States Treasury Regulations in effect or proposed from time to time with respect thereto and applicable to the Bonds or the use of the proceeds thereof.

Commission means the State of Wisconsin Building Commission.

Costs of Issuance means, except as limited in any Supplemental 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 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, fees, costs and expenses of underwriters, purchasers and placement agents, legal fees and charges, professional consultants' fees, costs of credit ratings, premiums for insurance of the payment of Bonds or any fees and expenses payable in connection with any Credit Enhancement Facilities or Swap Agreements, costs and expenses of refunding of Bonds or any fees and expenses payable in connection with any remarketing agreements, tender agent agreements or interest rate indexing agreements and other costs, charges and fees in connection with the original issuance of Bonds.

Costs of Issuance Fund means the Costs of Issuance Fund established by the Program Resolution.

Counterparty Swap Payment means a payment due to or received by the State from or for the account of a Swap Counterparty pursuant to a Swap Agreement (including payments in respect of any early termination of such Swap Agreement), including amounts received by the State under any related guaranty or other credit support in favor of the State given in connection with such Swap Agreement.

Credit Enhancement Facility means, if and to the extent provided for in a Supplemental Resolution, with respect to Bonds of one or more series, (1) an insurance policy insuring, or a letter of credit, surety bond, or other guaranty providing a direct or indirect source of funds for, the payment of principal of and interest on such Bonds or (2) a letter of credit, standby purchase agreement, line of credit, or similar instrument or facility, providing for the purchase of such Bonds (or the Beneficial Ownership Interests therein) on a Tender Date, and in either case, all agreements entered into by the State or the Trustee and the Credit Facility Provider with respect thereto.

Credit Facility Provider means any Person or Persons engaged by the State, pursuant to a Credit Enhancement Facility, to provide credit enhancement or liquidity for the payment of the principal of and interest on Bonds or the State's obligation to purchase Bonds (or the Beneficial Ownership Interests therein) on a Tender Date.

Debt Obligation means an evidence of indebtedness issued by a Borrower evidencing and securing a Loan to such Borrower, which in the case of a Municipality shall be a Municipal Obligation.

Debt Service means the aggregate principal payments (whether at stated maturity or pursuant to sinking fund redemption requirements), interest payments, and other payments of the State on all Outstanding Bonds and Other Obligations for any Fiscal Year (including any State Swap Payments, less any Counterparty Swap Payments unless the Swap Counterparty is in default with respect to its payment obligations under the related Swap Agreement, and including any fees with respect to Credit Enhancement Facilities). For purposes of calculating such amount:

- (a) Any Variable Rate Bonds shall, for any future period for which the actual interest rate is not known on the date of determination (that is, on the date on which Debt Service is being calculated), be assumed to bear interest at a rate equal, as applicable, to: (i) if such Variable Rate Bonds bear interest based on a stated index or benchmark rate (including at a stated margin above or below such index or benchmark or a percentage thereof), the rate that would apply based on the daily average of such index or benchmark during the five years preceding the date of such calculation (or if such index or benchmark has not been available for five years, such shorter period during which it has been available) or (ii) if such Variable Rate Bonds do not bear interest based on a stated index or benchmark rate, (A) if such Variable Rate Bonds have been or are to be issued as Tax-Exempt Bonds, the daily average SIFMA Municipal Swap Index during the five years preceding the date of such calculation, or (B) if such Variable Rate Bonds have been or are to be issued as Taxable Bonds, the daily average LIBOR during the five years preceding the date of such calculation. A Supplemental Resolution that contains a determination by the Building Commission that another generally available index or benchmark more closely corresponds to the actual or expected interest rate on any such Variable Rate Bonds may substitute such index or benchmark for the SIFMA Municipal Swap Index or LIBOR, as applicable.
- (b) All Outstanding Bond Anticipation Notes shall be assumed to be funded at or before the stated maturity thereof, and all Bond Anticipation Notes which have been authorized by a Supplemental Resolution but not yet issued shall be assumed to be issued and immediately funded on the date of determination, in each case by the issuance of Senior Refunding Bonds in the full amount authorized with respect to such Bond Anticipation Notes, maturing according to such amortization schedule as the State may determine (however, the final maturity must not be later than 30 years from the original issuance of the Bond Anticipation Notes), and bearing interest at rates based on the then-applicable rates for comparable maturities of municipal bonds of comparable credit rating, as set forth in such nationally recognized municipal market publication as the State may select (including interest rate scales published by Municipal Market Data, a divisions of Thompson Reuters).
- (c) All Balloon Payments shall be assumed to be funded or refunded at or before the stated maturity thereof, by the issuance of Senior Refunding Bonds in the full amount of such Balloon Payment, maturing according to such amortization schedule as the State may determine (however, the final maturity must not be later than 30 years from the original issuance of the related Balloon Bonds), and bearing interest at rates based on the then-applicable rates for comparable maturities of municipal bonds of comparable credit rating, as set forth in such nationally recognized municipal market publication as the State may select (including interest rate scales published by Municipal Market Data, a divisions of Thompson Reuters).
- (d) Amounts of principal or interest due on a particular date shall be excluded from the determination of Debt Service to the extent that such amounts are payable from amounts deposited in trust, escrowed, or otherwise set aside for the payment thereof with the Trustee or another Person approved by the State or the Trustee (including amounts in an Escrow Account established in the Redemption Fund pursuant to the Program Resolution).
- (e) State Swap Payments, Counterparty Swap Payments, and payments with respect to Credit Enhancement Facilities shall be determined based upon such assumptions as may be set forth in the Supplemental Resolution authorizing the related Swap Agreement or the Credit Enhancement

Facility, as the case may be, or in a State Direction provided to the Trustee with respect to such Swap Agreement or Credit Enhancement Facility, as provided in the Program Resolution.

- (f) For purposes of applying the test set forth in the Program Resolution in connection with the issuance of Refunding Bonds, the proceeds of such Refunding Bonds shall be assumed to have been applied on their issuance date for the purposes provided in the Supplemental Resolution authorizing such Refunding Bonds.

Defeasance Securities means, subject to any applicable restrictions relating to investment of Funds or Accounts in the Revenue Obligations Act or otherwise applicable to the Environmental Improvement Fund, and except as limited with respect to any series of Bonds as provided in the Supplemental Resolution authorizing such series:

- (a) any direct and general obligations of, or any obligations unconditionally guaranteed by, the United States of America, which obligations are not redeemable prior to maturity other than at the option of the holder thereof;
- (b) obligations of, or unconditionally guaranteed as to payment of principal and interest by, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Financing Bank, the Federal Intermediate Credit Bank, Federal Banks for Cooperatives, Federal Land Banks, Federal Home Loan Banks, the Farmers Home Administration or the Federal Home Loan Mortgage Corporation, or any other agency or corporation created pursuant to an act of the Congress of the United States as an agency or instrumentality thereof, which obligations are not redeemable prior to maturity other than at the option of the holder thereof;
- (c) any obligations of any state or political subdivision of a state (“Municipal Bonds”) that are rated at least the rating then assigned to the Senior Bonds by each Rating Agency and that (a) are fully secured as to principal and interest by an irrevocable pledge of moneys or direct and general obligations of, or obligations unconditionally guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the owners of the Municipal Bonds, and (b) are not redeemable prior to maturity other than at the option of the holder thereof;
- (d) certificates of ownership of the principal of or interest on direct and general obligations of, or obligations unconditionally guaranteed by, the United States of America, which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System, which certificates of ownership are not redeemable prior to maturity other than at the option of the holder thereof;
- (e) the interest component of obligations issued by the Resolution Trust Corporation, which are not redeemable prior to maturity other than at the option of the holder thereof; and
- (f) securities evidencing ownership interests in open-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, whose investments are limited to the obligations described in clauses (a) and (b) of the definition of “Permitted Investments” and to repurchase agreements fully collateralized by such obligations, the average maturity of which obligations does not exceed 90 days.

DNR means the State of Wisconsin Department of Natural Resources or any other body succeeding to the authority and responsibilities of the State of Wisconsin Department of Natural Resources under the Act.

DOA means the State of Wisconsin Department of Administration or any other body succeeding to the authority and responsibilities of the State of Wisconsin Department of Administration under the Act.

Environmental Improvement Fund means the separate nonlapsible trust fund created under Section 25.43, Wisconsin Statutes, which includes all the Funds and Accounts created under the Program Resolution and which is a separate fund held in the State treasury.

EPA means the United States Environmental Protection Agency or any successor entity which may succeed to the administration of the programs established by the Water Pollution Control Act or the Safe Drinking Water Act.

Escrow Account means a separate and distinct Account created within the Redemption Fund or the Subordinate Redemption Fund pursuant to the Program Resolution in connection with the defeasance of any Bonds pursuant to the Program Resolution.

Event of Default means one of the events described as such under the heading “Events of Default” in **APPENDIX D**.

Equity Fund means the Equity Fund created in the Program Resolution.

Fees and Charges means all fees and charges, if any, charged by the State to Borrowers pursuant to the terms and provisions of Pledged Loans or Financial Assistance Agreements but does not include principal of and interest on, or any prepayment fee or premium with respect to, such Pledged Loans.

Fiduciary means each of the Trustee and any co-trustee, Registrar, Issuing Agent, Paying Agent, or other fiscal agent and includes any agent designated by or on behalf of the Building Commission or a Fiduciary to perform the functions of a Fiduciary. One entity may perform multiple Fiduciary functions, and multiple entities may perform a particular Fiduciary function.

Financial Assistance Agreement means any agreement entered into between DNR and a Borrower for financial assistance.

Fiscal Year means the annual period beginning on July 1 of each year and ending on June 30 of the following year.

Fund means any of the funds created by the Program Resolution.

Grant Proceeds means the funds received under a capitalization grant award made to the DNR by the EPA under the terms of a Capitalization Grant Agreement.

Holder means the registered owner of any Bond (which shall be the Securities Depository Nominee so long as a Book-Entry System is being used), as shown on the registration books of the State maintained by the Registrar, *except* that to the extent and for the purposes provided in a Supplemental Resolution for a series of Bonds (including for purposes of the definition of “Acting Beneficiaries Upon Default”), a Credit Facility Provider that has delivered a Credit Enhancement Facility with respect to such series of Bonds may instead be treated as the Holder of the Bonds of such series.

Independent Counsel means an Independent Person duly admitted to practice law before the highest court of any state of the United States of America or the highest court of the District of Columbia. Any opinion of Independent Counsel required by the Program Resolution shall be in writing.

Independent Person means a Person designated by the State and not an employee of the State.

Indirect Participant means a broker-dealer, bank, or other financial institution for which the Securities Depository holds Bonds as a securities depository through a Participant.

Interest Payment Date means any date on which interest is due on any Bond pursuant to the Program Resolution and the applicable Supplemental Resolution.

Issuing Agent means an entity designated by or on behalf of the Building Commission to perform such duties as may be required of the Issuing Agent under the Program Resolution or any Supplemental Resolution.

Legislature means the legislature of the State.

Leveraged Clean Water Portion means that portion of a series of Bonds designated as such in the applicable Supplemental Resolution, as adjusted pursuant to a State Direction, if applicable.

Leveraged Portion means the Leveraged Clean Water Portion and/or the Leveraged Safe Drinking Water Portion of a series of Bonds.

Leveraged Safe Drinking Water Portion means that portion of a series of Bonds designated as such in the applicable Supplemental Resolution, as adjusted pursuant to a State Direction, if applicable.

LIBOR means, for any date of determination, a rate of interest equal to the rate per annum (rounded to the nearest one-hundred thousandth percent) at which United States dollar deposits having a maturity of one month are offered to prime banks in the London interbank market which appears on Reuters Page LIBOR01 as of approximately 11:00 a.m., London time, on such date. If such rate does not appear on Reuters Page LIBOR01, the rate shall be determined from such other source in general use in the financial service industry as may be designated in a State Direction. For this purpose, “Reuters Page LIBOR01” means the display page so designated on the Reuters Money 3000 Service (or such other page as may replace that page on that service or such other service as may be nominated by ICE Benchmark Administration Limited or a successor organization for the purpose of displaying London interbank offered rates for U.S. dollar deposits).

Loan means any form of financial assistance subject to repayment, whether or not interest bearing, provided by the State to a Borrower in accordance with a Financial Assistance Agreement for all or any part of the cost of a Project, made pursuant to the Act.

Loan Capitalized Interest means, for any Loan financed in whole or in part by disbursement of amounts in the Loan Fund, the amount, if any, that the State agrees in a Financial Assistance Agreement shall be paid on behalf of a Borrower as capitalized interest on such Loan, which amount shall be transferred by the Trustee from the Loan Fund to the Interest Receipts Subaccount(s) of the appropriate Account(s) in the Revenue Fund as provided in the Program Resolution, and which amount shall, when transferred, be deemed to be a Loan disbursement from the Loan Fund to such Borrower.

Loan Fund means the Loan Fund established by the Program Resolution.

Loan Repayment means any payment on a Pledged Loan pursuant to a Financial Assistance Agreement, or on the Debt Obligation evidencing and securing such Pledged Loan, on account of the principal, interest and premium, if any, due on such Pledged Loan, including scheduled payments of principal and interest on such Pledged Loan or Debt 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 Debt Obligation, and any amounts paid with respect to such Pledged Loan or Debt Obligation on account of (i) acceleration of the due date of such Pledged Loan or such Debt Obligation, (ii) the sale or other disposition of such Pledged Loan or Debt Obligation and other collateral securing such Pledged Loan, (iii) the receipt of proceeds of any insurance, letter of credit or other guaranty of such Pledged Loan or Debt Obligation, (iv) payments with respect to such Pledged Loan pursuant to Section 281.59 (13m) of the Wisconsin Statutes (that is, the State moral obligation), and (v) the exercise or any right or remedy granted to the State and available under law or the applicable Financial Assistance Agreement or Debt Obligation upon default on such Pledged Loan or Debt Obligation (including by recourse to collateral and security devices under the Debt Obligations), but specifically excluding Fees and Charges.

Municipal Obligation means the Debt Obligation, in the form of a bond, note or other evidence of debt issued by any Municipality and authorized by law, which has heretofore been or shall hereafter be acquired by the State as evidence of indebtedness of a Loan to the Municipality pursuant to the Act.

Municipality means a political subdivision of the State or a federally recognized American Indian tribe or band located within the State, in either case constituting a “municipality” within the meaning of the Act.

Other Beneficiary means a Person who is a Beneficiary of an Other Obligation.

Other Obligation means, to the extent provided in a Supplemental Resolution, the State’s obligations to pay any amounts under any Swap Agreements and any Credit Enhancement Facilities.

Outstanding means, (1) when used in reference to the Bonds as of any given date, all Bonds which have been duly authenticated and delivered by the Registrar or Issuing Agent under the Program Resolution *except*:

- (a) Bonds which have been canceled by the Registrar at or before such date or which have been delivered to the Registrar at or before such date for cancellation;
- (b) Bonds deemed to be paid in accordance with Article VI of the Program Resolution (relating to defeasance);
- (c) Bonds in lieu of which other Bonds have been authenticated under the Program Resolution;
- (d) Bonds not surrendered for payment when due (unless the State shall default in the payment thereof); and
- (e) Bonds which are otherwise not treated as Outstanding pursuant to the terms of the Supplemental Resolution providing for their issuance; and

(2) when used with respect to Other Obligations, means any Other Obligations which have become, or may in the future become, due and payable and which have not been paid or otherwise satisfied.

Participant means a broker-dealer, bank, or other financial institution for which the Securities Depository holds Bonds as a securities depository.

Paying Agent means the Trustee or another agent of the State designated by or on behalf of the Building Commission to process payments to Holders of the Bonds.

Permitted Investments means, subject to any applicable restrictions relating to investment of Funds or Accounts in the Revenue Obligations Act (including particularly Sections 18.561 (5) and 18.57 (3), Wisconsin Statutes) or otherwise applicable to the Environmental Improvement Fund, any of the following:

- (a) Any bonds or other obligations which the timely payment of principal and interest constitutes direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any of the federal agencies set forth in clause (c) of this definition to the extent unconditionally guaranteed by the United States of America.
- (b) 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 (i) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (ii) which are 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 (a) of this definition, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (i) of this clause (b), as appropriate, and (iii) as to which the principal of and interest on bonds or other obligations of the character described in clause (a) of this definition which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (b) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (i) of this clause (b), as appropriate; and that are rated at the date of purchase at least the Required Rating for Permitted Investments.
- (c) Bonds, debentures or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an act of Congress as an agency or instrumentality of the United States of America.
- (d) The interest component of obligations issued by the Resolution Trust Corporation, which are not redeemable prior to maturity other than at the option of the holder thereof.
- (e) Obligations of any state of the United States of America or any political subdivision thereof or any agency or instrumentality of any such state or political subdivision which are rated at least the Required Rating for Permitted Investments.

- (f) Certificates or other instruments that evidence ownership of the right to payments of principal of or interest on obligations of any state of the United States of America or any political subdivision thereof or any agency or instrumentality of any state or political subdivision, if (i) such obligations are held in trust by a commercial bank which is a member of the Federal Reserve System and meets the eligibility requirements for a Trustee under the Program Resolution, and (ii) payment of all principal of and interest on such certificates or such obligations is fully insured or unconditionally guaranteed by, or unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations the debt of which is rated at least the Required Rating for Permitted Investments, or, in the case of an insurer providing municipal bond insurance policies insuring the payment when due of the principal of and interest on municipal bonds, such insurance policy results in such municipal bonds being rated at least the Required Rating for Permitted Investments.
- (g) Certificates that evidence ownership of the right to payments of principal of or interest on obligations described in clause (a) of this definition, provided that such obligations are held in trust by a commercial bank which is a member of the Federal Reserve System and meets the eligibility requirements for a Trustee under the Program Resolution.
- (h) Certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances of any bank in the United States of America which is rated at least the Required Rating for Permitted Investments.
- (i) Commercial paper, other than that issued by bank holding companies, the debt of which is rated at least the Required Rating for Permitted Investments.
- (j) Written repurchase contracts, reverse repurchase contracts or securities lending agreements (collateralized by cash or securities) that satisfy the criteria for being rated at least the Required Rating for Permitted Investments.
- (k) Shares of an investment company organized under or a money market fund regulated under the Investment Company Act of 1940, as amended, or units of a common trust fund, which satisfies the criteria for being rated at least the Required Rating for Permitted Investments.
- (l) Any agreement for an investment of money with a Qualified Institution, provided that such agreement (or the debt of the Qualified Institution) must (i) be rated at least the Required Rating for Permitted Investments at the time such agreement is entered into or (ii) be collateralized with cash or securities in such manner as required for a Required Rating for Permitted Investments. **"Qualified Institution"** means any entity, the unsecured long-term debt obligations of which are rated at least the Required Rating for Permitted Investments.
- (m) obligations secured or supported by a letter of credit, contract, guaranty, agreement or surety bond issued by an entity the obligations of which are rated at least the Required Rating for Permitted Investments.
- (n) any investment agreements or debt obligations rated at least the Required Rating for Permitted Investments.
- (o) Loans or other obligations incurred under the Clean Water Fund Program or the Safe Drinking Water Loan Program (other than Loans made with bonds issued pursuant to the Prior General Resolution).
- (p) The local government pooled-investment fund managed by the State of Wisconsin Investment Board pursuant to Section 25.50 of the Wisconsin Statutes.
- (q) Any other investment that the State is authorized to make pursuant to the Act and the Revenue Obligations Act and that is rated at least the Required Rating for Permitted Investments.

Person means any natural person, firm, association, corporation, company, trust, partnership, public body, or other entity.

Pledged Loan means (i) all Loans financed through the application of amounts in the Loan Fund as provided in the Program Resolution, and (ii) any other Loans designated as such by the State under the Program Resolution pursuant to the provisions thereof, except that “Pledged Loans” shall not include Loans released from the pledge of the Program Resolution as described under **“SECURITY; Disposition of Loans” in the Official Statement.**

Pledged Revenues means (i) all Loan Repayments, including both timely and delinquent payments; (ii) 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 that evidences and secures a Pledged Loan; (iii) all Counterparty Swap Payments; (iv) except as limited as provided in the Supplemental Resolution authorizing such Credit Enhancement Facility, all amounts received with respect to the payment of Bonds pursuant to a Credit Enhancement Facility; (v) earnings or income from investments of moneys in the Funds and Accounts that are payable into the Revenue Fund, (vi) any other moneys held or received by the State or the Trustee relating to any Debt Obligation that evidences and secures a Pledged Loan; and (vii) any other revenues of the Program(s) pledged to secure Bonds by a Supplemental Resolution adopted pursuant to the Program Resolution.

Principal Amount when used with respect to a Bond, means the then outstanding principal amount of such Bond. To the extent provided in the Supplemental Resolution for Bonds of a series that pay interest less frequently than semiannually, accrued interest or amortized original issue discount with respect to such Bond shall be treated as principal, and to the extent provided in the Supplemental Resolution for Bonds of a series that bear no interest, only the purchase price plus amortized original issue discount shall be treated as principal.

Principal Payment Date means the stated maturity date of principal of any Serial Bond, the Sinking Fund Payment Date for any Term Bond, and any other Redemption Date for any Bond.

Prior General Resolution means 1991 State of Wisconsin Building Commission Resolution 5, entitled “State of Wisconsin Clean Water Revenue Bond General Resolution,” as amended.

Program means the Clean Water Fund Program or the Safe Drinking Water Loan Program. However, until such time, if any, as the Act is amended to provide for the issuance of revenue obligations under the Revenue Obligations Act with respect to the Safe Drinking Water Loan Program, **“Program”** shall refer only to the Clean Water Fund Program.

Program Resolution means the 2015 State of Wisconsin Building Commission Resolution 10, entitled Program Resolution for State of Wisconsin Environmental Improvement Fund Revenue Obligations, adopted by the Building Commission on October 7, 2015, as it may be supplemented and amended from time to time by Supplemental Resolutions.

Project means any project for the planning, design, acquisition, construction, improvement, repair, reconstruction, modification, renovation or expansion of any wastewater collection or treatment system or water supply system that is eligible for financing by the State pursuant to the Act.

Projected Annual Revenues means, for any Fiscal Year, the sum of (i) the aggregate amount of Loan Repayments scheduled to come due during such Fiscal Year (based on the State’s estimated schedule for disbursement of Loans), excluding any such payments with respect to Pledged Loans that are in default, and (ii) the aggregate amount that the State estimates will be received during such Fiscal Year as earnings or income from investments of moneys in the Funds and Accounts that are payable into the Revenue Fund.

Rating Agency means, at any time, any nationally recognized securities rating agency which then provides a rating on the Bonds at the request of the State (which request may be withdrawn) and includes the successors and assigns of any such agency.

Rebate Fund means the Rebate Fund created in the Program Resolution.

Redemption Date means the date fixed for redemption of any Bond pursuant to the Program Resolution and the applicable Supplemental Resolution.

Redemption Fund means the Redemption Fund created in the Program Resolution.

Refunding Bonds means Bonds issued or to be issued to provide for the payment of principal of (and, to the extent provided by the Supplemental Resolution authorizing the issuance thereof, premium, if any, and interest on) Bonds previously issued under the Program Resolution or to fund Bond Anticipation Notes.

Registrar means the Trustee or any other agent of the State designated by or on behalf of the Secretary of DOA to maintain the registration books for the Bonds.

Required Rating for Permitted Investments means:

- (a) in the case of investment securities or debt obligations to which long-term debt ratings apply, that such securities or obligations (or where applicable, other securities or obligations of the issuer thereof) are rated by each Rating Agency at least “AA-,” “Aa3” or their equivalent, and
- (b) in the case of investment securities or debt obligations to which short-term debt ratings apply, that such securities or obligations (or where applicable, other securities or obligations of the issuer thereof) are rated by each Rating Agency in its highest applicable rating category,

in each case, without regard to numerical or other modifiers of such rating categories.

Reserve Fund means the Reserve Fund, if any, created in the Program Resolution.

Reserve Fund Requirement means, with respect to any Account within the Reserve Fund, the amount established as such in the Supplemental Resolution pursuant to which such Account is established, which may be expressed as a percentage of the Outstanding Bonds secured by such Account, as a stated dollar amount, or in any other manner. In calculating the Reserve Fund Requirement, all Bonds to be redeemed or defeased by a series of Refunding Bonds shall be deemed not Outstanding as of the date of calculation.

Revenue Fund means the Revenue Fund created in the Program Resolution.

Revenue Obligations Act means Subchapter II of Chapter 18 of the Wisconsin Statutes and any other enactment by the Legislature that shall authorize the issuance of revenue obligations of the nature of the Bonds on behalf of the State.

Safe Drinking Water Act means the federal Safe Drinking Water Act, 42 U.S.C. Section 300f *et seq.*, as amended from time to time, or any successor provisions.

Safe Drinking Water Loan Program means the Safe Drinking Water Loan Program as defined in and established by the Act.

Securities Depository means the securities depository and any substitute for or successor to such securities depository that shall, at the request of the Building Commission, maintain a Book-Entry System with respect to the Bonds.

Securities Depository Nominee means the Securities Depository or the nominee of the Securities Depository in whose name the Bonds are registered during the continuation with such Securities Depository of participation in its Book-Entry System.

Senior means, (1) when used with respect to a Bond, a Bond of a series designated (or deemed to have been designated) as such pursuant to the Program Resolution and the Supplemental Resolution pursuant to which such series of Bonds is issued, (2) when used with respect to a Credit Enhancement Facility, a Credit Enhancement Facility designated (or deemed to have been designated) as such pursuant to the Program Resolution and the Supplemental Resolution pursuant to which such Credit Enhancement Facility is obtained by the State, and (3) when used with respect to a Swap Agreement, a Swap Agreement designated (or deemed to have been designated) as such pursuant to the Program Resolution and the Supplemental Resolution pursuant to which such Swap Agreement is obtained by the State. A Supplemental Resolution may provide that only certain obligations with respect to Bonds, Credit Enhancement Facilities or Swap Agreements are Senior. Payments in respect of any early termination of a Swap Agreement may not be designated as Senior.

Serial Bonds means all Bonds other than Term Bonds.

Senior Debt Service means Debt Service, computed without taking into account Subordinate Bonds and Other Subordinate Obligations.

Senior Debt Service Coverage Ratio means, for any Fiscal Year, the ratio of Projected Annual Revenues to Senior Debt Service.

Sinking Fund Payment Date means the date on which any Term Bond is to be called for redemption pursuant to the sinking fund requirements of the Supplemental Resolution providing for the issuance thereof or, if not redeemed, the stated maturity date thereof.

State means the State of Wisconsin.

State Certificate means a certificate signed by an Authorized Commission Representative and delivered to the Trustee or, if required by the context in which such term is used, to any other Fiduciary.

State Direction means a direction to the Trustee or, if required by the context in which such term is used, to any other Fiduciary and signed by an Authorized Commission Representative.

State Match means the amount of matching State funds required under the Water Pollution Control Act or the Safe Drinking Water Act, which presently equals not less than 20% of the amount of funds available under the applicable Capitalization Grant Agreement.

State Match Clean Water Portion means that portion of a series of Bonds designated as such in the applicable Supplemental Resolution, as adjusted pursuant to a State Direction, if applicable.

State Match Portion means the State Match Clean Water Portion and/or the State Match Safe Drinking Water Portion of a series of Bonds.

State Match Restriction means the prohibition set forth in the Program Resolution against using Grant Proceeds and principal repayments of Pledged Loans to pay amounts due with respect to State Match Portions.

State Match Safe Drinking Water Portion means that portion of a series of Bonds designated as such in the applicable Supplemental Resolution, as adjusted pursuant to a State Direction, if applicable.

State Swap Payment means a payment due to a Swap Counterparty from the State pursuant to the applicable Swap Agreement (including, but not limited to, payments in respect of any early termination of such Swap Agreement).

Subordinate means, after the adoption of a Supplemental Resolution pursuant to the Program Resolution to provide for the creation of a class of Bonds or Other Obligations that is subordinate to Senior Bonds, (1) when used with respect to a Bond, a Bond of a series designated as such pursuant the Program Resolution and the Supplemental Resolution pursuant to which such series of Bonds is issued, (2) when used with respect to a Credit Enhancement Facility, a Credit Enhancement Facility designated as such pursuant to the Program Resolution and the Supplemental Resolution pursuant to which such Credit Enhancement Facility is obtained by the State, and (3) when used with respect to a Swap Agreement, a Swap Agreement designated as such pursuant to the Program Resolution and the Supplemental Resolution pursuant to which such Swap Agreement is obtained by the State. A Supplemental Resolution may provide that only certain obligations with respect to Bonds, Credit Enhancement Facilities or Swap Agreements are Subordinate.

Subordinate Redemption Fund means the Subordinate Redemption Fund created in the Program Resolution.

Supplemental Resolution means a resolution adopted by the Building Commission in accordance with the Program Resolution to supplement or amend the Program Resolution.

Swap Agreement means an interest rate exchange agreement or other interest rate hedge agreement between the State and a Swap Counterparty, for the purpose of (1) converting, in whole or in part, (a) the State's fixed interest rate liability on all or a portion of any Bonds to a variable interest rate liability, (b) the State's variable interest rate liability on all or a portion of any Bonds to a fixed interest rate liability, or (c) the State's variable

interest rate liability on all or a portion of any Bonds to a different variable interest rate liability, or (2) providing a maximum or minimum with respect to the State's variable interest rate liability on all or a portion of any Bonds.

Swap Counterparty means any Person with whom the State shall, from time to time, enter into a Swap Agreement.

Taxable Bonds means Bonds of a series that are not offered on the basis that interest on the Bonds of that series is excluded from gross income of the Beneficial Owners for federal income tax purposes pursuant to the Code, as designated in the Supplemental Resolution authorizing such Bonds.

Tax-Exempt Bonds means Bonds of a series are offered on the basis that interest on the Bonds of that series is excluded from gross income of the Beneficial Owners for federal income tax purposes pursuant to the Code, as designated in the Supplemental Resolution authorizing such Bonds.

Tender Date means, with respect to any Bond or Beneficial Ownership Interest, a date on which such Bond or Beneficial Ownership Interest is required to be tendered for purchase by or on behalf of the State, or has been tendered for purchase by or on behalf of the State pursuant to a right given the Holder or Beneficial Owner of such Bond, in accordance with the provisions in the Supplemental Resolution providing for the issuance thereof.

Term Bonds means Bonds which are subject to mandatory redemption on Sinking Fund Payment Dates according to a schedule provided in or pursuant to the Supplemental Resolution providing for the issuance of such Bonds.

Transfer Date means each June 1 and December 1, commencing June 1, 2016.

Trustee means U.S. Bank National Association or any successor entity designated by or on behalf of the Building Commission to have custody of the Funds and Accounts and to perform such other duties as may be required of the Trustee under the Program Resolution or any Supplemental Resolution.

Variable Rate Bonds means Bonds whose interest rate is not fixed for the entire remaining term of such Bonds, but varies on a periodic basis as specified in the Supplemental Resolution providing for the issuance thereof.

Water Pollution Control Act means subchapter VI of the federal Water Pollution Control Act of 1987, 33 U.S.C. Section 1381 *et seq.*, as amended from time to time, or any successor provisions.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF PROGRAM RESOLUTION

Through the Program Resolution, the State pledges revenues that secure the Bonds, establishes certain funds and accounts, specifies the conditions under which Bonds may be issued, and makes covenants and other provisions for the benefit of Holders of the Bonds. The terms and provisions of the Program Resolution are summarized below and under “SECURITY” in the Official Statement. Certain capitalized terms are defined in APPENDIX C. A copy of the Program Resolution may be obtained by contacting the State at the address provided on page 1 of this Official Statement.

The Program Resolution includes provisions permitting the financing of Loans to borrowers other than Municipalities, as well as Loans under the Safe Drinking Water Program and potentially, with the approval of the EPA, other similar programs. However, those provisions could become effective only if the Act were to be amended to permit the State to issue revenue bonds to finance those Loans or programs. Currently, the Act authorizes only Clean Water Fund Program loans made to Municipalities to be financed with revenue bonds issued by the State.

Resolution to Constitute a Contract

The provisions of the Program Resolution (including each Supplemental Resolution) constitute a contract with the Holders of the Bonds and the other Beneficiaries.

Pledge

Pursuant to its power under the Wisconsin Statutes, the Building Commission (jointly with DOA and DNR) pledges the Pledged Revenues to the payment of the Bonds and Other Obligations and directs the Trustee to deposit the Pledged Revenues into the Funds and Accounts in the order and amounts described under “Establishment of Funds and Accounts” herein, and determines that the amounts deposited in the Equity Fund may be made available for other purposes.

From time to time the State may, by State Certificate, designate Loans (which are not otherwise subject to the pledge of the Program Resolution) that meet the requirements set forth in the Program Resolution as “Pledged Loans,” and thereby assign and grant to the Trustee a security interest in the related Loan Repayments and other related Pledged Revenues. Upon receipt by the Trustee of such State Certificate, the Loans identified therein will become Pledged Loans under the Program Resolution, subject to the lien of the Program Resolution.

In accordance with Section 18.561 (2), Wisconsin Statutes, a security interest is created, for the benefit of the Holders of the Bonds and the Other Beneficiaries, in the Pledged Revenues and in the Loan Fund, the Costs of Issuance Fund, the Revenue Fund, the Redemption Fund, and any Reserve Fund, Subordinate Redemption Fund and Subordinate Reserve Fund that may be established under the Program Resolution. Such Pledged Revenues and the moneys in such Funds will remain subject to the security interest until the Bonds and the Other Obligations have been paid in full or provision for their payment in full has been made, as described under “Defeasance” herein. A Holder of the Bonds or any Other Beneficiary may (subject to the certain restrictions contained in the Program Resolution) either at law or in equity protect and enforce the security interest and compel performance of all duties required by Section 18.561, Wisconsin Statutes.

State Match Restriction.

The establishment of the Funds and Accounts under the Program Resolution, and the deposit and disbursement of moneys held under the Program Resolution, are intended to ensure that Grant Proceeds and the principal repayments of Pledged Loans made under the Clean Water Fund Program and the Safe Drinking Water Loan Program will not be used to pay, or to reimburse any Credit Facility Provider for the payment of, amounts due on the State Match Clean Water Portion or the State Match Safe Drinking Water Portion of the Bonds or to make rebate payments from the Rebate Fund allocable to such State Match Portions. In light of the State Match Restriction, interest payments on Pledged Loans and investment

earnings will generally be used first to pay amounts due on the State Match Clean Water Portion and State Match Safe Drinking Water Portion of the Bonds, and then to pay any remaining amounts due on the Leveraged Clean Water Portion and the Leveraged Safe Drinking Water Portion of the Bonds, respectively.

Issuance of Bonds

The Bonds will be issued, pursuant to one or more Supplemental Resolutions, at one time or from time to time, in one or more series, in principal amounts specified by the Building Commission in or pursuant to a Supplemental Resolution.

The aggregate principal amount of Bonds issued under the Program Resolution shall not be greater than the aggregate amount at the time authorized by the Legislature for the program(s) or purpose(s) for which Bonds are issued, when considered together with any other obligations issued pursuant to such authorization.

From time to time, the State may issue one or more series of Bonds, upon compliance with the following conditions and any additional conditions specified in a Supplemental Resolution. In the case of Bond Anticipation Notes, the following conditions need be met only on the first date of issuance of any of the Bond Anticipation Notes authorized under the Supplemental Resolution providing for such Bond Anticipation Notes:

(1) The Trustee shall have been provided with a State Certificate to the effect that the State is not in default in the performance of any of its covenants and agreements in the Program Resolution (unless, in the opinion of Independent Counsel, any such default does not deprive any Beneficiary in any material respect of the security afforded by the Program Resolution).

(2) Except with respect to the issuance of Refunding Bonds issued to fund Bond Anticipation Notes that are also Bonds, the Trustee shall have been provided with a State Certificate evidencing that, as of the date of issuance of the Bonds (and after giving effect to the issuance of the Bonds and the pledge of any additional Pledged Loans to be financed with such Bonds or otherwise to be pledged pursuant to the Program Resolution or the Supplemental Resolution authorizing the Bonds), (i) the Aggregate Debt Service Coverage Ratio will be at least 1.0 to 1 for each future Fiscal Year, and (ii) if the Bonds to be issued are Senior Bonds, the Senior Debt Service Coverage Ratio will be at least 1.0 to 1 for each future Fiscal Year. In connection with the issuance of Refunding Bonds, such State Certificate may instead evidence that the issuance of the Refunding Bonds will not increase Debt Service in any Fiscal Year.

(3) The Trustee, or another Fiduciary if directed by a Supplemental Resolution, shall have received the following:

- (a) A duly certified copy of the Program Resolution, as then in effect.
- (b) A duly certified copy of the particular Supplemental Resolution.
- (c) Original, fully-executed Bonds for the series or an original, fully-executed master Bond that includes the series.
- (d) An opinion of Bond Counsel to the effect that the Program Resolution and the particular Supplemental Resolution have each been duly adopted.
- (e) An opinion of Bond Counsel to the effect that the Bonds of that series have been duly and validly authorized and, when duly executed in the form and manner provided in the Program Resolution and the particular Supplemental Resolution, duly authenticated by the Registrar or Issuing Agent, delivered, and paid for, will constitute valid and binding enterprise revenue obligations of the State.
- (f) Such ancillary agreements or other documents as the Supplemental Resolution for such series shall specify.

Each Supplemental Resolution authorizing a series of Bonds shall designate the Bonds of such series as Senior Bonds or Subordinate Bonds; however, a Supplemental Resolution may provide that certain of the State's obligations with respect to such Bonds are Senior and its other obligations with respect to such Bonds are Subordinate.

Credit Enhancement Facilities and Swap Agreements

The State may from time to time, pursuant to a Supplemental Resolution and upon compliance with Section 18.55 (6) of the Wisconsin Statutes, enter into or obtain the benefit of any Credit Enhancement Facility with respect to Bonds of any series, or any Swap Agreement with respect to its Debt Service obligations relating to Bonds of any series. Any such Credit Enhancement Facility or Swap Agreement must satisfy any conditions specified in a Supplemental Resolution.

In connection with any Swap Agreement either a Supplemental Resolution or a State Direction provided to the Trustee shall set forth assumptions regarding State Swap Payments and Counterparty Swap Payments to be made thereunder for purposes of the definition of "Debt Service" in APPENDIX C.

Notwithstanding anything in the Program Resolution to the contrary, (1) any Supplemental Resolution authorizing the execution by the State of a Swap Agreement or Credit Enhancement Facility may include provisions with respect to the application and use of all amounts to be paid thereunder, (2) amounts paid under any such Credit Enhancement Facility with respect to the Bonds secured thereby shall be applied and used only as specifically provided in such Supplemental Resolution and no Beneficiaries shall have any rights with respect to any such amounts so paid except as may be specifically provided in such Supplemental Resolution, (3) Bonds of one or more series or any portions thereof may be secured by a pledge of any or all amounts payable pursuant to such Credit Enhancement Facility, in the manner and to the extent provided in such Supplemental Resolution, and (4) except as otherwise provided in the Supplemental Resolution pursuant to which such Credit Enhancement Facility is obtained or such Swap Agreement is entered into, the State's obligations under any such Credit Enhancement Facility or Swap Agreement shall be limited obligations, payable solely from the revenues and assets of the State pledged therefor under the Program Resolution.

Each Supplemental Resolution authorizing any Swap Agreement or Credit Enhancement Facility shall designate the State's obligations under such Swap Agreement or Credit Enhancement Facility, as the case may be, as Senior Other Obligations or Subordinate Other Obligations. A Supplemental Resolution authorizing any Swap Agreement or Credit Enhancement Agreement may provide that certain of the State's obligations with respect thereto are Senior and its other obligations with respect thereto are Subordinate, except that all State Swap Payments in respect of the early termination of a Swap Agreement shall be designated as Subordinate.

Establishment of Funds and Accounts

The following funds (and within certain of the funds, the following accounts and subaccounts) are established and required to be maintained pursuant to the provisions of the Program Resolution:

- (1) Loan Fund
 - (a) Clean Water State Match Loan Account
 - (b) Clean Water Leveraged Loan Account
 - (c) Safe Drinking Water State Match Loan Account
 - (d) Safe Drinking Water Leveraged Loan Account
- (2) Revenue Fund
 - (a) Clean Water Revenue Account
 - (i) Principal Receipts Subaccount
 - (ii) Interest Receipts Subaccount

- (b) Safe Drinking Water Revenue Account
 - (i) Principal Receipts Subaccount
 - (ii) Interest Receipts Subaccount
- (3) Rebate Fund
 - (a) Separate Account for each series of Tax-Exempt Bonds
 - (i) Clean Water State Match Subaccount
 - (ii) Clean Water Leveraged Subaccount
 - (iii) Safe Drinking Water State Match Subaccount
 - (iv) Safe Drinking Water Leveraged Subaccount
- (4) Redemption Fund
 - (a) Clean Water State Match Redemption Account
 - (b) Clean Water Leveraged Redemption Account
 - (c) Safe Drinking Water State Match Redemption Account
 - (d) Safe Drinking Water Leveraged Redemption Account
- (5) Reserve Fund
 - (a) Separate Account for each series of Bonds to be secured by the Reserve Fund
 - (i) Clean Water State Match Subaccount
 - (ii) Clean Water Leveraged Subaccount
 - (iii) Safe Drinking Water State Match Subaccount
 - (iv) Safe Drinking Water Leveraged Subaccount
- (6) Subordinate Redemption Fund
 - (a) Clean Water State Match Subordinate Redemption Account
 - (b) Clean Water Leveraged Subordinate Redemption Account
 - (c) Safe Drinking Water State Match Subordinate Redemption Account
 - (d) Safe Drinking Water Leveraged Subordinate Redemption Account
- (7) Subordinate Reserve Fund
 - (a) Separate Account for each series of Subordinate Bonds to be secured by the Subordinate Reserve Fund
 - (i) Clean Water State Match Subaccount
 - (ii) Clean Water Leveraged Subaccount
 - (iii) Safe Drinking Water State Match Subaccount
 - (iv) Safe Drinking Water Leveraged Subaccount
- (8) Cost of Issuance Fund
- (9) Equity Fund

Each of the funds and accounts, or assets for each of the funds and accounts, are deposited with, and held by the Trustee (or such other Fiduciary as the State may designate) pursuant to the provisions of the Program Resolution, except for the Equity Fund, which is held and maintained by the State.

Loan Fund

Each Supplemental 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 will be applied by the State from time to time as follows:

- (1) For disbursing Loans to Borrowers under the Program, including transfers of Loan Capitalized Interest to the Revenue Fund; and
- (2) For reimbursing the State for the application of other funds to the prior origination of Loans.

Moneys may be withdrawn from the Loan Fund for financing a Pledged Loan upon a requisition of an Authorized Commission Representative containing certifications as to the use of the amounts to be disbursed.

Prior to the initial transfer of amounts to a Municipality with respect to a Pledged Loan, the State will deliver to the Trustee:

- (1) a copy of the original executed Financial Assistance Agreement evidencing the Loan to be so made and
- (2) a copy of the original executed Debt Obligation evidencing and securing such Loan in an aggregate principal amount equal to the maximum permissible Loan amount.

Revenue Fund

Deposit of Pledged Revenues

The Trustee will credit all Pledged Revenues (other than (i) payments under Credit Enhancement Facilities for the payment of the principal of, and premium, if any, and interest on Bonds or for the payment of the purchase price of Bonds on a Tender Date and (ii) any proceeds of the sale or other disposition of Pledged Loans, to the extent directed to be applied in some other manner pursuant to the Program Resolution), upon receipt thereof, to the Revenue Fund. In accordance with the direction of an Authorized Commission Representative:

- (1) all Loan Repayments and other Pledged Revenues received with respect to Pledged Loans under the Clean Water Fund Program, and all Counterparty Swap Payments allocable to the Leveraged Clean Water Portion and the State Match Clean Water Portion, will be credited to the Clean Water Revenue Account;
- (2) all Loan Repayments and other Pledged Revenues received with respect to Pledged Loans under the Safe Drinking Water Loan Program, and all Counterparty Swap Payments allocable to the Leveraged Safe Drinking Water Portion and the State Match Safe Drinking Water Portion, will be credited to the Safe Drinking Water Revenue Account;
- (3) all Loan Repayments and other Pledged Revenues allocable to the payment of principal of or prepayment fees or premiums, if any, with respect to the Pledged Loans will be credited to the Principal Receipts Subaccount of the applicable Account; and
- (4) all Loan Repayments and other Pledged Revenues allocable to interest on the Pledged Loans (including Loan Capitalized Interest transferred from the Loan Account pursuant to the Program Resolution), all Counterparty Swap Payments, and all investment earnings on amounts in the Funds and Accounts (other than the Rebate Fund) will be credited to the Interest Receipts Subaccount of the applicable Account.

Application of Revenues

On each Transfer Date, the Trustee will transfer the moneys received in the Clean Water Revenue Account as follows:

First, amounts in the Interest Receipts Subaccount within such Account will be transferred to the Clean Water State Match Redemption Account, until it is funded up to the amount necessary to pay

Debt Service on the State Match Clean Water Portion of the Senior Bonds prior to the next Transfer Date;

Second, amounts in the Principal Receipts Subaccount within such Account will be transferred to the Clean Water Leveraged Redemption Account, until it is funded up to the amount necessary to pay Debt Service on the Leveraged Clean Water Portion of the Senior Bonds prior to the next Transfer Date;

Third, any remaining amounts in the Interest Receipts Subaccount within such Account will be transferred to the Clean Water Leveraged Redemption Account, to the extent of any shortfall under clause *Second* above;

Fourth, any remaining amounts in the Interest Receipts Subaccount within such Account will be transferred to the Safe Drinking Water State Match Redemption Account, to the extent of any shortfall under clause *First* of the following paragraph;

Fifth, any remaining amounts in the Principal Receipts Subaccount within such Account will be transferred to the Safe Drinking Water Leveraged Redemption Account, to the extent of any shortfall under clause *Third* of the following paragraph;

Sixth, any remaining amounts in the Interest Receipts Subaccount within such Account will be transferred to the Safe Drinking Water Leveraged Account, to the extent of any shortfall under clause *Fifth* above; and

Seventh, any excess amounts in the Principal Receipts Subaccount or the Interest Receipts Subaccount will (subject to the State Match Restriction) be transferred:

First, to the credit of the corresponding Account(s) or subaccount(s) within the Rebate Fund to the extent provided in the Program Resolution;

Second, to the credit of the corresponding Account(s) or subaccount(s) within the Reserve Fund to the extent provided in the Program Resolution;

Third, to the extent provided in a Supplemental Resolution, to the credit of the corresponding Account(s) or subaccount(s) within the Subordinate Redemption Fund or any Subordinate Reserve Fund established with respect thereto;

Fourth, (a) on the Transfer Date occurring in June of each year, remaining amounts in the Principal Receipts Subaccount will be transferred to the Clean Water Leveraged Redemption Account in an amount up to the amount necessary to cause the balance of such Account to equal the Debt Service to come due on the Leveraged Clean Water Portion of the Senior Bonds prior to the next June Transfer Date, and (b) on the Transfer Date occurring in December of each year, remaining amounts in the Interest Receipts Subaccount will be transferred to the Clean Water State Match Redemption Account in an amount up to the amount necessary to cause the balance of such Account to equal the Debt Service to come due on the State Match Clean Water Portion of the Senior Bonds prior to the next December Transfer Date; and

Fifth, pursuant to State Direction, to the credit of the Equity Fund.

On each Transfer Date, the Trustee will transfer the moneys received in the Safe Drinking Water Revenue Account as follows:

First, amounts in the Interest Receipts Subaccount within such Account will be transferred to the Safe Drinking Water State Match Redemption Account, until it is funded up to the amount necessary to pay Debt Service on the State Match Safe Drinking Water Portion of the Senior Bonds prior to the next Transfer Date;

Second, amounts in the Principal Receipts Subaccount within such Account will be transferred to the Safe Drinking Water Leveraged Redemption Account, until it is funded up to the amount

necessary to pay Debt Service on the Leveraged Safe Drinking Water Portion of the Senior Bonds prior to the next Transfer Date;

Third, any remaining amounts in the Interest Receipts Subaccount within such Account will be transferred to the Safe Drinking Water Leveraged Redemption Account, to the extent of any shortfall under clause *Second* above;

Fourth, any remaining amounts in the Interest Receipts Subaccount within such Account will be transferred to the Clean Water State Match Redemption Account, to the extent of any shortfall under clause *First* of the immediately preceding paragraph;

Fifth, any remaining amounts in the Principal Receipts Subaccount within such Account will be transferred to the Clean Water Leveraged Redemption Account, to the extent of any shortfall under clause *Third* of the immediately preceding paragraph;

Sixth, any remaining amounts in the Interest Receipts Subaccount within such Account will be transferred to the Clean Water Leveraged Redemption Account, to the extent of any shortfall under clause *Fifth* above; and

Seventh, any excess amounts in the Principal Receipts Subaccount or the Interest Receipts Subaccount will (subject to the State Match Restriction) be transferred:

First, to the credit of the corresponding Account(s) or subaccount(s) within the Rebate Fund to the extent provided in the Program Resolution;

Second, to the credit of the corresponding Account(s) or subaccount(s) within the Reserve Fund to the extent provided in the Program Resolution;

Third, to the extent provided in a Supplemental Resolution, to the credit of the corresponding Account(s) or subaccount(s) within the Subordinate Redemption Fund or any Subordinate Reserve Fund established with respect thereto; and

Fourth, (a) on the Transfer Date occurring in June of each year, remaining amounts in the Principal Receipts Subaccount will be transferred to the Safe Drinking Water Leveraged Redemption Account in an amount up to the amount necessary to cause the balance of such Account to equal the Debt Service to come due on the Leveraged Safe Drinking Water Portion of the Senior Bonds prior to the next June Transfer Date, and (b) on the Transfer Date occurring in December of each year, remaining amounts in the Interest Receipts Subaccount will be transferred to the Safe Drinking Water State Match Redemption Account in an amount up to the amount necessary to cause the balance of such Account to equal the Debt Service to come due on the State Match Safe Drinking Water Portion of the Senior Bonds prior to the next December Transfer Date; and

Fifth, pursuant to State Direction, to the credit of the Equity Fund.

If all Bonds and Other Obligations of a particular class have been paid, or payment has been provided for, and no Bonds or Other Obligations of that class are Outstanding, money remaining in any Fund or Account established for the payment of principal of or interest on Bonds or Other Obligations of that class, or any reserve fund established with respect thereto, will be transferred to the corresponding Account(s) within the Revenue Fund.

Investment

Pending transfers from the Revenue Fund, the moneys in either Account therein will be invested in Permitted Investments as provided in the Program Resolution, and any earnings on or income from said investments will be deposited in the Interest Receipts Subaccount of such Account.

Redemption Fund

The Redemption Fund will be used only for the payment when due of principal of, and premium, if any, and interest on, the Senior Bonds and Senior Other Obligations, as provided in the Program Resolution.

With respect to each series of Senior Bonds, the Trustee will, upon delivery to the original purchasers thereof and from the proceeds thereof, credit to each Account within the Redemption Fund the allocable portions of the amount, if any, so designated in any Supplemental Resolution for the issuance of Refunding Bonds. The Trustee will also deposit in each such Account (1) the allocable portions of the proceeds from the sale of the State's bonds, notes, or other evidences of indebtedness (including Refunding Bonds), if any, to be used to pay principal of the Senior Bonds or interest on the Senior Bonds (except to the extent a Supplemental Resolution or State Direction directs that such proceeds be deposited into an Escrow Account) and (2) all amounts required to be transferred thereto from the Revenue Fund and the Reserve Fund as described in the following paragraph.

To provide for the payment of (1) each installment of interest which falls due upon Outstanding Senior Bonds on each regularly scheduled Interest Payment Date, (2) each installment of principal which falls due upon Senior Serial Bonds (other than Bond Anticipation Notes which are also Senior Bonds, the payment of which will be paid from Refunding Bonds) at the stated maturity thereof or Senior Term Bonds on a Sinking Fund Payment Date therefor and (3) the reimbursement to all Credit Facility Providers for payments of principal of and interest on the Bonds pursuant to Senior Credit Enhancement Facilities, the Trustee will make deposits to the credit of each applicable Account within the Redemption Fund on each Transfer Date, (a) to aggregate the full amount of such principal coming due on any Principal Payment Date prior to the next Transfer Date and such interest coming due on any Interest Payment Date prior to the next Transfer Date, and (b) to the extent of available moneys in applicable Accounts within the Revenue Fund, to aggregate the respective amounts referred to in subclause *Fourth* of clause *Seventh* of each of the paragraphs describing payments from the Revenue Fund above under "**Revenue Fund; Application of Revenues**". Each deposit provided for in the foregoing clauses (a) and (b) will be the amount allocable to the applicable Account, in proportion to the State Match Clean Water Portion, the State Match Safe Drinking Water Portion, the Leveraged Clean Water Portion and the Leveraged Safe Drinking Water Portion applicable to each applicable series of Bonds. To provide for the payment of all State Swap Payments and fees to a Credit Facility Provider, deposits will be made to each applicable Account in amounts determined as provided in the Supplemental Resolutions authorizing such Senior Swap Agreements or Senior Credit Enhancement Facilities, as the case may be.

Each deposit required by the immediately preceding paragraph will be made by transfer from the following Funds, in the following order of priority: the Revenue Fund and the Reserve Fund (but only from the Account therein, if any, established with respect to the series of Bonds for the payment of which such transfer is made, only with respect to the payments to come due prior to the next Transfer Date, and only to the extent authorized by the Supplemental Resolution pursuant to which such Account was established).

To provide for the payment of the redemption price of Senior Bonds to be redeemed on any Redemption Date, other than a Sinking Fund Payment Date for Term Bonds, the Trustee will make deposits to the applicable Accounts within the Redemption Fund from the proceeds of Refunding Bonds, excess amounts in the Loan Fund or the Costs of Issuance Fund, or such other source as may be provided in the Supplemental Resolution authorizing the issuance or redemption of such Senior Bonds.

The moneys in the Accounts within the Redemption Fund required for the payment of principal of and premium, if any, and interest on the Senior Bonds of any series, or for the reimbursement of amounts paid under a Senior Credit Enhancement Facility to pay principal of and premium, if any, and interest on the Bonds, will be applied by the Trustee to the payment of the allocable portions of such amounts when due without further authorization or direction and may be transferred to a Paying Agent, pursuant to State Direction.

Subject to the State Match Restriction and the provisions of the Program Resolution described below under "**Remedies**", when applicable, amounts on deposit in the Accounts within the Redemption Fund required to be applied on any date on which the balance in such Accounts (giving effect to the State Match Restriction) is not sufficient to pay all amounts payable therefrom on such date will be applied

first, to the payment of interest on all Senior Bonds, State Swap Payments under Senior Swap Agreements, and fees and reimbursements, allocable to interest payments, payable to Credit Facility

Providers under Senior Credit Enhancement Facilities, *pro rata*, among such obligations based upon such amounts then owing to Beneficiaries and

second, to the payment of Senior Bonds at their stated maturity or on a Redemption Date or the reimbursements, allocable to principal and premium payments, payable to Credit Facility Providers under Senior Credit Enhancement Facilities, *pro rata*, among such obligations based upon such amounts then owing to Beneficiaries.

Moneys in the Redemption Fund may also be applied to the purchase of Senior Bonds at a purchase price (including any brokerage or other charges) not to exceed the principal amount thereof plus accrued interest thereon, as determined by the State at such time, provided the Trustee will have first certified that no deficiencies exist at such time in the Redemption Fund or the Rebate Fund. Any such purchase will be limited to those Senior Bonds whose stated maturity or Sinking Fund Payment Date is the next succeeding Principal Payment Date. Any such purchase of Senior Bonds may be made with or without tenders of Bonds and at either public or private sale.

The moneys in the Redemption Fund will be invested in Permitted Investments as provided in the Program Resolution, and any earnings on or income from such investments in each Account will be transferred to the Interest Receipts Subaccount of the corresponding Account in the Revenue Fund.

Reserve Fund

Upon the delivery of any series of Bonds, and from the proceeds thereof or, at the option of the State, from any other available moneys under the Program Resolution, the Trustee will credit to the Reserve Fund the amount, if any, specified in the Supplemental Resolution authorizing the issuance of that series of Bonds. From time to time, additional amounts will be deposited in the respective Accounts in the Reserve Fund as provided in the Supplemental Resolutions authorizing the series of Bonds secured thereby, to the extent such amounts are available pursuant to the Program Resolution. *No deposit to the Reserve Fund is being made with the proceeds of the 2015 Series A Bonds, and the 2015 Series A Bonds are not expected to be entitled to the benefit of any amount that may be deposited in the Reserve Fund.*

Moneys in each Account of the Reserve Fund will be used and applied solely for the payment when due of principal of and interest on the Bonds of the corresponding series and amounts owing under Senior Other Obligations to the extent provided in the Supplemental Resolution that established such Account, or for the other purposes specified in such Supplemental Resolution, and (in the case of application to pay principal of and interest on the Bonds) will be so used and applied by transfer by the Trustee to the credit of the Redemption Fund, at any time and to the extent that the amount therein and the amounts available for deposit to the credit thereof from the Revenue Fund are insufficient to meet the requirements specified in the Program Resolution for deposit to the credit of the Redemption Fund at such time. Such amounts will be applied, subject to the State Match Restriction, to the payment of principal of and premium, if any, and interest on the Bonds of such series and the payment of Other Obligations related to such series in the order described above under **“Redemption Fund”**. However, on the stated maturity date or any Redemption Date of any Bonds secured by an Account within the Reserve Fund, amounts in such Account will, upon State Direction and subject to the State Match Restriction, be applied to the payment at maturity or redemption of all Outstanding Bonds of the corresponding series, to the extent that such application, and payment of all deposits to be made to the credit of the Rebate Fund required by the Program Resolution upon such redemption, will not reduce the balance of such Account below the applicable Reserve Fund Requirement (calculated as though the Bonds to be retired on such stated maturity date or Redemption Date were not Outstanding as of the date of such calculation).

Pending transfers from the Reserve Fund, the moneys in each Account therein will be invested in Permitted Investments as provided in the Program Resolution, and any earnings on or income from such investments will be transferred to the Interest Receipts Subaccount of the corresponding Account in the Revenue Fund.

Subordinate Redemption Fund

At the time of the initial issuance of any Subordinate Bonds or incurrence of Subordinate Other Obligations, there will be established a Subordinate Redemption Fund and, within such Fund, Accounts that correspond to

those within the Redemption Fund, to the extent applicable. The Subordinate Redemption Fund will only be used for the payment when due of principal of and premium, if any and interest on the Subordinate Bonds and Subordinate Other Obligations.

Subordinate Reserve Fund

At the time of the initial issuance of any Subordinate Bonds there may be established a Subordinate Reserve Fund, and within such Fund, Accounts and subaccounts that correspond to those within the Reserve Fund, to the extent applicable, to be funded and applied as provided in the Supplemental Resolution authorizing such Subordinate Bonds.

Payment of Bonds

Each Bond certificate will contain on its face a statement to the effect that the State will not be generally liable on the Bonds, that the Bonds will not be a public debt of the State for any purpose whatsoever, and that each Bond will be payable only out of the redemption fund established for such payment.

Covenants

Authority; Due Execution. The State represents that it is duly authorized under the Constitution and laws of the State, including particularly the Revenue Obligations Act, to issue the Bonds, and to adopt the Program Resolution. The State further represents that all action on its part for the issuance of the Bonds and the adoption of the Program Resolution has been duly and effectively taken, and that the Bonds when issued and delivered in accordance with the provisions of the Program Resolution are and will be valid and enforceable enterprise revenue obligations of the State according to the terms thereof and of the Program Resolution.

Agreement of the State. The State pledges and agrees with the Holders of the Bonds and the Other Beneficiaries that the State will not limit or alter its powers to fulfill the terms of any agreements made with the Holders of the Bonds and the Other Beneficiaries or in any way impair the rights and remedies of the Holders of the Bonds or the Other Beneficiaries until the Bonds, together with interest (including 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 Holders of the Bonds are fully met and discharged and the Other Beneficiaries are fully discharged or provided for.

Arbitrage and Tax Covenants. The State agrees that it will, to the extent that it may lawfully do so, comply with all requirements of the Code that must be satisfied in order that interest on the Tax-Exempt Bonds be (or continue to be) excluded from gross income for federal income tax purposes.

The State agrees that it will not take any action or fail to take any action with respect to the investment of the proceeds of, or amounts pledged to the payment of, Tax-Exempt Bonds or in any other manner which would result in constituting such Tax-Exempt Bonds “arbitrage bonds” within the meaning of such term as used in Section 148 of the Code. The State reserves the right to elect to issue Bonds the interest on which is not exempt from federal income taxation, if such election is made prior to the issuance of such Bonds, and the federal tax covenants contained in the Program Resolution will not apply to such Bonds.

Accounts and Reports. The State will keep, or cause to be kept, proper books of record and account in which complete and correct entries will be made of its transactions relating to all Loan Repayments, Debt Obligations, and Fees and Charges, if any, and all Funds and Accounts established by the Program Resolution.

The State will annually, within 180 days after the end of each Fiscal Year, file with the Trustee and with the Rating Agencies a copy of the audited financial report for the preceding Fiscal Year with respect to each Program.

A copy of the independent auditor’s report and financial statements for the Environmental Improvement Fund for the years ended June 30, 2015 and 2014 is set forth in **APPENDIX B** of this Official Statement.

Covenants Relating to Loans. The State covenants to (i) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the State for the enforcement of, all terms, covenants

and conditions of all Financial Assistance Agreements and the Debt Obligations evidencing the Pledged Loans, and (ii) at all times defend, enforce, preserve and protect the rights and privileges of the State under or with respect to each Pledged Loan and the Financial Assistance Agreements and Debt Obligations evidencing and securing the same. The State will have the power and authority to settle a default on any Pledged Loan on such terms as the State will determine to be in the best interests of the State and the Beneficiaries and to forbear from taking action with respect to enforcement of a Pledged Loan if it determines such forbearance to be in the best interests of the State and the Beneficiaries. The State also has the authority to modify the terms and conditions of the Pledged Loans and Financial Assistance Agreements, subject to the limitations in the Program Resolution.

Events of Default

Each of the following events constitutes an “Event of Default”:

(1) The State defaults in the due and punctual payment of any interest on any Bond of the most senior class then Outstanding; or

(2) The State defaults in the due and punctual payment of the principal of, or premium, if any, on, any Bond of the most senior class then Outstanding, whether at the stated maturity thereof, at the date fixed for redemption thereof (including, but not limited to, Sinking Fund Payment Dates) or otherwise upon the maturity thereof; or

(3) The State defaults in its obligation to purchase any Bond of the most senior class then Outstanding (or Beneficial Ownership Interests therein) on a Tender Date therefor; or

(4) The State defaults in the due and punctual payment of any amount owed by the State under a Swap Agreement or Credit Enhancement Facility to any Other Beneficiary the State’s obligation to which is on a parity with Bonds of the most senior class then Outstanding; or

(5) The State defaults in the performance of any of the State’s obligations with respect to the transmittal of moneys to be credited to the Revenue Fund, the Rebate Fund, or the redemption fund established for payment of Bonds of the most senior class then Outstanding (which, in the case of the Senior Bonds, will be the Redemption Fund and, in the case of the Subordinate Bonds, will be the Subordinate Redemption Fund) under the provisions of the Program Resolution and such default continues for a period of 30 days; or

(6) The State defaults in the performance or observance of any other of the covenants, agreements, or conditions on the part of the State in the Program Resolution or in the Bonds of the most senior class then Outstanding, and such default continues for a period of 45 days after written notice thereof, specifying such default, has been given by the Trustee to the State, which may give such notice in its discretion and is required to give such notice at the written request of the Acting Beneficiaries Upon Default (and for this purpose the specified percentage will be 25% in aggregate Principal Amount of the Outstanding Bonds of the most senior class) to the State and the Trustee. Except with respect to the State’s arbitrage and tax covenants under the Program Resolution, if the default is such that it can be corrected, but not within such 45 days, it will not constitute an Event of Default if corrective action is instituted by the State within such 45 days and is diligently pursued until the default is corrected.

Remedies

If an Event of Default has occurred and is continuing, the Trustee may (1) institute judicial proceedings in its own name and as or on behalf of a trustee of an express trust for the collection of all amounts then payable on the Bonds and any Other Obligations or under the Program Resolution with respect thereto, enforce any judgment obtained, and collect from the State and any other obligor upon such Bonds and Other Obligations moneys adjudged due, and (2) pursue any other available remedy by suit at law or in equity to enforce the covenants of the State in the Program Resolution, including, without limitation, any remedy of a secured party under the Uniform Commercial Code, foreclosure, and mandamus, and may pursue such appropriate judicial proceedings as the Trustee will deem most effective to protect and enforce, or aid in the protection and enforcement of, the covenants and agreements in the Program Resolution.

If an Event of Default has occurred and is continuing, and if it has been requested so to do by the Acting Beneficiaries Upon Default (and for this purpose the specified percentage will be a majority of the aggregate Principal Amount of Outstanding Bonds) and has been indemnified as described in the Program Resolution, the Trustee will be obliged to exercise such one or more of the rights and powers conferred by the Program Resolution as the Trustee, being advised by its counsel, deems most expedient in the interests of the Beneficiaries. However, the Trustee will have the right to decline to comply with any such request if the Trustee is advised by counsel that the action so requested may not lawfully be taken or if the Trustee receives, before exercising such right or power, contrary instructions from the Holders of not less than a majority in aggregate Principal Amount of the Bonds then Outstanding or from any Other Beneficiary.

Notwithstanding any other default and remedy provisions of the Program Resolution, if a default occurs under a Swap Agreement or a Credit Enhancement Facility and, as a result, the Other Beneficiary that is a party thereto is entitled to exercise one or more remedies thereunder, such Other Beneficiary may exercise such remedies, including, without limitation, the termination of such agreement, as provided therein, in its own discretion so long as the exercise of any such remedy will not adversely affect the legal ability of the Trustee or Acting Beneficiaries Upon Default to exercise any remedy available under the Program Resolution.

No remedy conferred upon or reserved to the Trustee or to the Beneficiaries under the Program Resolution is intended to be exclusive of any other remedy, but each and every such remedy is intended to be cumulative and to be in addition to any other remedy given to the Trustee or to the Beneficiaries under the Program Resolution or now or hereafter existing at law or in equity or by statute.

Supplemental Resolutions

The Program Resolution may not be modified or amended in any respect subsequent to the delivery of fully executed and authenticated Bonds except as provided in and in accordance with and subject to the provisions thereof.

Supplemental Resolutions Without Holder Consent. Subject to such additional provisions as a Supplemental Resolution may provide, the Building Commission may, from time to time and at any time, without the consent of or notice to the Beneficiaries, adopt Supplemental Resolutions for any of the following purposes:

- (i) to cure any formal defect, omission, inconsistency, or ambiguity in the Program Resolution; however no such action may adversely affect the interests of the Beneficiaries who have not consented thereto;
- (ii) to add to the covenants and agreements of the State in the Program Resolution other covenants or agreements, or to surrender any right or power reserved or conferred upon the State, which does not adversely affect the interests of the Beneficiaries who have not consented thereto;
- (iii) to issue a particular series of Bonds as permitted by the Program Resolution or enter into a Swap Agreement or obtain a Credit Enhancement Facility as permitted by the Program Resolution and, in connection therewith, to establish provisions for making deposits to the Redemption Fund to provide for the payment of any Bonds or Other Obligations and to establish assumptions for computing the Debt Service with respect thereto;
- (iv) to cause the Program Resolution to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended;
- (v) to provide for the removal of a Fiduciary or the Securities Depository, or the appointment of an additional or successor Fiduciary or a successor Securities Depository;
- (vi) to make any change in the Program Resolution required by any Rating Agency in order to maintain the current, or restore the previous, rating by such Rating Agency on the Bonds, which does not adversely affect the interests of the Beneficiaries who have not consented thereto;
- (vii) to provide for the creation of Funds or Accounts, to which amounts in the Revenue Fund may be credited on any Transfer Date prior to transfer of such amounts to the Subordinate Redemption Fund, or after the transfer of such amounts to such Fund but prior to the transfer of such amounts to

the Equity Fund, but in either case only after all transfers therefrom to the Rebate Fund, the Redemption Fund, and (if applicable) the Reserve Fund, or the creation of one or more subordinate classes of Bonds payable from Funds and Accounts created under that or another Supplemental Resolution; however, that no such subordinate class of Bonds or Other Obligations may be senior in any respect to any previously created class of Bonds or Other Obligations any of which are then Outstanding, except to the extent specifically authorized or permitted by the Supplemental Resolution authorizing such previously created class or except to the extent consented to by each Beneficiary who would be adversely affected thereby;

- (viii) to pledge additional revenues of the Program(s) to secure the payment of the Bonds or Other Obligations under the Program Resolution;
- (ix) to modify, alter, amend, or supplement the Program Resolution in any other respect which is not materially adverse to the Beneficiaries who have not consented thereto or which is permitted for Bonds of one or more particular series, as provided in the Supplemental Resolution for Bonds of those series, and affects only (1) the Holders of such Bonds and (2) any other Beneficiaries who have consented thereto;
- (x) to provide for the financing of Loans under the Safe Drinking Water Loan Program, Loans to Borrowers other than Municipalities, and/or obligations incurred under such additional programs from time to time under the Water Pollution Control Act, the Safe Drinking Water Act, or any other similar State or federally-supported financing program as may be approved by the EPA, to the extent such Loans or other obligations are then authorized to be financed with enterprise revenue obligations under the Revenue Obligations Act;
- (xi) to modify, alter, amend or supplement the provisions of the Program Resolution related to the establishment of the Rebate Fund or arbitrage and tax covenants to reflect or conform to amendments made to the Code as it applies to Bonds issued under the Program Resolution; or
- (xii) to modify, alter, amend, or supplement the Program Resolution in any other respect so long as the State has determined that the adoption of such Supplemental Resolution will not result in the withdrawal or downgrade of any rating of the Bonds then maintained by any Rating Agency.

In connection with the adoption of any such Supplemental Resolution, there must be delivered to the Trustee an opinion of Bond Counsel to the effect that such Supplemental Resolution is authorized or permitted by the Program Resolution and the Revenue Obligations Act, complies with their respective terms, will, upon the adoption thereof, be valid and binding upon the State in accordance with its terms, and will not adversely affect the exclusion of the interest payable on any outstanding Tax-Exempt Bonds from gross income of the Holders of the Bonds for federal income tax purposes pursuant to the Code.

Supplemental Resolutions With Holder Consent. Subject to such additional provisions as a Supplemental Resolution may provide, the Building Commission may, from time to time and at any time, with the prior written consent of the Holders of a majority of the principal amount of each class of Bonds Outstanding affected by such Supplemental Resolution, and with the prior written consent of the Other Beneficiaries, adopt a Supplemental Resolution to modify, alter, amend, or supplement the Program Resolution in any respect. However, no Supplemental Resolution may permit (1) an extension of the stated maturity or reduction in the principal amount of, a reduction in the rate or extension of the time for paying interest on, a reduction of any premium payable on the redemption of, a reduction in the purchase price payable on a Tender Date for, or a reduction in the amount or extension of the time for any principal payment required for any sinking fund or otherwise applicable to, any of the Bonds without the consent of the Holders of all the Bonds and Other Beneficiaries which would be affected by the action to be taken, (2) except as expressly permitted under the Program Resolution, the creation of any security interest prior to or on a parity with the security interest in the Funds and Accounts for the benefit of the Holders of the Bonds and the Other Beneficiaries without the consent of the Holders of all the Bonds Outstanding and the Other Beneficiaries which would be adversely affected by such creation, (3) a reduction in the aggregate principal amounts of Bonds the Holders of which are required to consent to any Supplemental Resolution, without the consent of the Holders of all Bonds at the

time Outstanding, or the elimination of a requirement that any Other Beneficiary consent to any Supplemental Resolution, without the consent of any Other Beneficiary which would be affected by the action to be taken, (4) a modification of the rights, duties, or immunities of the Trustee or any Fiduciary without the written consent of the Trustee or such Fiduciary, or (5) the creation of a privilege or priority of any Obligation of one class over any other Obligation of the same class, or of any other class except as provided in the Program Resolution, or the surrender of a privilege or a priority granted by the Program Resolution, to the detriment of another Beneficiary under the Program Resolution.

Redemption and Purchase of Bonds

Right of Redemption. The Bonds of any series are subject to redemption as provided in the Program Resolution and in the Supplemental Resolution creating such series.

Purchase of Bonds. The State may at any time authorize and direct the Trustee to purchase Bonds in the open market out of any funds available for such purpose (subject to the State Match Restriction), such purchases to be made at a price not in excess of the amount specified in the Program Resolution. In addition, the State may, from time to time, direct the Trustee to request the submission of tenders following published notice requesting such submission prior to making the purchases authorized pursuant to the Program Resolution. All Bonds so purchased by the Trustee will be canceled and not reissued.

Defeasance

Any Outstanding Bond (or any portion thereof) will be deemed to have been paid for the purposes of the Program Resolution, and will no longer be entitled to the benefit of the Program Resolution, if there are deposited in an Escrow Account either moneys in an amount sufficient, or Defeasance Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys in an amount sufficient, to pay when due the principal of and premium, if any, and interest due and to become due on said Bond (or portion thereof) at or prior to the stated maturity thereof.

The moneys and Defeasance Securities deposited in an Escrow Account held by an escrow agent pursuant to the defeasance provisions of the Program Resolution shall be held in trust and shall not be withdrawn or used for any purpose other than the payment of the principal of and premium, if any, and interest on said Bonds (or portions thereof) deemed to have been paid in accordance with the defeasance provisions of the Program Resolution.

APPENDIX E

EXPECTED FORM OF BOND COUNSEL OPINION

Upon delivery of the 2015 Series A Bonds, it is expected that Foley & Lardner LLP will deliver a legal opinion in substantially the following form:

(Letterhead of Foley & Lardner LLP)

State of Wisconsin Building Commission
101 East Wilson Street, 7th Floor
Madison, Wisconsin 53703

\$43,380,000

State of Wisconsin

Environmental Improvement Fund Revenue Bonds, 2015 Series A

We have acted as bond counsel in connection with the issuance by the State of Wisconsin (**State**) of its \$43,380,000 Environmental Improvement Fund Revenue Bonds, 2015 Series A, dated the date hereof (**2015 Series A Bonds**). The 2015 Series A Bonds are authorized by Sections 281.58 and 281.59, Wisconsin Statutes (**Act**) (and in particular, Section 281.59 (4), Wisconsin Statutes) and Subchapter II of Chapter 18, Wisconsin Statutes, and are being issued pursuant to a resolution (**Program Resolution**) adopted by the State of Wisconsin Building Commission (**Commission**) on October 7, 2015, as supplemented by a separate resolution (**Series Resolution**) adopted by the Commission on October 7, 2015.

Under the Program Resolution, the Commission has established various funds and accounts and designated U.S. Bank National Association, as trustee (**Trustee**), to be the custodian of the funds and accounts. The Commission has pledged certain revenues received pursuant to the Act to secure the payment of the principal of, and premium, if any, and interest on, the 2015 Series A Bonds, any other bonds hereafter issued under the Program Resolution, and certain other parity obligations. The Commission has directed the Trustee to deposit the amounts into the funds and accounts in the order and amounts provided in the Program Resolution. The 2015 Series A Bonds are payable solely from cash and securities held by the Trustee from time to time in the redemption fund created under the Program Resolution.

We examined the law, a certified copy of the proceedings relating to the issuance of the 2015 Series A Bonds, and certifications of public officials and others. As to questions of fact material to our opinion, we relied upon those certified proceedings and certifications without independently undertaking to verify them.

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

1. The Program Resolution and the Series Resolution have been duly and lawfully adopted by the Commission, are in full force and effect, and are valid and binding upon the State and enforceable in accordance with their respective terms. The Series Resolution is authorized or permitted by the Program Resolution and the Act, and complies with their respective terms.
2. The Program Resolution creates the valid pledge that it purports to create of the "Pledged Revenues," as defined in the Program Resolution, and of the moneys and securities held in the funds and accounts pledged under the Program Resolution.

3. The 2015 Series A Bonds have been duly and validly authorized and constitute valid and binding enterprise revenue obligations of the State, payable and enforceable in accordance with their terms and the terms of the Program Resolution and entitled to the benefits of the Program Resolution and of the Act.
4. Interest on the 2015 Series A Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers; however, interest on the 2015 Series A Bonds is taken into account in determining adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on certain corporations. The State must comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied after the 2015 Series A Bonds are issued for interest on the 2015 Series A Bonds to be, or continue to be, excluded from gross income for federal income tax purposes. The State has agreed to do so. A failure to comply may cause interest on the 2015 Series A Bonds to be included in gross income for federal income tax purposes, in some cases retroactively to the date the 2015 Series A Bonds were issued. We express no opinion as to other federal tax law consequences regarding the 2015 Series A Bonds.

The rights of the owners of the 2015 Series A Bonds and the enforceability of the 2015 Series A Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or an equitable proceeding). We express no opinion as to the availability of any particular form of judicial relief.

We have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of the Official Statement dated November 9, 2015 or other offering material relating to the 2015 Series A Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion as to those matters (except only the matters set forth as our opinion in the Official Statement).

This letter speaks as of its date. We assume no duty to change this letter to reflect any facts or circumstances that later come to our attention or any changes in law. In acting as bond counsel, we have established an attorney-client relationship solely with the State.

Very truly yours,

FOLEY & LARDNER LLP

APPENDIX F
UNDERTAKING
MASTER AGREEMENT ON CONTINUING DISCLOSURE
(AMENDED AND RESTATED DECEMBER 1, 2010)

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

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

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

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

“**Bonds**” shall mean any issue of the Issuer’s securities to which this Disclosure Agreement applies.

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

“**Commission**” shall mean the U.S. Securities and Exchange Commission.

“**Disclosure Agreement**” shall mean this agreement.

“**EMMA**” shall mean the Electronic Municipal Market Access system for municipal securities disclosure, a Commission-approved electronic database established and operated by the MSRB to accommodate the collection and availability of required filings of secondary market disclosures under the Rule.

“**Event Notice**” shall mean a notice of an occurrence of a Listed Event provided under Section 6(b) hereof or a notice provided under Sections 4(c), 6(c), or 8.

“**Exchange Act**” shall mean the Securities Exchange Act of 1934, as amended from time to time.

“**Issuer**” shall mean the securities issuer described above, namely, the State of Wisconsin.

“**Listed Event**” shall mean any of the events listed in Section 6(a) of this Disclosure Agreement.

“**MSRB**” shall mean the Municipal Securities Rulemaking Board.

“**Participating Underwriter**” shall mean any broker, dealer, or municipal securities dealer that is required to comply with the Rule when acting as an underwriter in connection with a primary offering of an issue of Bonds.

“**Resolution**” shall mean the resolution or resolutions of the State of Wisconsin Building Commission or the trust indenture entered into by the Issuer, pursuant to which the Bonds are issued.

“**Rule**” shall mean Rule 15c2-12(b)(5) adopted by the Commission under the Exchange Act.

“**Supplemental Agreement**” shall mean an agreement, substantially in the form of Exhibit B hereto, that either (i) determines that the Disclosure Agreement and a specific Addendum Describing Annual Report shall apply to a specific issue of Bonds or (ii) determines that the Disclosure Agreement (other than Sections 4 or 5, which concern Annual Reports) shall apply to a specific issue of Bonds.

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

SECTION 3. Application of the Disclosure Agreement. This Disclosure Agreement shall apply to an issue of Bonds when the Issuer executes and delivers a Supplemental Agreement. This Disclosure Agreement may apply in whole or in part, as specified by the Supplemental Agreement. This Disclosure Agreement may apply to more than one issue of Bonds but shall be construed as a separate agreement for each issue of Bonds. The purpose of having this Disclosure Agreement apply to more than one issue of Bonds is to promote uniformity of the Issuer's obligations with respect to all issues of Bonds.

SECTION 4. Provision of Annual Reports.

(a) The Issuer shall, not later than 180 days following the close of the Issuer's fiscal year, provide to the MSRB an Annual Report that is consistent with the requirements of Section 5 of this Disclosure Agreement.

(b) If Issuer's audited financial statements are not publicly available at the time the Annual Report is submitted, the Issuer shall submit them to the MSRB within ten business days after the statements are publicly available.

(c) If the Issuer fails to provide an Annual Report to the MSRB by the date required in subsection (a), the Issuer shall send an Event Notice to the MSRB.

SECTION 5. Content and Submission of Annual Reports.

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

(b) The Annual Report shall be submitted to the MSRB in an electronic format, and accompanied by identifying information, as prescribed by the MSRB. As of the date of this Disclosure Agreement, the MSRB prescribes that all submissions of secondary disclosure be made through EMMA. The Annual Report may be provided as a single document or as a package comprising separate documents. All, or any of, the items constituting the Annual Report may be incorporated by reference from other documents available to the public on the MSRB's Internet Web site or filed with the Commission. The Issuer shall clearly identify each document so incorporated by reference.

(c) Each time the Issuer provides information to the MSRB in accordance with this Disclosure Agreement, it shall confirm, in the manner it deems appropriate, the MSRB's prescriptions concerning the electronic format and accompanying identifying information. As of the date of this Disclosure Agreement, information on the MSRB's required electronic format and submission procedures through EMMA can be found on the MSRB's Internet Web site at www.emma.msrb.org.

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

SECTION 6. Reporting of Significant Events.

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

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.

4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bondholders, if material.
8. Bond calls, if material, and tender offers.
9. Defeasances.
10. Release, substitution, or sale of property securing repayment of the Bonds, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership, or similar event of an obligated person (for the purposes of this event, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all the assets or business of the obligated person).
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all the assets of an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Issuer shall provide a notice of such occurrence with the MSRB not in excess of ten business days after the occurrence of the event.

(c) Similarly, if the Issuer determines that it failed to give notice of an occurrence as required by this section, it shall promptly provide an Event Notice with respect to such occurrence to the MSRB.

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

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

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

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

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

In the event this Disclosure Agreement is amended for any reason other than to cure any ambiguities, inconsistencies, or typographical errors that may be contained herein, the Issuer agrees the next Annual Report it provides after such event shall explain the reasons for the amendment or waiver and the impact, if any, of the change in the type of financial statements or operating data being provided.

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

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

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

SECTION 12. Responsible Officer. Pursuant to a resolution adopted by the State of Wisconsin Building Commission on August 9, 1995, the Capital Finance Director has been authorized to execute this Disclosure Agreement on behalf of the Issuer, and the Capital Finance Office has been designated as the office of the Issuer responsible for providing Annual Reports and giving notice of Listed Events, to the extent required hereunder. Any inquiries regarding this Disclosure Agreement should be directed to the Capital Finance Office, Department of Administration, Division of Executive Budget and Finance, 101 East Wilson Street, Madison, Wisconsin 53702, Phone: (608) 266-5355, Fax: (608) 266-7645, Email: DOACapitalFinanceOffice@wisconsin.gov, or such other address, telephone number, fax number, or email address as the Issuer may from time to time provide by an addendum hereto.

SECTION 13. Satisfaction of Conditions. This Disclosure Agreement amends and restates the Master Agreement on Continuing Disclosure (Amended and Restated July 1, 2009) (**Prior Agreement**), executed and delivered by the Issuer and dated July 1, 2009. The Issuer finds and determines that the conditions stated under Section 8 of the Prior Agreement for amendment of the Prior Agreement have been satisfied and, more particularly:

(a) The amendments are being made in connection with a change in circumstances that arises from a change in legal requirements or a change in law (namely, amendments to the Rule);

(b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account the amendments to the Rule; and

(c) The amendments do not materially impair the interests of the Bondholders, as determined by an opinion of nationally recognized bond counsel.

IN WITNESS WHEREOF, the Issuer has caused this Master Agreement on Continuing Disclosure (Amended and Restated December 1, 2010) to be executed by its duly authorized officer.

Date: December 1, 2010

STATE OF WISCONSIN
Issuer

By: /s/ FRANK R. HOADLEY

Frank R. Hoadley,
Capital Finance Director

EXHIBIT A

FORM OF ADDENDUM DESCRIBING ANNUAL REPORT

**ADDENDUM DESCRIBING ANNUAL REPORT
FOR [TYPE OF OBLIGATIONS]**

This Addendum Describing Annual Report for [Type of Obligation] (**Addendum**) is delivered by the State of Wisconsin (**Issuer**) pursuant to the Master Agreement on Continuing Disclosure (Amended and Restated December 1, 2010) (**Disclosure Agreement**), executed and delivered by the Issuer and dated December 1, 2010. This Addendum describes the content of an Annual Report prepared with respect to [type of obligation]. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Disclosure Agreement.

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

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

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

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

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

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

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

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

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

Date: _____, 20__

STATE OF WISCONSIN

Issuer

By: _____

Name: _____

Title: _____

EXHIBIT B

FORM OF SUPPLEMENTAL AGREEMENT

SUPPLEMENTAL AGREEMENT

This Supplemental Agreement is executed and delivered by the State of Wisconsin (**Issuer**) to supplement the Master Agreement on Continuing Disclosure (Amended and Restated December 1, 2010) (**Disclosure Agreement**), executed and delivered by the Issuer and dated December 1, 2010. Pursuant to the provisions of the Disclosure Agreement, the Issuer hereby [determines that the Disclosure Agreement and the Addendum Describing Annual Report for [Type of Obligation] shall apply to the following issue of obligations] [determines that the Disclosure Agreement (other than Sections 4 and 5, which concern Annual Reports) shall apply to the following issue of obligations]:

Name of Obligations:

Date of Issue: _____, _____

CUSIPs _____

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

Date: _____, 20____

STATE OF WISCONSIN

Issuer

By: _____

Name: _____

Title:

**FORM OF
ADDENDUM DESCRIBING ANNUAL REPORT
FOR ENVIRONMENTAL IMPROVEMENT FUND REVENUE
OBLIGATIONS**

This Addendum Describing Annual Report for Environmental Improvement Fund Revenue Bonds (**Addendum**) is delivered by the State of Wisconsin (**Issuer**) pursuant to the Master Agreement on Continuing Disclosure executed and delivered by the Issuer and dated September 25, 1995, as amended and restated as of December 1, 2010 (**Disclosure Agreement**). This Addendum describes the content of an Annual Report prepared with respect to environmental improvement fund revenue bonds. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Disclosure Agreement.

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

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

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

Content of Annual Report for Issuer.

Accounting Principles. The following accounting principles shall be used for the financial statements: Generally Accepted Accounting Principles.

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

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

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

- (a) List of outstanding loans
- (b) List of financial assistance commitments

Content of Annual Report for Additional Obligated Person.

Accounting Principles. The following accounting principles shall be used for the financial statements: Generally Accepted Accounting Principles.

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

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

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

Date: December 3, 2015

STATE OF WISCONSIN
Issuer

By _____

David R. Erdman
Capital Finance Director

Form of
SUPPLEMENTAL AGREEMENT

This Supplemental Agreement is executed and delivered by the State of Wisconsin (**Issuer**) to supplement the Master Agreement on Continuing Disclosure (Amended and Restated December 1, 2012), executed and delivered by the Issuer and dated September 25, 1995, as amended and restated as of December 1, 2010 (**Disclosure Agreement**). Pursuant to the provisions of the Disclosure Agreement, the Issuer hereby determines that the Disclosure Agreement and the Addendum Describing Annual Report for Environmental Improvement Fund Revenue Obligations shall apply to the following issue of obligations:

Name of Obligations: State of Wisconsin
 \$43,380,000
 Environmental Improvement Fund Revenue Bonds, 2015 Series A

Date of Issue: December 3, 2015

CUSIPs: 97709T AA4
 97709T AB2
 97709T AC0
 97709T AD8
 97709T AE6
 97709T AF3
 97709T AG1
 97709T AH9
 97709T AJ5
 97709T AK2
 97709T AL0
 97709T AM8
 97709T AN6
 97709T AP1
 97709T AQ9

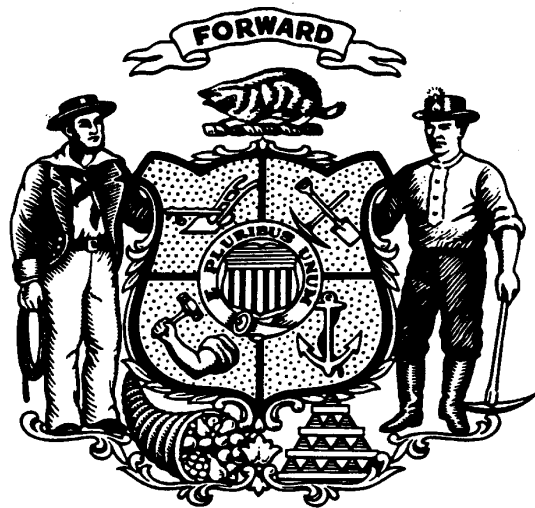
IN WITNESS WHEREOF, the Issuer has caused this Supplemental Agreement to be executed by its duly authorized officer.

Date: December 3, 2015

STATE OF WISCONSIN
Issuer

By: _____

David R. Erdman
Capital Finance Director



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