
State of Wisconsin
Event Filing #2021-21
Dated November 10, 2021

This Event Filing concerns an event described in Securities and Exchange Act Rule 15c2-12, as amended.

Issuer: State of Wisconsin
Environmental Improvement Fund Revenue Bonds
Clean Water Revenue Bonds

CUSIP Numbers: 97709T Prefix (All) 977092 Prefix (All)

Type of Information: Financial/Operating Data Disclosures Filing;
Rule 15c2-12 Disclosure; Audited Financial Statements

Attached are the financial statements including independent auditors' report for the years ended June 30, 2021 and June 30, 2020, and supplemental information for the year ended June 30, 2021, for the State of Wisconsin Environmental Improvement Fund.

The attached items will also be included in the State's Continuing Disclosure Annual Report, which is expected to be filed on or before December 27, 2021.

The State of Wisconsin is providing this Event Filing with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system. This Event Filing is also available on the State of Wisconsin Capital Finance Office web site and State of Wisconsin investor relations web site at:

doa.wi.gov/capitalfinance
wisconsinbonds.com

The undersigned represents that he is the Capital Finance Director, State of Wisconsin Capital Finance Office, which is the office of the State of Wisconsin responsible for providing annual reports and Event Filings pursuant to the State's Master Agreement on Continuing Disclosure (Amended and Restated March 1, 2019), and is authorized to distribute this information publicly.

/s/ DAVID R. ERDMAN

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State of Wisconsin Environmental Improvement Fund

Financial Statements and
Supplementary Information

June 30, 2021 and 2020

State of Wisconsin Environmental Improvement Fund

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December 31, 2021 and 2020

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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

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, 2021 and 2020, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State of Wisconsin Environmental Improvement Fund as of June 30, 2021 and 2020 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 Matter

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, 2021 and 2020, 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.

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.

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 November 8, 2021 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 solely 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 the effectiveness of the State of Wisconsin Environmental Improvement Fund's 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 US, LLP

Madison, Wisconsin
November 8, 2021

State of Wisconsin Environmental Improvement Fund

Statements of Net Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets and Deferred Outflows of Resources		
Current Assets		
Unrestricted cash and cash equivalents	\$ 431,626,644	\$ 534,834,172
Receivables:		
Loans to local governments, current portion	193,282,815	195,473,698
Due from other funds	1,464,500	3,027,732
Due from other governmental entities	10,376,570	8,992,148
Accrued investment income	269	484
Other receivables	35,285	27,718
Prepaid items	<u>16,906</u>	<u>16,904</u>
Total current assets	<u>636,802,989</u>	<u>742,372,856</u>
Noncurrent Assets		
Loans to local governments	1,858,775,801	1,724,443,843
Advances to other funds	6,586,860	6,582,026
Prepaid items	32,366	49,254
Net pension asset	148,236	65,927
Sick Leave OPEB Asset	<u>31,267</u>	<u>-</u>
Total noncurrent assets	<u>1,865,574,530</u>	<u>1,731,141,050</u>
Total assets	<u>2,502,377,519</u>	<u>2,473,513,906</u>
Deferred Outflows of Resources		
Pension related amounts	234,588	155,719
OPEB related amounts, health	5,516	5,598
OPEB related amounts, life	12,759	10,211
OPEB related amounts, sick	2,400	-
Unamortized charges	<u>978,058</u>	<u>1,162,097</u>
Total deferred outflows of resources	<u>1,233,321</u>	<u>1,333,625</u>
Total assets and deferred outflows of resources	<u>\$ 2,503,610,840</u>	<u>\$ 2,474,847,531</u>

See notes to financial statements

State of Wisconsin Environmental Improvement Fund

Statements of Net Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accrued expenses	\$ 92,804	\$ 79,818
Accrued interest on bonds	1,188,333	1,315,667
Due to other funds	845,276	1,167,853
Due to other governmental entities	405,727	531,630
Compensated absences, current portion	205,692	164,226
Revenue obligation bonds, current maturities	<u>23,830,000</u>	<u>22,560,000</u>
Total current liabilities	<u>26,567,832</u>	<u>25,819,194</u>
Noncurrent Liabilities		
OPEB liability, health	32,796	22,447
Net OPEB liability, life	29,219	24,787
Compensated absences	452,991	412,154
Revenue obligation bonds (including unamortized premium)	<u>301,331,509</u>	<u>332,006,587</u>
Total noncurrent liabilities	<u>301,846,515</u>	<u>332,465,975</u>
Total liabilities	<u>328,414,347</u>	<u>358,285,169</u>
Deferred Inflows of Resources		
Pension related amounts	318,091	205,099
OPEB related amounts, health	16,122	14,969
OPEB related amounts, life	5,378	5,709
OPEB related amounts, sick	<u>28,326</u>	<u>-</u>
Total deferred inflows of resources	<u>367,917</u>	<u>225,777</u>
Net Position		
Restricted for:		
Environmental improvement	2,153,715,978	2,094,830,383
Pension and OPEB	179,503	65,927
Unrestricted	<u>20,933,095</u>	<u>21,440,275</u>
Total net position	<u>2,174,828,576</u>	<u>2,116,336,585</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,503,610,840</u>	<u>\$ 2,474,847,531</u>

See notes to financial statements

State of Wisconsin Environmental Improvement Fund

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Loan interest	\$ 211,685	\$ 28,749,794
Interest income used as security for revenue bonds	43,897,324	16,198,589
Miscellaneous other	<u>529,961</u>	<u>322,307</u>
Total operating revenues	<u>44,638,970</u>	<u>45,270,690</u>
Operating Expenses		
Interest	8,894,895	7,653,378
Salaries and benefits	6,494,484	5,678,192
Contractual services and other	<u>3,651,644</u>	<u>3,495,170</u>
Total operating expenses	<u>19,041,023</u>	<u>16,826,740</u>
Operating income	<u>25,597,947</u>	<u>28,443,950</u>
Nonoperating Revenues (Expenses)		
Investment income	180,379	5,638,807
Intergovernmental grants	61,366,448	60,429,173
Grants awarded	<u>(21,106,093)</u>	<u>(28,825,568)</u>
Total nonoperating revenues	<u>40,440,734</u>	<u>37,242,412</u>
Income Before Transfers	66,038,681	65,686,362
Transfers in	467,933	4,056,090
Transfers out	<u>(8,014,623)</u>	<u>(8,010,391)</u>
Increase in net position	58,491,991	61,732,061
Net Position, Beginning	<u>2,116,336,585</u>	<u>2,054,604,524</u>
Net Position, Ending	<u>\$ 2,174,828,576</u>	<u>\$ 2,116,336,585</u>

See notes to financial statements

State of Wisconsin Environmental Improvement Fund

Statement of Cash Flows

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Collection of loans	\$ 200,306,765	\$ 194,087,982
Interest received on loans	43,810,629	45,129,144
Origination of loans	(332,447,840)	(185,185,878)
Payments to employees for services	(7,402,193)	(7,068,388)
Payments to suppliers and other	(4,156,293)	(3,595,667)
Other operating revenues	529,960	322,307
	<u>(99,358,972)</u>	<u>43,689,500</u>
Net cash flows from operating activities		
Cash Flows From Noncapital Financial Activities		
Intergovernmental grants received	60,226,533	59,443,937
Grants paid	(21,106,092)	(28,825,568)
Transfers in	3,019,975	1,036,115
Transfers out	(8,014,623)	(8,010,391)
Proceeds from issuance of long-term debt	-	100,705,136
Retirement of long-term debt	(22,560,000)	(18,125,000)
Interest payments	(15,588,001)	(12,294,250)
Other cash flows from noncapital financing activities	(4,834)	(482,022)
	<u>(4,027,042)</u>	<u>93,447,957</u>
Net cash flows from noncapital financing activities		
Cash Flows From Investing Activities		
Arbitrage rebate	-	294,400
Investment and interest income	178,486	5,582,332
	<u>178,486</u>	<u>5,876,732</u>
Net cash flows from investing activities		
Net increase in cash and cash equivalents	(103,207,528)	143,014,189
Cash and Cash Equivalents, Beginning	<u>534,834,172</u>	<u>391,819,983</u>
Cash and Cash Equivalents, Ending	<u>\$ 431,626,644</u>	<u>\$ 534,834,172</u>

See notes to financial statements

State of Wisconsin Environmental Improvement Fund

Statement of Cash Flows

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Operating income	\$ 25,597,947	\$ 28,443,950
Adjustments to reconcile operating income to net cash flows from operating activities:		
Interest expense classified as noncapital financing activity	8,799,626	7,397,660
Changes in assets and liabilities:		
Receivables	(5,458)	3,385
Loans to other governments	(132,141,075)	9,047,546
Due from other funds	(2,407,301)	(1,612,183)
Proportionate share of contributions	58,405	158,896
Prepaid items	16,888	16,877
Compensated absences	82,302	58,608
Other assets	(98,795)	(167,981)
Accrued expenses	12,985	(80,126)
Accrued interest on bonds	(295,058)	170,003
Due to other funds	1,146,466	64,851
Due to other governmental entities	(125,904)	188,014
Total adjustments	<u>(124,956,919)</u>	<u>15,245,550</u>
Net cash flows from operating activities	<u>\$ (99,358,972)</u>	<u>\$ 43,689,500</u>
Noncash Investing and Noncapital Financing Activities		
Bond premium amortization	<u>\$ 6,845,078</u>	<u>\$ 5,801,578</u>

See notes to financial statements

State of Wisconsin Environmental Improvement Fund

Notes to Financial Statements

June 30, 2021 and 2020

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 two separate environmental financing programs: the Clean Water Fund Program (which includes the Land Recycling Loan Program) and the Safe Drinking Water 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 have historically and continue to comprise the Environmental Improvement Fund for reporting purposes, and are based on the source of funds:

- *Direct Loan Portfolio:* This portfolio is funded by the U.S. Environmental Protection Agency (the EPA) grants and proceeds from the issuance of Environmental Improvement Fund Revenue Bonds (which revenue bonds are issued, in part, to meet the 20 percent match of EPA capitalization grants). Repayments from loans in this portfolio are also used to fund new loans. Loans in this portfolio are made for wastewater projects of the Clean Water Fund Program.
- *Leveraged Loan Portfolio:* This portfolio was funded by proceeds of Clean Water Revenue Bonds and operating transfers from the State. Assets in this portfolio were used for loans for Wisconsin municipal wastewater projects that met applicable State eligibility and reporting requirements of the Clean Water Fund Program. During fiscal 2017, all of the Clean Water Revenue Bonds were economically or legally defeased and the municipal loans were sold to and purchased by the Direct Loan Portfolio (see Note 6).
- *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 previously awarded hardship grants for qualifying wastewater projects. Repayments from loans in this portfolio may be used to fund new loans, previously awarded hardship grants under the Clean Water Fund Program, or other allowable uses.
- *Safe Drinking Water Loan Portfolio:* This portfolio is funded by the EPA grants, operating transfers from the State, and proceeds from the issuance of Environmental Improvement Fund Revenue Bonds (which revenue bonds are issued, in part, to meet the 20 percent match of EPA grants). Repayments from loans in this portfolio are also used to fund new loans. Loans in this portfolio are made for drinking water projects under the Safe Drinking Water Loan Program.

The issuance of Environmental Improvement Fund Revenue Bonds is pursuant to a program resolution that was adopted in 2015 for a new revenue bond program.

The Land Recycling Loan Program is a municipal loan program for the remediation of contaminated lands. As of June 30, 2021 and 2020, there were ten loans granted under this program for a total of \$15,218,891. As of June 30, 2021 and 2020, 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

June 30, 2021 and 2020

Net Operating Income/Loss

The Fund incurred net operating income of \$25.6 million and a net operating income of \$28.4 million in 2021 and 2020, respectively. However, 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 \$61.4 million and \$60.4 million in 2021 and 2020, respectively and are classified as intergovernmental grants. Transfers from the State of Wisconsin were approximately \$.47 million and \$4.1 million in 2021 and 2020, 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 includes the State Investment Fund (SIF) (see Note 3). The Fund has received fair value information for investments from external sources. Changes in the fair value of investments are included in investment income. 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 7). Investment transactions are recorded on the trade date.

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 6).

State of Wisconsin Environmental Improvement Fund

Notes to Financial Statements

June 30, 2021 and 2020

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.

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 Environmental Improvement Fund 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 Environmental Improvement Fund Bond indenture specifies the use of bond proceeds, proceeds from loan repayments and money in other accounts created under the bond indenture.

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 Clean Water 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 \$61.4 million and \$60.4 million of EPA contributions in 2021 and 2020, respectively.

Hardship Grants

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

Transfers In / (Out)

Transfers in consist primarily of contributions from the State of Wisconsin and are recognized as the contributions are received. Transfers out consist primarily of items related to debt service.

State of Wisconsin Environmental Improvement Fund

Notes to Financial Statements

June 30, 2021 and 2020

Estimates

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

Claims and Judgments

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

2. Financial Assistance Agreements to Local Governments

Loans to local governments at June 30, 2021 and 2020 represent loans for wastewater treatment projects or drinking water projects and are for terms of up to 30 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 and Safe Drinking Water Loan Program are at interest rates that are below the market rate that is established by the State. The net losses that can result from this negative interest margin are funded by State transfers. Interest rates on loans receivable ranged from 0 percent to 4.09 percent and 0 percent to 4.90 percent in 2021 and 2020, respectively. The weighted average interest rate was 1.617 percent and 1.704 percent at June 30, 2021 and 2020, 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, 2021 and 2020, all loan repayments were performing in accordance with the contractual terms.

Principal forgiveness, awarded through the Clean Water Fund Program and Safe Drinking Water Loan Program, is an additional subsidy in the form of a grant, to assist municipalities that would experience significant difficulty in raising the revenue necessary to finance needed infrastructure projects. From July 1, 2020 through June 30, 2021, these programs entered into financial assistance agreements that included principal forgiveness grants of \$27,243,516.

Of the loans outstanding at June 30, 2021 and 2020, \$387,832,474 and \$429,332,086 (19 percent and 22 percent), respectively, were loans due from the Milwaukee Metropolitan Sewerage District.

The Clean Water Fund Program and Safe Drinking Water Loan Program entered into \$349,780,090 of new loans and \$27,243,516 of new grants during fiscal year 2021. For fiscal year 2020, these same programs entered into \$346,801,892 of new loans and \$23,749,494 of new grants. As of June 30, 2021, they had undisbursed commitments of \$269,611,643 relating to loans and \$23,461,394 relating to grants. For fiscal year 2020, they had undisbursed commitments of \$282,583,720 relating to loans and \$17,765,004 relating to grants.

From July 1, 2021 to August 1, 2021, the Fund executed four new financial assistance agreements with loans that totaled \$35,475,059. Between July 1, 2021 and August 1, 2021, disbursements against these loans totaled \$5,138,175. 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 (see Note 5).

State of Wisconsin Environmental Improvement Fund

Notes to Financial Statements

June 30, 2021 and 2020

3. Cash and Cash Equivalents

As of June 30, 2021 and 2020, cash and cash equivalents consisted of the following:

	<u>2021</u>	<u>2020</u>	<u>Associated Risk</u>
Money market mutual funds	\$ 422,355,078	\$ 525,351,175	N/A Custodial credit risk, credit risk concentration of credit risk interest rate risk
State Investment Fund (SIF)	7,699,000	7,911,000	
Cash held by custodian	<u>1,572,566</u>	<u>1,571,997</u>	N/A
Total unrestricted cash and cash equivalents	<u>\$ 431,626,644</u>	<u>\$ 534,834,172</u>	

The SIF functions as the State of Wisconsin's cash management fund by pooling the idle cash balances of all State funds and other public institutions. In the State of Wisconsin's Annual Comprehensive Financial Report, the SIF is not reported as a separate fund; rather, each State fund's share in the pool is reported on the balance sheet as Cash and Cash Equivalents, including amounts reported in the Environmental Improvement Fund. SIF pool shares are bought and redeemed at \$1.00. The State of Wisconsin does not provide any legally binding guarantees to support the value of pool shares. Wisconsin Statute 25.17 enumerate the various types of securities in which the SIF can be invested. Concentration of credit risk is the risk of loss attributed to the magnitude of an organization's investment in a single issuer. At June 30, 2021 and 2020, the SIF made up 2 percent and 1 percent of the Fund's total portfolio, respectively. For further information on the specific associated risks for SIF, see the State of Wisconsin's Annual Comprehensive Financial Report as of and for the year ended June 30, 2021, when available.

4. 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.

State of Wisconsin Environmental Improvement Fund

Notes to Financial Statements
June 30, 2021 and 2020

The following is a schedule of transfers between the loan portfolios and/or other funds at the State of Wisconsin at June 30, 2021 and 2020:

Transferred To	Transferred From	June 30, 2021 Amount	June 30, 2020 Amount	Principal Purpose
Proprietary Portfolio Safe Drinking Water Loan Program	Capital Improvement	\$ 467,933	\$ 3,488,874	Future debt service
Bond Security and Redemption	Capital Improvement	-	567,216	State match
Debt Service Fund Program	Direct Loan Portfolio	8,000,000	8,000,000	G.O. bond debt service
	Proprietary Portfolio	<u>14,623</u>	<u>10,391</u>	Personnel services
Subtotal		8,482,556	12,066,481	
Less eliminations		<u>-</u>	<u>-</u>	
Total transfers, statements of revenues, expenses and changes in net position		<u>\$ 8,482,556</u>	<u>\$ 12,066,481</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

June 30, 2021 and 2020

5. Revenue Obligation Bonds

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

Environmental Improvement Fund Revenue Bonds activity as of June 30, 2021 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Clean Water Fund Program					
Revenue bonds issued	\$ 269,180,000	\$ -	\$ 21,770,000	\$ 247,410,000	\$ 22,955,000
Unamortized premiums	36,960,714	-	5,931,158	31,029,556	-
Safe Drinking Water Loan Program					
Revenue bonds issued	38,580,000	-	790,000	37,790,000	875,000
Unamortized premiums	9,845,873	-	913,920	8,931,953	-
Total	<u>\$ 354,566,587</u>	<u>\$ -</u>	<u>\$ 29,405,078</u>	<u>\$ 325,161,509</u>	<u>23,830,000</u>

Environmental Improvement Fund Revenue Bonds activity as of June 30, 2020 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Clean Water Fund Program					
Revenue bonds issued	\$ 245,885,000	\$ 44,005,000	\$ 20,710,000	\$ 269,180,000	\$ 21,770,000
Unamortized premiums	31,903,029	11,090,663	6,032,978	36,960,714	-
Safe Drinking Water Loan Program					
Revenue bonds issued	-	38,812,636	232,636	38,580,000	790,000
Unamortized premiums	-	9,980,421	134,548	9,845,873	-
Total	<u>\$ 277,788,029</u>	<u>\$ 103,888,720</u>	<u>\$ 27,110,162</u>	<u>\$ 354,566,587</u>	<u>\$ 22,560,000</u>

In November 2019, the State approved a reallocation of proceeds from the 2018 Series A Revenue Bond from the clean water fund to the safe drinking water fund. Included within the increases and decreases summarized above is this reallocation of \$2,817,636 in revenue bonds and \$365,948 in unamortized premium from clean water to safe drinking water.

State of Wisconsin Environmental Improvement Fund

Notes to Financial Statements

June 30, 2021 and 2020

Environmental Improvement Fund revenue obligation serial and term bonds as of June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
2015 Series A:		
Serial Bonds, final maturity June 1, 2030	\$ 27,550,000	\$ 30,320,000
Unamortized premium on bonds	2,513,906	3,134,507
	<u>30,063,906</u>	<u>33,454,507</u>
2017 Series A:		
Serial Bonds, final maturity June 1, 2035	108,090,000	114,110,000
Unamortized premium on bonds	12,774,380	14,880,341
	<u>120,864,380</u>	<u>128,990,341</u>
2018 Series A:		
Serial Bonds, final maturity June 1, 2026	71,080,000	83,330,000
Unamortized premium on bonds	5,914,754	8,253,666
	<u>76,994,754</u>	<u>91,583,666</u>
2020 Series A:		
Serial Bonds, final maturity June 1, 2039	78,480,000	80,000,000
Unamortized premium on bonds	18,758,469	20,538,073
	<u>97,238,469</u>	<u>100,538,073</u>
Total environmental improvement fund revenue series	<u>\$ 325,161,509</u>	<u>\$ 354,566,587</u>

The original premium at issuance and the interest rates for Environmental Improvement Fund Revenue Bonds outstanding at June 30, 2021 was the following:

<u>Series</u>	<u>Original Issue (Premium)</u>	<u>Interest Rates</u>
2015 Series A	\$ (7,039,669)	3.00 – 5.00%
2017 Series A	(28,543,314)	3.00 – 5.00%
2018 Series A	(12,386,409)	5.00%
2020 Series A	(20,705,136)	5.00%

State of Wisconsin Environmental Improvement Fund

Notes to Financial Statements

June 30, 2021 and 2020

Principal and interest due on the Environmental Improvement Fund Revenue Bonds as of June 30, 2021, are as follows:

	Clean Water Fund Program		Safe Drinking Water Loan Program		Total
	Principal	Interest	Principal	Interest	
Years Ending June 30:					
2022	\$ 22,955,000	\$ 12,370,500	\$ 875,000	\$ 1,889,500	\$ 38,090,000
2023	24,055,000	11,222,750	970,000	1,845,750	38,093,500
2024	25,215,000	10,202,000	1,055,000	1,797,250	38,269,250
2025	25,080,000	8,759,250	1,110,000	1,744,500	36,693,750
2026	25,270,000	7,505,250	1,160,000	1,689,000	35,624,250
2027-2031	60,495,000	24,792,250	3,905,000	7,800,750	96,993,000
2032-2036	50,805,000	11,378,000	22,630,000	4,929,500	89,742,500
2037-2039	13,535,000	1,072,750	6,085,000	509,000	21,201,750
Total	\$ 247,410,000	\$ 87,120,750	\$ 37,790,000	\$ 22,205,250	\$ 394,526,000

Principal and interest due on the Environmental Improvement Fund Revenue Bonds as of June 30, 2020, are as follows:

	Clean Water Fund Program		Safe Drinking Water Loan Program		Total
	Principal	Interest	Principal	Interest	
Years Ending June 30:					
2021	\$ 21,770,000	\$ 13,569,013	\$ 790,000	\$ 2,018,987	\$ 38,148,000
2022	22,955,000	12,370,500	875,000	1,889,500	38,090,000
2023	24,055,000	11,222,750	970,000	1,845,750	38,093,500
2024	25,215,000	10,202,000	1,055,000	1,797,250	38,269,250
2025	25,080,000	8,759,250	1,110,000	1,744,500	36,693,750
2026-2030	76,875,000	28,636,000	4,065,000	8,004,000	117,580,000
2031-2035	51,115,000	13,933,750	19,915,000	5,925,250	90,889,000
2036-2039	22,115,000	2,178,500	9,800,000	999,000	35,092,500
Total	\$ 269,180,000	\$ 100,871,763	\$ 38,580,000	\$ 24,224,237	\$ 432,856,000

Environmental Improvement Fund revenue bonds are payable only from revenues derived from: (1) pledged loan amounts, (2) amounts in the Loan Fund, Reserve Fund (if any) and (3) all other pledged receipts.

The Environmental Improvement Fund has pledged future loan revenues, net of specified operating expenses, to repay outstanding revenue bonds. 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. Specifics of these requirements are as follows:

Type of Revenue Bonds	Outstanding	Issuance Dates	Maturity Through	Percentage of Revenues to Pay Principal and Interest	Principal and Interest Outstanding	Principal and Interest Paid In Current Year	Total Net Revenues
Environmental Improvement Fund - 2021	\$ 285.2M	2015 - 2020	2039	15%	\$ 394.53 M	\$ 38.1 M	\$ 144.3 M
Environmental Improvement Fund - 2020	\$ 307.8 M	2015 - 2020	2039	16%	\$ 432.67 M	\$ 38.1 M	\$ 138.8 M

State of Wisconsin Environmental Improvement Fund

Notes to Financial Statements

June 30, 2021 and 2020

6. Debt Refunding

Prior-Year Defeasance of Debt

In prior years, the Fund defeased certain Clean Water Revenue 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, 2021, \$327,905,000 of bonds outstanding are considered defeased. At June 30, 2020, \$357,030,000 of bonds outstanding are considered defeased. The bonds are callable as follows:

	<u>Amount as of June 30, 2021</u>	<u>Amount as of June 30, 2020</u>
6/1/2021	\$ -	\$ 29,125,000
6/1/2022	76,140,000	76,140,000
6/1/2023	85,900,000	85,900,000
6/1/2024	165,865,000	165,865,000

7. Investment Income

Investment income is recorded net of estimated required arbitrage relating to outstanding State of Wisconsin Environmental Improvement Revenue Bonds and consisted of the following for the fiscal years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest:		
State of Wisconsin Investment Board Local Government Investment Pool	\$ 180,380	\$ 5,053,286
Federal Interest on Build America Bonds	-	585,521
Total investment income	<u>\$ 180,380</u>	<u>\$ 5,638,807</u>

8. Operating Grants and financial 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 percent 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 \$43 million for federal fiscal year 2021. Four percent of the EPA grant amount may be used for wastewater program administrative expenses. Authorization levels for years after 2021 are unknown at this time.

State of Wisconsin Environmental Improvement Fund

Notes to Financial Statements

June 30, 2021 and 2020

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 percent 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 2021 and a grant to Wisconsin of approximately \$18.7 million is expected for federal fiscal year 2021.

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.

Hardship Assistance—Wisconsin statutes require that the Fund provide financial hardship assistance to disadvantaged communities that qualify under Wisconsin Statute 281.58(12). This assistance is currently in the form of further reduced interest rates (as low as 0 percent), but prior to statutory changes that were effective September 23, 2017 was in the form of reduced interest rates (as low as 0 percent) or grants, for wastewater projects subject to limitations prescribed by the statute.

9. Subsequent Events

On August 4, 2021, the State of Wisconsin Building Commission entered into a Defeasance Escrow Agreement, where the State of Wisconsin deposited \$18.7 million of cash into an escrow account for the defeasance of five maturities in the aggregate par amount of \$16.4 million from State of Wisconsin Environmental Improvement Revenues Bonds, 2015 Series A: Maturities 06/01/2026 through and including 06/01/2030. The amount deposited into the escrow account has been invested in allowable defeasance securities to provide the payment of principal of, and interest on, these bonds up to and including the dates of redemption.

On September 16, 2021, the State of Wisconsin issued \$100.0 million of its Environmental Improvement Fund Revenue Bonds, 2021 Series A (Green Bonds) to be used to make loans under the Clean Water Fund and Safe Drinking Water Loan Programs. The interest rates associated with these bonds were set at 4.0 to 5.0 percent payable semiannually beginning December 1, 2021. The bonds mature annually beginning June 1, 2024 through 2040.

State of Wisconsin Environmental Improvement Fund

Notes to Financial Statements
June 30, 2021 and 2020

10. Effect of New Accounting Standards on Current-Period Financial Statements

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

- Statement No. 87, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84 and a supersession of GASB Statement No. 32*
- Statement No. 98, *The Annual Comprehensive Financial Report*

The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87 which was postponed by one and a half years.

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

11. 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.

12. Risk Management

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

SUPPLEMENTARY INFORMATION

State of Wisconsin Environmental Improvement Fund

Statement of Net Position
By Program
June 30, 2021

	Clean Water Fund Program			Safe	Eliminations	Total
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio	Drinking Water Loan Program		
Assets and Deferred Outflows of Resources						
Current Assets						
Unrestricted cash and cash equivalents	\$ 239,165,281	\$ 1,551,177	\$ 1,546,720	\$ 189,363,466	\$ -	\$ 431,626,644
Receivables:						
Loans to local governments, current portion	160,847,681	1,106,567	-	31,328,567	-	193,282,815
Due from other funds	917	9,228,962	-	504,926	(8,270,305)	1,464,500
Due from other governmental entities	6,716,258	30,658	-	3,629,654	-	10,376,570
Accrued investment income	-	-	-	269	-	269
Other receivables	15,145	17,742	-	2,398	-	35,285
Prepaid items	-	19	16,887	-	-	16,906
Total current assets	<u>406,745,282</u>	<u>11,935,125</u>	<u>1,563,607</u>	<u>224,829,280</u>	<u>(8,270,305)</u>	<u>636,802,989</u>
Noncurrent Assets						
Loans to local governments	1,494,180,149	10,117,172	-	354,478,480	-	1,858,775,801
Advances to other funds	6,586,860	-	-	-	-	6,586,860
Prepaid items	-	-	32,366	-	-	32,366
Net pension asset	-	148,236	-	-	-	148,236
Sick Leave OPEB Asset	-	31,267	-	-	-	31,267
Total noncurrent assets	<u>1,500,767,009</u>	<u>10,296,675</u>	<u>32,366</u>	<u>354,478,480</u>	<u>-</u>	<u>1,865,574,530</u>
Total assets	<u>1,907,512,291</u>	<u>22,231,800</u>	<u>1,595,973</u>	<u>579,307,760</u>	<u>(8,270,305)</u>	<u>2,502,377,519</u>
Deferred Outflows of Resources						
Pension related amounts	-	234,588	-	-	-	234,588
OPEB related amounts, health	-	5,516	-	-	-	5,516
OPEB related amounts, life	-	12,759	-	-	-	12,759
OPEB related amounts, sick	-	2,400	-	-	-	2,400
Unamortized charges	978,058	-	-	-	-	978,058
Total deferred outflows of resources	<u>978,058</u>	<u>255,263</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,233,321</u>
Total assets and deferred outflows of resources	<u>\$ 1,908,490,349</u>	<u>\$ 22,487,063</u>	<u>\$ 1,595,973</u>	<u>\$ 579,307,760</u>	<u>\$ (8,270,305)</u>	<u>\$ 2,503,610,840</u>

State of Wisconsin Environmental Improvement Fund

Statement of Net Position

By Program

June 30, 2021

	Clean Water Fund Program			Safe Drinking Water Loan Program	Eliminations	Total
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio			
Liabilities and Net Position						
Current Liabilities						
Accrued expenses	\$ 6,400	\$ 32,738	\$ -	\$ 53,666	\$ -	\$ 92,804
Accrued interest on bonds	1,030,875	-	-	157,458	-	1,188,333
Due to other funds	8,477,626	197,834	-	440,121	(8,270,305)	845,276
Due to other governmental entities	-	3,218	-	402,509	-	405,727
Compensated absences, current portion	-	205,692	-	-	-	205,692
Revenue obligation bonds, current maturities	22,955,000	-	-	875,000	-	23,830,000
Total current liabilities	32,469,901	439,482	-	1,928,754	(8,270,305)	26,567,832
Noncurrent Liabilities						
OPEB liability, health	-	32,796	-	-	-	32,796
Net OPEB liability, life	-	29,219	-	-	-	29,219
Compensated absences	-	452,991	-	-	-	452,991
Revenue obligation bonds (including unamortized premium)	255,484,556	-	-	45,846,953	-	301,331,509
Total noncurrent liabilities	255,484,556	515,006	-	45,846,953	-	301,846,515
Total liabilities	287,954,457	954,488	-	47,775,707	(8,270,305)	328,414,347
Deferred Inflows of Resources						
Pension related amounts	-	318,091	-	-	-	318,091
OPEB related amounts, health	-	16,122	-	-	-	16,122
OPEB related amounts, life	-	5,378	-	-	-	5,378
OPEB related amounts, sick	-	28,326	-	-	-	28,326
Total deferred inflows of resources	-	367,917	-	-	-	367,917
Net Position						
Restricted for:						
Environmental improvement	1,620,535,892	52,060	1,595,973	531,532,053	-	2,153,715,978
Pension and OPEB	-	179,503	-	-	-	179,503
Unrestricted	-	20,933,095	-	-	-	20,933,095
Total net position	1,620,535,892	21,164,658	1,595,973	531,532,053	-	2,174,828,576
Total liabilities, deferred inflows of resources and net position	\$ 1,908,490,349	\$ 22,487,063	\$ 1,595,973	\$ 579,307,760	\$ (8,270,305)	\$ 2,503,610,840

State of Wisconsin Environmental Improvement Fund

Statement of Revenues, Expenses and Changes in Net Position

By Program

Year Ended June 30, 2021

	Clean Water Fund Program			Safe Drinking Water Loan Program	Eliminations	Total
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio			
Operating Revenues						
Loan interest	\$ -	\$ 211,685	\$ -	\$ -	\$ -	\$ 211,685
Interest income used as security for revenue bonds	37,173,206	-	-	6,724,118	-	43,897,324
Miscellaneous other	515,112	14,849	-	-	-	529,961
Total operating revenues	37,688,318	226,534	-	6,724,118	-	44,638,970
Operating Expenses						
Interest	7,766,472	-	-	1,128,423	-	8,894,895
Salaries and benefits	3,131,432	287,368	-	3,075,684	-	6,494,484
Contractual services and other	739,384	107,183	16,887	2,788,190	-	3,651,644
Total operating expenses	11,637,288	394,551	16,887	6,992,297	-	19,041,023
Operating income (loss)	26,051,030	(168,017)	(16,887)	(268,179)	-	25,597,947
Nonoperating Revenues (Expenses)						
Investment income	107,301	981	569	71,528	-	180,379
Intergovernmental grants	42,614,189	-	-	18,752,259	-	61,366,448
Grants awarded	(12,908,416)	(627,818)	-	(7,569,859)	-	(21,106,093)
Total nonoperating revenues (expenses)	29,813,074	(626,837)	569	11,253,928	-	40,440,734
Income (Loss) Before Transfers	55,864,104	(794,854)	(16,318)	10,985,749	-	66,038,681
Transfers in	80,735,864	467,933	-	89,675,737	(170,411,601)	467,933
Transfers out	(152,545,413)	(14,623)	-	(25,866,188)	170,411,601	(8,014,623)
Change in net position	(15,945,445)	(341,544)	(16,318)	74,795,298	-	58,491,991
Net Position, Beginning	1,636,481,337	21,506,202	1,612,291	456,736,755	-	2,116,336,585
Net Position, Ending	\$ 1,620,535,892	\$ 21,164,658	\$ 1,595,973	\$ 531,532,053	\$ -	\$ 2,174,828,576

State of Wisconsin Environmental Improvement Fund

Statement of Cash Flows
 By Program
 Year Ended June 30, 2021

	Clean Water Fund Program			Safe Drinking Water Loan Program	Eliminations	Total
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio			
Cash Flows From Operating Activities						
Collection of loans	\$ 168,587,642	\$ 1,553,841	\$ -	\$ 30,165,282	\$ -	\$ 200,306,765
Interest received on loans	36,992,948	217,659	-	6,600,022	-	43,810,629
Origination of loans	(254,554,630)	-	-	(77,893,210)	-	(332,447,840)
Payments to employees for services	(2,345,553)	(1,897,694)	-	(3,158,946)	-	(7,402,193)
Payments to suppliers and other	(382,025)	(530,547)	-	(3,243,721)	-	(4,156,293)
Other operating revenues	515,112	14,848	-	-	-	529,960
Net cash flows from operating activities	(51,186,506)	(641,893)	-	(47,530,573)	-	(99,358,972)
Cash Flows From Noncapital Financing Activities						
Intergovernmental grants received	42,542,660	-	-	17,683,873	-	60,226,533
Grants paid	(12,908,415)	(627,818)	-	(7,569,859)	-	(21,106,092)
Transfers in	80,735,864	3,019,975	-	89,675,737	(170,411,601)	3,019,975
Transfers out	(152,545,413)	(14,623)	-	(25,866,188)	170,411,601	(8,014,623)
Retirement of long-term debt	(21,770,000)	-	-	(790,000)	-	(22,560,000)
Interest payments	(13,569,013)	-	-	(2,018,988)	-	(15,588,001)
Other cash flows from noncapital financing activities	(4,834)	-	-	-	-	(4,834)
Net cash flows from noncapital financing activities	(77,519,151)	2,377,534	-	71,114,575	-	(4,027,042)
Cash Flows From Investing Activities						
Investment and interest income	107,301	(912)	570	71,527	-	178,486
Net cash flows from investing activities	107,301	(912)	570	71,527	-	178,486
Net increase in cash and cash equivalents	(128,598,356)	1,734,729	570	23,655,529	-	(103,207,528)
Cash and Cash Equivalents (Deficit), Beginning	<u>367,763,637</u>	<u>(183,552)</u>	<u>1,546,150</u>	<u>165,707,937</u>	<u>-</u>	<u>534,834,172</u>
Cash and Cash Equivalents, Ending	<u>\$ 239,165,281</u>	<u>\$ 1,551,177</u>	<u>\$ 1,546,720</u>	<u>\$ 189,363,466</u>	<u>\$ -</u>	<u>\$ 431,626,644</u>

State of Wisconsin Environmental Improvement Fund

Statement of Cash Flows
By Program
Year Ended June 30, 2021

	Clean Water Fund Program			Safe Drinking Water Loan Program	Total
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio		
Reconciliation of Operating Income (Loss) to Net Cash Flows From Operating Activities					
Operating income (loss)	\$ 26,051,030	\$ (168,017)	\$ (16,887)	\$ (268,179)	\$ 25,597,947
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Interest expense classified as noncapital financing activity	7,715,075	-	-	1,084,551	8,799,626
Changes in assets and liabilities:					
Receivables	(5,468)	-	-	10	(5,458)
Loans to other governments	(85,966,988)	1,553,841	-	(47,727,928)	(132,141,075)
Due from other funds	(93)	(1,956,880)	-	(450,328)	(2,407,301)
Proportionate share of contributions	-	58,405	-	-	58,405
Prepaid items	-	1	16,887	-	16,888
Compensated absences	-	82,302	-	-	82,302
Other assets	-	(98,795)	-	-	(98,795)
Accrued expenses	1,505	12,978	-	(1,498)	12,985
Accrued interest on bonds	(176,936)	5,974	-	(124,096)	(295,058)
Due to other funds	1,198,690	(132,017)	-	79,793	1,146,466
Due to other governmental entities	(3,321)	315	-	(122,898)	(125,904)
Total adjustments	(77,237,536)	(473,876)	16,887	(47,262,394)	(124,956,919)
Net cash flows from operating activities	\$ (51,186,506)	\$ (641,893)	\$ -	\$ (47,530,573)	\$ (99,358,972)
Noncash Investing and Noncapital Financing Activities					
Bond premium amortization	\$ 5,931,158	\$ -	\$ -	\$ 913,920	\$ 6,845,078

State of Wisconsin Environmental Improvement Fund

Other Information (Unaudited)

Years Ended June 30, 2021 and 2020

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 Annual Comprehensive Financial Report for the State of Wisconsin, which includes all funds and component units.

Independent Auditors' 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

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

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, 2021, and the related notes to the financial statements, and have issued our report thereon dated November 8, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Madison, Wisconsin
November 8, 2021