State of Wisconsin
Event Filing #2014-25
Dated November 11, 2014

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

Issuer:	State of Wisconsin Clean Water Revenue Bonds
CUSIP Numbers:	977092 Prefix (All)
Type of Information:	Financial/Operating Data Disclosures Filing Rule 15c2-12 Disclosure Audited Financial Statements

Attached are (1) financial statements for the years ended June 30, 2014 and June 30, 2013, supplemental information for the year ended June 30, 2014, and independent auditor's report for the State of Wisconsin Environmental Improvement Fund, and (2) financial statements for the year ended June 1, 2014 and independent auditor's report for the Leveraged Loan Portfolio.

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, 2014.

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 at:

doa.wi.gov/capitalfinance

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 December 1, 2010), and is authorized to distribute this information publicly.

/S/ KEVIN D. TAYLOR

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STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2014 and 2013,
SUPPLEMENTAL INFORMATION
For the Year Ended June 30, 2014, and
Independent Auditors' Report

AND

LEVERAGED LOAN PORTFOLIO

FINANCIAL STATEMENTS
As of and for the Year Ended June 1, 2014, and
Independent Auditors' Report

STATE OF WISCONSIN

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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, 2014, and 2013, 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, 2014 and 2013, 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, 2014, and 2013, and the changes in its financial position and, where applicable, its 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 I, the State of Wisconsin Environmental Improvement Fund adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* effective July 1, 2013. 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 31, 2014 on our consideration of the State of Wisconsin Environmental Improvement Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Wisconsin Environmental Improvement Fund's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
November 3, 2014

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENTS OF NET POSITION
As of June 30, 2014 and 2013

	2014	2013
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Unrestricted cash and cash equivalents	$ 375,033,225	$ 401,622,626
United States Treasury Notes, purchased in connection with forward delivery agreements, at cost	45,554,347	45,594,162
Receivables		
Loans to local governments - current portion	168,949,259	160,570,515
Due from other funds	661,007	1,000
Due from other governmental entities	8,929,850	8,606,413
Accrued investment income	231,164	231,164
Prepaid items	21,949	21,380
Total Current Assets	599,380,801	616,647,260
Noncurrent Assets		
Restricted assets - cash equivalents	102,561,070	104,529,985
Investments - State of Wisconsin general obligation clean water bonds, at fair value	188,914,802	180,080,245
Loans to local governments	1,840,695,634	1,815,001,535
Advances to other funds	6,216,596	4,968,372
Prepaid items	150,575	167,462
Capital Assets		
Equipment	20,357	20,357
Less: Accumulated depreciation	(20,357)	(20,357)
Total Capital Assets (Net of Accumulated Depreciation)	-	-
Total Noncurrent Assets	2,138,538,677	2,104,747,599
Total Assets	2,737,919,478	2,721,394,859
Deferred Outflows of Resources		
Unamortized charges	17,726,016	21,288,383
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 2,755,645,494	$ 2,742,683,242
LIABILITIES AND NET POSITION		
Current Liabilities		
Accrued expenses	$ 83,447	$ 25,646
Accrued interest on bonds	3,127,704	3,374,480
Due to other funds	1,311,367	470,170
Due to other governmental entities	225,682	255,221
Compensated absences - current portion	39,141	33,822
Revenue obligation bonds - current maturities	58,400,000	58,195,000
Total Current Liabilities	63,187,341	62,354,339
Noncurrent Liabilities		
Accrued expenses	30,304	29,086
Due to other governmental entities	987,721	705,500
Compensated absences	46,567	49,849
Revenue obligation bonds (including unamortized premium)	768,022,265	836,448,789
Total Noncurrent Liabilities	769,086,857	837,233,224
Total Liabilities	832,274,198	899,587,563
Net Position		
Restricted for environmental improvement	1,907,586,775	1,835,024,914
Unrestricted	15,784,521	8,070,765
Total Net Position	1,923,371,296	1,843,095,679
TOTAL LIABILITIES AND NET POSITION	$ 2,755,645,494	$ 2,742,683,242

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, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Loan interest	$ 31,356,377	$ 29,800,482
Interest income used as security for revenue bonds	20,409,280	21,401,425
Miscellaneous other	34,230	37,795
Total Operating Revenues	51,799,887	51,239,702
OPERATING EXPENSES		
Interest	33,782,824	36,216,967
Salaries and benefits	3,835,880	3,742,837
Contractual services and other	2,262,994	2,049,445
Depreciation	-	1,808
Total Operating Expenses	39,881,698	42,011,057
Operating Income	11,918,189	9,228,645
NONOPERATING REVENUES (EXPENSES)		
Investment income	1,079,236	1,304,353
Investment income (loss) used as security for revenue bonds	11,727,152	(3,096,212)
Other revenues	-	209,517
Intergovernmental grants	51,214,815	108,857,445
Grants awarded	(10,133,150)	(10,235,932)
Total Nonoperating Revenues (Expenses)	53,888,053	97,039,171
INCOME BEFORE TRANSFERS	65,806,242	106,267,816
Transfers in	22,486,488	6,774,815
Transfers out	(8,017,113)	(8,109,442)
Increase in Net Position (as restated)	80,275,617	104,933,189
TOTAL NET POSITION - Beginning of Year (as restated)	1,843,095,679	1,738,162,490
TOTAL NET POSITION - END OF YEAR	$1,923,371,296	$ 1,843,095,679

See accompanying notes to financial statements.

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Collection of loans	$ 166,981,430	$ 163,131,159
Interest received on loans	51,650,051	51,111,396
Origination of loans	(201,054,323)	(209,666,195)
Payments to employees for services	(4,027,190)	(4,569,983)
Payments to suppliers and other	(2,130,304)	(2,221,016)
Other operating revenues	34,230	37,795
Net Cash Flows From Operating Activities	11,453,894	(2,176,844)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Intergovernmental grants received	51,297,679	108,636,097
Grants paid	(10,133,150)	(10,235,932)
Transfers in	22,486,488	6,774,815
Transfers out	(8,017,113)	(8,109,442)
Proceeds from issuance of long-term debt	-	230,295,000
Debt premium received	-	45,456,612
Debt issuance costs	-	(1,211,243)
Retirement of long-term debt	(58,195,000)	(59,170,000)
Refunded debt	-	(187,490,000)
Payment to escrow agent	-	(22,811,472)
Interest payments	(40,493,758)	(41,262,877)
Advances to other funds	(1,251,224)	(609,275)
Net Cash Flows From Noncapital Financing Activities	(44,306,078)	60,262,283
CASH FLOWS FROM INVESTING ACTIVITIES		
Arbitrage rebate	-	(596,702)
Purchase of investments	(10,705,087)	(126,606,562)
Liquidation of investments	5,930,397	138,445,919
Investment and interest income	9,068,558	9,585,946
Net Cash Flows From Investing Activities	4,293,868	20,828,601
Net Increase (Decrease) in Cash and Cash Equivalents	(28,558,316)	78,914,040
CASH AND CASH EQUIVALENTS - Beginning of Year	506,152,611	427,238,571
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 477,594,295	$ 506,152,611

	2014	2013
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	$ 11,918,189	$ 9,228,645
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Interest expense classified as noncapital financing activity	33,782,824	35,921,865
Noncash items in operating income		
Depreciation	-	1,808
Changes in assets and liabilities		
Loans to other governments	(34,072,842)	(46,535,035)
Due from other funds	(672,870)	68,345
Prepaid items	16,318	16,812
Compensated absences	2,036	(1,942)
Other post employment benefits	1,218	(1,154)
Accrued expenses	57,802	(43,609)
Accrued interest on bonds	(115,609)	(90,511)
Due to other funds	566,367	(997,290)
Due to other governmental entities	(29,539)	255,222
Total Adjustments	(464,295)	(11,405,489)
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 11,453,894	$ (2,176,844)

	2014	2013
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Unrestricted cash and cash equivalents - statement of net position	$ 375,033,225	$ 401,622,626
Investments in United States Treasury Notes, purchased in connection with forward delivery agreements	45,554,347	45,594,162
Investments in State of Wisconsin general obligation clean water bonds	188,914,802	180,080,245
Restricted cash and cash equivalents - statement of net position	102,561,070	104,529,985
Total Cash and Investments	712,063,444	731,827,018
Less: Noncash equivalents	(234,469,149)	(225,674,407)
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 477,594,295	$ 506,152,611

	2014	2013
NONCASH INVESTING AND NONCAPITAL FINANCING ACTIVITIES		
Net change in unrealized gains and losses	$ (4,019,579)	$ 10,978,164
Bond premium amortization	$ 10,026,524	$ 14,662,678

See accompanying notes to financial statements.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity—The State of Wisconsin Environmental Improvement Fund (the "Fund") is an enterprise fund of the State of Wisconsin (the "State") administered by the State of Wisconsin Department of Natural Resources (the "DNR") and the State of Wisconsin Department of Administration (the "DOA").

The Fund was established with the adoption of the 1997-1999 State of Wisconsin budget. The Fund replaced the Clean Water Fund Program and expanded loan activity to include drinking water system loans and brownfield loans. The Fund provides for three separate environmental financing programs: the Clean Water Fund Program, the Safe Drinking Water Loan Program, and the Land Recycling Loan Program.

The Clean Water Fund Program was established in 1990 and provides financial assistance to municipalities at subsidized interest rates for the purpose of constructing or improving municipal wastewater facilities. The Safe Drinking Water Loan Program was established in 1997 and provides municipal loans for the construction or repair of municipal drinking water facilities. The following four loan portfolios comprise the Environmental Improvement Fund:

> Leveraged Loan Portfolio—This portfolio is funded by proceeds of revenue obligation bonds and operating transfers from the State. Assets in this portfolio are used for loans for Wisconsin municipal wastewater projects that meet applicable State eligibility and reporting requirements of the Clean Water Fund Program.

> Direct Loan Portfolio—This portfolio is funded by the U.S. Environmental Protection Agency (the "EPA") grants and operating transfers from the State (i.e., a minimum 20% match of EPA capitalization grant). Repayments from loans in this portfolio are also used to fund new loans. Loans in this portfolio are made for wastewater projects that comply with EPA eligibility and reporting requirements of the Clean Water Fund Program.

> Proprietary Loan/Grant Portfolio—This portfolio is funded by operating transfers from the State. Assets of this portfolio are used to fund both loans and hardship grants for qualifying wastewater projects. Repayments from loans in this portfolio may be used to fund new loans or hardship grants under the Clean Water Fund Program.

> Drinking Water Loan Portfolio—This portfolio is funded by the EPA grants and operating transfers from the State (the State is required to match a minimum of 20% of EPA grants). Repayments from loans in this portfolio may be used to fund new loans. Loans in this portfolio are made for drinking water projects that comply with EPA eligibility and reporting requirements under the Safe Drinking Water Loan Program.

The Land Recycling Loan Program is a municipal loan program for the remediation of contaminated lands. As of June 30, 2014 and 2013, there were ten loans granted under this program for a total of $15,218,891. As of June 30, 2014 and 2013, 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.

In March 2012, the GASB issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities.* This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard was implemented effective July 1, 2013, and as a result, the Environmental Improvement Fund restated its June 30, 2013 statements.

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

Net Operating Income/Loss—The Fund incurred net operating income of $11.9 million in 2014 and net operating income of $9.2 million in 2013. Management anticipates the Fund will periodically incur net operating losses in some years. 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 $51.2 million and $108.9 million in 2014 and 2013, respectively, and are classified as intergovernmental grants. Transfers from the State of Wisconsin were approximately $2.9 million and $2.0 million in 2014 and 2013, 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.

United States Treasury Notes, Purchased in Connection with Forward Delivery Agreements—The Fund holds United States Treasury Notes as investments at June 30, 2014 and 2013 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, 2014, the fair value of the Fund's interest in these agreements was above the cost of the treasury securities owned by $1,003,262. At June 30, 2013, the fair value was above the cost by $1,077,088.

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

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).

Unamortized Charges—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.

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.

Capital Assets—Capital assets, which consist of equipment, are reported when they have a unit cost of $5,000 or more and a useful life of two or more years. Purchased or constructed capital assets are valued at cost or estimated historical cost if actual historical cost is not practically determinable. Donated capital assets are recorded at their fair value at the time received. Exhaustible capital assets are depreciated using the straight-line method over the asset's useful life. Equipment is generally depreciated over 2 to 40 years per the State of Wisconsin's capital assets policy. Capital assets are not material to the financial statements.

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 $51.2 million and $108.9 million of EPA contributions in 2014 and 2013, respectively.

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

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, 2014 and 2013 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 2014 and 4.95% to 0% in 2013. The weighted average interest rate was 2.519% and 2.526% at June 30, 2014 and 2013, 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, 2014, all loan repayments were performing in accordance with the contractual terms.

Of the loans outstanding at June 30, 2014 and 2013, $668,058,748 and $691,113,289 (33% and 35%), 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 $173,522,321 of new loans and $9,286,532 of new grants during fiscal year 2014. For fiscal year 2013, these same programs entered into $198,255,849 of new loans and $12,026,289 of new grants. As of June 30, 2014, they had undisbursed commitments of $164,530,418 relating to loans and $2,977,691 relating to grants. For fiscal year 2013, they had undisbursed commitments of $207,218,046 relating to loans and $3,656,125 relating to grants. From July 1, 2014 to September 15, 2014, the Fund made additional loan disbursements of $31,686,191 for financial assistance agreements that were outstanding prior to June 30, 2014. $33,805,995 of additional loans were executed between July 1, 2014 and September 15, 2014. 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, 2014 and 2013, cash and cash equivalents consisted of the following:

	2014	2013
Local Government Investment Pool ("LGIP"), at fair value	$ 469,996,385	$ 498,554,696
Investments reported at cost:		
Repurchase Agreement with Bayerische Landesbank	7,597,910	7,597,910
Miscellaneous cash	-	5
	477,594,295	506,152,611
Less: Amounts classified as restricted assets (see Note 6)	(102,561,070)	(104,529,985)
Total Unrestricted Cash and Cash Equivalents	$ 375,033,225	$ 401,622,626

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, 2014, the current yield on the LGIP was 0.09%, compared to 0.08% as of June 30, 2013. The LGIP investment is stated at fair value.

The repurchase agreement with Bayerische Landesbank is collateralized by U.S. Treasury notes, bonds and debentures. At June 30, 2014 and 2013, the repurchase agreement had a market value of $8,058,860 and $8,383,399, respectively. The collateral is held by Wells Fargo Bank pursuant to a custody agreement. The repurchase agreement contains a fixed yield of 6.5%. The repurchase agreement provides for liquidation of investments at par if and when required by the terms of the Clean Water Revenue Bond General Resolution.

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

NOTE 3 – CASH AND CASH EQUIVALENTS (cont.)

As of June 30, 2013	Amount	Exposure to Custodial Credit Risk	Credit Risk	Interest Rate Risk	Interest Rate Highly Sensitive	Foreign Currency Rate	% of Portfolio
LGIP	$ 498,554,696	N/A	Not rated	N/A	N/A	N/A	68.2%
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	45,594,162	$0	N/A	See Note 4	N/A	N/A	6.2
GO Bonds-WI	180,080,245	$0	Aa2	5-1-31 final maturity	N/A	N/A	24.6

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 $102,561,070 and $104,529,985 at June 30, 2014 and 2013, 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, and 2006 Series 2, and 2008 Series 1 Revenue Obligation Bonds.

Every six months during the term of the agreements, Wachovia and JP Morgan are required to deliver United States Treasury securities (“Treasury securities”) to the 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 Wachovia 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. If the agreements were terminated at a time when a payment would be due to Wachovia, 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.

NOTE 4 – FORWARD DELIVERY AGREEMENTS (cont.)

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, 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

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, 2013, 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	$ 7,116,000	2.000%	$ 6,992,011	5.58%	June 1, 2017	$ 7,184,188
Series 1998-1 Agreement	7,401,000	2.000	7,292,215	5.01	June 1, 2018	7,471,919
Series 1999-1 Agreement	7,066,000	2.000	6,918,023	6.32	June 1, 2020	7,133,709
Series 2006-1 Agreement	6,560,000	0.250	6,421,714	4.56	June 1, 2027	6,565,484
Series 2006-2 Agreement	8,183,000	0.250	7,999,509	4.84	June 1, 2027	8,189,840
Series 2008-1 Agreement	10,030,000	2.000	9,927,034	4.10	June 1, 2028	10,126,110

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:

Transferred To	Transferred From	Amount	Principal Purpose
Direct Loan Portfolio	Proprietary Portfolio	$ 7,217,401	State match
Proprietary Portfolio	Capital Improvement	19,591,119	Future debt service
Safe Drinking Water Loan Program	Capital Improvement	2,895,369	State match
Bond Security and Redemption	Direct Loan Portfolio	8,000,000	G.O. bond debt service
Debt Service Fund Program	Proprietary Portfolio	17,113	Personal services
Leveraged Loan Portfolio	Proprietary Portfolio	10,700,000	Future debt service
Subtotal		48,421,002	
Less: Eliminations		(33,951,627)	
Total Transfers – Statements of Revenues, Expenses and Changes in Net Position		$ 14,469,375	

NOTE 5 – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)

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

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS

REVENUE OBLIGATION BONDS

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

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

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

Revenue bonds activity as of June 30, 2013 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds	$ 839,305,000	$ 230,295,000	$ 246,660,000*	$ 822,940,000	$ 58,195,000
Add:					
Unamortized premiums	40,909,855	45,456,612	14,662,678	71,703,789	-
Totals	$ 880,214,855	$ 275,751,612	$ 261,322,678	$ 894,643,789	$ 58,195,000

* Includes $187,490,000 of refunded bonds.

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

REVENUE OBLIGATION BONDS (cont.)

Revenue obligation serial and term bonds as of June 30, 2014 and 2013 consisted of the follow ing:

	2014	2013
1998 Series 2:		
Serial Bonds, no optional redemption, June 1, 2017	$ 21,560,000	$ 33,105,000
Unamortized premium on bonds	235,047	444,032
	21,795,047	33,549,032
2002 Series 2:		
Serial Bonds, no optional redemption, June 1, 2016	7,675,000	11,230,000
Unamortized premium on bonds	121,977	246,352
	7,796,977	11,476,352
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2014	-	4,775,000
Unamortized premium on bonds	-	60,967
	-	4,835,967
2004 Series 2:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2015	51,770,000	66,535,000
Unamortized premium on bonds	1,270,261	1,975,642
	53,040,261	67,510,642
2006 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2016	6,980,000	10,220,000
Unamortized premium on bonds	109,703	219,411
	7,089,703	10,439,411
2006 Series 2:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2015	4,255,000	8,310,000
Unamortized premium on bonds	44,381	134,855
	4,299,381	8,444,855
2008 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2018	80,010,000	83,725,000
Unamortized premium on bonds	3,406,785	3,990,042
	83,416,785	87,715,042
2008 Series 2:		
Serial Bonds, no optional redemption, June 1, 2018	27,335,000	27,335,000
Unamortized premium on bonds	1,225,760	1,597,323
	28,560,760	28,932,323
2008 Series 3:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2018	75,680,000	79,325,000
Unamortized premium on bonds	1,018,776	1,267,453
	76,698,776	80,592,453

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

REVENUE OBLIGATION BONDS

	2014	2013
2010 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2031	$ 55,810,000	$ 59,795,000
Unamortized premium on bonds	3,438,989	3,921,215
	59,248,989	63,716,215
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	1,276,945	1,468,303
	15,346,945	15,538,303
2010 Series 3:		
Build America Bonds, optional redemption for bonds at 100% of par, June 1, 2025	49,690,000	49,690,000
2010 Series 4:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2031	104,800,000	108,770,000
Unamortized premium on bonds	8,888,693	10,079,380
	113,688,693	118,849,380
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	3,863,823	4,432,530
	40,623,823	41,192,530
2012 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2033	53,055,000	55,000,000
Unamortized premium on bonds	7,720,737	8,82,588
	60,775,737	63,482,588
2012 Series 2:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2024	92,450,000	92,450,000
Unamortized premium on bonds	15,111,330	17,746,597
	107,561,330	110,196,597
2013 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2027	82,8145,000	82,845,000
Unamortized premium on bonds	13,944,058	15,637,099
	96,789,058	98,482,099
Total of All Series	$ 826,422,265	$ 894,643,789

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

REVENUE OBLIGATION BONDS (cont.)

The original issue discount or premium at issuance and the interest rates at June 30, 2014, on the following bond series were:

Series	Original Issue Discount/ (Premium)	Interest Rates
1998 Series 2	$ (7,739,808)	4.00 – 5.50%
2002 Series 2	(7,344,000)	3.00 – 5.50%
2004 Series 1	(6,632,300)	4.00 – 5.00%
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 $6,278,278. 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, 2014, are as follows:

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

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

REVENUE OBLIGATION BONDS (cont.)

The revenue obligation bonds are collateralized by a security interest in all assets of the Leveraged Loan Portfolio. At June 30, 2014 and 2013, the total assets of the Leveraged Loan Portfolio were $1,060,427,775 and $1,120,430,841, 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 $764.8 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 56% of revenues. The total principal and interest remaining to be paid on the bonds is $1,051,955,162. Principal and interest paid for the current year and total net revenues were $98.7 million and $99.2 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 substantially all of the Bayerische Landesbank investment (Note 3) and $94.9 million of the LGIP balance held as a credit reserve. These amounts are required in order to satisfy the conditions of certain agreements related to maintaining the minimum credit ratings on the bonds.

NOTE 7 – 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, 2014, $124,445,000 of bonds outstanding are considered defeased. At June 30, 2013, $187,490,000 of bonds outstanding are considered defeased. The bonds are callable as follows:

Call Date	Amount as of June 30, 2014	Amount as of June 30, 2013
6/1/2014	$ -	$ 63,045,000
6/1/2015	71,120,000	71,120,000
6/1/2016	53,325,000	53,325,000

NOTE 7 – DEBT REFUNDING (cont.)

ADVANCE REFUNDING

In 2013, The Fund defeased a portion of its 2006 Series 1 and 2006 Series 2 bonds through the issuance of $82,845,000 of 2013 Series 1 Refunding Bonds. The proceeds were used to purchase the U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunding bonds. Accordingly , the trust assets and the liability for the defeased bonds are not included in the Fund's financial statements. At June 30, 2013, there was $86,245,000 of the defeased bonds outstanding that will be secured by the irrevocable trust's remaining funds.

The cash flow requirements on the refunded bonds prior to the 2013 advance refunding was $130,895,350 from 2013 through 2027. The cash flow requirements on the 2013, Series 1 refunding bonds are $121,981,220 from 2013 through 2027. The advance refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $7,659,999.

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 $62,528,244 (par value) of State of Wisconsin General Obligation Bond, Clean Water Fund Program ("Global Certificate"). The estimated market value and weighted average coupon interest rate of the Global Certificate at both June 30, 2014 and 2013 were $54,287,495 and 0.00% and $57,592,556 and 0.00%, respectively.

In February 2007, two additional State of Wisconsin General Obligation Bonds were issued for the Clean Water Fund Program for $9,724,186 and $6,851,446 (par value). The estimated market value and weighted average coupon interest rates of the bonds at June 30, 2014 were $11,502,353 and 5.50% and $8,458,665 and 5.76%, respectively. The estimated market value and weighted average coupon interest rates of the bonds at June 30, 2013 were $12,448,041 and 5.46% and $8,186,755 and 5.76%, respectively.

In June 2008, two State of Wisconsin General Obligation Bonds were issued for the Clean Water Fund Program for $16,600,000 and $10,300,000 (par value). The estimated market values of the bonds at June 30, 2014 were $21,751,058 and $10,300,000. The weighted average coupon interest rate for the $16,600,000 bonds at June 30, 2014 was 6.16%. The estimated market values of the bonds at June 30, 2013 were $21,217,394 and $10,300,000. The weighted average coupon interest rate for the $16,600,000 bonds at June 30, 2013 was 6.16%.

In January 2009, one State of Wisconsin General Obligation Bond was issued for the Clean Water Fund Program for $17,700,000 (par value). The estimated market value and weighted average coupon interest rate of the bonds at June 30, 2014 and 2013 were $21,702,256 and 5.78% and $21,844,739 and 5.78%, respectively.

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

In April 2010, one State of Wisconsin General Obligation Bond was issued for the Clean Water Fund Program for $15,243,000 (par value). The estimated market value and weighted average coupon interest rate of the bonds at June 30, 2014 and 2013 were $18,303,867 and 5.47% and $17,816,818 and 5.47%, respectively.

In December 2010, one State of Wisconsin General Obligation Bond was issued for the Clean Water Fund Program for $15,000,000 (par value). The estimated market value and weighted average coupon interest rate of the bonds at June 30, 2014 and 2013 were $18,807,717 and 5.96% and $18,367,917 and 5.96%, respectively.

In April 2012, one State of Wisconsin General Obligation Bond was issued for the Clean Water Fund Program (“Global Certificate”) for $12,300,000 (par value). The estimated market value and weighted average coupon interest rate of the Global Certificate at June 30, 2014 and 2013 were $12,565,068 and 2.89%, and $12,306,025 and 2.89%, respectively.

In April 2014, one State of Wisconsin General Obligation Bond was issued for the Clean Water Fund Program for $10,700,000 (par value). The estimated market value and weighted average coupon interest rate of the bond at June 30, 2014 were $11,236,323 and 3.13%, respectively.

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 are as follows:

Years Ending June 30,	2014	2013
2015	$ 7,763,280	$ 5,885,021
2016	8,291,289	6,863,280
2017	12,025,350	7,791,289
2018	13,424,630	11,225,350
2019	11,522,163	12,724,630
2020-2024	45,448,904	47,215,237
2025-2029	36,563,260	40,173,090
2030-2033	31,608,000	29,954,000
Totals	$ 166,646,876	$ 161,831,897

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, 2014 and 2013:

	2014	2013
Interest		
State of Wisconsin Investment Board Local Government Investment Pool	$ 386,847	$ 680,935
Repurchase Agreement with Bayerishe Landesbank	493,864	493,864
United States Treasury Notes	2,280,105	2,384,631
State of Wisconsin General Obligation Bonds	5,136,698	5,206,500
Federal Interest on Build America Bonds	771,516	795,211
Total Interest	9,069,030	9,561,141
Changes in Realized and Unrealized Gains (Losses)		
State of Wisconsin General Obligation Bonds	4,019,579	(10,978,164)
Total Changes in Unrealized Gains (Losses)	4,019,579	(10,978,164)
Total Interest and Changes in Unrealized Gains (Losses)	13,083,609	(1,417,023)
Change in Estimated Rebatable Arbitrage Liability	(282,221)	(374,836)
TOTAL INVESTMENT INCOME (LOSS)	$ 12,806,388	$ (1,791,859)

NOTE 10 – OPERATING GRANTS AND HARDSHIP GRANTS

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 grant to Wisconsin of approximately $37.9 million for federal fiscal year 2014. Four percent of the EPA grant amount may be used for wastewater program administrative expenses. Authorization levels for years after 2014 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 2014 and a grant to Wisconsin of approximately $15.4 million is expected for federal fiscal year 2014.

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

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

Hardship Grants—Wisconsin statutes require that the Fund provide financial hardship assistance for wastewater projects 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 subject to limitations prescribed by the statute. In 2014 and 2013, the Fund awarded hardship grants of $0 for both years. At June 30, 2014 and 2013, the Fund was committed to award $2,977,691 and $3,656,125, respectively, of additional hardship grants. At June 30, 2014 and 2013, the Fund had projected additional hardship grants of $2,378,339 and $3,896,200, respectively.

NOTE 11 – RESTATEMENT

Net position has been restated as a result of the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* which requires debt issuance costs to be expensed in the period incurred. These costs were previously required to be capitalized. In addition, the increase in net position for the year ended June 30, 2013 has been restated for issuance costs incurred (expensed) during fiscal year 2013. The details of these restatements are as follows:

Net Position – June 30, 2012 (as reported)	$ 1,741,503,548
Less: Unamortized debt issuance costs	(3,341,058)
Net Position – June 30, 2012 (as restated)	$ 1,738,162,490
Increase in Net Position – June 30, 2013 (as reported)	$ 105,534,281
Less: Issuance costs incurred (expensed) during 2013	(601,092)
Increase in Net Position – June 30, 2013 (as restated)	$ 104,933,189

In addition, certain items previously reported as cash flows from investing activities have been restated to be presented as cash flows from operating activities. These line items include the collection of loans, interest received on loans, and the origination of loans. This cash flow restatement is a result of further consideration and application of GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, which states that certain loan programs that are not intended to be investments, but are undertaken instead to fulfill a governmental responsibility, should be classified as operating activities.

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

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

- Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*
- Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*
- Statement No. 69, *Government Combinations and Disposals of Government Operations*
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

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

NOTE 13 – COMMITMENTS AND CONTINGENCIES

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

SUPPLEMENTAL INFORMATION

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENT OF NET POSITION
BY PROGRAM
As of June 30, 2014

	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	$ 278,029,027	$ 6,113,142	$ (18,106,360)
United States Treasury Notes, purchased in connection with forward delivery agreements, at cost	-	29,614	45,524,733
Receivables			
Loans to local governments - current portion	81,402,955	1,187,085	66,061,379
Due from other funds	4,000	1,783,392	-
Due from other governmental entities	4,110,570	38,963	3,144,884
Accrued investment income	-	-	231,164
Prepaid items	-	5,062	16,887
Total Current Assets	363,546,552	9,157,258	96,872,687
Noncurrent Assets			
Restricted assets - cash equivalents	-	-	102,561,070
Investments - State of Wisconsin general obligation clean water bonds, at fair value	-	-	188,914,802
Loans to local governments	922,842,095	8,120,420	671,928,641
Advances to other funds	6,216,596	-	-
Prepaid items	-	-	150,575
Capital Assets			
Equipment	-	9,507	-
Less: Accumulated depreciation	-	(9,507)	-
Total Capital Assets (Net of Accumulated Depreciation)	-	-	-
Total Noncurrent Assets	929,058,691	8,120,420	963,555,088
Total Assets	1,292,605,243	17,277,678	1,060,427,775
Deferred Outflows of Resources			
Unamortized charges	-	-	17,726,016
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 1,292,605,243	$ 17,277,678	$ 1,078,153,791

Safe Drinking Water Loan Program	Eliminations	Totals
$ 108,997,416	$ -	$ 375,033,225
-	-	45,554,347
20,297,840	-	168,949,259
54,483	(1,180,868)	661,007
1,635,433	-	8,929,850
-	-	231,164
-	-	21,949
130,985,172	(1,180,868)	599,380,801
-	-	102,561,070
-	-	188,914,802
237,804,478	-	1,840,695,634
-	-	6,216,596
-	-	150,575
10,850	-	20,357
(10,850)	-	(20,357)
-	-	-
237,804,478	-	2,138,538,677
368,789,650	(1,180,868)	2,737,919,478
-	-	17,726,016
$ 368,789,650	$ (1,180,868)	$ 2,755,645,494

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENT OF NET POSITION
BY PROGRAM
As of June 30, 2014

	Clean Water Fund Program		
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio
LIABILITIES AND NET POSITION			
Current Liabilities			
Accrued expenses	$ -	$ 14,490	$ 1,674
Accrued interest on bonds	-	-	3,127,704
Due to other funds	594,933	103,376	1,180,868
Due to other governmental entities	-	-	-
Compensated absences - current portion	-	39,141	-
Revenue obligation bonds - current maturities	-	-	58,400,000
Total Current Liabilities	594,933	157,007	62,710,246
Noncurrent Liabilities			
Accrued expenses	-	30,304	-
Due to other governmental entities	-	-	987,721
Compensated absences	-	46,567	-
Revenue obligation bonds (including unamortized premium)	-	-	768,022,265
Total Noncurrent Liabilities	-	76,871	769,009,986
Total Liabilities	594,933	233,878	831,720,232
Net Position			
Restricted for environmental improvement	1,292,010,310	1,259,279	246,433,559
Unrestricted	-	15,784,521	-
Total Net Position	1,292,010,310	17,043,800	246,433,559
TOTAL LIABILITIES AND NET POSITION	$ 1,292,605,243	$ 17,277,678	$ 1,078,153,791

Safe Drinking Water Loan Program	Eliminations	Totals
$ 67,283	$ -	$ 83,447
-	-	3,127,704
613,058	(1,180,868)	1,311,367
225,682	-	225,682
-	-	39,141
-	-	58,400,000
906,023	(1,180,868)	63,187,341
-	-	30,304
-	-	987,721
-	-	46,567
-	-	768,022,265
-	-	769,086,857
906,023	(1,180,868)	832,274,198
367,883,627	-	1,907,586,775
-	-	15,784,521
367,883,627	-	1,923,371,296
$ 368,789,650	$ (1,180,868)	$ 2,755,645,494

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY PROGRAM
For the Year Ended June 30, 2014

	Clean Water Fund Program		
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio
OPERATING REVENUES			
Loan interest	$ 25,270,687	$ 257,961	$ -
Interest income used as security for revenue bonds	-	-	20,409,280
Miscellaneous other	-	34,230	-
Total Operating Revenues	25,270,687	292,191	20,409,280
OPERATING EXPENSES			
Interest	-	-	33,782,824
Salaries and benefits	1,301,075	198,738	794,952
Contractual services and other	114,363	96,479	484,913
Total Operating Expenses	1,415,438	295,217	35,062,689
Operating Income (Loss)	23,855,249	(3,026)	(14,653,409)
NONOPERATING REVENUES (EXPENSES)			
Investment income	216,228	5,896	771,516
Investment income used as security for revenue bonds	-	-	11,727,152
Intergovernmental grants	34,840,234	-	-
Grants awarded	(3,372,556)	(1,881,994)	-
Total Nonoperating Revenues (Expenses)	31,683,906	(1,876,098)	12,498,668
INCOME (LOSS) BEFORE TRANSFERS	55,539,155	(1,879,124)	(2,154,741)
Transfers in	7,217,401	19,591,119	10,700,000
Transfers out	(8,000,000)	(17,934,514)	-
Change in Net Position	54,756,556	(222,519)	8,545,259
TOTAL NET POSITION - Beginning of Year (as restated)	1,237,253,754	17,266,319	237,888,300
TOTAL NET POSITION - END OF YEAR	$ 1,292,010,310	$ 17,043,800	$ 246,433,559

Safe Drinking Water Loan Program	Eliminations	Totals
$ 5,827,729	$ -	$ 31,356,377
-	-	20,409,280
-	-	34,230
5,827,729	-	51,799,887
-	-	33,782,824
1,541,115	-	3,835,880
1,567,239	-	2,262,994
3,108,354	-	39,881,698
2,719,375	-	11,918,189
85,596	-	1,079,236
-	-	11,727,152
16,374,581	-	51,214,815
(4,878,600)	-	(10,133,150)
11,581,577	-	53,888,053
14,300,952	-	65,806,242
2,895,369	(17,917,401)	22,486,488
-	17,917,401	(8,017,113)
17,196,321	-	80,275,617
350,687,306	-	1,843,095,679
$ 367,883,627	$ -	$ 1,923,371,296

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENT OF CASH FLOWS
BY PROGRAM
For the Year Ended June 30, 2014

	Clean Water Fund Program		
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio
CASH FLOWS FROM OPERATING ACTIVITIES			
Collection of Loans	$ 80,152,153	$ 1,163,317	$ 66,136,002
Interest received on loans	24,936,760	260,754	20,628,094
Origination of loans	(159,431,138)	(386,189)	(15,124,414)
Payments to employees for services	(1,002,876)	(807,088)	(793,433)
Payments to suppliers and other	(98,047)	(93,626)	(452,008)
Other operating revenues	-	34,230	-
Net Cash Flows From Operating Activities	(55,443,148)	171,398	70,394,241
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental grants received	34,965,313	-	-
Grants paid	(3,372,556)	(1,881,994)	-
Transfers in	7,217,401	19,591,119	10,700,000
Transfers out	(8,000,000)	(17,934,514)	-
Retirement of long-term debt	-	-	(58,195,000)
Interest payments	-	-	(40,493,758)
Advances to other funds	(1,251,224)	-	-
Net Cash Flows From Noncapital Financing Activities	29,558,934	(225,389)	(87,988,758)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-	-	(10,705,087)
Liquidation of investments	-	-	5,930,397
Investment and interest income	216,228	5,423	8,761,311
Net Cash Flows From Investing Activities	216,228	5,423	3,986,621
Net Increase (Decrease) in Cash and Cash Equivalents	(25,667,986)	(48,568)	(13,607,896)
CASH AND CASH EQUIVALENTS - Beginning of Year	303,697,013	6,161,710	98,062,606
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 278,029,027	$ 6,113,142	$ 84,454,710

Safe Drinking Water Loan Program	Eliminations	Totals
$ 19,529,958	$ -	$ 166,981,430
5,824,443	-	51,650,051
(26,112,582)	-	(201,054,323)
(1,423,793)	-	(4,027,190)
(1,486,623)	-	(2,130,304)
-	-	34,230
(3,668,597)	-	11,453,894
16,332,366	-	51,297,679
(4,878,600)	-	(10,133,150)
2,895,369	(17,917,401)	22,486,488
-	17,917,401	(8,017,113)
-	-	(58,195,000)
-	-	(40,493,758)
-	-	(1,251,224)
14,349,135	-	(44,306,078)
-	-	(10,705,087)
-	-	5,930,397
85,596	-	9,068,558
85,596	-	4,293,868
10,766,134	-	(28,558,316)
98,231,282	-	506,152,611
$ 108,997,416	$ -	$ 477,594,295

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENT OF CASH FLOWS
BY PROGRAM
For the Year Ended June 30, 2014

	Clean Water Fund Program		
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	$ 23,855,249	$ (3,026)	$ (14,653,409)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Interest expense classified as noncapital financing activity	-	-	33,782,824
Changes in assets and liabilities:			
Loans to other governments	(79,278,985)	777,179	51,011,588
Due from other funds	-	(618,387)	-
Prepaid items	-	(569)	16,887
Compensated absences	-	2,036	-
Other postemployment benefits	-	1,218	-
Accrued expenses	-	(11,156)	1,675
Accrued interest on bonds	(333,927)	2,792	218,813
Due to other funds	314,515	21,311	15,863
Due to other governmental entities	-	-	-
Total Adjustments	(79,298,397)	174,424	85,047,650
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ (55,443,148)	$ 171,398	$ 70,394,241
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION			
Unrestricted cash and cash equivalents - statement of net position	$ 278,029,027	$ 6,113,142	$ (18,106,360)
Investments in United States Treasury Notes, purchased in connection with forward delivery agreements	-	29,614	45,524,733
Investments in State of Wisconsin general obligation clean water bonds	-	-	188,914,802
Restricted cash and cash equivalents - statement of net position	-	-	102,561,070
Total Cash and Investments	278,029,027	6,142,756	318,894,245
Less: Noncash equivalents	-	(29,614)	(234,439,535)
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 278,029,027	$ 6,113,142	$ 84,454,710
NONCASH INVESTING AND NONCAPITAL FINANCING ACTIVITIES			
Net change in unrealized gains and losses	$ -	$ -	$ (4,019,579)
Bond premium amortization	$ -	$ -	$ 10,026,524

Safe Drinking Water Loan Program	Totals
$ 2,719,375	$ 11,918,189
-	33,782,824
(6,582,624)	(34,072,842)
(54,483)	(672,870)
-	16,318
-	2,036
-	1,218
67,283	57,802
(3,287)	(115,609)
214,678	566,367
(29,539)	(29,539)
(6,387,972)	(464,295)
$ (3,668,597)	$ 11,453,894
$ 108,997,416	$ 375,033,225
-	45,554,347
-	188,914,802
-	102,561,070
108,997,416	712,063,444
-	(234,469,149)
$ 108,997,416	$ 477,594,295
$ -	$ (4,019,579)
$ -	$ 10,026,524

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

OTHER INFORMATION (UNAUDITED)
For the Years Ended June 30, 2014 and 2013

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

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

Independent Auditors' Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State of Wisconsin Environmental Improvement Fund, an enterprise fund of the State of Wisconsin, as of and for the year ended June 30, 2014, 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 November 3, 2014.

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 Virchow Krause, LLP

Madison, Wisconsin
November 3, 2014

Leveraged Loan Portfolio

STATE OF WISCONSIN

LEVERAGED LOAN PORTFOLIO

FINANCIAL STATEMENTS

As of and for the Year Ended June 1, 2014 and
Independent Auditors’ Report

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Leveraged Loan Portfolio (an environmental financing program) of the State of Wisconsin Environmental Improvement Fund, an enterprise fund of the State of Wisconsin, as of and for the year ended June 1, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Leveraged Loan Portfolio as of June 1, 2014, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Leveraged Loan Portfolio of the State of Wisconsin Environmental Improvement Fund and do not purport to, and do not present fairly the financial position of the State of Wisconsin, as of June 30, 2014,and the changes in its financial position and, where applicable, its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note I, the Leveraged Loan Portfolio adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* effective June 2, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
November 3, 2014

STATE OF WISCONSIN
LEVERAGED LOAN PORTFOLIO

STATEMENT OF NET POSITION
As of June 1, 2014

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Unrestricted cash and cash equivalents	$	58,619,868
United States Treasury Notes, purchased in connection with forward delivery agreements, at cost		45,553,518
Receivables		
Loans to local governments - current portion		66,061,379
Accrued interest receivable		1,404,855
Due from other governmental entities		1,599,093
Prepaid items		168,869
Total Current Assets		173,407,582
Noncurrent Assets		
Restricted assets - cash equivalents		102,842,338
Investments - State of Wisconsin general obligation clean water bonds, at fair value		189,200,816
Loans to local governments		671,928,640
Total Noncurrent Assets		963,971,794
Total Assets		1,137,379,376
Deferred Outflows of Resources		
Unamortized charges		18,006,119
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	1,155,385,495
LIABILITIES AND NET POSITION		
Current Liabilities		
Due to other funds	$	1,082,463
Accrued interest payable		20,246,878
Revenue obligation bonds - current maturities		116,595,000
Total Current Liabilities		137,924,341
Noncurrent Liabilities		
Due to other governmental entities		963,612
Revenue obligation bonds (including unamortized premium)		768,798,015
Total Noncurrent Liabilities		769,761,627
Total Liabilities		907,685,968
Net Position		
Restricted for environmental improvement		247,699,527
Total Net Position		247,699,527
TOTAL LIABILITIES AND NET POSITION	$	1,155,385,495

See accompanying notes to financial statements.

STATE OF WISCONSIN
LEVERAGED LOAN PORTFOLIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 1, 2014

OPERATING REVENUES	
Interest income used as security for revenue bonds	$ 20,516,832
Total Operating Revenues	20,516,832
OPERATING EXPENSES	
Interest	34,042,015
Salaries and benefits	794,826
Contractual services and other	476,868
Total Operating Expenses	35,313,709
Operating Loss	(14,796,877)
NONOPERATING REVENUES (EXPENSES)	
Investment income used as security for revenue bonds	8,270,706
Other revenues	771,516
Total Nonoperating Revenues (Expenses)	9,042,222
CHANGE IN NET POSITION	(5,754,655)
Transfers in	10,700,000
Increase in Net Position	4,945,345
TOTAL NET POSITION - Beginning of Year (as restated)	242,754,182
TOTAL NET POSITION - END OF YEAR	$ 247,699,527

See accompanying notes to financial statements.

STATE OF WISCONSIN
LEVERAGED LOAN PORTFOLIO

STATEMENT OF CASH FLOWS
For the Year Ended June 1, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Collection on loans	$ 66,136,002
Interest and dividends received on loans	20,628,093
Origination of loans	(18,884,754)
Payments to employees for services	(793,432)
Payments to suppliers and other	(462,833)
Net Cash Flows From Operating Activities	66,623,076
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in	10,700,000
Retirement of long-term debt	(59,170,000)
Interest payments	(40,736,164)
Net Cash Flows From Noncapital Financing Activities	(89,206,164)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(10,705,087)
Liquidation of investments	5,901,613
Investment and interest income	7,970,916
Net Cash Flows From Investing Activities	3,167,442
Net Increase in Cash and Cash Equivalents	(19,415,646)
CASH AND CASH EQUIVALENTS - Beginning of Year	180,877,852
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 161,462,206

RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS USED BY OPERATIONS	
Operating Loss	$ (14,796,877)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES	
Interest expense classified as noncapital financing activity	34,042,015
Changes in assets and liabilities:	
Prepaid items	16,887
Loans to other governments	47,251,248
Deferred charges	(16,000)
Interest receivable	111,261
Due to other funds	14,542
Total Adjustments	81,419,953
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 66,623,076
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION	
Unrestricted cash and cash equivalents - statement of net position	$ 58,619,868
Investments in United States Treasury Notes, purchased in connection with forward delivery agreements	45,553,518
Investments in State of Wisconsin general obligation clean water bonds	189,200,816
Restricted cash and cash equivalents - statement of net position	102,842,338
Total Cash and Investments	396,216,540
Less: Noncash equivalents	(234,754,334)
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 161,462,206
NONCASH INVESTING ACTIVITIES	
Net change in unrealized gains and losses	$ (563,185)
Bond premium amortization	$ 10,086,034

See accompanying notes to financial statements.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity—The Leveraged Loan Portfolio (the “Portfolio”) is one of three portfolios of the Clean Water Fund Program, an environmental financing program of the State of Wisconsin Environmental Improvement Fund (the “Fund”). The Fund is an enterprise fund of the State of Wisconsin (the “State”) administered by the State of Wisconsin Department of Natural Resources (the “DNR”) and the State of Wisconsin Department of Administration (the “DOA”).

The Portfolio is funded by proceeds of revenue obligation bonds and contributions from the State. Assets in the Portfolio are used for loans for Wisconsin municipal wastewater projects that meet applicable State eligibility and reporting requirements.

In March 2012, the GASB issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Portfolio implemented this standard effective June 2, 2013.

Net Operating Loss—The Portfolio incurred an operating loss of $14.8 million in 2014. Management expects the Portfolio will generally incur net operating losses for the foreseeable future. As explained in Note 2, the losses result from the Portfolio’s statutory mission to provide loans to municipalities at interest rates below the Portfolio’s own cost of funds. The losses have historically been funded by transfers from the State. Transfers of $10,700,000 were required for this purpose in 2014. Management expects transfers will continue for the foreseeable future sufficient to fund both the future operating losses and, together with additional borrowing, to fund additional loans to municipalities.

Loans Receivable—Loans receivable are recorded at cost. Direct costs to originate loans are not material and are expensed as incurred. Fees received to originate loans are not material and are recorded as income when received.

Interest on Loans Receivable—Interest on loans receivable is recognized on an accrual basis and recorded within Due From Other Governmental Entities on the statement of net position.

United States Treasury Notes, Purchased in Connection with Forward Delivery Agreements—The Portfolio holds United States Treasury Notes as investments at June 1, 2014 and records the notes at cost. The Portfolio purchased these securities in accordance with the Forward Delivery Agreements (see Note 4).

GASB Statement No. 31 (GASB No. 31) states that investments in participating interest-earning investment contracts must be reported at fair value. The four forward delivery agreements with Wachovia Bank, NA (“Wachovia”) and two forward delivery agreements with JP Morgan Chase Bank (JP Morgan) described in Note 4 would be considered participating investment contracts under GASB No. 31. Management has accounted for the agreements as investments in short-term U.S. treasury notes, at cost, rather than as investment contracts at fair value because management believes the difference between cost and fair value does not have a material impact on the financial statements. At June 1, 2014, the fair value of the Fund’s interest in these agreements exceeded the cost of the treasury securities owned by approximately $993,468.

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

Investments—Investments that are stated at fair value include the State of Wisconsin Investment Board ("SWIB") Local Government Investment Pool ("LGIP") (see Note 3). The Portfolio has received fair value information for investments from external sources. Changes in the fair value of investments are included in investment income. All other investments are reported at cost. Accrued interest on investments is recorded as earned. To the extent interest income on investments exceeds applicable arbitrage limits specified in the Internal Revenue Code, the amount that must be rebated ("estimated arbitrage") to the U.S. Treasury is recorded as a reduction of investment income (see Note 9). Investment transactions are recorded on the trade date.

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

Revenue Obligation Bonds—Interest expense on revenue obligation bonds is recognized on an accrual basis.

Debt Defeasance—Advance refundings of debt obligations that meet the criteria of GASB Statement No. 23 are recorded as an extinguishment of debt. The securities held in trust and the defeased obligations are not reported in the financial statements (see Note 7).

Unamortized Charges—The Portfolio defers the difference between the reacquisition price and the net carrying amount of defeased debt and amortizes it as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt. The unamortized deferred charge related to debt defeasance is classified as a deferred outflow of resources.

Cash Equivalents—The Portfolio considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The Portfolio also considers as cash equivalents guaranteed investment contracts or repurchase agreements permitting withdrawals required by the bond resolution to meet insufficiencies in debt service payments. Repurchase agreements and guaranteed investment contracts are valued at cost because they are nonparticipating contracts due to the non-negotiability of these investments and because the amount of any withdrawals made do not consider market interest rates.

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

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

Transfers In—Transfers in consist of capital contributions from the State of Wisconsin and are recognized as the contributions are received.

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 12 on commitments and contingencies.

NOTE 2 – FINANCIAL ASSISTANCE COMMITMENTS TO LOCAL GOVERNMENTS

Leveraged loans to local governments at June 1, 2014, represent loans for wastewater treatment projects and are for terms of up to 20 years. These loans are made at a variety of prescribed interest rates based on project type categories. In order to effectuate statutory policy, a majority of the loans issued by the Portfolio are at interest rates that are below the State's cost of borrowing. The net losses that can result from this negative interest margin are funded by State contributions. Interest rates on loans receivable ranged from 0% to 4.95% in 2014. The weighted average interest rate was 2.600% at June 1, 2014. The loans contractually are revenue obligations or general obligations of the local governments, or both. Additionally, various statutory provisions exist which provide further security for payment. In the event of a default, the State can intercept State aid payments due to the applicable local government, induce an additional charge to the amount of property taxes levied by the county in which the applicable local government is located, or both. Accordingly, no reserve for loan loss is deemed necessary.

Of the loans outstanding at June 1, 2014, $280,612,577 (38%) were loans due from the Milwaukee Metropolitan Sewerage District.

The Leverage Portfolio entered into $12,527,482 of new loans during the 12 month period ended June 1, 2014. As of June 1, 2014, the Portfolio had undisbursed loan commitments totaling $68,598,139. From June 1, 2014 to September 15, 2014, the Portfolio made no additional loan disbursements for financial assistance agreements that were outstanding prior to June 1, 2014. There were no additional leverage loans executed between June 1, 2014 and September 15, 2014. These funding commitments are generally met through the proceeds from the issuance of additional Clean Water revenue bonds and investment earnings thereon (Note 6). Financial assistance in the form of grants is not provided in the Leverage Portfolio. The management of the EIF may elect to switch the target funding portfolio for a loan from Leverage to another loan portfolio based on various business or program needs.

NOTE 3 – CASH AND CASH EQUIVALENTS

As of June 1, 2014, cash and cash equivalents consisted of the following:

Local Government Investment Pool ("LGIP"), at fair value	
Cash held by custodian	$ 153,864,296
Investments reported at cost:	
Repurchase Agreement with Bayerische Landesbank	7,597,910
	161,462,206
Less: Amounts classified as restricted assets (see Note 6)	(102,842,338)
Total Unrestricted Cash and Cash Equivalents	$ 58,619,868

NOTE 3 – CASH AND CASH EQUIVALENTS (cont.)

The LGIP is an investment fund managed by SWIB that accepts investment deposits from over 1,000 municipalities and other public entities in the State of Wisconsin. The objectives of the LGIP are to provide safety of principal and liquidity while earning a competitive money market rate of return. The LGIP functions in a manner similar to a money market fund in that the yield earned changes daily and participants may invest or withdraw any or all amounts on a daily basis at par value. The LGIP is not a SEC registered investment, but is regulated by Wisconsin Statutes 25.14 and 25.17. At June 1, 2014, the current yield on the LGIP was 0.09%. The LGIP investment is stated at fair value.

The repurchase agreement with Bayerische Landesbank is collateralized by U.S. Treasury notes, bonds and debentures. At June 1, 2014, the repurchase agreement had a market value of $8,064,011. The collateral is held by Wells Fargo Bank pursuant to a custody agreement. The repurchase agreement contains a fixed yield of 6.5%. The repurchase agreement provides for liquidation of investments at par if and when required by the terms of the Clean Water Revenue Bond General Resolution.

	Amount	Exposure to Custodial Credit Risk	Credit Risk	Interest Rate Risk	Interest Rate Highly Sensitive	Foreign Currency Rate	% of Portfolio
LGIP	$ 153,864,296	N/A	Not rated	N/A	N/A	N/A	38.8%
Repo BL (vs. veterans affairs)	7,597,910	$0	Not rated	6-15-28 final maturity	N/A	N/A	1.9
Treasury notes – Forward delivery	45,553,518	$0	N/A	See Note 4	N/A	N/A	11.5
GO Bonds-WI	189,200,816	$0	Aa2	5-1-33 final maturity	N/A	N/A	47.8

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

Restricted assets of $102,842,338 represent amounts legally restricted by the Clean Water Revenue Bonds. The amount restricted is the product of the average annual debt service of the outstanding, disbursed loans times a factor of 120%.

NOTE 4 – FORWARD DELIVERY AGREEMENTS

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

Every six months during the term of the agreements, Wachovia and JP Morgan are required to deliver United States Treasury securities ("Treasury securities") to the Portfolio for purchase. The Treasury securities are held as investments by the Portfolio. The price paid by the Portfolio for the Treasury securities is determined under the contract. That price is that which results in the predetermined annual earnings rate computed on the notional amount, taking into account the coupon interest on the delivered Treasury securities. The redemption value of the securities purchased for investment must equal at least the purchase price of the securities plus earnings calculated by multiplying the notional amount times the annual earnings rate as calculated for the term until the next bond payment date. The Wachovia agreements may be terminated at the option of the Portfolio and a payment between the parties will be made to compensate for the difference in present value of the earnings expected under each agreement and the earnings available on similar agreements at the time of the termination.

Management has asserted that it does not anticipate terminating the agreements at a time when a payment would be required from the Portfolio to Wachovia. If the agreements were terminated at a time when a payment would be due to Wachovia, management has also asserted that it would be able to enter into similar agreements that would have consistent present values as the agreements are valued in relation to prevailing Treasury security rates. In addition, if the agreements are terminated in whole or in part due to the need to use funds at the maturity date for making a debt service payment on the bonds, then there is not a compensating payment made between the parties.

By GASB definition, these securities are classified as having no exposure to custodial credit risk. The par values, coupon rates, the cost and rate at which the Treasury Notes accrue interest in accordance with the Forward Delivery Agreements at June 1, 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	$ 7,170,048
Series 1998-1 Agreement	7,475,000	2.000	7,292,215	5.01	June 1, 2018	7,457,369
Series 1999-1 Agreement	7,137,000	2.000	6,918,023	6.32	June 1, 2020	7,120,166
Series 2006-1 Agreement	6,545,000	0.375	6,421,714	4.56	June 1, 2027	6,538,457
Series 2006-2 Agreement	8,163,000	0.375	7,999,509	4.84	June 1, 2027	8,154,840
Series 2008-1 Agreement	10,130,000	2.000	9,927,034	4.10	June 1, 2028	10,106,107

NOTE 5 – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund receivables and payables:

Receivable Fund	Payable Fund	Amount
Proprietary Portfolio	Leveraged Loan Portfolio	$ 1,082,463
Total Due to Other Funds – Statement of Net Position		$ 1,082,463

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

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
Leveraged Loan Portfolio	Proprietary Portfolio	$ 10,700,000	Future Debt Service
Total Transfers – Statement of Revenues, Expenses and Changes in Net Position		$ 10,700,000	

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

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS

REVENUE OBLIGATION BONDS

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds	$ 882,110,000	$ -	$ 59,170,000	$ 822,940,000	$ 116,595,000
Add:					
Unamortized premiums	72,539,049	-	10,086,034	62,453,015	-
Totals	$ 954,649,049	$ -	$ 69,256,034	$ 885,393,015	$ 116,595,000

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

REVENUE OBLIGATION BONDS (cont.)

Revenue obligation serial and term bonds as of June 1, 2014 consisted of the following:

	2014
1998 Series 2:	
Serial Bonds, no optional redemption, June 1, 2017	$ 33,105,000
Unamortized premium on bonds	246,371
	33,351,371
2002 Series 2:	
Serial Bonds, no optional redemption, June 1, 2016	11,230,000
Unamortized premium on bonds	129,040
	11,359,040
2004 Series 1:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2014	4,775,000
2004 Series 2:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2015	65,535,000
Unamortized premium on bonds	1,313,879
	66,848,879
2006 Series 1:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2016	10,220,000
Unamortized premium on bonds	116,042
	10,336,042
2006 Series 2:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2015	8,310,000
Unamortized premium on bonds	48,374
	8,358,374
2008 Series 1:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2018	83,725,000
Unamortized premium on bonds	3,450,925
	87,175,925
2008 Series 2:	
Serial Bonds, no optional redemption, June 1, 2018	27,335,000
Unamortized premium on bonds	1,257,434
	28,592,434
2008 Series 3:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2018	79,325,000
Unamortized premium on bonds	1,035,682
	80,360,682

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

REVENUE OBLIGATION BONDS (cont.)

	2014
2010 Series 1:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2031	$ 59,795,000
Unamortized premium on bonds	3,469,089
	63,264,089
2010 Series 2:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2021	14,070,000
Unamortized premium on bonds	1,293,241
	15,363,241
2010 Series 3:	
Build America Bonds, optional redemption for bonds at 100% of par, June 1, 2025	49,690,000
2010 Series 4:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2031	108,770,000
Unamortized premium on bonds	8,978,006
	117,748,006
2010 Series 5:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2023	36,760,000
Unamortized premium on bonds	3,912,149
	40,672,149
2012 Series 1:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2033	55,000,000
Unamortized premium on bonds	7,782,778
	62,782,778
2012 Series 2:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2024	92,450,000
Unamortized premium on bonds	15,333,186
	107,783,186
2013 Series 1:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2027	82,845,000
Unamortized premium on bonds	14,086,819
	96,931,819
Total of All Series	$ 885,393,015

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

REVENUE OBLIGATION BONDS (cont.)

The original issue discount or premium at issuance and the interest rates at June 1, 2014, on the following bond series were:

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

* - The effect of the interest rate subsidy on the 2010 Series 3 revenue bonds through June 1, 2025 is $6,278,278. The amount due in the next fiscal year is $831,375.

Principal and interest due on the bonds, net of advance refundings, as of June 1, 2014, are as follows:

Years Ending June 1,	Principal	Interest	Totals
2015	$ 116,595,000	$ 37,532,446	$ 154,127,446
2016	59,935,000	34,657,283	94,592,283
2017	60,775,000	31,729,096	92,504,096
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	$ 822,940,000	$ 287,210,163	$ 1,110,150,163

The revenue obligation bonds are collateralized by a security interest in all assets of the Leveraged Loan Portfolio. At June 1, 2014, the total assets of the Leveraged Loan Portfolio were $1,137,379,376. Neither the full faith and credit nor the taxing power of the State is pledged for the payment of the revenue obligation bonds. However, as the loans granted to the municipalities are at an interest rate which is less than the Revenue Bond rate, the State is obligated by the Clean Water Fund General Resolution to fund, prior to each loan disbursement, a reserve, which subsidizes the Leveraged Loan Portfolio in an amount to offset this interest rate disparity.

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

REVENUE OBLIGATION BONDS (cont.)

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

RESTRICTED ASSETS

Among other restrictions under the revenue obligation bond agreements are provisions that require that a specified amount of cash and investments be held by an independent trustee in a reserve account for the purpose of paying bond interest and principal when due. The restricted assets on the statement of net position consist of substantially all of the Bayerische Landesbank investment (Note 3) and $95.2 million of the LGIP balance held as a credit reserve. These amounts are required in order to satisfy the conditions of certain agreements related to maintaining the minimum credit ratings on the bonds.

NOTE 7 – PRIOR-YEAR DEFEASANCE OF DEBT

In prior years, the fund defeased certain revenue obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the fund's financial statements. At June 1, 2014, $124,445,000 of bonds outstanding are considered defeased. The bonds are callable as follows:

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

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

In April 2004, all of the State of Wisconsin General Obligation Bonds previously owned by the Fund were exchanged for $62,528,244 (par value) of State of Wisconsin General Obligation Bond, Clean Water Fund Program ("Global Certificate"). The estimated market value and weighted average coupon interest rate of the Global Certificate at June 1, 2014 is $54,369,202 and 0.00%, respectively.

In February 2007, two additional State of Wisconsin General Obligation Bonds were issued for the Clean Water Fund Program for $9,724,186 and $6,851,446 (par value). The estimated market value and weighted average coupon interest rates of the bonds at June 1, 2014 were $11,523,405 and 5.50% and $8,481,147 and 5.76%, respectively.

In June 2008, two State of Wisconsin General Obligation Bonds were issued for the Clean Water Fund Program for $16,600,000 and $10,300,000 (par value). The estimated market values of the bonds at June 1, 2014 were $21,806,581 and $10,300,000. The weighted average coupon interest rate for the $16,600,000 bond at June 1, 2014 was 6.16%.

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

In January 2009, one State of Wisconsin General Obligation Bond was issued for the Clean Water Fund Program for $17,700,000 (par value). The estimated market value and weighted average coupon interest rate of the bond at June 1, 2014 were $21,741,886 and 5.78%, respectively.

In April 2010, one State of Wisconsin General Obligation Bond was issued for the Clean Water Fund Program for $15,243,000 (par value). The estimated market value and weighted average coupon interest rate of the bond at June 1, 2014 were $18,325,543 and 5.47%, respectively.

In December 2010, one State of Wisconsin General Obligation Bond was issued for the Clean Water Fund Program for $15,000,000 (par value). The estimated market value and weighted average coupon interest rate of the bond at June 1, 2014, were $18,817,192 and 5.96%, respectively.

In April 2012, one State of Wisconsin General Obligation Bond was issued for the Clean Water Fund Program for $12,300,000 (par value). The estimated market value and weighted average coupon interest rate of the bond at June 1, 2014 were $12,585,724 and 2.89%, respectively.

In April 2014, one State of Wisconsin General Obligation Bond was issued for the Clean Water Fund Program for $10,700,000 (par value). The estimated market value and weighted average coupon interest rate of the bond at June 1, 2014 were $11,250,137 and 3.13%, respectively.

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

Par value of the principal maturities of the Global Certificates as of June 1 are as follows:

Years Ending June 1,	2014
2015	$ 7,763,280
2016	8,291,289
2017	12,025,350
2018	13,424,630
2019	11,522,163
2020-2024	45,448,904
2025-2029	36,563,260
2030-2033	31,608,000
Totals	$ 166,646,876

NOTE 9 – INVESTMENT INCOME

Investment income is recorded net of estimated required arbitrage relating to outstanding State of Wisconsin Clean Water Revenue Bonds and consisted of the following for the fiscal year ended June 1, 2014:

Interest	
State of Wisconsin Investment Board Local Government Investment Pool	$ 79,361
Repurchase Agreement with Bayerishe Landesbank	493,864
United States Treasury Notes	2,280,105
State of Wisconsin General Obligation Bonds	5,136,698
Total Interest	7,990,028
Changes in Realized and Unrealized Gains (Losses)	
State of Wisconsin General Obligation Bonds	563,185
Total Interest and Changes in Unrealized Gains (Losses)	8,553,213
Change in Estimated Rebatable Arbitrage Liability	(282,507)
TOTAL INVESTMENT INCOME	$ 8,270,706

NOTE 10 – RESTATEMENT OF NET POSITION

Net position has been restated as a result of the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* which requires debt issuance costs to be expensed in the period incurred. These costs were previously required to be capitalized. The details of this restatement are as follows:

Net Position – June 1, 2013 (as reported)	$ 246,696,332
Less: Unamortized debt issuance costs	(3,942,150)
Net Position – June 1, 2013 (as restated)	$ 242,754,182

NOTE 11 – EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

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

- Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*
- Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*
- Statement No. 69, *Government Combinations and Disposals of Government Operations*
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

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

NOTE 12 – 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.

STATE OF WISCONSIN LEVERAGED LOAN PORTFOLIO

OTHER INFORMATION (UNAUDITED)
For the Year Ended June 1, 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 Leveraged Loan Portfolio. An MD&A is included in the Comprehensive Annual Financial Report for the State of Wisconsin, which includes all funds and component units.