
State of Wisconsin
Event Filing #2020-18
Dated November 23, 2020

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

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

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

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

Attached are the financial statements including independent auditors' report for the years ended June 30, 2020 and June 30, 2019, and supplemental information for the year ended June 30, 2020, for the State of Wisconsin Environmental Improvement Fund

The attached items will also be included in the State's Continuing Disclosure Annual Report, which is expected to be filed on or before December 31, 2020.

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

doa.wi.gov/capitalfinance
wisconsinbonds.com

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

/s/ DAVID R. ERDMAN

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**STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND**

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended June 30, 2020 and 2019

AND

SUPPLEMENTARY INFORMATION

As of and for the Year Ended June 30, 2020

**STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the State of Wisconsin Environmental Improvement Fund, an enterprise fund of the State of Wisconsin, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State of Wisconsin Environmental Improvement Fund as of June 30, 2020 and 2019, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the State of Wisconsin Environmental Improvement Fund and do not purport to, and do not, present fairly the financial position of the State of Wisconsin, as of June 30, 2020 and 2019, and the changes in financial position or cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2020 on our consideration of the State of Wisconsin Environmental Improvement Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Wisconsin Environmental Improvement Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Wisconsin Environmental Improvement Fund's internal control over financial reporting and compliance.

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

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Madison, Wisconsin
November 18, 2020

**STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND**

STATEMENTS OF NET POSITION
As of June 30, 2020 and 2019

	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Unrestricted cash and cash equivalents	\$ 534,834,172	\$ 391,819,983
Receivables		
Loans to local governments - current portion	195,473,698	189,823,942
Due from other funds	3,027,732	60,999
Due from other governmental entities	8,992,148	9,245,877
Accrued investment income	484	256,450
Other receivables	27,718	13,061
Prepaid items	16,904	16,895
Total Current Assets	742,372,856	591,237,207
Noncurrent Assets		
Loans to local governments	1,724,443,843	1,739,141,143
Advances to other funds	6,582,026	6,493,604
Prepaid items	49,254	66,141
Net pension asset	65,927	-
Total Noncurrent Assets	1,731,141,050	1,745,700,888
Total Assets	2,473,513,906	2,336,938,095
Deferred Outflows of Resources		
Pension related amounts	155,719	228,736
OPEB related amounts - health	5,598	2,200
OPEB related amounts - life	10,211	3,549
Unamortized charges	1,162,097	1,382,340
Total Deferred Outflows of Resources	1,333,625	1,616,825
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,474,847,531	\$ 2,338,554,920
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities		
Accrued expenses	\$ 79,818	\$ 159,944
Accrued interest on bonds	1,315,667	1,024,521
Due to other funds	1,167,853	3,837,387
Due to other governmental entities	531,630	343,617
Compensated absences - current portion	164,226	146,309
Revenue obligation bonds - current maturities	22,560,000	18,125,000
Total Current Liabilities	25,819,194	23,636,778
Noncurrent Liabilities		
Net pension liability	-	96,484
OPEB liability - health	22,447	27,755
Net OPEB liability - life	24,787	25,050
Compensated absences	412,154	371,464
Revenue obligation bonds (including unamortized premium)	332,006,587	259,663,029
Total Noncurrent Liabilities	332,465,975	260,183,782
Total Liabilities	358,285,169	283,820,560
Deferred Inflows of Resources		
Pension related amounts	205,099	107,736
OPEB related amounts - health	14,969	15,984
OPEB related amounts - life	5,709	6,116
Total Deferred Inflows of Resources	225,777	129,836
Net Position		
Restricted for environmental improvement	2,094,896,310	2,033,732,686
Unrestricted	21,440,275	20,871,838
Total Net Position	2,116,336,585	2,054,604,524
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 2,474,847,531	\$ 2,338,554,920

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, 2020 and 2019

	2020	2019
OPERATING REVENUES		
Loan interest	\$ 28,749,794	\$ 30,211,460
Interest income used as security for revenue bonds	16,198,589	16,350,932
Miscellaneous other	322,307	207,691
Total Operating Revenues	45,270,690	46,770,083
 OPERATING EXPENSES		
Interest	7,653,378	9,051,652
Salaries and benefits	5,678,192	5,113,052
Contractual services and other	3,495,170	3,256,812
Total Operating Expenses	16,826,740	17,421,516
 Operating Income	28,443,950	29,348,567
 NONOPERATING REVENUES (EXPENSES)		
Investment income	5,638,807	7,991,148
Intergovernmental grants	60,429,173	61,539,091
Grants awarded	(28,825,568)	(25,457,780)
Total Nonoperating Revenues (Expenses)	37,242,412	44,072,459
 INCOME BEFORE TRANSFERS	65,686,362	73,421,026
 Transfers in	4,056,090	7,080,717
Transfers out	(8,010,391)	(8,006,860)
 Increase in Net Position	61,732,061	72,494,883
 TOTAL NET POSITION - Beginning of Year	2,054,604,524	1,982,109,641
 TOTAL NET POSITION - END OF YEAR	\$ 2,116,336,585	\$ 2,054,604,524

See accompanying notes to financial statements.

**STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND**

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Collection of loans	\$ 194,087,982	\$ 188,694,953
Interest received on loans	45,129,144	46,848,024
Origination of loans	(185,185,878)	(160,760,565)
Payments to employees for services	(7,068,388)	(6,552,132)
Payments to suppliers and other	(3,595,667)	(3,230,966)
Other operating revenues	322,307	207,691
Net Cash Flows From Operating Activities	43,689,500	65,207,005
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Intergovernmental grants received	59,443,937	62,518,517
Grants paid	(28,825,568)	(25,457,780)
Transfers in	1,036,115	13,914,313
Transfers out	(8,010,391)	(8,006,860)
Proceeds from issuance of long-term debt	100,705,136	104,466,409
Retirement of long-term debt	(18,125,000)	(84,080,000)
Interest payments	(12,294,250)	(15,193,783)
Other cash flows from noncapital financing activities	(482,022)	(522,324)
Net Cash Flows From Noncapital Financing Activities	93,447,957	47,638,492
CASH FLOWS FROM INVESTING ACTIVITIES		
Arbitrage rebate	294,400	105,935
Investment and interest income	5,582,332	7,808,074
Net Cash Flows From Investing Activities	5,876,732	7,914,009
Net Increase in Cash and Cash Equivalents	143,014,189	120,759,506
CASH AND CASH EQUIVALENTS - Beginning of Year	391,819,983	271,060,477
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 534,834,172	\$ 391,819,983

	<u>2020</u>	<u>2019</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 28,443,950	\$ 29,348,567
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities		
Interest expense classified as noncapital financing activity	7,397,660	8,843,793
Changes in assets and liabilities		
Receivables	3,385	76
Loans to other governments	9,047,546	27,934,388
Due from other funds	(1,612,183)	(1,699,238)
Proportionate share of contributions	158,896	151,027
Prepaid items	16,877	16,900
Compensated absences	58,608	(119,143)
Other assets	(167,981)	(110,554)
Accrued expenses	(80,126)	66,974
Accrued interest on bonds	170,003	284,631
Due to other funds	64,851	172,112
Due to other governmental entities	188,014	317,472
Total Adjustments	<u>15,245,550</u>	<u>35,858,438</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 43,689,500</u>	<u>\$ 65,207,005</u>
NONCASH INVESTING AND NONCAPITAL FINANCING ACTIVITIES		
Bond premium amortization	<u>\$ 5,801,578</u>	<u>\$ 7,557,205</u>

See accompanying notes to financial statements.

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2020 and 2019

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 two separate environmental financing programs: the Clean Water Fund Program (which includes the Land Recycling Loan Program) and the Safe Drinking Water Loan Program.

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

- > **Direct Loan Portfolio** – This portfolio is funded by the U.S. Environmental Protection Agency (the “EPA”) grants and proceeds from the issuance of Environmental Improvement Fund Revenue Bonds (i.e., a minimum 20% match of EPA capitalization grant). Repayments from loans in this portfolio and proceeds from the issuance of Environmental Improvement Fund Revenue Bonds (i.e., in addition to the amount needed for match requirements of EPA capitalization grants) are used to fund new loans. Loans in this portfolio are made for wastewater projects of the Clean Water Fund Program.
- > **Leveraged Loan Portfolio** – This portfolio was funded by proceeds of Clean Water Revenue Bonds and operating transfers from the State. Assets in this portfolio were used for loans for Wisconsin municipal wastewater projects that met applicable State eligibility and reporting requirements of the Clean Water Fund Program. During fiscal 2017, all of the Clean Water Revenue Bonds were economically or legally defeased and the municipal loans were sold to and purchased by the Direct Loan Portfolio (see Note 6).
- > **Proprietary Loan/Grant Portfolio** – This portfolio is funded by operating transfers from the State. Assets of this portfolio are used to fund both loans and previously awarded hardship grants for qualifying wastewater projects. Repayments from loans in this portfolio may be used to fund new loans or previously awarded hardship grants under the Clean Water Fund Program.
- > **Safe 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 and proceeds from the issuance of revenue bonds as authorized by the amended and restated Environmental Improvement Fund Revenue Obligations Program Resolution, may be used to fund new loans. Loans in this portfolio are made for drinking water projects 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, 2020 and 2019, there were ten loans granted under this program for a total of \$15,218,891. As of June 30, 2020 and 2019, the total amount drawn on these loans was \$13,500,343. The Land Recycling Program loans are included in the Clean Water Fund Program – Direct Loan Portfolio for reporting purposes.

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2020 and 2019

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

Net Operating Income/Loss – The Fund incurred net operating income of \$28.4 million and a net operating income of \$29.3 million in 2020 and 2019, respectively. However, management anticipates the Fund will periodically incur net operating losses. As explained in Note 2, a loss will generally result from the Fund's statutory mission to provide loans to municipalities at interest rates below the Fund's own cost of funds. Previous losses have historically been funded by EPA grants and operating transfers from the State of Wisconsin. EPA grants were approximately \$60.4 million and \$61.5 million in 2020 and 2019, respectively, and are classified as intergovernmental grants. Transfers from the State of Wisconsin were approximately \$4.1 million and \$7.1 million in 2020 and 2019, 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 Investment Fund ("SIF") and the Local Government Investment Pool ("LGIP") (see Note 3). The Fund has received fair value information for investments from external sources. Changes in the fair value of investments are included in investment income. Accrued interest on investments is recorded as earned. To the extent interest income on investments exceeds applicable arbitrage limits specified in the Internal Revenue Code; the amount that must be rebated ("estimated arbitrage") to the U.S. Treasury is recorded as a reduction of investment income (see Note 7). Investment transactions are recorded on the trade date.

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

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

Debt Defeasance – Advance refundings of debt obligations that meet the criteria of GASB Statement No. 23 are recorded as an extinguishment of debt. The securities held in trust and the defeased obligations are not reported in the financial statements (see Note 6).

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2020 and 2019

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

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

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

Cash Equivalents – The Fund considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Cash and cash equivalents in the Direct Loan Portfolio and Leveraged Loan Portfolio, while classified as unrestricted assets under accounting principles generally accepted in the United States (“GAAP”), are restricted as to use under federal statute and code and under the Clean Water Revenue Bond and Environmental Improvement Fund Bond covenants and indenture. Those federal restrictions require that, with few exceptions, the funds can only be used for purposes of making loans to municipalities for program purposes, and that the funds must be kept available “in perpetuity” for such purposes. Likewise, the Clean Water Revenue Bond and Environmental Improvement Fund Bond indenture specifies the use of bond proceeds, proceeds from loan repayments, and money in other accounts created under the bond indenture.

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

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

Revenue Recognition – Loan interest and investment income are recognized as revenue when earned. Operating grants are recognized as revenue in the period the related expense occurs and include \$60.4 million and \$61.5 million of EPA contributions in 2020 and 2019, respectively.

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

Transfers In / (Out) – Transfers in consist primarily of capital contributions from the State of Wisconsin and are recognized as the contributions are received. Transfers out consist primarily 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.

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2020 and 2019

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

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 10 on commitments and contingencies.

NOTE 2 – FINANCIAL ASSISTANCE AGREEMENTS TO LOCAL GOVERNMENTS

Loans to local governments at June 30, 2020 and 2019 represent loans for wastewater treatment projects or drinking water projects and are for terms of up to 30 years. These loans are made at a variety of prescribed interest rates based on project type categories. In order to effectuate statutory policy, virtually all of the loans issued by the Clean Water Fund Program and Safe Drinking Water Loan Program are at interest rates that are below the 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 0% to 4.90% and 0% to 4.95% in 2020 and 2019, respectively. The weighted average interest rate was 1.704% and 1.752% at June 30, 2020 and 2019, 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, 2020 and 2019, all loan repayments were performing in accordance with the contractual terms.

Principal forgiveness, awarded through the Clean Water Fund Program and Safe Drinking Water Loan Program, is an additional subsidy in the form of a grant, to assist municipalities that would experience significant difficulty in raising the revenue necessary to finance needed infrastructure projects. From July 1, 2019 through June 30, 2020, these programs entered into financial assistance agreements that included principal forgiveness grants of \$23,749,494.

Of the loans outstanding at June 30, 2020 and 2019, \$429,332,086 and \$474,304,593 (22% and 25%), respectively, were loans due from the Milwaukee Metropolitan Sewerage District.

The Clean Water Fund Program and Safe Drinking Water Loan Program entered into \$346,801,892 of new loans and \$23,749,494 of new grants during fiscal year 2020. For fiscal year 2019, these same programs entered into \$165,651,797 of new loans and \$16,693,824 of new grants. As of June 30, 2020, they had undisbursed commitments of \$282,583,720 relating to loans and \$17,765,004 relating to grants. For fiscal year 2019, they had undisbursed commitments of \$127,836,967 relating to loans and \$23,393,203 relating to grants.

From July 1, 2020 to August 13, 2020, the Fund executed four new financial assistance agreements with loans that totaled \$32,126,137. Between July 1, 2020 and August 13, 2020, disbursements against these loans totaled \$5,062,679. These funding commitments are generally met through the proceeds from additional Federal grants, recycled loan payments, and from the issuance of additional revenue obligation bonds (see Note 5).

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2020 and 2019

NOTE 3 – CASH AND CASH EQUIVALENTS

As of June 30, 2020 and 2019, cash and cash equivalents consisted of the following:

	2020	2019	Associated Risks
Money market mutual funds	\$ 525,351,175	\$ 260,555,644	N/A Custodial credit risk, credit risk, concentration of credit risk,
State Investment Fund (“SIF”)	7,911,000	129,983,000	interest rate risk
Local Government Investment Pool (“LGIP”)	-	1,254,594	Credit risk
Cash held by custodian	1,571,997	25,846	N/A
Miscellaneous cash	-	899	N/A
Total Unrestricted Cash and Cash Equivalents	\$ 534,834,172	\$ 391,819,983	

The SIF functions as the State of Wisconsin’s cash management fund by “pooling” the idle cash balances of all State funds and other public institutions. In the State of Wisconsin’s Comprehensive Annual Financial Report (“CAFR”), the SIF is not reported as a separate fund; rather, each State fund’s share in the “pool” is reported on the balance sheet as “Cash and Cash Equivalents,” including amounts reported in the Environmental Improvement Fund. SIF pool shares are bought and redeemed at \$1.00. The State of Wisconsin does not provide any legally binding guarantees to support the value of pool shares. Wisconsin Statute 25.17 enumerate the various types of securities in which the SIF can be invested. Concentration of credit risk is the risk of loss attributed to the magnitude of an organization’s investment in a single issuer. At June 30, 2020 and 2019, the SIF made up 1% and 33% of the Fund’s total portfolio, respectively. For further information on the specific associated risks for SIF, see the State of Wisconsin’s CAFR as of and for the year ended June 30, 2020, when available.

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, 2020, the current yield on the LGIP was .14% compared to 2.42% as of June 30, 2019. The LGIP investment is stated at fair value and its credit risk is not rated.

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2020 and 2019

NOTE 4 – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

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

The following is a schedule of transfers between the loan portfolios and/or other funds at the State of Wisconsin at June 30, 2020 and 2019:

Transferred To	Transferred From	June 30, 2020 Amount	June 30, 2019 Amount	Principal Purpose
Proprietary Portfolio	Capital Improvement	\$ 3,488,874	\$ 3,294,517	Future debt service
Safe Drinking Water Loan Program	Capital Improvement	567,216	3,786,200	State match
Bond Security and Redemption	Direct Loan Portfolio	8,000,000	8,000,000	G.O. bond debt service
Debt Service Fund Program	Proprietary Portfolio	<u>10,391</u>	<u>6,860</u>	Personnel services
Subtotal		12,066,481	15,087,577	
Less: Eliminations		<u>-</u>	<u>-</u>	
Total Transfers – Statements of Revenues, Expenses and Changes in Net Position		<u>\$ 12,066,481</u>	<u>\$ 15,087,577</u>	

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

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2020 and 2019

NOTE 5 – REVENUE OBLIGATION BONDS

REVENUE OBLIGATION BONDS

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

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

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

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

Environmental Improvement Fund Revenue Bonds activity as of June 30, 2019 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds issued for the clean water fund	\$ 237,885,000	\$ 92,080,000	\$ 84,080,000	\$ 245,885,000	\$ 18,125,000
Add:					
Unamortized premiums	27,073,825	12,386,409	7,557,205	31,903,029	-
Totals	<u>\$ 264,958,825</u>	<u>\$ 104,466,409</u>	<u>\$ 91,637,205</u>	<u>\$ 277,788,029</u>	<u>\$ 18,125,000</u>

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2020 and 2019

NOTE 5 – REVENUE OBLIGATION BONDS (cont.)

REVENUE OBLIGATION BONDS (cont.)

Environmental Improvement Fund revenue obligation serial and term bonds as of June 30, 2020 and 2019 consisted of the following:

	2020	2019
2015 Series A:		
Serial Bonds, final maturity June 1, 2030	\$ 30,320,000	\$ 32,960,000
Unamortized premium on bonds	3,134,507	3,838,380
	33,454,507	36,798,380
2017 Series A:		
Serial Bonds, final maturity June 1, 2035	114,110,000	120,845,000
Unamortized premium on bonds	14,880,341	17,194,830
	128,990,341	138,039,830
2018 Series A:		
Serial Bonds, final maturity June 1, 2026	83,330,000	92,080,000
Unamortized premium on bonds	8,253,666	10,869,819
	91,583,666	102,949,819
2020 Series A:		
Serial Bonds, final maturity June 1, 2039	80,000,000	-
Unamortized premium on bonds	20,538,073	-
	100,538,073	-
Total Environmental Improvement Fund Revenue Series	\$ 354,566,587	\$ 277,788,029

The original premium at issuance and the interest rates for Environmental Improvement Fund Revenue Bonds outstanding at June 30, 2020 was the following:

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

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2020 and 2019

NOTE 5 – REVENUE OBLIGATION BONDS (cont.)

REVENUE OBLIGATION BONDS (cont.)

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

Years Ending June 30,	Clean Water Fund Program		Safe Drinking Water Loan Program		Total
	Principal	Interest	Principal	Interest	
2021	\$ 21,770,000	\$ 13,569,013	\$ 790,000	\$ 2,018,987	\$ 38,148,000
2022	22,955,000	12,370,500	875,000	1,889,500	38,090,000
2023	24,055,000	11,222,750	970,000	1,845,750	38,093,500
2024	25,215,000	10,202,000	1,055,000	1,797,250	38,087,250
2025	25,080,000	8,759,250	1,110,000	1,744,500	36,693,750
2026-2030	76,875,000	28,636,000	4,065,000	8,004,000	117,580,000
2031-2035	51,115,000	13,933,750	19,915,000	5,925,250	90,889,000
2036-2039	22,115,000	2,178,500	9,800,000	999,000	35,092,500
Totals	<u>\$ 269,180,000</u>	<u>\$ 100,871,763</u>	<u>\$ 38,580,000</u>	<u>\$ 24,224,237</u>	<u>\$ 432,674,000</u>

Principal and interest due on the Environmental Improvement Fund Revenue Bonds as of June 30, 2019, are as follows:

Years Ending June 30,	Principal	Interest	Totals
2020	\$ 18,125,000	\$ 12,294,250	\$ 30,419,250
2021	21,040,000	11,388,000	32,428,000
2022	22,095,000	10,336,000	32,431,000
2023	23,200,000	9,231,250	32,431,250
2024	24,360,000	8,071,250	32,431,250
2025-2029	81,810,000	24,089,500	105,899,500
2030-2034	45,660,000	9,036,750	54,696,750
2035	9,595,000	479,750	10,074,750
Totals	<u>\$ 245,885,000</u>	<u>\$ 84,926,750</u>	<u>\$ 330,811,750</u>

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

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2020 and 2019

NOTE 5 – REVENUE OBLIGATION BONDS (cont.)

REVENUE OBLIGATION BONDS (cont.)

The Environmental Improvement Fund has pledged future loan revenues, net of specified operating expenses, to repay outstanding revenue bonds. Proceeds from the bonds provided financing for loans to municipalities to construct or improve water and wastewater projects. The bonds are payable solely from loan revenues. Specifics of these requirements are as follows:

Type of Revenue Bonds	Outstanding	Issuance Dates	Maturity Through	Percentage of Revenues to Pay Principal and Interest	Principal and Interest Outstanding	Principal and Interest Paid In Current Year	Total Net Revenues
Environmental Improvement Fund - 2020	\$ 307.8 M	2015 - 2020	2039	16%	\$ 432.67 M	\$ 38.1 M	\$ 138.8 M
Environmental Improvement Fund - 2019	\$ 245.9M	2015 - 2018	2035	15%	\$ 330.81 M	\$ 95.9 M	\$ 135.7 M

NOTE 6 – DEBT REFUNDING

PRIOR-YEAR DEFEASANCE OF DEBT

In prior years, the Fund defeased certain Clean Water Revenue Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Fund's financial statements. At June 30, 2020, \$357,030,000 of bonds outstanding are considered defeased. At June 30, 2019, \$591,245,000 of bonds outstanding are considered defeased. The bonds are callable as follows:

Call Date	Amount as of June 30, 2020	Amount as of June 30, 2019
6/1/2020	\$ -	\$ 234,215,000
6/1/2021	29,125,000	29,125,000
6/1/2022	76,140,000	76,140,000
6/1/2023	85,900,000	85,900,000
6/1/2024	165,865,000	165,865,000

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2020 and 2019

NOTE 7 – INVESTMENT INCOME

Investment income is recorded net of estimated required arbitrage relating to outstanding State of Wisconsin Environmental Improvement Revenue Bonds and consisted of the following for the fiscal years ended June 30, 2020 and 2019:

	2020	2019
Interest		
State of Wisconsin Investment Board Local Government Investment Pool	\$ 5,053,286	\$ 7,231,046
Federal Interest on Build America Bonds	585,521	654,166
Total Interest	5,638,807	7,885,212
Change in Estimated Rebateable Arbitrage Liability	-	105,936
Total Investment Income	\$ 5,638,807	\$ 7,991,148

NOTE 8 – OPERATING GRANTS AND FINANCIAL ASSISTANCE

EPA Operating Grants for Wastewater Projects—The Federal Water Quality Act of 1987 (the “Water Quality Act”) established a joint Federal and State program with the EPA to assist in providing financial assistance to municipalities within the states for governmentally owned wastewater treatment projects. Under the terms of the EPA grant, the State was required: (1) to establish the Clean Water Fund Program, a perpetual state revolving fund into which the grant monies must be deposited, (2) to provide State matching funds equal to 20% of the grant; and (3) to use the monies to provide financial assistance to municipalities for governmental owned wastewater treatment projects in a number of ways, provided that such assistance is not in the form of a grant. Reauthorization of the Water Quality Act of 1987 is expected to result in the allocation of capitalization grants to Wisconsin of approximately \$43 million for federal fiscal year 2020. Four percent of the EPA grant amount may be used for wastewater program administrative expenses. Authorization levels for years after 2020 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 2020 and a grant to Wisconsin of approximately \$18.8 million is expected for federal fiscal year 2020.

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

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2020 and 2019

NOTE 8 – OPERATING GRANTS AND FINANCIAL ASSISTANCE (cont.)

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

NOTE 9 – EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

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

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

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

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

NOTE 10 – 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 ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 11 – RISK MANAGEMENT

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

SUPPLEMENTARY INFORMATION

**STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND**

STATEMENT OF NET POSITION
BY PROGRAM
As of June 30, 2020

	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	\$ 367,763,637	\$ (183,552)	\$ 1,546,150
Receivables			
Loans to local governments - current portion	165,354,527	1,294,681	-
Due from other funds	824	9,824,125	-
Due from other governmental entities	6,467,793	36,632	-
Accrued investment income	-	-	-
Other receivables	9,676	15,849	-
Prepaid items	-	17	16,887
Total Current Assets	<u>539,596,457</u>	<u>10,987,752</u>	<u>1,563,037</u>
Noncurrent Assets			
Loans to local governments	1,403,706,316	11,482,899	-
Advances to other funds	6,582,026	-	-
Prepaid items	-	-	49,254
Net pension asset	-	65,927	-
Total Noncurrent Assets	<u>1,410,288,342</u>	<u>11,548,826</u>	<u>49,254</u>
Total Assets	<u>1,949,884,799</u>	<u>22,536,578</u>	<u>1,612,291</u>
Deferred Outflows of Resources			
Pension related amounts	-	155,719	-
OPEB related amounts - health	-	5,598	-
OPEB related amounts - life	-	10,211	-
Unamortized charges	1,162,097	-	-
Total Deferred Outflows of Resources	<u>1,162,097</u>	<u>171,528</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,951,046,896</u>	<u>\$ 22,708,106</u>	<u>\$ 1,612,291</u>

Safe Drinking Water Loan Program	Eliminations	Totals
\$ 165,707,937	\$ -	\$ 534,834,172
28,824,490	-	195,473,698
4,046	(6,801,263)	3,027,732
2,487,723	-	8,992,148
484	-	484
2,193	-	27,718
-	-	16,904
<u>197,026,873</u>	<u>(6,801,263)</u>	<u>742,372,856</u>
309,254,628	-	1,724,443,843
-	-	6,582,026
-	-	49,254
-	-	65,927
<u>309,254,628</u>	<u>-</u>	<u>1,731,141,050</u>
<u>506,281,501</u>	<u>(6,801,263)</u>	<u>2,473,513,906</u>
-	-	155,719
-	-	5,598
-	-	10,211
-	-	1,162,097
<u>-</u>	<u>-</u>	<u>1,333,625</u>
<u>\$ 506,281,501</u>	<u>\$ (6,801,263)</u>	<u>\$ 2,474,847,531</u>

**STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND**

STATEMENT OF NET POSITION
BY PROGRAM
As of June 30, 2020

	Clean Water Fund Program		
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio
LIABILITIES AND NET POSITION			
Current Liabilities			
Accrued expenses	\$ 4,896	\$ 19,758	\$ -
Accrued interest on bonds	1,137,692	-	-
Due to other funds	7,278,936	329,852	-
Due to other governmental entities	3,321	2,903	-
Compensated absences - current portion	-	164,226	-
Revenue obligation bonds - current maturities	21,770,000	-	-
Total Current Liabilities	<u>30,194,845</u>	<u>516,739</u>	<u>-</u>
Noncurrent Liabilities			
OPEB liability - health	-	22,447	-
Net OPEB liability - life	-	24,787	-
Compensated absences	-	412,154	-
Revenue obligation bonds (including unamortized premium)	284,370,714	-	-
Total Noncurrent Liabilities	<u>284,370,714</u>	<u>459,388</u>	<u>-</u>
Total Liabilities	<u>314,565,559</u>	<u>976,127</u>	<u>-</u>
Deferred Inflows of Resources			
Pension related amounts	-	205,099	-
OPEB related amounts - health	-	14,969	-
OPEB related amounts - life	-	5,709	-
Total Deferred Inflows of Resources	<u>-</u>	<u>225,777</u>	<u>-</u>
Net Position			
Restricted for environmental improvement	1,636,481,337	65,927	1,612,291
Unrestricted	-	21,440,275	-
Total Net Position	<u>1,636,481,337</u>	<u>21,506,202</u>	<u>1,612,291</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 1,951,046,896</u>	<u>\$ 22,708,106</u>	<u>\$ 1,612,291</u>

Safe Drinking Water Loan Program	Eliminations	Totals
\$ 55,164	\$ -	\$ 79,818
177,975	-	1,315,667
360,328	(6,801,263)	1,167,853
525,406	-	531,630
-	-	164,226
790,000	-	22,560,000
<u>1,908,873</u>	<u>(6,801,263)</u>	<u>25,819,194</u>
-	-	22,447
-	-	24,787
-	-	412,154
<u>47,635,873</u>	<u>-</u>	<u>332,006,587</u>
<u>47,635,873</u>	<u>-</u>	<u>332,465,975</u>
<u>49,544,746</u>	<u>(6,801,263)</u>	<u>358,285,169</u>
-	-	205,099
-	-	14,969
-	-	5,709
<u>-</u>	<u>-</u>	<u>225,777</u>
456,736,755	-	2,094,896,310
-	-	21,440,275
<u>456,736,755</u>	<u>-</u>	<u>2,116,336,585</u>
<u>\$ 506,281,501</u>	<u>\$ (6,801,263)</u>	<u>\$ 2,474,847,531</u>

**STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY PROGRAM
For the Year Ended June 30, 2020

	Clean Water Fund Program		
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio
OPERATING REVENUES			
Loan interest	\$ 22,202,922	\$ 239,801	\$ -
Interest income used as security for revenue bonds	16,198,589	-	-
Miscellaneous other	302,215	20,092	-
Total Operating Revenues	<u>38,703,726</u>	<u>259,893</u>	<u>-</u>
OPERATING EXPENSES			
Interest	7,333,585	-	-
Salaries and benefits	3,049,821	387,219	-
Contractual services and other	631,909	102,770	23,491
Total Operating Expenses	<u>11,015,315</u>	<u>489,989</u>	<u>23,491</u>
Operating Income (Loss)	<u>27,688,411</u>	<u>(230,096)</u>	<u>(23,491)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	3,759,644	23,304	309,656
Intergovernmental grants	42,408,726	-	-
Grants awarded	(13,394,385)	(3,673,442)	-
Total Nonoperating Revenues (Expenses)	<u>32,773,985</u>	<u>(3,650,138)</u>	<u>309,656</u>
INCOME (LOSS) BEFORE TRANSFERS	60,462,396	(3,880,234)	286,165
Transfers in	40,607,975	3,488,874	-
Transfers out	(48,607,975)	(10,391)	-
Change in Net Position	52,462,396	(401,751)	286,165
TOTAL NET POSITION - Beginning of Year	<u>1,584,018,941</u>	<u>21,907,953</u>	<u>1,326,126</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 1,636,481,337</u>	<u>\$ 21,506,202</u>	<u>\$ 1,612,291</u>

Safe Drinking Water Loan Program	Eliminations	Totals
\$ 6,307,071	\$ -	\$ 28,749,794
-	-	16,198,589
-	-	322,307
<u>6,307,071</u>	<u>-</u>	<u>45,270,690</u>
319,793	-	7,653,378
2,241,152	-	5,678,192
2,737,000	-	3,495,170
<u>5,297,945</u>	<u>-</u>	<u>16,826,740</u>
1,009,126	-	28,443,950
1,546,203	-	5,638,807
18,020,447	-	60,429,173
(11,757,741)	-	(28,825,568)
<u>7,808,909</u>	<u>-</u>	<u>37,242,412</u>
8,818,035	-	65,686,362
26,620,088	(66,660,847)	4,056,090
<u>(26,052,872)</u>	<u>66,660,847</u>	<u>(8,010,391)</u>
9,385,251	-	61,732,061
<u>447,351,504</u>	<u>-</u>	<u>2,054,604,524</u>
<u>\$ 456,736,755</u>	<u>\$ -</u>	<u>\$ 2,116,336,585</u>

**STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND**

STATEMENT OF CASH FLOWS
BY PROGRAM
For the Year Ended June 30, 2020

	Clean Water Fund Program		
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio
CASH FLOWS FROM OPERATING ACTIVITIES			
Collection of loans	\$ 164,690,676	\$ 1,281,578	\$ -
Interest received on loans	38,597,696	244,525	-
Origination of loans	(140,197,235)	-	-
Payments to employees for services	(1,530,152)	(2,109,099)	-
Payments to suppliers and other	(297,781)	(556,806)	(18,100)
Other operating revenues	302,215	20,092	-
Net Cash Flows From Operating Activities	<u>61,565,419</u>	<u>(1,119,710)</u>	<u>(18,100)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental grants received	42,337,279	-	-
Grants paid	(13,394,385)	(3,673,442)	-
Transfers in	40,607,975	468,899	-
Transfers out	(48,607,975)	(10,391)	-
Proceeds from issuance of long-term debt	55,095,663	-	-
Retirement of long-term debt	(17,892,364)	-	-
Reallocation of debt from/to other funds	(3,183,584)	-	-
Interest payments	(12,223,809)	-	-
Other cash flows from noncapital financing activities	(304,927)	-	-
Net Cash Flows From Noncapital Financing Activities	<u>42,433,873</u>	<u>(3,214,934)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Arbitrage rebate	294,400	-	-
Investment and interest income	3,465,244	263,906	309,656
Net Cash Flows From Investing Activities	<u>3,759,644</u>	<u>263,906</u>	<u>309,656</u>
Net Increase in Cash and Cash Equivalents	107,758,936	(4,070,738)	291,556
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>260,004,701</u>	<u>3,887,186</u>	<u>1,254,594</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 367,763,637</u>	<u>\$ (183,552)</u>	<u>\$ 1,546,150</u>

Safe Drinking Water Loan Program		
	Eliminations	Totals
\$ 28,115,728	\$ -	\$ 194,087,982
6,286,923	-	45,129,144
(44,988,643)	-	(185,185,878)
(3,429,137)	-	(7,068,388)
(2,722,980)	-	(3,595,667)
-	-	322,307
<u>(16,738,109)</u>	<u>-</u>	<u>43,689,500</u>
17,106,658	-	59,443,937
(11,757,741)	-	(28,825,568)
26,620,088	(66,660,847)	1,036,115
(26,052,872)	66,660,847	(8,010,391)
45,609,473	-	100,705,136
(232,636)	-	(18,125,000)
3,183,584	-	-
(70,441)	-	(12,294,250)
(177,095)	-	(482,022)
<u>54,229,018</u>	<u>-</u>	<u>93,447,957</u>
-	-	294,400
<u>1,543,526</u>	<u>-</u>	<u>5,582,332</u>
<u>1,543,526</u>	<u>-</u>	<u>5,876,732</u>
39,034,435	-	143,014,189
<u>126,673,502</u>	<u>-</u>	<u>391,819,983</u>
<u>\$ 165,707,937</u>	<u>\$ -</u>	<u>\$ 534,834,172</u>

**STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND**

STATEMENT OF CASH FLOWS
BY PROGRAM
For the Year Ended June 30, 2020

	Clean Water Fund Program		
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 27,688,411	\$ (230,096)	\$ (23,491)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities			
Interest expense classified as noncapital financing activity	7,106,697	-	-
Changes in assets and liabilities:			
Receivables	(4,174)	5,366	-
Loans to other governments	24,500,878	1,281,578	-
Due from other funds	160,663	(1,783,246)	-
Proportionate share of contributions	-	158,896	-
Prepaid items	-	(10)	16,887
Compensated absences	-	58,608	-
Other assets	-	(167,981)	-
Accrued expenses	(14,931)	(6,467)	(11,496)
Accrued interest on bonds	185,428	4,724	-
Due to other funds	1,939,126	(443,985)	-
Due to other governmental entities	3,321	2,903	-
Total Adjustments	<u>33,877,008</u>	<u>(889,614)</u>	<u>5,391</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 61,565,419</u>	<u>\$ (1,119,710)</u>	<u>\$ (18,100)</u>
NONCASH INVESTING AND NONCAPITAL FINANCING ACTIVITIES			
Bond premium amortization	<u>\$ 5,667,030</u>	<u>\$ -</u>	<u>\$ -</u>

Safe Drinking Water Loan Program	Totals
\$ 1,009,126	\$ 28,443,950
290,963	7,397,660
2,193	3,385
(16,734,910)	9,047,546
10,400	(1,612,183)
-	158,896
-	16,877
-	58,608
-	(167,981)
(47,232)	(80,126)
(20,149)	170,003
(1,430,290)	64,851
181,790	188,014
<u>(17,747,235)</u>	<u>15,245,550</u>
<u>\$ (16,738,109)</u>	<u>\$ 43,689,500</u>
<u>\$ 134,548</u>	<u>\$ 5,801,578</u>

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

OTHER INFORMATION (UNAUDITED)
For the Years Ended June 30, 2020 and 2019

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

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

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State of Wisconsin Environmental Improvement Fund, an enterprise fund of the State of Wisconsin, as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated November 18, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Baker Tilly US, LLP

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Madison, Wisconsin
November 18, 2020