
State of Wisconsin
Event Filing # 2023-10
Dated November 1, 2023

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

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

Issues/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, 2023 and June 30, 2022, and supplemental information for the year ended June 30, 2023, for the State of Wisconsin Environmental Improvement Fund.

The attached will also be included in the State's Continuing Disclosure Annual Report, which is expected to be filed on or before December 27, 2023.

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 website and State of Wisconsin investor relations website 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/ AARON M. HEINTZ

Aaron M. Heintz, Capital Finance Director
State of Wisconsin Capital Finance Office
Wisconsin Department of Administration
101 East Wilson Street, FLR 10
Madison, WI 53703
Phone: 608.267.1836
Email: DOACapitalFinanceOffice@wisconsin.gov
Websites: doa.wi.gov/capitalfinance
wisconsinbonds.com

State of Wisconsin Environmental Improvement Fund

Financial Statements and
Supplementary Information

June 30, 2023 and 2022

State of Wisconsin Environmental Improvement Fund

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2023 and 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position for the State of Wisconsin Environmental Improvement Fund, as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State of Wisconsin Environmental Improvement Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements of the State of Wisconsin Environmental Improvement Fund are intended to present the financial position, the changes in the financial position, and cash flows of only the State of Wisconsin Environmental Improvement Fund. They do not purport to, and do not, present fairly the financial position of the State of Wisconsin, as of June 30, 2023, and 2022, and the changes in financial position or where applicable, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

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 supplementary information are fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2023 on our consideration of the State of Wisconsin Environmental Improvement Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Wisconsin Environmental Improvement Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Wisconsin Environmental Improvement Fund's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Madison, Wisconsin
November 1, 2023

State of Wisconsin Environmental Improvement Fund

Statements of Net Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets and Deferred Outflows of Resources		
Current Assets		
Unrestricted cash and cash equivalents	\$ 445,398,468	\$ 394,460,113
Receivables:		
Loans to local governments, current portion	205,273,428	197,114,074
Due from other funds	157,009	283,091
Due from other governmental entities	12,504,392	10,181,358
Accrued investment income	45,298	7,637
Other receivables	17,535	31,934
Prepaid items	<u>15,512</u>	<u>16,917</u>
Total current assets	<u>663,411,642</u>	<u>602,095,124</u>
Noncurrent Assets		
Loans to local governments	2,032,914,177	2,002,366,053
Advances to other funds	6,830,633	6,599,140
Prepaid items	-	15,480
Restricted assets:		
Net pension asset	-	210,764
Sick Leave OPEB Asset	<u>6,942</u>	<u>23,938</u>
Total noncurrent assets	<u>2,039,751,752</u>	<u>2,009,215,375</u>
Total assets	<u>2,703,163,394</u>	<u>2,611,310,499</u>
Deferred Outflows of Resources		
Pension related amounts	479,095	375,778
OPEB related amounts, health	8,149	9,271
OPEB related amounts, life	8,101	11,628
OPEB related amounts, sick	13,870	8,932
Unamortized charges	<u>680,118</u>	<u>818,804</u>
Total deferred outflows of resources	<u>1,189,333</u>	<u>1,224,413</u>
Total assets and deferred outflows of resources	<u>\$ 2,704,352,727</u>	<u>\$ 2,612,534,912</u>

See notes to financial statements

State of Wisconsin Environmental Improvement Fund

Statements of Net Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accrued expenses	\$ 65,873	\$ 71,870
Accrued interest on bonds	1,474,600	1,388,662
Due to other funds	3,450,416	1,334,228
Due to other governmental entities	49,280	378,322
Compensated absences, current portion	228,017	206,715
Revenue obligation bonds, current maturities	<u>33,675,000</u>	<u>29,375,000</u>
Total current liabilities	<u>38,943,186</u>	<u>32,754,797</u>
Noncurrent Liabilities		
Net pension liability	129,867	-
OPEB liability, health	32,308	34,897
Net OPEB liability, life	32,073	39,475
Compensated absences	622,155	549,374
Revenue obligation bonds (including unamortized premium)	<u>381,368,497</u>	<u>369,234,992</u>
Total noncurrent liabilities	<u>382,184,900</u>	<u>369,858,738</u>
Total liabilities	<u>421,128,086</u>	<u>402,613,535</u>
Deferred Inflows of Resources		
Pension related amounts	267,644	461,626
OPEB related amounts, health	15,373	16,086
OPEB related amounts, life	18,623	4,582
OPEB related amounts, sick	<u>10,304</u>	<u>20,711</u>
Total deferred inflows of resources	<u>311,944</u>	<u>503,005</u>
Net Position		
Restricted for:		
Environmental improvement	2,261,904,932	2,188,383,867
Pension and OPEB	6,942	234,702
Unrestricted	<u>21,000,823</u>	<u>20,799,803</u>
Total net position	<u>2,282,912,697</u>	<u>2,209,418,372</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,704,352,727</u>	<u>\$ 2,612,534,912</u>

See notes to financial statements

State of Wisconsin Environmental Improvement Fund

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Loan interest	\$ 148,702	\$ 173,241
Interest income used as security for revenue bonds	44,302,958	44,486,957
Miscellaneous other	<u>2,943,944</u>	<u>2,010,001</u>
Total operating revenues	<u>47,395,604</u>	<u>46,670,199</u>
Operating Expenses		
Interest	10,440,337	10,241,199
Salaries and benefits	8,479,021	5,700,473
Contractual services and other	<u>3,586,265</u>	<u>3,299,048</u>
Total operating expenses	<u>22,505,623</u>	<u>19,240,720</u>
Operating income	<u>24,889,981</u>	<u>27,429,479</u>
Nonoperating Revenues (Expenses)		
Investment income	12,284,539	349,176
Intergovernmental grants	103,847,954	61,464,161
Grants awarded	<u>(60,516,217)</u>	<u>(46,691,872)</u>
Total nonoperating revenues	<u>55,616,276</u>	<u>15,121,465</u>
Income Before Transfers	80,506,257	42,550,944
Transfers in	-	52,060
Transfers out	<u>(7,011,932)</u>	<u>(8,013,208)</u>
Increase in net position	73,494,325	34,589,796
Net Position, Beginning	<u>2,209,418,372</u>	<u>2,174,828,576</u>
Net Position, Ending	<u>\$ 2,282,912,697</u>	<u>\$ 2,209,418,372</u>

See notes to financial statements

State of Wisconsin Environmental Improvement Fund

Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Collection of loans	\$ 199,482,184	\$ 200,358,908
Interest received on loans	44,466,271	44,442,971
Origination of loans	(238,189,663)	(347,780,419)
Payments to employees for services	(6,141,588)	(4,873,754)
Payments to suppliers and other	(3,994,095)	(3,159,544)
Other operating revenues	<u>2,943,944</u>	<u>2,010,001</u>
Net cash flows from operating activities	<u>(1,432,947)</u>	<u>(109,001,837)</u>
Cash Flows From Noncapital Financial Activities		
Intergovernmental grants received	101,510,769	61,927,152
Grants paid	(60,533,168)	(46,675,380)
Transfers in	-	519,992
Transfers out	(7,011,932)	(8,013,207)
Proceeds from issuance of long-term debt	53,770,842	122,841,571
Retirement of long-term debt	(29,375,000)	(23,830,000)
Payment to escrow agent	-	(18,699,701)
Interest payments	(18,011,173)	(16,567,610)
Other cash flows from noncapital financing activities	<u>(231,492)</u>	<u>(12,280)</u>
Net cash flows from noncapital financing activities	<u>40,118,846</u>	<u>71,490,537</u>
Cash Flows From Investing Activities		
Investment and interest income	<u>12,252,456</u>	<u>344,769</u>
Net cash flows from investing activities	<u>12,252,456</u>	<u>344,769</u>
Net increase in cash and cash equivalents	50,938,355	(37,166,531)
Cash and Cash Equivalents, Beginning	<u>394,460,113</u>	<u>431,626,644</u>
Cash and Cash Equivalents, Ending	<u>\$ 445,398,468</u>	<u>\$ 394,460,113</u>

See notes to financial statements

State of Wisconsin Environmental Improvement Fund

Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Operating income	\$ 24,889,981	\$ 27,429,479
Adjustments to reconcile operating income to net cash flows from operating activities:		
Interest expense classified as noncapital financing activity	10,273,459	10,063,806
Changes in assets and liabilities:		
Receivables	8,822	388
Loans to other governments	(38,707,479)	(147,421,512)
Due from other funds	131,625	662,709
Proportionate share of contributions	(294,667)	(15,258)
Prepaid items	16,885	16,876
Compensated absences	94,083	97,407
Net pension	347,635	(42,842)
Accrued expenses	2,083	(29,014)
Accrued interest on bonds	14,612	(217,227)
Due to other funds	2,110,643	489,168
Due to other governmental entities	(320,629)	(35,817)
Total adjustments	<u>(26,322,928)</u>	<u>(136,431,316)</u>
Net cash flows from operating activities	<u>\$ (1,432,947)</u>	<u>\$ (109,001,837)</u>
Noncash Investing and Noncapital Financing Activities		
Bond premium amortization	<u>\$ 8,174,607</u>	<u>\$ 9,233,166</u>

See notes to financial statements

State of Wisconsin Environmental Improvement Fund

Notes to Financial Statements
June 30, 2023 and 2022

1. Nature of Operations and Summary of Significant Accounting Policies

Reporting Entity

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

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

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

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

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

The Land Recycling Loan Program is a municipal loan program for the remediation of contaminated lands. As of June 30, 2023 and 2022, there were ten loans granted under this program for a total of \$15,218,891. As of June 30, 2023 and 2022, the total amount drawn on these loans was \$13,500,343. The Land Recycling Program loans are included in the Clean Water Fund Program - Direct Loan Portfolio for reporting purposes.

State of Wisconsin Environmental Improvement Fund

Notes to Financial Statements
June 30, 2023 and 2022

Net Operating Income/Loss

The Fund incurred net operating income of \$24.9 million and a net operating income of \$27.4 million in 2023 and 2022, 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 \$103.8 million and \$61.5 million in 2023 and 2022, respectively and are classified as intergovernmental grants. Transfers from the State of Wisconsin were approximately \$0 and \$.05 million in 2023 and 2022, respectively and are classified as transfers in. Management expects the grants and transfers will continue for the foreseeable future sufficient to fund both the anticipated future net operating losses and, together with additional borrowing, to fund additional loans to municipalities.

Loans Receivable

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

Interest on Loans Receivable

Interest on loans receivable is recognized on an accrual basis and recorded within Due from Other Governmental Entities on the statements of net position.

Investments

The Fund may invest in direct obligations of the United States and Canada, securities guaranteed by the United States, certificates of deposit issued by banks in the United States and solvent financial institutions in the State, commercial paper and nonsecured corporation notes and bonds, bankers acceptances, participation agreements, privately placed bonds and mortgages, common and preferred stock and other securities approved by applicable sections of the Wisconsin Statutes, bond resolutions and various trust indentures (see Note 3).

Investments that are stated at fair value includes the State Investment Fund (SIF) (see Note 3). The Fund has received fair value information for investments from external sources. Changes in the fair value of investments are included in investment income. Accrued interest on investments is recorded as earned. To the extent interest income on investments exceeds applicable arbitrage limits specified in the Internal Revenue Code; the amount that must be rebated (estimated arbitrage) to the U.S. Treasury is recorded as a reduction of investment income (see Note 7). Investment transactions are recorded on the trade date.

Comparative Data

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

Revenue Obligation Bonds

Interest expense on revenue obligation bonds is recognized on an accrual basis.

State of Wisconsin Environmental Improvement Fund

Notes to Financial Statements
June 30, 2023 and 2022

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

Deferred Inflows of Resources

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

Net Position

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

Revenue Recognition

Loan interest and investment income are recognized as revenue when earned. Operating grants are recognized as revenue in the period the related expense occurs and include \$103.8 million and \$61.5 million of EPA contributions in 2023 and 2022, respectively.

Hardship Grants

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

Transfers In / (Out)

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

State of Wisconsin Environmental Improvement Fund

Notes to Financial Statements
June 30, 2023 and 2022

Estimates

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

Claims and Judgments

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

2. Financial Assistance Agreements to Local Governments

Loans to local governments at June 30, 2023 and 2022 represent loans for wastewater treatment projects or drinking water projects and are for terms of up to 30 years. These loans are made at a variety of prescribed interest rates based on project type categories. In order to effectuate statutory policy, virtually all of the loans issued by the Clean Water Fund Program and Safe Drinking Water Loan Program are at interest rates that are below the market rate that is established by the State. The net losses that can result from this negative interest margin are funded by State transfers. Interest rates on loans receivable ranged from 0% to 4.09% in both 2023 and 2022. The weighted average interest rate was 1.545% and 1.580% at June 30, 2023 and 2022, 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, 2023 and 2022, 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, 2022 through June 30, 2023, these programs entered into financial assistance agreements that included principal forgiveness grants of \$76,452,986.

Of the loans outstanding at June 30, 2023 and 2022, \$337,858,592 and \$357,911,545 (15% and 16%), respectively, were loans due from the Milwaukee Metropolitan Sewerage District.

The Clean Water Fund Program and Safe Drinking Water Loan Program entered into \$241,577,039 of new loans and \$76,452,986 of new grants during fiscal year 2023. For fiscal year 2022, these same programs entered into \$338,500,436 of new loans and \$45,057,745 of new grants. As of June 30, 2023, they had undisbursed commitments of \$220,863,650 relating to loans and \$26,633,443 relating to grants. For fiscal year 2022, they had undisbursed commitments of \$246,421,829 relating to loans and \$11,136,105 relating to grants.

From July 1, 2023 to August 30, 2023, the Fund executed 10 new financial assistance agreements with loans that totaled \$11,885,687 and principal forgiveness that totaled \$5,213,891. Between July 1, 2023, and August 30, 2023, disbursements against these financial assistance agreements (loans and principal forgiveness) totaled \$8,202,527. This amount includes three lead services lines that closed prior to July 1, 2023, but received their first disbursement during this time. These funding commitments are generally met through the proceeds from additional Federal grants, recycled loan payments and from the issuance of additional revenue obligation bonds (see Note 5).

State of Wisconsin Environmental Improvement Fund

Notes to Financial Statements
June 30, 2023 and 2022

3. Cash and Cash Equivalents

As of June 30, 2023 and 2022, cash and cash equivalents consisted of the following:

	<u>2023</u>	<u>2022</u>	<u>Associated Risk</u>
Money market mutual funds	\$ 435,590,468	\$ 385,105,113	N/A
State Investment Fund (SIF)	<u>9,808,000</u>	<u>9,355,000</u>	Custodial credit risk, credit risk, concentration of credit risk, interest rate risk
Total unrestricted cash and cash equivalents	<u>\$ 445,398,468</u>	<u>\$ 394,460,113</u>	

The SIF functions as the State of Wisconsin's cash management fund by pooling the idle cash balances of all State funds and other public institutions. In the State of Wisconsin's Annual Comprehensive Financial Report, the SIF is not reported as a separate fund; rather, each State fund's share in the pool is reported on the balance sheet as Cash and Cash Equivalents, including amounts reported in the Environmental Improvement Fund. SIF pool shares are bought and redeemed at \$1.00. The State of Wisconsin does not provide any legally binding guarantees to support the value of pool shares. Wisconsin Statute 25.17 enumerate the various types of securities in which the SIF can be invested. Concentration of credit risk is the risk of loss attributed to the magnitude of an organization's investment in a single issuer. As of both June 30, 2023 and 2022, the SIF made up 2% of the Fund's total portfolio. For further information on the specific associated risks for SIF, see the State of Wisconsin's Annual Comprehensive Financial Report as of and for the year ended June 30, 2023, when available.

4. Interfund Receivables/Payables and Transfers

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

The following is a schedule of transfers between the loan portfolios and/or other funds at the State of Wisconsin at June 30, 2023 and 2022:

<u>Transferred To</u>	<u>Transferred From</u>	<u>June 30, 2023</u> <u>Amount</u>	<u>June 30, 2022</u> <u>Amount</u>	<u>Principal Purpose</u>
Proprietary Portfolio	Capital Improvement	\$ -	\$ 52,060	Future debt service
Bond Security and Redemption	Direct Loan Portfolio	7,000,000	8,000,000	G.O. bond debt service
Debt Service Fund Program	Proprietary Portfolio	<u>11,932</u>	<u>13,208</u>	Personnel services
Subtotal		7,011,932	8,065,268	
Less eliminations		<u>-</u>	<u>-</u>	
Total transfers, statements of revenues, expenses and changes in net position		<u>\$ 7,011,932</u>	<u>\$ 8,065,268</u>	

State of Wisconsin Environmental Improvement Fund

Notes to Financial Statements

June 30, 2023 and 2022

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.

5. Revenue Obligation Bonds

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

Environmental Improvement Fund Revenue Bonds activity as of June 30, 2023 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Clean Water Fund Program:					
Revenue bonds issued	\$ 304,985,000	\$ 32,175,000	\$ 28,085,000	\$ 309,075,000	\$ 31,270,000
Unamortized premiums	44,846,199	2,563,161	7,178,305	40,231,055	-
Safe Drinking Water Loan Program:					
Revenue bonds issued	39,985,000	17,825,000	1,290,000	56,520,000	2,405,000
Unamortized premiums	8,793,793	1,419,951	996,302	9,217,442	-
Total	<u>\$ 398,609,992</u>	<u>\$ 53,983,112</u>	<u>\$ 37,549,607</u>	<u>\$ 415,043,497</u>	<u>\$ 33,675,000</u>

Environmental Improvement Fund Revenue Bonds activity as of June 30, 2022 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Clean Water Fund Program:					
Revenue bonds issued	\$ 247,410,000	\$ 96,930,000	\$ 39,355,000	\$ 304,985,000	\$ 28,085,000
Unamortized premiums	31,029,556	22,188,791	8,372,148	44,846,199	-
Safe Drinking Water Loan Program:					
Revenue bonds issued	37,790,000	3,070,000	875,000	39,985,000	1,290,000
Unamortized premiums	8,931,953	722,858	861,018	8,793,793	-
Total	<u>\$ 325,161,509</u>	<u>\$ 122,911,649</u>	<u>\$ 49,463,166</u>	<u>\$ 398,609,992</u>	<u>\$ 29,375,000</u>

State of Wisconsin Environmental Improvement Fund

Notes to Financial Statements

June 30, 2023 and 2022

Environmental Improvement Fund revenue obligation serial and term bonds as of June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
2015 Series A:		
Serial Bonds, final maturity June 1, 2025	\$ 5,185,000	\$ 8,240,000
Unamortized premium on bonds	176,605	396,938
	<u>5,361,605</u>	<u>8,636,938</u>
2017 Series A:		
Serial Bonds, final maturity June 1, 2035	95,135,000	101,770,000
Unamortized premium on bonds	9,096,028	10,845,417
	<u>104,231,028</u>	<u>112,615,417</u>
2018 Series A:		
Serial Bonds, final maturity June 1, 2026	44,705,000	58,215,000
Unamortized premium on bonds	2,367,438	3,950,149
	<u>47,072,438</u>	<u>62,165,149</u>
2020 Series A:		
Serial Bonds, final maturity June 1, 2039	74,920,000	76,745,000
Unamortized premium on bonds	15,627,668	17,173,914
	<u>90,547,668</u>	<u>93,918,914</u>
2021 Series A:		
Serial Bonds, final maturity June 1, 2040	95,650,000	100,000,000
Unamortized premium on bonds	18,573,115	21,273,574
	<u>114,223,115</u>	<u>121,273,574</u>
2022 Series A:		
Serial Bonds, final maturity June 1, 2043	50,000,000	-
Unamortized premium on bonds	3,607,643	-
	<u>53,607,643</u>	<u>-</u>
 Total environmental improvement fund revenue series	 <u>\$ 415,043,497</u>	 <u>\$ 398,609,992</u>

The original premium at issuance and the interest rates for Environmental Improvement Fund Revenue Bonds outstanding at June 30, 2022 was the following:

<u>Series</u>	<u>Original Issue (Premium)</u>	<u>Interest Rates</u>
2015 Series A	\$ (7,039,669)	3.00 - 5.00%
2017 Series A	(28,543,314)	3.00 - 5.00%
2018 Series A	(12,386,409)	5.00%
2020 Series A	(20,705,136)	5.00%
2021 Series A	(22,911,649)	4.00 - 5.00%
2022 Series A	(3,983,111)	5.00%

State of Wisconsin Environmental Improvement Fund

Notes to Financial Statements

June 30, 2023 and 2022

Principal and interest due on the Environmental Improvement Fund Revenue Bonds as of June 30, 2023, are as follows:

	Clean Water Fund Program		Safe Drinking Water Loan Program		Total
	Principal	Interest	Principal	Interest	
Years ending June 30:					
2024	\$ 31,270,000	\$ 14,869,200	\$ 2,405,000	\$ 2,826,000	\$ 51,370,200
2025	31,435,000	13,305,700	2,525,000	2,705,750	49,971,450
2026	30,950,000	11,733,950	2,645,000	2,579,500	47,908,450
2027	16,620,000	10,186,450	2,230,000	2,447,250	31,483,700
2028	15,790,000	9,355,450	2,345,000	2,335,750	29,826,200
2029-2033	81,160,000	34,617,050	18,365,000	9,760,250	143,902,300
2034-2038	80,460,000	15,067,200	21,530,000	3,948,750	121,005,950
2039-2043	21,390,000	1,871,250	4,475,000	590,000	28,326,250
Total	\$ 309,075,000	\$ 111,006,250	\$ 56,520,000	\$ 27,193,250	\$ 503,794,500

Principal and interest due on the Environmental Improvement Fund Revenue Bonds as of June 30, 2022, are as follows:

	Clean Water Fund Program		Safe Drinking Water Loan Program		Total
	Principal	Interest	Principal	Interest	
Years ending June 30:					
2023	\$ 28,085,000	\$ 14,664,700	\$ 1,290,000	\$ 1,999,250	\$ 46,038,950
2024	29,445,000	13,260,450	1,395,000	1,934,750	46,035,200
2025	29,525,000	11,788,200	1,465,000	1,865,000	44,643,200
2026	28,940,000	10,311,950	1,530,000	1,791,750	42,573,700
2027	14,510,000	8,864,950	1,065,000	1,715,250	26,155,200
2028-2032	69,905,000	33,708,200	7,225,000	7,737,250	118,575,450
2033-2037	78,150,000	16,349,750	22,905,000	3,798,000	121,202,750
2038-2040	26,425,000	2,017,000	3,110,000	204,750	31,756,750
Total	\$ 304,985,000	\$ 110,965,200	\$ 39,985,000	\$ 21,046,000	\$ 476,981,200

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

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

Type of Revenue Bonds	Outstanding	Issuance Dates	Maturity Through	Percentage of Revenues to Pay Principal and Interest	Principal and Interest Outstanding	Principal and Interest Paid In Current Year	Total Net Revenues
Environmental Improvement Fund - 2023	\$ 365.6M	2015 - 2022	2043	18%	\$ 503.79 M	\$ 47.4 M	\$ 152.6 M
Environmental Improvement Fund - 2022	\$ 344.9M	2015 - 2021	2040	18%	\$ 476.98 M	\$ 40.4 M	\$ 146.4 M

State of Wisconsin Environmental Improvement Fund

Notes to Financial Statements
June 30, 2023 and 2022

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. On August 4, 2021, the State of Wisconsin Building Commission entered into a Defeasance Escrow Agreement, where the State of Wisconsin deposited \$18.7 million of cash into an escrow account for the defeasance of five maturities in the aggregate par amount of \$16.4 million from State of Wisconsin Environmental Improvement Revenues Bonds, 2015 Series A: Maturities June 1, 2026 through and including June 30, 2030. At June 30, 2023, \$182,265,000 of bonds outstanding are considered defeased. At June 30, 2022, \$268,165,000 of bonds outstanding are considered defeased. The bonds are callable as follows:

	<u>Amount as of June 30, 2023</u>	<u>Amount as of June 30, 2022</u>
June 1, 2023	\$ -	\$ 85,900,000
June 1, 2024	182,265,000	182,265,000

7. Investment Income

Investment income is recorded net of estimated required arbitrage relating to outstanding State of Wisconsin Environmental Improvement Revenue Bonds and consisted of the following for the fiscal years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest:		
State of Wisconsin Investment Board State Investment Fund	\$ 967,994	\$ 349,176
US Bank	11,316,545	-
Total investment income	<u>\$ 12,284,539</u>	<u>\$ 349,176</u>

8. Operating Grants and Financial Assistance

EPA Operating Grants for Wastewater Projects - The Federal Water Quality Act of 1987 (the Water Quality Act) established a joint Federal and State program with the EPA to assist in providing financial assistance to municipalities within the states for governmentally owned wastewater treatment projects. Under the terms of the EPA grant, the State was required: (1) to establish the Clean Water Fund Program, a perpetual state revolving fund into which the grant monies must be deposited, (2) to provide State matching funds equal to 20% 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 \$76.6 million for federal fiscal year 2023. Four percent of the EPA grant amount may be used for wastewater program administrative expenses. Appropriation levels for years after 2023 through and including 2026 are known and were included as part of the Infrastructure Investment and Jobs Act. Appropriation levels for years after 2026 are unknown at this time.

State of Wisconsin Environmental Improvement Fund

Notes to Financial Statements
June 30, 2023 and 2022

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 2023 and a grant to Wisconsin of approximately \$138.8 million is expected for federal fiscal year 2023.

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

Hardship Assistance - Wisconsin statutes require that the Fund provide financial hardship assistance to disadvantaged communities that qualify under Wisconsin Statute 281.58(12). This assistance is currently in the form of further reduced interest rates (as low as 0%), 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.

9. Subsequent Events

On September 29, 2023, the State of Wisconsin Building Commission entered into a Defeasance Escrow Agreement, where the State of Wisconsin deposited \$54.4 million of cash into an escrow account for the defeasance of six maturities in the aggregate par amount of \$51.1 million from State of Wisconsin Environmental Improvement Revenue Bonds, 2017 Series A: Maturities 06/01/2030 through and including 06/01/2035. The amount deposited into the escrow account has been invested in allowable defeasance securities to provide the payment of principal, and interest on these bonds up to and including the dates of redemption.

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

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

- Statement No. 100, *Accounting Changes and Error Corrections - an Amendment of GASB Statement No. 62*
- Statement No. 101, *Compensated Absences*

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

11. Commitments and Contingencies

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

State of Wisconsin Environmental Improvement Fund

Notes to Financial Statements

June 30, 2023 and 2022

In prior years, the State of Wisconsin issued bonds to be repaid through both GPR (general fund tax revenue) and SEG (segregated revenue) to satisfy the state match requirements on Environmental Protection Agency capitalization grants. Once the Fund's revenue bond debt service has been paid, remaining equity is available to offset GPR for debt service payments. The Fund reports these amounts as transfers out (see Note 4). Subject to availability of funds, the Fund will continue to reimburse the State of Wisconsin for these bonds through their expected final maturity of May 1, 2034. If the Fund does not have sufficient resources in any given year, this reimbursement would not be made. Since the SEG appropriation for the Fund is reimbursing the GPR appropriation, and not making the debt payment directly, the bonds are not reported as a liability of the Fund.

12. Risk Management

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

SUPPLEMENTARY INFORMATION

State of Wisconsin Environmental Improvement Fund

Statement of Net Position by Program

June 30, 2023

	Clean Water Fund Program			Safe Drinking Water Loan Portfolio	Eliminations	Total
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio			
Assets and Deferred Outflows of Resources						
Current Assets						
Unrestricted cash and cash equivalents	\$ 266,285,693	\$ 2,614,047	\$ -	\$ 176,498,728	\$ -	\$ 445,398,468
Receivables:						
Loans to local governments, current portion	169,504,438	931,369	-	34,837,621	-	205,273,428
Due from other funds	12,911	9,739,589	-	139,265	(9,734,756)	157,009
Due from other governmental entities	7,307,065	23,872	-	5,173,455	-	12,504,392
Accrued investment income	-	45,298	-	-	-	45,298
Other receivables	5,522	8,934	-	3,079	-	17,535
Prepaid items	-	32	15,480	-	-	15,512
Total current assets	<u>443,115,629</u>	<u>13,363,141</u>	<u>15,480</u>	<u>216,652,148</u>	<u>(9,734,756)</u>	<u>663,411,642</u>
Noncurrent Assets						
Loans to local governments	1,660,457,184	8,498,647	-	363,958,346	-	2,032,914,177
Advances to other funds	6,830,633	-	-	-	-	6,830,633
Restricted assets:						
Sick Leave OPEB Asset	-	6,942	-	-	-	6,942
Total noncurrent assets	<u>1,667,287,817</u>	<u>8,505,589</u>	<u>-</u>	<u>363,958,346</u>	<u>-</u>	<u>2,039,751,752</u>
Total assets	<u>2,110,403,446</u>	<u>21,868,730</u>	<u>15,480</u>	<u>580,610,494</u>	<u>(9,734,756)</u>	<u>2,703,163,394</u>
Deferred Outflows of Resources						
Pension related amounts	-	479,095	-	-	-	479,095
OPEB related amounts, health	-	8,149	-	-	-	8,149
OPEB related amounts, life	-	8,101	-	-	-	8,101
OPEB related amounts, sick	-	13,870	-	-	-	13,870
Unamortized charges	680,118	-	-	-	-	680,118
Total deferred outflows of resources	<u>680,118</u>	<u>509,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,189,333</u>
Total assets and deferred outflows of resources	<u>\$ 2,111,083,564</u>	<u>\$ 22,377,945</u>	<u>\$ 15,480</u>	<u>\$ 580,610,494</u>	<u>\$ (9,734,756)</u>	<u>\$2,704,352,727</u>

State of Wisconsin Environmental Improvement Fund

Statement of Net Position by Program

June 30, 2023

	Clean Water Fund Program			Safe Drinking Water Loan Portfolio	Eliminations	Total
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio			
Liabilities, Deferred Inflows of Resources and Net Position						
Current Liabilities						
Accrued expenses	\$ 11,106	\$ 4,002	\$ -	\$ 50,765	\$ -	\$ 65,873
Accrued interest on bonds	1,239,100	-	-	235,500	-	1,474,600
Due to other funds	10,749,173	9,814	-	2,426,185	(9,734,756)	3,450,416
Due to other governmental entities	-	-	-	49,280	-	49,280
Compensated absences, current portion	-	228,017	-	-	-	228,017
Revenue obligation bonds, current maturities	31,270,000	-	-	2,405,000	-	33,675,000
Total current liabilities	43,269,379	241,833	-	5,166,730	(9,734,756)	38,943,186
Noncurrent Liabilities						
Net pension liability	-	129,867	-	-	-	129,867
OPEB liability, health	-	32,308	-	-	-	32,308
Net OPEB liability, life	-	32,073	-	-	-	32,073
Compensated absences	-	622,155	-	-	-	622,155
Revenue obligation bonds (including unamortized premium)	318,036,055	-	-	63,332,442	-	381,368,497
Total noncurrent liabilities	318,036,055	816,403	-	63,332,442	-	382,184,900
Total liabilities	361,305,434	1,058,236	-	68,499,172	(9,734,756)	421,128,086
Deferred Inflows of Resources						
Pension related amounts	-	267,644	-	-	-	267,644
OPEB related amounts, health	-	15,373	-	-	-	15,373
OPEB related amounts, life	-	18,623	-	-	-	18,623
OPEB related amounts, sick	-	10,304	-	-	-	10,304
Total deferred inflows of resources	-	311,944	-	-	-	311,944
Net Position						
Restricted for:						
Environmental improvement	1,749,778,130	-	15,480	512,111,322	-	2,261,904,932
OPEB	-	6,942	-	-	-	6,942
Unrestricted	-	21,000,823	-	-	-	21,000,823
Total net position	1,749,778,130	21,007,765	15,480	512,111,322	-	2,282,912,697
Total liabilities, deferred inflows of resources and net position	\$ 2,111,083,564	\$ 22,377,945	\$ 15,480	\$ 580,610,494	\$ (9,734,756)	\$ 2,704,352,727

State of Wisconsin Environmental Improvement Fund

Statement of Revenues, Expenses and Changes in Net Position by Program

Year Ended June 30, 2023

	Clean Water Fund Program			Safe Drinking Water Loan Portfolio	Eliminations	Total
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio			
Operating Revenues						
Loan interest	\$ -	\$ 148,702	\$ -	\$ -	\$ -	\$ 148,702
Interest income used as security for revenue bonds	37,615,107	-	-	6,687,851	-	44,302,958
Miscellaneous other	2,363,212	17,207	-	563,525	-	2,943,944
Total operating revenues	<u>39,978,319</u>	<u>165,909</u>	<u>-</u>	<u>7,251,376</u>	<u>-</u>	<u>47,395,604</u>
Operating Expenses						
Interest	8,753,676	-	-	1,686,661	-	10,440,337
Salaries and benefits	3,594,715	135,119	-	4,749,187	-	8,479,021
Contractual services and other	803,954	-	16,887	2,765,424	-	3,586,265
Total operating expenses	<u>13,152,345</u>	<u>135,119</u>	<u>16,887</u>	<u>9,201,272</u>	<u>-</u>	<u>22,505,623</u>
Operating income (loss)	<u>26,825,974</u>	<u>30,790</u>	<u>(16,887)</u>	<u>(1,949,896)</u>	<u>-</u>	<u>24,889,981</u>
Nonoperating Revenues (Expenses)						
Investment income	6,662,974	84,043	-	5,537,522	-	12,284,539
Intergovernmental grants	78,000,547	-	-	25,847,407	-	103,847,954
Grants awarded	(20,448,698)	(129,641)	-	(39,937,878)	-	(60,516,217)
Total nonoperating revenues (expenses)	<u>64,214,823</u>	<u>(45,598)</u>	<u>-</u>	<u>(8,552,949)</u>	<u>-</u>	<u>55,616,276</u>
Income (Loss) Before Transfers	<u>91,040,797</u>	<u>(14,808)</u>	<u>(16,887)</u>	<u>(10,502,845)</u>	<u>-</u>	<u>80,506,257</u>
Transfers in	150,249,456	-	-	35,511,072	(185,760,528)	-
Transfers out	(157,249,456)	(11,932)	-	(35,511,072)	185,760,528	(7,011,932)
Change in net position	<u>84,040,797</u>	<u>(26,740)</u>	<u>(16,887)</u>	<u>(10,502,845)</u>	<u>-</u>	<u>73,494,325</u>
Net Position, Beginning	<u>1,665,737,333</u>	<u>21,034,505</u>	<u>32,367</u>	<u>522,614,167</u>	<u>-</u>	<u>2,209,418,372</u>
Net Position, Ending	<u>\$ 1,749,778,130</u>	<u>\$ 21,007,765</u>	<u>\$ 15,480</u>	<u>\$ 512,111,322</u>	<u>\$ -</u>	<u>\$ 2,282,912,697</u>

State of Wisconsin Environmental Improvement Fund

Statement of Cash Flows by Program
Year Ended June 30, 2023

	Clean Water Fund Program			Safe Drinking Water Loan Portfolio	Eliminations	Total
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio			
Cash Flows From Operating Activities						
Collection of loans	\$ 163,589,072	\$ 1,030,371	\$ -	\$ 34,862,741	\$ -	\$ 199,482,184
Interest received on loans	37,638,697	151,916	-	6,675,658	-	44,466,271
Origination of loans	(197,078,739)	(343,216)	-	(40,767,708)	-	(238,189,663)
Payments to employees for services	(3,392,747)	182,006	-	(2,930,847)	-	(6,141,588)
Payments to suppliers and other	(879,644)	(36,452)	-	(3,077,999)	-	(3,994,095)
Other operating revenues	<u>2,363,212</u>	<u>17,207</u>	<u>-</u>	<u>563,525</u>	<u>-</u>	<u>2,943,944</u>
Net cash flows from operating activities	<u>2,239,851</u>	<u>1,001,832</u>	<u>-</u>	<u>(4,674,630)</u>	<u>-</u>	<u>(1,432,947)</u>
Cash Flows From Noncapital Financing Activities						
Intergovernmental grants received	77,756,010	-	-	23,754,759	-	101,510,769
Grants paid	(20,448,698)	(129,641)	-	(39,954,829)	-	(60,533,168)
Transfers in	150,249,456	-	-	35,511,072	(185,760,528)	-
Transfers out	(157,249,456)	(11,932)	-	(35,511,072)	185,760,528	(7,011,932)
Proceeds from issuance of long-term debt	34,601,565	-	-	19,169,277	-	53,770,842
Retirement of long-term debt	(28,085,000)	-	-	(1,290,000)	-	(29,375,000)
Interest payments	(15,531,638)	-	-	(2,479,535)	-	(18,011,173)
Other cash flows from noncapital financing activities	<u>(231,492)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(231,492)</u>
Net cash flows from noncapital financing activities	<u>41,060,747</u>	<u>(141,573)</u>	<u>-</u>	<u>(800,328)</u>	<u>-</u>	<u>40,118,846</u>
Cash Flows From Investing Activities						
Investment and interest income	<u>6,662,974</u>	<u>51,961</u>	<u>-</u>	<u>5,537,521</u>	<u>-</u>	<u>12,252,456</u>
Net cash flows from investing activities	<u>6,662,974</u>	<u>51,961</u>	<u>-</u>	<u>5,537,521</u>	<u>-</u>	<u>12,252,456</u>
Net increase in cash and cash equivalents	49,963,572	912,220	-	62,563	-	50,938,355
Cash and Cash Equivalents, Beginning	<u>216,322,121</u>	<u>1,701,827</u>	<u>-</u>	<u>176,436,165</u>	<u>-</u>	<u>394,460,113</u>
Cash and Cash Equivalents, Ending	<u>\$ 266,285,693</u>	<u>\$ 2,614,047</u>	<u>\$ -</u>	<u>\$ 176,498,728</u>	<u>\$ -</u>	<u>\$ 445,398,468</u>

State of Wisconsin Environmental Improvement Fund

Statement of Cash Flows by Program
Year Ended June 30, 2022

	Clean Water Fund Program			Safe Drinking Water Loan Portfolio	Eliminations	Total
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio			
Reconciliation of Operating Income (Loss) to Net Cash Flows From Operating Activities						
Operating income (loss)	\$ 26,825,974	\$ 30,790	\$ (16,887)	\$ (1,949,896)	\$ -	\$ 24,889,981
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:						
Interest expense classified as noncapital financing activity	8,645,656	-	-	1,627,803	-	10,273,459
Changes in assets and liabilities:						
Receivables	7,937	-	-	885	-	8,822
Loans to other governments	(33,489,667)	687,155	-	(5,904,967)	-	(38,707,479)
Due from other funds	(12,695)	185,877	-	(41,557)	-	131,625
Proportionate share of contributions	-	(294,667)	-	-	-	(294,667)
Prepaid items	-	(2)	16,887	-	-	16,885
Compensated absences	-	94,083	-	-	-	94,083
Net pension	-	347,635	-	-	-	347,635
Accrued expenses	(541)	(5,149)	-	7,773	-	2,083
Accrued interest on bonds	23,591	3,214	-	(12,193)	-	14,612
Due to other funds	239,596	(44,771)	-	1,915,818	-	2,110,643
Due to other governmental entities	-	(2,333)	-	(318,296)	-	(320,629)
Total adjustments	(24,586,123)	971,042	16,887	(2,724,734)	-	(26,322,928)
Net cash flows from operating activities	\$ 2,239,851	\$ 1,001,832	\$ -	\$ (4,674,630)	\$ -	\$ (1,432,947)
Noncash Investing and Noncapital Financing Activities						
Bond premium amortization	\$ 7,178,305	\$ -	\$ -	\$ 996,302	\$ -	\$ 8,174,607

**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-Designee of the Department of Administration and the
Secretary of the Department of Natural Resources of the State of Wisconsin
State of Wisconsin Environmental Improvement Fund

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of the State of Wisconsin Environmental Improvement Fund, an enterprise fund of the State of Wisconsin, which comprise the State of Wisconsin Environmental Improvement Fund's statement of net position as of June 30, 2023, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 1, 2023.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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

Madison, Wisconsin
November 1, 2023