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**State of Wisconsin**  
**Event Filing # 2025-08**  
Dated November 3, 2025

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

**Issuer:** State of Wisconsin

**Obligations:** Environmental Improvement Fund Revenue Bonds

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

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

Attached are the financial statements including independent auditors' report for the years ended June 30, 2025 and June 30, 2024, and supplemental information for the year June 30, 2025, 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, 2025.

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](http://doa.wi.gov/capitalfinance)  
[wisconsinbonds.com](http://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

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# **State of Wisconsin Environmental Improvement Fund**

Financial Statements and  
Supplementary Information

June 30, 2025 and 2024

# State of Wisconsin Environmental Improvement Fund

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June 30, 2025 and 2024

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## **Independent Auditors' Report**

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

### **Report on the 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, 2025 and 2024, 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, 2025 and 2024, 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 audits. 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 and the changes in the financial position 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, 2025, and 2024, 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.

#### ***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 3, 2025 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 3, 2025

# State of Wisconsin Environmental Improvement Fund

Statements of Net Position  
June 30, 2025 and 2024

|  | <u>2025</u>             | <u>2024</u>             |
|--|-------------------------|-------------------------|
| <b>Assets and Deferred Outflows of Resources</b> |                         |                         |
| <b>Current Assets</b>                            |                         |                         |
| Unrestricted cash and cash equivalents           | \$ 523,760,698          | \$ 590,563,964          |
| Receivables:                                     |                         |                         |
| Loans to local governments, current portion      | 211,919,880             | 211,456,762             |
| Due from other funds                             | 150,159                 | 61,216                  |
| Due from other governmental entities             | 12,295,917              | 12,721,902              |
| Accrued investment income                        | 73,404                  | 63,587                  |
| Other receivables                                | 39,557                  | 20,810                  |
| Prepaid items                                    | <u>59</u>               | <u>34</u>               |
| Total current assets                             | <u>748,239,674</u>      | <u>814,888,275</u>      |
| <b>Noncurrent Assets</b>                         |                         |                         |
| Loans to local governments                       | 2,220,869,096           | 2,094,196,625           |
| Advances to other funds                          | 7,453,266               | 7,162,103               |
| Restricted assets:                               |                         |                         |
| Sick leave OPEB asset                            | <u>-</u>                | <u>4,006</u>            |
| Total noncurrent assets                          | <u>2,228,322,362</u>    | <u>2,101,362,734</u>    |
| Total assets                                     | <u>2,976,562,036</u>    | <u>2,916,251,009</u>    |
| <b>Deferred Outflows of Resources</b>            |                         |                         |
| Pension related amounts                          | 256,430                 | 331,175                 |
| OPEB related amounts, health                     | 8,826                   | 9,075                   |
| OPEB related amounts, life                       | 7,664                   | 7,999                   |
| OPEB related amounts, sick                       | 17,870                  | 15,631                  |
| Unamortized charges                              | <u>-</u>                | <u>146,994</u>          |
| Total deferred outflows of resources             | <u>290,790</u>          | <u>510,874</u>          |
| Total assets and deferred outflows of resources  | <u>\$ 2,976,852,826</u> | <u>\$ 2,916,761,883</u> |

See notes to financial statements

# State of Wisconsin Environmental Improvement Fund

Statements of Net Position  
June 30, 2025 and 2024

|  | <u>2025</u>             | <u>2024</u>             |
|--|-------------------------|-------------------------|
| <b>Liabilities, Deferred Inflows of Resources and Net Position</b> |                         |                         |
| <b>Current Liabilities</b>   |                         |                         |
| Accrued expenses   | \$ 304,082              | \$ 561,608              |
| Accrued interest on bonds  | 1,645,029               | 1,791,050               |
| Due to other funds   | 5,008,127               | 4,369,978               |
| Due to other governmental entities                                 | 147,657                 | 143,741                 |
| Compensated absences, current portion                              | 240,081                 | 237,494                 |
| Revenue obligation bonds, current maturities                       | <u>33,330,000</u>       | <u>33,960,000</u>       |
| Total current liabilities  | <u>40,674,976</u>       | <u>41,063,871</u>       |
| <b>Noncurrent Liabilities</b>                                      |                         |                         |
| Net pension liability  | 40,495                  | 34,832                  |
| OPEB liability, health   | 50,922                  | 30,929                  |
| OPEB liability, sick leave   | 859                     | -                       |
| Net OPEB liability, life   | 3,945                   | 41,483                  |
| Compensated absences   | 605,043                 | 713,101                 |
| Revenue obligation bonds (including unamortized premium)           | <u>418,103,574</u>      | <u>461,937,407</u>      |
| Total noncurrent liabilities                                       | <u>418,804,838</u>      | <u>462,757,752</u>      |
| Total liabilities  | <u>459,479,814</u>      | <u>503,821,623</u>      |
| <b>Deferred Inflows of Resources</b>                               |                         |                         |
| Pension related amounts  | 130,147                 | 197,757                 |
| OPEB related amounts, health                                       | 11,010                  | 13,937                  |
| OPEB related amounts, life   | 15,646                  | 15,358                  |
| OPEB related amounts, sick   | 6,829                   | 8,278                   |
| Unamortized charges  | <u>1,270,346</u>        | <u>-</u>                |
| Total deferred inflows of resources                                | <u>1,433,978</u>        | <u>235,330</u>          |
| <b>Net Position</b>  |                         |                         |
| Restricted for:  |                         |                         |
| Environmental improvement  | 2,494,266,717           | 2,391,371,412           |
| OPEB   | -                       | 4,006                   |
| Unrestricted   | <u>21,672,317</u>       | <u>21,329,512</u>       |
| Total net position   | <u>2,515,939,034</u>    | <u>2,412,704,930</u>    |
| Total liabilities, deferred inflows of resources and net position  | <u>\$ 2,976,852,826</u> | <u>\$ 2,916,761,883</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, 2025 and 2024

|  | <u>2025</u>             | <u>2024</u>             |
|--|-------------------------|-------------------------|
| <b>Operating Revenues</b>                          |                         |                         |
| Loan interest                                      | \$ 113,041              | \$ 128,778              |
| Interest income used as security for revenue bonds | 45,442,523              | 44,575,583              |
| Miscellaneous other                                | <u>4,064,665</u>        | <u>3,505,828</u>        |
| Total operating revenues                           | <u>49,620,229</u>       | <u>48,210,189</u>       |
| <b>Operating Expenses</b>                          |                         |                         |
| Interest   | 12,187,307              | 8,943,758               |
| Salaries and benefits                              | 12,101,192              | 11,349,928              |
| Contractual services and other                     | <u>6,415,982</u>        | <u>5,385,212</u>        |
| Total operating expenses                           | <u>30,704,481</u>       | <u>25,678,898</u>       |
| Operating income                                   | <u>18,915,748</u>       | <u>22,531,291</u>       |
| <b>Nonoperating Revenues (Expenses)</b>            |                         |                         |
| Investment income                                  | 24,310,944              | 20,710,253              |
| Intergovernmental grants                           | 144,085,276             | 134,810,624             |
| Grants awarded                                     | <u>(79,566,329)</u>     | <u>(42,447,236)</u>     |
| Total nonoperating revenues (expenses)             | <u>88,829,891</u>       | <u>113,073,641</u>      |
| <b>Income Before Transfers</b>                     | 107,745,639             | 135,604,932             |
| Transfers in                                       | -                       | 198,752                 |
| Transfers out                                      | <u>(4,511,535)</u>      | <u>(6,011,451)</u>      |
| Increase in net position                           | 103,234,104             | 129,792,233             |
| <b>Net Position, Beginning</b>                     | <u>2,412,704,930</u>    | <u>2,282,912,697</u>    |
| <b>Net Position, Ending</b>                        | <u>\$ 2,515,939,034</u> | <u>\$ 2,412,704,930</u> |

See notes to financial statements

# State of Wisconsin Environmental Improvement Fund

## Statements of Cash Flows

Years Ended June 30, 2025 and 2024

|  | <u>2025</u>           | <u>2024</u>           |
|--|-----------------------|-----------------------|
| <b>Cash Flows From Operating Activities</b>            |                       |                       |
| Collection of loans                                    | \$ 214,895,128        | \$ 209,203,296        |
| Interest received on loans                             | 45,135,558            | 44,564,462            |
| Origination of loans                                   | (342,030,718)         | (276,669,076)         |
| Payments to employees for services                     | (11,782,885)          | (10,265,570)          |
| Payments to suppliers and other                        | (6,789,772)           | (4,996,748)           |
| Other operating revenues                               | 4,064,665             | 3,505,829             |
|  | <u>(96,508,024)</u>   | <u>(34,657,807)</u>   |
| Net cash flows from operating activities               |                       |                       |
| <b>Cash Flows From Noncapital Financial Activities</b> |                       |                       |
| Intergovernmental grants received                      | 144,949,040           | 134,732,551           |
| Grants paid  | (79,566,329)          | (42,446,776)          |
| Transfers in   | -                     | 198,752               |
| Transfers out  | (4,511,535)           | (6,011,451)           |
| Proceeds from issuance of long-term debt               | 30,344,545            | 178,332,647           |
| Retirement of long-term debt                           | (33,960,000)          | (33,675,000)          |
| Payment to escrow agent                                | (29,730,000)          | (54,431,436)          |
| Interest payments                                      | (21,830,770)          | (17,237,790)          |
| Other cash flows from noncapital financing activities  | (291,163)             | (331,470)             |
|  | <u>5,403,788</u>      | <u>159,130,027</u>    |
| Net cash flows from noncapital financing activities    |                       |                       |
| <b>Cash Flows From Investing Activities</b>            |                       |                       |
| Investment and interest income                         | <u>24,300,970</u>     | <u>20,693,276</u>     |
|  |                       |                       |
| Net cash flows from investing activities               | <u>24,300,970</u>     | <u>20,693,276</u>     |
|  |                       |                       |
| Net increase (decrease) in cash and cash equivalents   | (66,803,266)          | 145,165,496           |
| <b>Cash and Cash Equivalents, Beginning</b>            | <u>590,563,964</u>    | <u>445,398,468</u>    |
| <b>Cash and Cash Equivalents, Ending</b>               | <u>\$ 523,760,698</u> | <u>\$ 590,563,964</u> |

See notes to financial statements

# State of Wisconsin Environmental Improvement Fund

## Statements of Cash Flows

Years Ended June 30, 2025 and 2024

|   | <u>2025</u>            | <u>2024</u>            |
|---|------------------------|------------------------|
| <b>Reconciliation of Operating Income to<br/>Net Cash Flows From Operating Activities</b>           |                        |                        |
| Operating income  | \$ 18,915,748          | \$ 22,531,291          |
| Adjustments to reconcile operating income to<br>net cash flows from operating activities:           |                        |                        |
| Interest expense classified as noncapital financing activity  | 11,983,712             | 8,715,063              |
| Changes in assets, deferred outflow of resources, liabilities<br>and deferred inflows of resources: |                        |                        |
| Receivables   | (18,588)               | (4,589)                |
| Loans to other governments  | (127,135,590)          | (67,465,780)           |
| Due from other funds  | (153,452)              | 95,793                 |
| Proportionate share of contributions  | 1,390                  | 68,723                 |
| Prepaid items   | (25)                   | 15,478                 |
| Compensated absences  | (105,470)              | 100,423                |
| Net pension   | (7,018)                | (84,068)               |
| Accrued expenses  | (257,526)              | 495,735                |
| Accrued interest on bonds   | (420,008)              | (139,898)              |
| Due to other funds  | 684,887                | 919,562                |
| Due to other governmental entities  | <u>3,916</u>           | <u>94,460</u>          |
| Total adjustments   | <u>(115,423,772)</u>   | <u>(57,189,098)</u>    |
| Net cash flows from operating activities  | <u>\$ (96,508,024)</u> | <u>\$ (34,657,807)</u> |
| <b>Noncash Investing and Noncapital Financing Activities</b>  |                        |                        |
| Bond premium amortization   | <u>\$ 11,135,278</u>   | <u>\$ 12,876,022</u>   |

See notes to financial statements

# State of Wisconsin Environmental Improvement Fund

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Notes to Financial Statements  
June 30, 2025 and 2024

## 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). This fund was closed during fiscal 2024.
- **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 was a municipal loan program for the remediation of contaminated lands. As of June 30, 2025 and 2024, there were ten loans granted under this program for a total of \$15,218,891. As of June 30, 2025 and 2024, 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. 2023 Wisconsin Act 6, enacted on May 8, 2023, eliminated the Land Recycling Loan Program. All statutory requirements remain for the outstanding loan, including repayments to the Clean Water Fund program.

# State of Wisconsin Environmental Improvement Fund

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## Notes to Financial Statements

June 30, 2025 and 2024

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized in financial statements prepared using the economic resources measurement focus for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This standard was implemented July 1, 2024, however it did not have a material impact on the financial statements.

### Net Operating Income/Loss

The Fund incurred net operating income of \$18.9 million and a net operating income of \$22.5 million in 2025 and 2024, 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. EPA grants were approximately \$144.1 million and \$134.8 million in 2025 and 2024, respectively and are classified as intergovernmental grants. Transfers from the State were approximately \$0 and \$0.2 million in 2025 and 2024, 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) (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.

# State of Wisconsin Environmental Improvement Fund

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Notes to Financial Statements  
June 30, 2025 and 2024

## Revenue Obligation Bonds

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

## 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.

## 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.

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 inflow of resources.

## 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 \$144.1 million and \$134.8 million of EPA contributions in 2025 and 2024, 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 and are recognized as the contributions are received. Transfers out consist primarily of items related to debt service.

# State of Wisconsin Environmental Improvement Fund

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Notes to Financial Statements  
June 30, 2025 and 2024

## 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, deferred outflow of resources, liabilities and deferred inflows of resources, 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, 2025 and 2024 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 2025 and 2024. The weighted average interest rate was 2.009% and 2.034% at June 30, 2025 and 2024, 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, 2025 and 2024, 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, 2024 through June 30, 2025, these programs entered into financial assistance agreements that included principal forgiveness grants of \$123,707,893.

Of the loans outstanding at June 30, 2025 and 2024, \$317,980,892 and \$309,031,835 (13% and 13%), respectively, were loans due from the Milwaukee Metropolitan Sewerage District.

The Clean Water Fund Program and Safe Drinking Water Loan Program entered into \$566,839,804 of new loans and \$123,707,893 of new grants during fiscal year 2025. For fiscal year 2024, these same programs entered into \$345,553,576 of new loans and \$42,567,894 of new grants. As of June 30, 2025, they had undisbursed commitments of \$487,606,623 relating to loans and \$62,999,898 relating to grants. For fiscal year 2024, they had undisbursed commitments of \$283,068,886 relating to loans and \$20,312,684 relating to grants.

From July 1, 2025 to September 22, 2025, the Fund executed 58 new financial assistance agreements with loans that totaled \$231,636,745 and principal forgiveness that totaled \$30,876,880. Between July 1, 2025, and September 22, 2025, disbursements against these financial assistance agreements (loans and principal forgiveness) totaled \$49,102,776. This amount includes one lead service line project that closed prior to July 1, 2025, 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, 2025 and 2024

### 3. Cash and Cash Equivalents

As of June 30, 2025 and 2024, cash and cash equivalents consisted of the following:

|   | <u>2025</u>           | <u>2024</u>           | <u>Associated Risk</u>  |
|---|-----------------------|-----------------------|---|
| Money market mutual funds                       | \$ 508,137,698        | \$ 577,754,964        | N/A   |
| State Investment Fund (SIF)                     | <u>15,623,000</u>     | <u>12,809,000</u>     | Custodial credit risk,<br>credit risk,<br>concentration of credit<br>risk, interest rate risk |
| Total unrestricted cash and cash<br>equivalents | <u>\$ 523,760,698</u> | <u>\$ 590,563,964</u> |   |

The SIF functions as the State's cash management fund by pooling the idle cash balances of all State funds and other public institutions. In the State'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 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 June 30, 2025 and 2024, the SIF made up 3% and 2% of the Fund's total portfolio, respectively. For further information on the specific associated risks for SIF, see the State's Annual Comprehensive Financial Report as of and for the year ended June 30, 2025, 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 at June 30, 2025 and 2024:

| <u>Transferred To</u>  | <u>Transferred From</u> | <u>June 30, 2025<br/>Amount</u> | <u>June 30, 2024<br/>Amount</u> | <u>Principal Purpose</u> |
|--|-------------------------|---------------------------------|---------------------------------|--------------------------|
| Proprietary Portfolio  | Capital Improvement     | \$ -                            | \$ 198,752                      | Future debt service      |
| Bond Security and<br>Redemption  | Direct Loan Portfolio   | 4,500,000                       | 6,000,000                       | G.O. bond debt service   |
| Debt Service Fund<br>Program   | Proprietary Portfolio   | <u>11,535</u>                   | <u>11,451</u>                   | Personnel services       |
| Subtotal   |                         | 4,511,535                       | 6,210,203                       |                          |
| Less eliminations  |                         | <u>-</u>                        | <u>-</u>                        |                          |
| Total transfers, statements of revenues,<br>expenses and changes in net position |                         | <u>\$ 4,511,535</u>             | <u>\$ 6,210,203</u>             |                          |



## State of Wisconsin Environmental Improvement Fund

Notes to Financial Statements  
June 30, 2025 and 2024

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, 2025 is as follows:

|                                      | <u>Beginning<br/>Balance</u> | <u>Increases</u>     | <u>Decreases</u>     | <u>Ending<br/>Balance</u> | <u>Amounts Due<br/>Within<br/>One Year</u> |
|--------------------------------------|------------------------------|----------------------|----------------------|---------------------------|--|
| Clean Water Fund<br>Program:         |                              |                      |                      |                           |  |
| Revenue bonds<br>issued              | \$ 325,060,000               | \$ 28,645,000        | \$ 61,165,000        | \$ 292,540,000            | \$ 30,685,000                              |
| Unamortized<br>premiums              | 47,045,710                   | 1,716,445            | 8,892,013            | 39,870,142                | -  |
| Safe Drinking Water<br>Loan Program: |                              |                      |                      |                           |  |
| Revenue bonds<br>issued              | 105,740,000                  | -                    | 2,525,000            | 103,215,000               | 2,645,000                                  |
| Unamortized<br>premiums              | 18,051,697                   | -                    | 2,243,265            | 15,808,432                | -  |
| Total                                | <u>\$ 495,897,407</u>        | <u>\$ 30,361,445</u> | <u>\$ 74,825,278</u> | <u>\$ 451,433,574</u>     | <u>\$ 33,330,000</u>                       |

Environmental Improvement Fund Revenue Bonds activity as of June 30, 2024 is as follows:

|                                      | <u>Beginning<br/>Balance</u> | <u>Increases</u>      | <u>Decreases</u>     | <u>Ending<br/>Balance</u> | <u>Amounts Due<br/>Within<br/>One Year</u> |
|--------------------------------------|------------------------------|-----------------------|----------------------|---------------------------|--|
| Clean Water Fund<br>Program:         |                              |                       |                      |                           |  |
| Revenue bonds<br>issued              | \$ 309,075,000               | \$ 98,375,000         | \$ 82,390,000        | \$ 325,060,000            | \$ 31,435,000                              |
| Unamortized<br>premiums              | 40,231,055                   | 18,608,890            | 11,794,235           | 47,045,710                | -  |
| Safe Drinking Water<br>Loan Program: |                              |                       |                      |                           |  |
| Revenue bonds<br>issued              | 56,520,000                   | 51,625,000            | 2,405,000            | 105,740,000               | 2,525,000                                  |
| Unamortized<br>premiums              | 9,217,442                    | 9,916,042             | 1,081,787            | 18,051,697                | -  |
| Total                                | <u>\$ 415,043,497</u>        | <u>\$ 178,524,932</u> | <u>\$ 97,671,022</u> | <u>\$ 495,897,407</u>     | <u>\$ 33,960,000</u>                       |

## State of Wisconsin Environmental Improvement Fund

Notes to Financial Statements  
June 30, 2025 and 2024

Environmental Improvement Fund revenue obligation serial and term bonds as of June 30, 2025 and 2024 consisted of the following:

|   | <u>2025</u>           | <u>2024</u>           |
|---|-----------------------|-----------------------|
| 2015 Series A:                                      |                       |                       |
| Serial Bonds, final maturity June 1, 2025           | \$ -                  | \$ 1,975,000          |
| Unamortized premium on bonds                        | -                     | 44,920                |
|   | -                     | <u>2,019,920</u>      |
| 2017 Series A:                                      |                       |                       |
| Serial Bonds, final maturity June 1, 2035           | -                     | 37,045,000            |
| Unamortized premium on bonds                        | -                     | 2,291,609             |
|   | -                     | <u>39,336,609</u>     |
| 2018 Series A:                                      |                       |                       |
| Serial Bonds, final maturity June 1, 2026           | 15,635,000            | 30,525,000            |
| Unamortized premium on bonds                        | 383,081               | 1,175,600             |
|   | <u>16,018,081</u>     | <u>31,700,600</u>     |
| 2020 Series A:                                      |                       |                       |
| Serial Bonds, final maturity June 1, 2039           | 71,000,000            | 73,010,000            |
| Unamortized premium on bonds                        | 12,662,599            | 14,122,868            |
|   | <u>83,662,599</u>     | <u>87,132,868</u>     |
| 2021 Series A:                                      |                       |                       |
| Serial Bonds, final maturity June 1, 2040           | 86,280,000            | 91,080,000            |
| Unamortized premium on bonds                        | 13,751,979            | 16,063,052            |
|   | <u>100,031,979</u>    | <u>107,143,052</u>    |
| 2022 Series A:                                      |                       |                       |
| Serial Bonds, final maturity June 1, 2043           | 44,195,000            | 47,165,000            |
| Unamortized premium on bonds                        | 2,661,511             | 3,118,689             |
|   | <u>46,856,511</u>     | <u>50,283,689</u>     |
| 2024 Series A:                                      |                       |                       |
| Serial Bonds, final maturity June 1, 2033           | 150,000,000           | 150,000,000           |
| Unamortized premium on bonds                        | 24,542,111            | 28,280,669            |
|   | <u>174,542,111</u>    | <u>178,280,669</u>    |
| 2025 Series 1:                                      |                       |                       |
| Serial Bonds, final maturity June 1, 2029           | 28,645,000            | -                     |
| Unamortized premium on bonds                        | 1,677,293             | -                     |
|   | <u>30,322,293</u>     | <u>-</u>              |
| Total environmental improvement fund revenue series | <u>\$ 451,433,574</u> | <u>\$ 495,897,407</u> |

## State of Wisconsin Environmental Improvement Fund

### Notes to Financial Statements

June 30, 2025 and 2024

The original premium at issuance and the interest rates for Environmental Improvement Fund Revenue Bonds outstanding at June 30, 2025 was the following:

| <u>Series</u> | <u>Original Issue<br/>(Premium)</u> | <u>Interest Rates</u> |
|---------------|-------------------------------------|-----------------------|
| 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                  |
| 2024 Series A | (28,524,932)                        | 5.00-8.00             |
| 2025 Series 1 | (1,716,445)                         | 5.00                  |

Principal and interest due on the Environmental Improvement Fund Revenue Bonds as of June 30, 2025, are as follows:

| <u>Years Ending<br/>June 30:</u> | <u>Clean Water Fund Program</u> |                      | <u>Safe Drinking Water Loan Program</u> |                      | <u>Total</u>          |
|----------------------------------|---------------------------------|----------------------|---|----------------------|-----------------------|
|                                  | <u>Principal</u>                | <u>Interest</u>      | <u>Principal</u>                        | <u>Interest</u>      |                       |
| 2026                             | \$ 30,685,000                   | \$ 14,399,150        | \$ 2,645,000                            | \$ 5,341,200         | \$ 53,070,350         |
| 2027                             | 22,140,000                      | 12,864,900           | 5,415,000                               | 5,208,950            | 45,628,850            |
| 2028                             | 21,615,000                      | 11,583,900           | 5,175,000                               | 4,842,650            | 43,216,550            |
| 2029                             | 22,700,000                      | 10,320,450           | 4,970,000                               | 4,499,000            | 42,489,450            |
| 2030                             | 16,600,000                      | 9,185,450            | 4,850,000                               | 4,250,500            | 34,885,950            |
| 2031-2035                        | 115,195,000                     | 30,065,800           | 65,150,000                              | 13,392,000           | 223,802,800           |
| 2036-2040                        | 59,645,000                      | 7,962,800            | 12,815,000                              | 2,014,750            | 82,437,550            |
| 2041-2043                        | 3,960,000                       | 402,500              | 2,195,000                               | 223,250              | 6,780,750             |
| Total                            | <u>\$ 292,540,000</u>           | <u>\$ 96,784,950</u> | <u>\$ 103,215,000</u>                   | <u>\$ 39,772,300</u> | <u>\$ 532,312,250</u> |

Principal and interest due on the Environmental Improvement Fund Revenue Bonds as of June 30, 2024, are as follows:

| <u>Years Ending<br/>June 30:</u> | <u>Clean Water Fund Program</u> |                       | <u>Safe Drinking Water Loan Program</u> |                      | <u>Total</u>          |
|----------------------------------|---------------------------------|-----------------------|---|----------------------|-----------------------|
|                                  | <u>Principal</u>                | <u>Interest</u>       | <u>Principal</u>                        | <u>Interest</u>      |                       |
| 2025                             | \$ 31,435,000                   | \$ 16,025,150         | \$ 2,525,000                            | \$ 5,467,450         | \$ 55,452,600         |
| 2026                             | 30,950,000                      | 14,453,400            | 2,645,000                               | 5,341,200            | 53,389,600            |
| 2027                             | 22,420,000                      | 12,905,900            | 5,415,000                               | 5,208,950            | 45,949,850            |
| 2028                             | 21,880,000                      | 11,610,900            | 5,175,000                               | 4,842,650            | 43,508,550            |
| 2029                             | 22,975,000                      | 10,334,200            | 4,970,000                               | 4,499,000            | 42,778,200            |
| 2030-2034                        | 119,175,000                     | 35,817,800            | 65,000,000                              | 16,642,000           | 236,634,800           |
| 2035-2039                        | 64,135,000                      | 10,861,050            | 17,150,000                              | 2,872,250            | 95,018,300            |
| 2040-2043                        | 12,090,000                      | 937,700               | 2,860,000                               | 366,250              | 16,253,950            |
| Total                            | <u>\$ 325,060,000</u>           | <u>\$ 112,946,100</u> | <u>\$ 105,740,000</u>                   | <u>\$ 45,239,750</u> | <u>\$ 588,985,850</u> |

# State of Wisconsin Environmental Improvement Fund

## Notes to Financial Statements

June 30, 2025 and 2024

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 - 2025 | \$ 395.8 M  | 2018-2025      | 2043             | 16%  | \$ 532.31 M                        | \$ 55.0 M                                   | \$ 181.3 M         |
| Environmental Improvement Fund - 2024 | \$ 430.8 M  | 2015-2024      | 2043             | 18%  | \$ 588.99 M                        | \$ 51.4 M                                   | \$ 170.5 M         |

## 6. Debt Refunding

### Current-Year and 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 September 29, 2023, the State of Wisconsin Building Commission entered into a Defeasance Escrow Agreement, where the State 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 Revenues Bonds, 2017 Series A: Maturities June 1, 2030 through and including June 30, 2035. At June 30, 2024, \$51,120,000 of bonds outstanding are considered defeased. At June 30, 2025, \$0 of bonds outstanding are considered defeased. The bonds are callable as follows:

|              | Amount as of June 30, 2025 | Amount as of June 30, 2024 |
|--------------|----------------------------|----------------------------|
| June 1, 2025 | \$ -                       | \$ 51,120,000              |

### Current Refunding

On March 6, 2025, the Environmental Improvement Fund issued \$28,645,000 in revenue bonds with an average coupon rate of 5% to refund \$29,730,000 of outstanding bonds with an average coupon rate of 5%. The net proceeds along with existing funds of the Fund were used to prepay the outstanding debt.

The cash flow requirements on the refunded debt prior to the current refunding was \$34,118,750 from 2025 through 2029. The cash flow requirements on the Fund's refunding bonds are \$32,492,670 from 2025 through 2029. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,546,608.

# State of Wisconsin Environmental Improvement Fund

Notes to Financial Statements  
June 30, 2025 and 2024

## 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, 2025 and 2024:

|   | <u>2025</u>              | <u>2024</u>              |
|---|--------------------------|--------------------------|
| Interest:   |                          |                          |
| State of Wisconsin Investment Board State Investment Fund | \$ 980,655               | \$ 1,519,753             |
| U.S. Bank   | <u>23,330,289</u>        | <u>19,190,500</u>        |
| <br>Total investment income                               | <br><u>\$ 24,310,944</u> | <br><u>\$ 20,710,253</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 \$115.2 million for federal fiscal year 2025. Four percent of the EPA grant amount may be used for wastewater program administrative expenses. Appropriation levels for years 2025 and 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.

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 2025 and a grant to Wisconsin of approximately \$80.5 million is expected for federal fiscal year 2025.

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.

# State of Wisconsin Environmental Improvement Fund

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Notes to Financial Statements  
June 30, 2025 and 2024

## 9. Subsequent Event

On August 5, 2025 the State sold at competitive sale \$100.0 million of its Environmental Improvement Fund Revenue Bonds, 2025 Series A (Green Bonds). The bonds were issued on August 21, 2025, and the proceeds will be used to make loans under the Clean Water Fund and Safe Drinking Water Loan Programs. The interest rate associated with these bonds was set at 5.0% payable semiannually beginning December 1, 2025. The bonds mature annually beginning June 1, 2027 through 2034.

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

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

- Statement No. 103, *Financial Reporting Model Improvements*
- Statement No. 104, *Disclosure of certain capital assets*

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.

In prior years, the State 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 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'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, 2025

|  | <u>Clean Water Fund Program</u> |                              | <u>Safe Drinking Water Loan</u> | <u>Eliminations</u>    | <u>Total</u>            |
|--|---------------------------------|------------------------------|---------------------------------|------------------------|-------------------------|
|  | <u>Direct Loan Portfolio</u>    | <u>Proprietary Portfolio</u> | <u>Portfolio</u>                |                        |                         |
| <b>Assets and Deferred Outflows of Resources</b> |                                 |                              |                                 |                        |                         |
| <b>Current Assets</b>                            |                                 |                              |                                 |                        |                         |
| Unrestricted cash and cash equivalents           | \$ 327,068,783                  | \$ 4,796,015                 | \$ 191,895,900                  | \$ -                   | \$ 523,760,698          |
| Receivables:                                     |                                 |                              |                                 |                        |                         |
| Loans to local governments, current portion      | 171,476,646                     | 855,687                      | 39,587,547                      | -                      | 211,919,880             |
| Due from other funds                             | 183,075                         | 10,213,576                   | 147,795                         | (10,394,287)           | 150,159                 |
| Due from other governmental entities             | 7,162,093                       | 18,558                       | 5,115,266                       | -                      | 12,295,917              |
| Accrued investment income                        | -                               | 73,404                       | -                               | -                      | 73,404                  |
| Other receivables                                | 15,575                          | 7,779                        | 16,203                          | -                      | 39,557                  |
| Prepaid items                                    | -                               | 59                           | -                               | -                      | 59                      |
| Total current assets                             | <u>505,906,172</u>              | <u>15,965,078</u>            | <u>236,762,711</u>              | <u>(10,394,287)</u>    | <u>748,239,674</u>      |
| <b>Noncurrent Assets</b>                         |                                 |                              |                                 |                        |                         |
| Loans to local governments                       | 1,735,960,583                   | 6,763,823                    | 478,144,690                     | -                      | 2,220,869,096           |
| Advances to other funds                          | 7,453,266                       | -                            | -                               | -                      | 7,453,266               |
| Total noncurrent assets                          | <u>1,743,413,849</u>            | <u>6,763,823</u>             | <u>478,144,690</u>              | <u>-</u>               | <u>2,228,322,362</u>    |
| Total assets                                     | <u>2,249,320,021</u>            | <u>22,728,901</u>            | <u>714,907,401</u>              | <u>(10,394,287)</u>    | <u>2,976,562,036</u>    |
| <b>Deferred Outflows of Resources</b>            |                                 |                              |                                 |                        |                         |
| Pension related amounts                          | -                               | 256,430                      | -                               | -                      | 256,430                 |
| OPEB related amounts, health                     | -                               | 8,826                        | -                               | -                      | 8,826                   |
| OPEB related amounts, life                       | -                               | 7,664                        | -                               | -                      | 7,664                   |
| OPEB related amounts, sick                       | -                               | 17,870                       | -                               | -                      | 17,870                  |
| Total deferred outflows of resources             | <u>-</u>                        | <u>290,790</u>               | <u>-</u>                        | <u>-</u>               | <u>290,790</u>          |
| Total assets and deferred outflows of resources  | <u>\$ 2,249,320,021</u>         | <u>\$ 23,019,691</u>         | <u>\$ 714,907,401</u>           | <u>\$ (10,394,287)</u> | <u>\$ 2,976,852,826</u> |



**State of Wisconsin Environmental Improvement Fund**

Statement of Net Position by Program

June 30, 2025

|  | Clean Water Fund Program |                       | Safe                          | Eliminations    | Total            |
|--|--------------------------|-----------------------|-------------------------------|-----------------|------------------|
|  | Direct Loan Portfolio    | Proprietary Portfolio | Drinking Water Loan Portfolio |                 |                  |
| <b>Liabilities, Deferred Inflows of Resources and Net Position</b> |                          |                       |                               |                 |                  |
| <b>Current Liabilities</b>   |                          |                       |                               |                 |                  |
| Accrued expenses   | \$ 5,348                 | \$ 22,622             | \$ 276,112                    | \$ -            | \$ 304,082       |
| Accrued interest on bonds  | 1,199,929                | -                     | 445,100                       | -               | 1,645,029        |
| Due to other funds   | 11,599,523               | 219,775               | 3,583,116                     | (10,394,287)    | 5,008,127        |
| Due to other governmental entities                                 | -                        | -                     | 147,657                       | -               | 147,657          |
| Compensated absences, current portion                              | -                        | 240,081               | -                             | -               | 240,081          |
| Revenue obligation bonds, current maturities                       | 30,685,000               | -                     | 2,645,000                     | -               | 33,330,000       |
| Total current liabilities  | 43,489,800               | 482,478               | 7,096,985                     | (10,394,287)    | 40,674,976       |
| <b>Noncurrent Liabilities</b>                                      |                          |                       |                               |                 |                  |
| Net pension liability  | -                        | 40,495                | -                             | -               | 40,495           |
| OPEB liability, health   | -                        | 50,922                | -                             | -               | 50,922           |
| OPEB liability, sick   | -                        | 859                   | -                             | -               | 859              |
| Net OPEB liability, life   | -                        | 3,945                 | -                             | -               | 3,945            |
| Compensated absences   | -                        | 605,043               | -                             | -               | 605,043          |
| Revenue obligation bonds (including unamortized premium)           | 301,725,142              | -                     | 116,378,432                   | -               | 418,103,574      |
| Total noncurrent liabilities                                       | 301,725,142              | 701,264               | 116,378,432                   | -               | 418,804,838      |
| Total liabilities  | 345,214,942              | 1,183,742             | 123,475,417                   | (10,394,287)    | 459,479,814      |
| <b>Deferred Inflows of Resources</b>                               |                          |                       |                               |                 |                  |
| Pension related amounts  | -                        | 130,147               | -                             | -               | 130,147          |
| OPEB related amounts, health                                       | -                        | 11,010                | -                             | -               | 11,010           |
| OPEB related amounts, life   | -                        | 15,646                | -                             | -               | 15,646           |
| OPEB related amounts, sick   | -                        | 6,829                 | -                             | -               | 6,829            |
| Unamortized charges  | 1,270,346                | -                     | -                             | -               | 1,270,346        |
| Total deferred inflows of resources                                | 1,270,346                | 163,632               | -                             | -               | 1,433,978        |
| <b>Net Position</b>  |                          |                       |                               |                 |                  |
| Restricted for:  |                          |                       |                               |                 |                  |
| Environmental improvement  | 1,902,834,733            | -                     | 591,431,984                   | -               | 2,494,266,717    |
| Unrestricted   | -                        | 21,672,317            | -                             | -               | 21,672,317       |
| Total net position   | 1,902,834,733            | 21,672,317            | 591,431,984                   | -               | 2,515,939,034    |
| Total liabilities, deferred inflows of resources and net position  | \$ 2,249,320,021         | \$ 23,019,691         | \$ 714,907,401                | \$ (10,394,287) | \$ 2,976,852,826 |

## State of Wisconsin Environmental Improvement Fund

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

Year Ended June 30, 2025

|  | Clean Water Fund Program |                          | Safe<br>Drinking<br>Water Loan<br>Portfolio | Eliminations  | Total            |
|--|--------------------------|--------------------------|---|---------------|------------------|
|  | Direct Loan<br>Portfolio | Proprietary<br>Portfolio |   |               |                  |
| <b>Operating Revenues</b>                          |                          |                          |   |               |                  |
| Loan interest                                      | \$ -                     | \$ 113,041               | \$ -  | \$ -          | \$ 113,041       |
| Interest income used as security for revenue bonds | 37,213,486               | -                        | 8,229,037                                   | -             | 45,442,523       |
| Miscellaneous other                                | 3,102,604                | 13,441                   | 948,620                                     | -             | 4,064,665        |
| Total operating revenues                           | 40,316,090               | 126,482                  | 9,177,657                                   | -             | 49,620,229       |
| <b>Operating Expenses</b>                          |                          |                          |   |               |                  |
| Interest   | 8,973,561                | -                        | 3,213,746                                   | -             | 12,187,307       |
| Salaries and benefits                              | 4,674,502                | (120,424)                | 7,547,114                                   | -             | 12,101,192       |
| Contractual services and other                     | 730,714                  | -                        | 5,685,268                                   | -             | 6,415,982        |
| Total operating expenses                           | 14,378,777               | (120,424)                | 16,446,128                                  | -             | 30,704,481       |
| Operating income (loss)                            | 25,937,313               | 246,906                  | (7,268,471)                                 | -             | 18,915,748       |
| <b>Nonoperating Revenues (Expenses)</b>            |                          |                          |   |               |                  |
| Investment income                                  | 14,807,577               | 202,048                  | 9,301,319                                   | -             | 24,310,944       |
| Intergovernmental grants                           | 70,080,442               | -                        | 74,004,834                                  | -             | 144,085,276      |
| Grants awarded                                     | (31,977,300)             | (98,620)                 | (47,490,409)                                | -             | (79,566,329)     |
| Total nonoperating revenues (expenses)             | 52,910,719               | 103,428                  | 35,815,744                                  | -             | 88,829,891       |
| <b>Income Before Transfers</b>                     | 78,848,032               | 350,334                  | 28,547,273                                  | -             | 107,745,639      |
| Transfers in                                       | 132,054,402              | -                        | 122,235,167                                 | (254,289,569) | -                |
| Transfers out                                      | (136,554,402)            | (11,535)                 | (122,235,167)                               | 254,289,569   | (4,511,535)      |
| Change in net position                             | 74,348,032               | 338,799                  | 28,547,273                                  | -             | 103,234,104      |
| <b>Net Position, Beginning</b>                     | 1,828,486,701            | 21,333,518               | 562,884,711                                 | -             | 2,412,704,930    |
| <b>Net Position, Ending</b>                        | \$ 1,902,834,733         | \$ 21,672,317            | \$ 591,431,984                              | \$ -          | \$ 2,515,939,034 |

## State of Wisconsin Environmental Improvement Fund

Statement of Cash Flows by Program

Year Ended June 30, 2025

|  | Clean Water Fund Program |                       | Safe                          | Eliminations  | Total          |
|--|--------------------------|-----------------------|-------------------------------|---------------|----------------|
|  | Direct Loan Portfolio    | Proprietary Portfolio | Drinking Water Loan Portfolio |               |                |
| <b>Cash Flows From Operating Activities</b>            |                          |                       |                               |               |                |
| Collection of loans                                    | \$ 176,666,041           | \$ 803,622            | \$ 37,425,465                 | \$ -          | \$ 214,895,128 |
| Interest received on loans                             | 37,063,109               | 115,311               | 7,957,138                     | -             | 45,135,558     |
| Origination of loans                                   | (238,141,369)            | -                     | (103,889,349)                 | -             | (342,030,718)  |
| Payments to employees for services                     | (5,137,203)              | (31,788)              | (6,613,894)                   | -             | (11,782,885)   |
| Payments to suppliers and other                        | (1,060,071)              | 9,559                 | (5,739,260)                   | -             | (6,789,772)    |
| Other operating revenues                               | 3,102,604                | 13,441                | 948,620                       | -             | 4,064,665      |
| Net cash flows from operating activities               | (27,506,889)             | 910,145               | (69,911,280)                  | -             | (96,508,024)   |
| <b>Cash Flows From Noncapital Financing Activities</b> |                          |                       |                               |               |                |
| Intergovernmental grants received                      | 70,730,853               | -                     | 74,218,187                    | -             | 144,949,040    |
| Grants paid  | (32,094,955)             | (98,620)              | (47,372,754)                  | -             | (79,566,329)   |
| Transfers in   | 132,054,402              | -                     | 122,235,167                   | (254,289,569) | -              |
| Transfers out  | (136,554,402)            | (11,535)              | (122,235,167)                 | 254,289,569   | (4,511,535)    |
| Proceeds from issuance of long-term debt               | 30,344,545               | -                     | -                             | -             | 30,344,545     |
| Retirement of long-term debt                           | (31,435,000)             | -                     | (2,525,000)                   | -             | (33,960,000)   |
| Payment to escrow agent                                | (29,730,000)             | -                     | -                             | -             | (29,730,000)   |
| Interest payments                                      | (16,363,320)             | -                     | (5,467,450)                   | -             | (21,830,770)   |
| Other cash flows from noncapital financing activities  | (291,163)                | -                     | -                             | -             | (291,163)      |
| Net cash flows from noncapital financing activities    | (13,339,040)             | (110,155)             | 18,852,983                    | -             | 5,403,788      |
| <b>Cash Flows From Investing Activities</b>            |                          |                       |                               |               |                |
| Investment and interest income                         | 14,807,577               | 192,074               | 9,301,319                     | -             | 24,300,970     |
| Net cash flows from investing activities               | 14,807,577               | 192,074               | 9,301,319                     | -             | 24,300,970     |
| Net increase in cash and cash equivalents              | (26,038,352)             | 992,064               | (41,756,978)                  | -             | (66,803,266)   |
| <b>Cash and Cash Equivalents, Beginning</b>            | 353,107,135              | 3,803,951             | 233,652,878                   | -             | 590,563,964    |
| <b>Cash and Cash Equivalents, Ending</b>               | \$ 327,068,783           | \$ 4,796,015          | \$ 191,895,900                | \$ -          | \$ 523,760,698 |

**State of Wisconsin Environmental Improvement Fund**

Statement of Cash Flows by Program  
Year Ended June 30, 2025

|  | <u>Clean Water Fund Program</u> |                              | <u>Safe Drinking Water Loan Portfolio</u> | <u>Eliminations</u> | <u>Total</u>           |
|--|---------------------------------|------------------------------|---|---------------------|------------------------|
|  | <u>Direct Loan Portfolio</u>    | <u>Proprietary Portfolio</u> |   |                     |                        |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Flows From Operating Activities</b>     |                                 |                              |   |                     |                        |
| Operating income (loss)  | \$ 25,937,313                   | \$ 246,906                   | \$ (7,268,471)                            | \$ -                | \$ 18,915,748          |
| Adjustments to reconcile operating income (loss) to net cash flows from operating activities:    |                                 |                              |   |                     |                        |
| Interest expense classified as noncapital financing activity                                     | 8,770,048                       | -                            | 3,213,664                                 | -                   | 11,983,712             |
| Changes in assets, deferred outflow of resources, liabilities and deferred inflows of resources: |                                 |                              |   |                     |                        |
| Receivables  | (9,876)                         | -                            | (8,712)                                   | -                   | (18,588)               |
| Loans to other governments   | (61,409,197)                    | 803,622                      | (66,530,015)                              | -                   | (127,135,590)          |
| Due from other funds   | (55,849)                        | (176,843)                    | (99,320)                                  | 178,560             | (153,452)              |
| Proportionate share of contributions   | -                               | 1,390                        | -   | -                   | 1,390                  |
| Prepaid items  | -                               | (25)                         | -   | -                   | (25)                   |
| Compensated absences   | -                               | (105,470)                    | -   | -                   | (105,470)              |
| Net pension  | -                               | (7,018)                      | -   | -                   | (7,018)                |
| Accrued expenses   | 3,000                           | 3,274                        | (263,800)                                 | -                   | (257,526)              |
| Accrued interest on bonds  | (151,998)                       | 2,269                        | (270,279)                                 | -                   | (420,008)              |
| Due to other funds   | (590,330)                       | 142,040                      | 1,311,737                                 | (178,560)           | 684,887                |
| Due to other governmental entities   | -                               | -                            | 3,916                                     | -                   | 3,916                  |
| Total adjustments  | <u>(53,444,202)</u>             | <u>663,239</u>               | <u>(62,642,809)</u>                       | <u>-</u>            | <u>(115,423,772)</u>   |
| Net cash flows from operating activities   | \$ <u>(27,506,889)</u>          | \$ <u>910,145</u>            | \$ <u>(69,911,280)</u>                    | \$ <u>-</u>         | \$ <u>(96,508,024)</u> |
| <b>Noncash Investing and Noncapital Financing Activities</b>                                     |                                 |                              |   |                     |                        |
| Bond premium amortization  | \$ 8,892,012                    | \$ -                         | \$ 2,243,266                              | \$ -                | \$ 11,135,278          |

**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

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, 2025, 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 3, 2025.

**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.



Madison, Wisconsin  
November 3, 2025

**Report on Compliance  
for the Major Federal Program and  
Report on Internal Control Over Compliance  
Required by the Uniform Guidance**

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 of  
State of Wisconsin Environmental Improvement Fund

**Report on Compliance for the Major Federal Program**

***Opinion on the Major Federal Program***

We have audited the State of Wisconsin Environmental Improvement Fund's (the State of Wisconsin Environmental Improvement Fund) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the State of Wisconsin Environmental Improvement Fund's major federal program for the year ended June 30, 2025. The State of Wisconsin Environmental Improvement Fund's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the State of Wisconsin Environmental Improvement Fund complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance 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 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the State of Wisconsin Environmental Improvement Fund's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the State of Wisconsin Environmental Improvement Fund's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the State of Wisconsin Environmental Improvement Fund's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the State of Wisconsin Environmental Improvement Fund's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 State of Wisconsin Environmental Improvement Fund's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the State of Wisconsin Environmental Improvement Fund's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the State of Wisconsin Environmental Improvement Fund's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item [enter finding number(s)]. Our opinion on the major federal program is not modified with respect to this matter.



*Government Auditing Standards* requires the auditor to perform limited procedures on the State of Wisconsin Environmental Improvement Fund's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The State of Wisconsin Environmental Improvement Fund's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

#### **Report on Internal Control Over Compliance**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Baker Tilly US, LLP*

Madison, Wisconsin  
November 3, 2025