State of Wisconsin
Event Filing # 2026-09
Dated November 3, 2026

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, 2026 and June 30, 2025, and supplemental information for the year June 30, 2026, 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, 2026.

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

doa.wi.gov/capitalfinance
wisconsinbonds.com

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

/S/ AARON M. HEINTZ

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State of Wisconsin
Environmental Improvement Fund

Financial Statements and
Supplementary Information

June 30, 2026 and 2025

State of Wisconsin Environmental Improvement Fund

Table of Contents
June 30, 2026 and 2025

	Page
Independent Auditors' Report	1
Financial Statements	
Statements of Net Position - June 30, 2026 and 2025	4
Statements of Revenues, Expenses and Changes in Net Position - Years Ended June 30, 2026 and 2025	6
Statements of Cash Flows - Years Ended June 30, 2026 and 2025	7
Notes to Financial Statements	9
Supplementary Information	
Statement of Net Position by Program - June 30, 2026	20
Statement of Revenues, Expenses and Changes in Net Position by Program - Year Ended June 30, 2026	22
Statement of Cash Flows by Program - Year Ended June 30, 2026	23
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*	25

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, 2026 and 2025, 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, 2026 and 2025, 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 Matters

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, 2026, and 2025, 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.

As discussed in Note 1, the State of Wisconsin Environmental Improvement Fund adopted the provisions of GASB Statement No. 103, effective July 1, 2025. Accordingly, the accounting changes have been retroactively applied to prior periods presented. 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.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

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, 2026 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, 2026

State of Wisconsin Environmental Improvement Fund

Statements of Net Position
June 30, 2026 and 2025

	2026	2025
Assets and Deferred Outflows of Resources		
Current Assets		
Unrestricted cash and cash equivalents	$ 552,584,246	$ 523,760,698
Receivables:		
Loans to local governments, current portion	220,579,547	211,919,880
Due from other funds	962,575	150,159
Due from other governmental entities	13,394,786	12,295,917
Accrued investment income	37,824	73,404
Other	70,225	39,557
Prepaid items	47	59
Total current assets	787,629,250	748,239,674
Noncurrent Assets		
Loans to local governments	2,461,442,955	2,220,869,096
Advances to other funds	7,695,733	7,453,266
Restricted assets:		
Net pension asset	42,283	-
Sick leave OPEB asset	1,451	-
Total noncurrent assets	2,469,182,422	2,228,322,362
Total assets	3,256,811,672	2,976,562,036
Deferred Outflows of Resources		
Pension related amounts	234,714	256,430
OPEB related amounts, health	7,263	8,826
OPEB related amounts, life	3,827	7,664
OPEB related amounts, sick	-	17,870
Total deferred outflows of resources	245,804	290,790
Total assets and deferred outflows of resources	$ 3,257,057,476	$ 2,976,852,826

See notes to financial statements

State of Wisconsin Environmental Improvement Fund

Statements of Net Position
June 30, 2026 and 2025

	2026	2025
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accrued expenses	$ 927,919	$ 304,082
Accrued interest on bonds	1,922,821	1,645,029
Due to other funds	2,136,147	5,008,127
Due to other governmental entities	241,123	147,657
Compensated absences, current portion	230,924	240,081
Revenue obligation bonds (including unamortized premium)	42,870,183	33,330,000
Total current liabilities	48,329,117	40,674,976
Noncurrent Liabilities		
Net pension liability	-	40,495
OPEB liability, health	44,455	50,922
OPEB liability, sick leave	-	859
Net OPEB liability, life	34,067	3,945
Compensated absences	433,860	605,043
Revenue obligation bonds (including unamortized premium)	478,303,405	418,103,574
Total noncurrent liabilities	478,815,787	418,804,838
Total liabilities	527,144,904	459,479,814
Deferred Inflows of Resources		
Pension related amounts	220,707	130,147
OPEB related amounts, health	10,551	11,010
OPEB related amounts, life	17,771	15,646
OPEB related amounts, sick	80,128	6,829
Unamortized charges	623,487	1,270,346
Total deferred inflows of resources	952,644	1,433,978
Net Position		
Restricted for:		
Environmental improvement	2,707,072,399	2,494,266,717
Net pension asset	42,283	-
OPEB asset	1,451	-
Unrestricted	21,843,795	21,672,317
Total net position	2,728,959,928	2,515,939,034
Total liabilities, deferred inflows of resources and net position	$ 3,257,057,476	$ 2,976,852,826

See notes to financial statements

State of Wisconsin Environmental Improvement Fund

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2026 and 2025

	2026	2025 (Restated)
Operating Revenues		
Loan interest	$ 107,032	$ 113,041
Interest income used as security for revenue bonds	48,365,176	45,442,523
Miscellaneous other	5,045,433	4,064,665
Total operating revenues	53,517,641	49,620,229
Operating Expenses		
Salaries and benefits	9,689,581	12,101,192
Contractual services and other	8,292,505	6,415,982
Total operating expenses	17,982,086	18,517,174
Operating income	35,535,555	31,103,055
Noncapital Subsidies		
Intergovernmental grants	290,998,331	144,085,276
Grants awarded	(114,710,540)	(79,566,329)
Transfers out	(4,512,762)	(4,511,535)
Total noncapital subsidies	171,775,029	60,007,412
Operating income and noncapital subsidies	207,310,584	91,110,467
Other Nonoperating Revenues (Expenses)		
Interest	(13,835,294)	(12,187,307)
Investment income	19,545,604	24,310,944
Total other nonoperating revenues (expenses)	5,710,310	12,123,637
Change in net position	213,020,894	103,234,104
Net Position, Beginning	2,515,939,034	2,412,704,930
Net Position, Ending	$ 2,728,959,928	$ 2,515,939,034

See notes to financial statements

State of Wisconsin Environmental Improvement Fund

Statements of Cash Flows
Years Ended June 30, 2026 and 2025

	2026	2025 (Restated)
Cash Flows From Operating Activities		
Collection of loans	$ 217,305,729	$ 214,895,128
Interest received on loans	47,639,765	45,135,558
Origination of loans	(466,539,255)	(342,030,718)
Payments to employees for services	(13,287,738)	(11,782,885)
Payments to suppliers and other	(7,916,511)	(6,789,772)
Other operating revenues	5,045,433	4,064,665
Net cash flows from operating activities	(217,752,577)	(96,508,024)
Cash Flows From Noncapital Financial Activities		
Intergovernmental grants received	290,713,996	144,949,040
Grants paid	(114,710,540)	(79,566,329)
Transfers out	(4,512,762)	(4,511,535)
Proceeds from issuance of long-term debt	112,715,112	30,344,545
Retirement of long-term debt	(36,471,225)	(33,960,000)
Payment to escrow agent	-	(29,730,000)
Interest payments	(20,488,014)	(21,830,770)
Other cash flows from noncapital financing activities	(242,467)	(291,163)
Net cash flows from noncapital financing activities	227,004,100	5,403,788
Cash Flows From Investing Activities		
Investment and interest income	19,572,025	24,300,970
Net cash flows from investing activities	19,572,025	24,300,970
Net increase (decrease) in cash and cash equivalents	28,823,548	(66,803,266)
Cash and Cash Equivalents, Beginning	523,760,698	590,563,964
Cash and Cash Equivalents, Ending	$ 552,584,246	$ 523,760,698

See notes to financial statements

State of Wisconsin Environmental Improvement Fund

Statements of Cash Flows
Years Ended June 30, 2026 and 2025

	2026	2025 (Restated)
Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Operating income	$ 35,535,555	$ 31,103,055
Adjustments to reconcile operating income to net cash flows from operating activities:		
Changes in assets, deferred outflow of resources, liabilities and deferred inflows of resources:		
Receivables	(21,510)	(18,588)
Loans to other governments	(249,233,523)	(127,135,590)
Due from other funds	(746,899)	(153,452)
Proportionate share of contributions	210,513	1,390
Prepaid items	13	(25)
Compensated absences	(180,341)	(105,470)
Net pension	(61,434)	(7,018)
Accrued expenses	623,838	(257,526)
Accrued interest on bonds	(980,195)	(623,603)
Due to other funds	(2,992,059)	684,887
Due to other governmental entities	93,465	3,916
Total adjustments	(253,288,132)	(127,611,079)
Net cash flows from operating activities	$ (217,752,577)	$ (96,508,024)
Noncash Investing and Noncapital Financing Activities		
Bond premium amortization	$ 9,765,959	$ 11,135,278

See notes to financial statements

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.

- **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, 2026 and 2025, there were ten loans granted under this program for a total of $15,218,891. As of June 30, 2026 and 2025 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.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new or modifies existing accounting and financial reporting requirements related to the following:

a. Management's discussion and analysis (MD&A)

b. Unusual or infrequent items

c. Presentation of the proprietary fund statement of revenues, expenses and changes in fund net position

d. Presentation of major component units in the basic financial statements

e. Budgetary comparison information

f. Financial trends information in the statistical section

This standard was implemented July 1, 2025.

Net Operating Income/Loss

The Fund incurred net operating income of $21.7 million and a net operating income of $18.9 million in 2026 and 2025, 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 $291 million and $144.1 million in 2026 and 2025, respectively and are classified as intergovernmental grants. There were no transfers in from the State for 2026 and 2025. 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 8). Investment transactions are recorded on the trade date.

Comparative Data

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

Revenue Obligation Bonds

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

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, Proprietary 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.

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by other external parties.

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 $291 million and $144.1 million of EPA contributions in 2026 and 2025, 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.

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, 2026 and 2025 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 2026 and 2025. The weighted average interest rate was 2.013% and 2.009% at June 30, 2026 and 2025, 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, 2026 and 2025, 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, 2025 through June 30, 2026, these programs entered into financial assistance agreements that included principal forgiveness grants of $123,403,622.

Of the loans outstanding at June 30, 2026 and 2025, $334,825,053 and $317,980,892 (12% 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 $529,601,337 of new loans and $123,403,622 of new grants during fiscal year 2026. For fiscal year 2025, these same programs entered into $566,839,804 of new loans and $123,707,893 of new grants. As of June 30, 2026, they had undisbursed commitments of $537,390,336 relating to loans and $70,280,789 relating to grants. For fiscal year 2025, they had undisbursed commitments of $487,606,623 relating to loans and $62,999,898 relating to grants.

From July 1, 2026 to September 18, 2026, the Fund executed 77 new financial assistance agreements with loans that totaled $233,261,650 and principal forgiveness that totaled $54,227,951. Between July 1, 2026, and September 18, 2026, disbursements against these financial assistance agreements (loans and principal forgiveness) totaled $48,096,038. This amount includes one lead service line project that closed prior to July 1, 2026, 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).

3. Cash and Cash Equivalents

As of June 30, 2026 and 2025, cash and cash equivalents consisted of the following:

	2026	2025	Associated Risk
Money market mutual funds	$ 532,470,246	$ 508,137,698	N/A
State Investment Fund (SIF)	20,114,000	15,623,000	Custodial credit risk, credit risk, concentration of credit risk, interest rate risk
Total unrestricted cash and cash equivalents	$ 552,584,246	$ 523,760,698	

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, 2026 and 2025, the SIF made up 4% and 3% 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, 2026, when available.

4. Net Pension Asset

Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

5. Sick Leave OPEB Asset

Restricted assets have been reported in connection with the sick leave OPEB balance since this balance must be used to fund employee benefits.

6. 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, 2026 and 2025:

Transferred To	Transferred From	June 30, 2026 Amount	June 30, 2025 Amount	Principal Purpose
Bond Security and Redemption	Direct Loan Portfolio	$ 4,500,000	$ 4,500,000	G.O. bond debt service
Debt Service Fund Program	Proprietary Portfolio	12,762	11,535	Personnel services
Subtotal		4,512,762	4,511,535	
Less eliminations		-	-	
Total transfers, statements of revenues, expenses and changes in net position		$ 4,512,762	$ 4,511,535	

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.

7. 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, 2026 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Clean Water Fund Program:					
Revenue bonds issued	$ 292,540,000	$ 66,115,000	$ 30,685,000	$ 327,970,000	$ 25,450,000
Unamortized premiums	39,870,142	8,527,186	7,242,069	41,155,259	7,173,977
Safe Drinking Water Loan Program:					
Revenue bonds issued	103,215,000	33,885,000	2,645,000	134,455,000	7,415,000
Unamortized premiums	15,808,432	4,308,787	2,523,890	17,593,329	2,831,206
Total	$ 451,433,574	$ 112,835,973	$ 43,095,958	$ 521,173,588	$ 42,870,183

Environmental Improvement Fund Revenue Bonds activity as of June 30, 2025 is as follows:

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

Environmental Improvement Fund revenue obligation serial and term bonds as of June 30, 2026 and 2025 consisted of the following:

	2026	2025
2018 Series A:		
Serial Bonds, final maturity June 1, 2026	$ -	$ 15,635,000
Unamortized premium on bonds	-	383,081
	-	16,018,081
2020 Series A:		
Serial Bonds, final maturity June 1, 2039	68,890,000	71,000,000
Unamortized premium on bonds	11,250,266	12,662,599
	80,140,266	83,662,559
2021 Series A:		
Serial Bonds, final maturity June 1, 2040	81,240,000	86,280,000
Unamortized premium on bonds	11,645,857	13,751,979
	92,885,857	100,031,979
2022 Series A:		
Serial Bonds, final maturity June 1, 2043	41,070,000	44,195,000
Unamortized premium on bonds	2,238,904	2,661,511
	43,308,904	46,856,511
2024 Series A:		
Serial Bonds, final maturity June 1, 2033	150,000,000	150,000,000
Unamortized premium on bonds	20,712,823	24,542,111
	170,712,823	174,542,111
2025 Series 1:		
Serial Bonds, final maturity June 1, 2029	21,225,000	28,645,000
Unamortized premium on bonds	974,740	1,677,293
	22,199,740	30,322,293
2025 Series A:		
Serial Bonds, final maturity June 1, 2034	100,000,000	-
Unamortized premium on bonds	11,925,998	-
	111,925,998	-
Total environmental improvement fund revenue series	$ 521,173,588	$ 451,433,574

The original premium at issuance and the interest rates for Environmental Improvement Fund Revenue Bonds outstanding at June 30, 2026 was the following:

Series	Original Issue (Premium)	Interest Rates
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
2025 Series A	(12,835,973)	5.00

Principal and interest due on the Environmental Improvement Fund Revenue Bonds as of June 30, 2026, are as follows:

Years Ending June 30:	Clean Water Fund Program		Safe Drinking Water Loan Program		
	Principal	Interest	Principal	Interest	Total
2027	$ 25,450,000	$ 16,170,650	$ 7,415,000	$ 6,903,200	$ 55,938,850
2028	25,090,000	14,724,150	7,215,000	6,436,900	53,466,050
2029	26,350,000	13,286,950	7,050,000	5,991,250	52,678,200
2030	20,435,000	11,969,450	6,950,000	5,638,750	44,993,200
2031	19,500,000	10,947,700	7,810,000	5,291,250	43,548,950
2032-2036	163,030,000	31,098,500	87,265,000	13,354,250	294,747,750
2037-2041	45,410,000	5,301,400	9,250,000	1,374,000	61,335,400
2042-2043	2,705,000	204,500	1,500,000	113,500	4,523,000
Total	$ 327,970,000	$ 103,703,300	$ 134,455,000	$ 45,103,100	$ 611,231,400

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

Years Ending June 30:	Clean Water Fund Program		Safe Drinking Water Loan Program		
	Principal	Interest	Principal	Interest	Total
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	$ 292,540,000	$ 96,784,950	$ 103,215,000	$ 39,772,300	$ 532,312,250

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 - 2026	$ 462.4 M	2020-2025	2043	19%	$ 611.23 M	$ 53.0 M	$ 187.7 M
Environmental Improvement Fund - 2025	395.8 M	2018-2025	2043	16	532.31 M	55.0 M	181.3 M

8. 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, 2026 and 2025:

	2026	2025
Interest:		
State of Wisconsin Investment Board State Investment Fund	$ 550,364	$ 980,655
U.S. Bank	18,995,240	23,330,289
Total investment income	$ 19,545,604	$ 24,310,944

9. 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 $91.7 million for federal fiscal year 2026. Four percent of the EPA grant amount may be used for wastewater program administrative expenses. Appropriation levels for years 2026 and 2027 are known and were included as part of the Infrastructure Investment and Jobs Act. Appropriation levels for years after 2027 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 2026 and a grant to Wisconsin of approximately $157.5 million is expected for federal fiscal year 2026.

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.

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

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

- Statement No. 105, *Subsequent Events*

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 6). 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.

13. Accounting Changes

The Fund reported a change in accounting principle on the Statement of Revenues, Expenses and Changes in Net Position. The Intergovernmental grants and Grants awarded financial statement line items were classified as nonoperating revenues and expenses in fiscal year 2025. In addition, Transfers out were previously presented within income before transfers. With the implementation of GASB Statement No. 103, *Financial Reporting Model Improvements* for fiscal year 2026, these line items have been retroactively adjusted and are now presented as noncapital subsidies.

SUPPLEMENTARY INFORMATION

State of Wisconsin Environmental Improvement Fund

Statement of Net Position by Program
June 30, 2026

	Clean Water Fund Program		Safe Drinking Water Loan Portfolio	Eliminations	Total
	Direct Loan Portfolio	Proprietary Portfolio			
Assets and Deferred Outflows of Resources					
Current Assets					
Unrestricted cash and cash equivalents	$ 333,842,471	$ 12,638,114	$ 206,103,661	$ -	$ 552,584,246
Receivables:					
Loans to local governments, current portion	174,106,244	973,768	45,499,535	-	220,579,547
Due from other funds	617,653	1,795,404	311,768	(1,762,250)	962,575
Due from other governmental entities	8,352,068	23,312	5,019,406	-	13,394,786
Accrued investment income	-	37,824	-	-	37,824
Other	18,579	16,937	34,709	-	70,225
Prepaid items	-	47	-	-	47
Total current assets	516,937,015	15,485,406	256,969,079	(1,762,250)	787,629,250
Noncurrent Assets					
Loans to local governments	1,877,931,295	7,340,941	576,170,719	-	2,461,442,955
Advances to other funds	7,695,733	-	-	-	7,695,733
Restricted assets:					
Net pension asset	-	42,283	-	-	42,283
Sick leave OPEB asset	-	1,451	-	-	1,451
Total noncurrent assets	1,885,627,028	7,384,675	576,170,719	-	2,469,182,422
Total assets	2,402,564,043	22,870,081	833,139,798	(1,762,250)	3,256,811,672
Deferred Outflows of Resources					
Pension related amounts	-	234,714	-	-	234,714
OPEB related amounts, health	-	7,263	-	-	7,263
OPEB related amounts, life	-	3,827	-	-	3,827
Total deferred outflows of resources	-	245,804	-	-	245,804
Total assets and deferred outflows of resources	$ 2,402,564,043	$ 23,115,885	$ 833,139,798	$ (1,762,250)	$ 3,257,057,476

State of Wisconsin Environmental Improvement Fund

Statement of Net Position by Program
June 30, 2026

	Clean Water Fund Program		Safe Drinking Water Loan Portfolio	Eliminations	Total
	Direct Loan Portfolio	Proprietary Portfolio			
Liabilities, Deferred Inflows of Resources and Net Position					
Current Liabilities					
Accrued expenses	$ 10,254	$ 31,673	$ 885,992	$ -	$ 927,919
Accrued interest on bonds	1,347,554	-	575,267	-	1,922,821
Due to other funds	2,743,257	124,220	1,030,920	(1,762,250)	2,136,147
Due to other governmental entities	-	-	241,123	-	241,123
Compensated absences, current portion	-	230,924	-	-	230,924
Revenue obligation bonds (including unamortized premium)	32,623,977	-	10,246,206	-	42,870,183
Total current liabilities	36,725,042	386,817	12,979,508	(1,762,250)	48,329,117
Noncurrent Liabilities					
OPEB liability, health	-	44,455	-	-	44,455
Net OPEB liability, life	-	34,067	-	-	34,067
Compensated absences	-	433,860	-	-	433,860
Revenue obligation bonds (including unamortized premium)	336,501,282	-	141,802,123	-	478,303,405
Total noncurrent liabilities	336,501,282	512,382	141,802,123	-	478,815,787
Total liabilities	373,226,324	899,199	154,781,631	(1,762,250)	527,144,904
Deferred Inflows of Resources					
Pension related amounts	-	220,707	-	-	220,707
OPEB related amounts, health	-	10,551	-	-	10,551
OPEB related amounts, life	-	17,771	-	-	17,771
OPEB related amounts, sick	-	80,128	-	-	80,128
Unamortized charges	623,487	-	-	-	623,487
Total deferred inflows of resources	623,487	329,157	-	-	952,644
Net Position					
Restricted for:					
Environmental improvement	2,028,714,232	-	678,358,167	-	2,707,072,399
Net pension asset	-	42,283	-	-	42,283
OPEB asset	-	1,451	-	-	1,451
Unrestricted	-	21,843,795	-	-	21,843,795
Total net position	2,028,714,232	21,887,529	678,358,167	-	2,728,959,928
Total liabilities, deferred inflows of resources and net position	$ 2,402,564,043	$ 23,115,885	$ 833,139,798	$ (1,762,250)	$ 3,257,057,476

State of Wisconsin Environmental Improvement Fund

Statement of Revenues, Expenses and Changes in Net Position by Program
Year Ended June 30, 2026

	Clean Water Fund Program		Safe Drinking Water Loan Portfolio	Eliminations	Total
	Direct Loan Portfolio	Proprietary Portfolio			
Operating Revenues					
Loan interest	$ -	$ 107,032	$ -	$ -	$ 107,032
Interest income used as security for revenue bonds	38,857,135	-	9,508,041	-	48,365,176
Miscellaneous other	3,758,234	11,752	1,275,447	-	5,045,433
Total operating revenues	42,615,369	118,784	10,783,488	-	53,517,641
Operating Expenses					
Salaries and benefits	3,675,259	(41,872)	6,056,194	-	9,689,581
Contractual services and other	839,346	-	7,453,159	-	8,292,505
Total operating expenses	4,514,605	(41,872)	13,509,353	-	17,982,086
Operating income (loss)	38,100,764	160,656	(2,725,865)	-	35,535,555
Noncapital Subsidies					
Intergovernmental grants	127,061,095	-	163,937,236	-	290,998,331
Grants awarded	(37,265,091)	(86,493)	(77,358,956)	-	(114,710,540)
Transfers in	247,954,615	-	302,523,446	(550,478,061)	-
Transfers out	(252,454,615)	(12,762)	(302,523,446)	550,478,061	(4,512,762)
Total noncapital subsidies	85,296,004	(99,255)	86,578,280	-	171,775,029
Operating income (loss) and noncapital subsidies	123,396,768	61,401	83,852,415	-	207,310,584
Other Nonoperating Revenues (Expenses)					
Interest	(9,456,645)	-	(4,378,649)	-	(13,835,294)
Investment income	11,939,376	153,811	7,452,417	-	19,545,604
Total other nonoperating revenues (expenses)	2,482,731	153,811	3,073,768	-	5,710,310
Change in net position	125,879,499	215,212	86,926,183	-	213,020,894
Net Position, Beginning	1,902,834,733	21,672,317	591,431,984	-	2,515,939,034
Net Position, Ending	$ 2,028,714,232	$ 21,887,529	$ 678,358,167	$ -	$ 2,728,959,928

State of Wisconsin Environmental Improvement Fund

Statement of Cash Flows by Program
Year Ended June 30, 2026

	Clean Water Fund Program		Safe Drinking Water Loan Portfolio	Eliminations	Total
	Direct Loan Portfolio	Proprietary Portfolio			
Cash Flows From Operating Activities					
Collection of loans	$ 173,946,516	$ 817,468	$ 42,541,745	$ -	$ 217,305,729
Interest received on loans	38,319,386	102,278	9,218,101	-	47,639,765
Origination of loans	(318,480,694)	(1,512,668)	(146,545,893)	-	(466,539,255)
Payments to employees for services	(11,065,856)	6,306,426	(8,528,308)	-	(13,287,738)
Payments to suppliers and other	(3,067,608)	2,035,866	(6,884,769)	-	(7,916,511)
Other operating revenues	3,758,234	11,752	1,275,447	-	5,045,433
Net cash flows from operating activities	(116,590,022)	7,761,122	(108,923,677)	-	(217,752,577)
Cash Flows From Noncapital Financing Activities					
Intergovernmental grants received	126,407,248	-	164,306,748	-	290,713,996
Grants paid	(37,147,436)	(86,493)	(77,476,611)	-	(114,710,540)
Transfers in	247,954,615	-	302,523,446	(550,478,061)	-
Transfers out	(252,454,615)	(12,762)	(302,523,446)	550,478,061	(4,512,762)
Proceeds from issuance of long-term debt	74,562,278	-	38,152,834	-	112,715,112
Retirement of long-term debt	(30,685,000)	-	(5,786,225)	-	(36,471,225)
Interest payments	(16,970,289)	-	(3,517,725)	-	(20,488,014)
Other cash flows from noncapital financing activities	(242,467)	-	-	-	(242,467)
Net cash flows from noncapital financing activities	111,424,334	(99,255)	115,679,021	-	227,004,100
Cash Flows From Investing Activities					
Investment and interest income	11,939,376	180,232	7,452,417	-	19,572,025
Net cash flows from investing activities	11,939,376	180,232	7,452,417	-	19,572,025
Net increase in cash and cash equivalents	6,773,688	7,842,099	14,207,761	-	28,823,548
Cash and Cash Equivalents, Beginning	327,068,783	4,796,015	191,895,900	-	523,760,698
Cash and Cash Equivalents, Ending	$ 333,842,471	$ 12,638,114	$ 206,103,661	$ -	$ 552,584,246

State of Wisconsin Environmental Improvement Fund

Statement of Cash Flows by Program
Year Ended June 30, 2026

	Clean Water Fund Program		Safe Drinking Water Loan Portfolio	Eliminations	Total
	Direct Loan Portfolio	Proprietary Portfolio			
Reconciliation of Operating Income (Loss) to Net Cash Flows From Operating Activities					
Operating income (loss)	$ 38,100,764	$ 160,656	$ (2,725,865)	$ -	$ 35,535,555
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Changes in assets, deferred outflow of resources, liabilities and deferred inflows of resources:					
Receivables	(3,004)	-	(18,506)	-	(21,510)
Loans to other governments	(144,600,308)	(695,199)	(103,938,016)	-	(249,233,523)
Due from other funds	(552,234)	8,418,173	(163,973)	(8,448,865)	(746,899)
Proportionate share of contributions	-	210,513	-	-	210,513
Prepaid items	-	13	-	-	13
Compensated absences	-	(180,341)	-	-	(180,341)
Net pension	-	(61,434)	-	-	(61,434)
Accrued expenses	4,906	9,051	609,881	-	623,838
Accrued interest on bonds	(683,880)	(4,754)	(291,561)	-	(980,195)
Due to other funds	(8,856,266)	(95,556)	(2,489,102)	8,448,865	(2,992,059)
Due to other governmental entities	-	-	93,465	-	93,465
Total adjustments	(154,690,786)	7,600,466	(106,197,812)	-	(253,288,132)
Net cash flows from operating activities	$ (116,590,022)	$ 7,761,122	$ (108,923,677)	$ -	$ (217,752,577)
Noncash Investing and Noncapital Financing Activities					
Bond premium amortization	$ 7,242,069	$ -	$ 2,523,890	$ -	$ 9,765,959

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, 2026, and the related statements of revenues, expenses, 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, 2026.

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.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

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, 2026

State of Wisconsin
Environmental Improvement Fund

Financial Statements and
Supplementary Information

June 30, 2026 and 2025

State of Wisconsin Environmental Improvement Fund

Table of Contents
June 30, 2026 and 2025

	Page
Independent Auditors' Report	1
Financial Statements	
Statements of Net Position - June 30, 2026 and 2025	4
Statements of Revenues, Expenses and Changes in Net Position - Years Ended June 30, 2026 and 2025	6
Statements of Cash Flows - Years Ended June 30, 2026 and 2025	7
Notes to Financial Statements	9
Supplementary Information	
Statement of Net Position by Program - June 30, 2026	20
Statement of Revenues, Expenses and Changes in Net Position by Program - Year Ended June 30, 2026	22
Statement of Cash Flows by Program - Year Ended June 30, 2026	23
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*	25

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, 2026 and 2025, 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, 2026 and 2025, 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 Matters

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, 2026, and 2025, 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.

As discussed in Note 1, the State of Wisconsin Environmental Improvement Fund adopted the provisions of GASB Statement No. 103, effective July 1, 2025. Accordingly, the accounting changes have been retroactively applied to prior periods presented. 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.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

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, 2026 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, 2026

State of Wisconsin Environmental Improvement Fund

Statements of Net Position
June 30, 2026 and 2025

	2026	2025
Assets and Deferred Outflows of Resources		
Current Assets		
Unrestricted cash and cash equivalents	$ 552,584,246	$ 523,760,698
Receivables:		
Loans to local governments, current portion	220,579,547	211,919,880
Due from other funds	962,575	150,159
Due from other governmental entities	13,394,786	12,295,917
Accrued investment income	37,824	73,404
Other	70,225	39,557
Prepaid items	47	59
Total current assets	787,629,250	748,239,674
Noncurrent Assets		
Loans to local governments	2,461,442,955	2,220,869,096
Advances to other funds	7,695,733	7,453,266
Restricted assets:		
Net pension asset	42,283	-
Sick leave OPEB asset	1,451	-
Total noncurrent assets	2,469,182,422	2,228,322,362
Total assets	3,256,811,672	2,976,562,036
Deferred Outflows of Resources		
Pension related amounts	234,714	256,430
OPEB related amounts, health	7,263	8,826
OPEB related amounts, life	3,827	7,664
OPEB related amounts, sick	-	17,870
Total deferred outflows of resources	245,804	290,790
Total assets and deferred outflows of resources	$ 3,257,057,476	$ 2,976,852,826

See notes to financial statements

State of Wisconsin Environmental Improvement Fund

Statements of Net Position
June 30, 2026 and 2025

	2026	2025
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accrued expenses	$ 927,919	$ 304,082
Accrued interest on bonds	1,922,821	1,645,029
Due to other funds	2,136,147	5,008,127
Due to other governmental entities	241,123	147,657
Compensated absences, current portion	230,924	240,081
Revenue obligation bonds (including unamortized premium)	42,870,183	33,330,000
Total current liabilities	48,329,117	40,674,976
Noncurrent Liabilities		
Net pension liability	-	40,495
OPEB liability, health	44,455	50,922
OPEB liability, sick leave	-	859
Net OPEB liability, life	34,067	3,945
Compensated absences	433,860	605,043
Revenue obligation bonds (including unamortized premium)	478,303,405	418,103,574
Total noncurrent liabilities	478,815,787	418,804,838
Total liabilities	527,144,904	459,479,814
Deferred Inflows of Resources		
Pension related amounts	220,707	130,147
OPEB related amounts, health	10,551	11,010
OPEB related amounts, life	17,771	15,646
OPEB related amounts, sick	80,128	6,829
Unamortized charges	623,487	1,270,346
Total deferred inflows of resources	952,644	1,433,978
Net Position		
Restricted for:		
Environmental improvement	2,707,072,399	2,494,266,717
Net pension asset	42,283	-
OPEB asset	1,451	-
Unrestricted	21,843,795	21,672,317
Total net position	2,728,959,928	2,515,939,034
Total liabilities, deferred inflows of resources and net position	$ 3,257,057,476	$ 2,976,852,826

See notes to financial statements

State of Wisconsin Environmental Improvement Fund

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2026 and 2025

	2026	2025 (Restated)
Operating Revenues		
Loan interest	$ 107,032	$ 113,041
Interest income used as security for revenue bonds	48,365,176	45,442,523
Miscellaneous other	5,045,433	4,064,665
Total operating revenues	53,517,641	49,620,229
Operating Expenses		
Salaries and benefits	9,689,581	12,101,192
Contractual services and other	8,292,505	6,415,982
Total operating expenses	17,982,086	18,517,174
Operating income	35,535,555	31,103,055
Noncapital Subsidies		
Intergovernmental grants	290,998,331	144,085,276
Grants awarded	(114,710,540)	(79,566,329)
Transfers out	(4,512,762)	(4,511,535)
Total noncapital subsidies	171,775,029	60,007,412
Operating income and noncapital subsidies	207,310,584	91,110,467
Other Nonoperating Revenues (Expenses)		
Interest	(13,835,294)	(12,187,307)
Investment income	19,545,604	24,310,944
Total other nonoperating revenues (expenses)	5,710,310	12,123,637
Change in net position	213,020,894	103,234,104
Net Position, Beginning	2,515,939,034	2,412,704,930
Net Position, Ending	$ 2,728,959,928	$ 2,515,939,034

See notes to financial statements

State of Wisconsin Environmental Improvement Fund

Statements of Cash Flows
Years Ended June 30, 2026 and 2025

	2026	2025 (Restated)
Cash Flows From Operating Activities		
Collection of loans	$ 217,305,729	$ 214,895,128
Interest received on loans	47,639,765	45,135,558
Origination of loans	(466,539,255)	(342,030,718)
Payments to employees for services	(13,287,738)	(11,782,885)
Payments to suppliers and other	(7,916,511)	(6,789,772)
Other operating revenues	5,045,433	4,064,665
Net cash flows from operating activities	(217,752,577)	(96,508,024)
Cash Flows From Noncapital Financial Activities		
Intergovernmental grants received	290,713,996	144,949,040
Grants paid	(114,710,540)	(79,566,329)
Transfers out	(4,512,762)	(4,511,535)
Proceeds from issuance of long-term debt	112,715,112	30,344,545
Retirement of long-term debt	(36,471,225)	(33,960,000)
Payment to escrow agent	-	(29,730,000)
Interest payments	(20,488,014)	(21,830,770)
Other cash flows from noncapital financing activities	(242,467)	(291,163)
Net cash flows from noncapital financing activities	227,004,100	5,403,788
Cash Flows From Investing Activities		
Investment and interest income	19,572,025	24,300,970
Net cash flows from investing activities	19,572,025	24,300,970
Net increase (decrease) in cash and cash equivalents	28,823,548	(66,803,266)
Cash and Cash Equivalents, Beginning	523,760,698	590,563,964
Cash and Cash Equivalents, Ending	$ 552,584,246	$ 523,760,698

See notes to financial statements

State of Wisconsin Environmental Improvement Fund

Statements of Cash Flows
Years Ended June 30, 2026 and 2025

	2026	2025 (Restated)
Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Operating income	$ 35,535,555	$ 31,103,055
Adjustments to reconcile operating income to net cash flows from operating activities:		
Changes in assets, deferred outflow of resources, liabilities and deferred inflows of resources:		
Receivables	(21,510)	(18,588)
Loans to other governments	(249,233,523)	(127,135,590)
Due from other funds	(746,899)	(153,452)
Proportionate share of contributions	210,513	1,390
Prepaid items	13	(25)
Compensated absences	(180,341)	(105,470)
Net pension	(61,434)	(7,018)
Accrued expenses	623,838	(257,526)
Accrued interest on bonds	(980,195)	(623,603)
Due to other funds	(2,992,059)	684,887
Due to other governmental entities	93,465	3,916
Total adjustments	(253,288,132)	(127,611,079)
Net cash flows from operating activities	$ (217,752,577)	$ (96,508,024)
Noncash Investing and Noncapital Financing Activities		
Bond premium amortization	$ 9,765,959	$ 11,135,278

See notes to financial statements

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.

- **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, 2026 and 2025, there were ten loans granted under this program for a total of $15,218,891. As of June 30, 2026 and 2025 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.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new or modifies existing accounting and financial reporting requirements related to the following:

a. Management's discussion and analysis (MD&A)

b. Unusual or infrequent items

c. Presentation of the proprietary fund statement of revenues, expenses and changes in fund net position

d. Presentation of major component units in the basic financial statements

e. Budgetary comparison information

f. Financial trends information in the statistical section

This standard was implemented July 1, 2025.

Net Operating Income/Loss

The Fund incurred net operating income of $21.7 million and a net operating income of $18.9 million in 2026 and 2025, 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 $291 million and $144.1 million in 2026 and 2025, respectively and are classified as intergovernmental grants. There were no transfers in from the State for 2026 and 2025. 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 8). Investment transactions are recorded on the trade date.

Comparative Data

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

Revenue Obligation Bonds

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

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, Proprietary 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.

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by other external parties.

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 $291 million and $144.1 million of EPA contributions in 2026 and 2025, 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.

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, 2026 and 2025 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 2026 and 2025. The weighted average interest rate was 2.013% and 2.009% at June 30, 2026 and 2025, 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, 2026 and 2025, 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, 2025 through June 30, 2026, these programs entered into financial assistance agreements that included principal forgiveness grants of $123,403,622.

Of the loans outstanding at June 30, 2026 and 2025, $334,825,053 and $317,980,892 (12% 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 $529,601,337 of new loans and $123,403,622 of new grants during fiscal year 2026. For fiscal year 2025, these same programs entered into $566,839,804 of new loans and $123,707,893 of new grants. As of June 30, 2026, they had undisbursed commitments of $537,390,336 relating to loans and $70,280,789 relating to grants. For fiscal year 2025, they had undisbursed commitments of $487,606,623 relating to loans and $62,999,898 relating to grants.

From July 1, 2026 to September 18, 2026, the Fund executed 77 new financial assistance agreements with loans that totaled $233,261,650 and principal forgiveness that totaled $54,227,951. Between July 1, 2026, and September 18, 2026, disbursements against these financial assistance agreements (loans and principal forgiveness) totaled $48,096,038. This amount includes one lead service line project that closed prior to July 1, 2026, 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).

3. Cash and Cash Equivalents

As of June 30, 2026 and 2025, cash and cash equivalents consisted of the following:

	2026	2025	Associated Risk
Money market mutual funds	$ 532,470,246	$ 508,137,698	N/A
State Investment Fund (SIF)	20,114,000	15,623,000	Custodial credit risk, credit risk, concentration of credit risk, interest rate risk
Total unrestricted cash and cash equivalents	$ 552,584,246	$ 523,760,698	

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, 2026 and 2025, the SIF made up 4% and 3% 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, 2026, when available.

4. Net Pension Asset

Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

5. Sick Leave OPEB Asset

Restricted assets have been reported in connection with the sick leave OPEB balance since this balance must be used to fund employee benefits.

6. 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, 2026 and 2025:

Transferred To	Transferred From	June 30, 2026 Amount	June 30, 2025 Amount	Principal Purpose
Bond Security and Redemption	Direct Loan Portfolio	$ 4,500,000	$ 4,500,000	G.O. bond debt service
Debt Service Fund Program	Proprietary Portfolio	12,762	11,535	Personnel services
Subtotal		4,512,762	4,511,535	
Less eliminations		-	-	
Total transfers, statements of revenues, expenses and changes in net position		$ 4,512,762	$ 4,511,535	

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.

7. 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, 2026 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Clean Water Fund Program:					
Revenue bonds issued	$ 292,540,000	$ 66,115,000	$ 30,685,000	$ 327,970,000	$ 25,450,000
Unamortized premiums	39,870,142	8,527,186	7,242,069	41,155,259	7,173,977
Safe Drinking Water Loan Program:					
Revenue bonds issued	103,215,000	33,885,000	2,645,000	134,455,000	7,415,000
Unamortized premiums	15,808,432	4,308,787	2,523,890	17,593,329	2,831,206
Total	$ 451,433,574	$ 112,835,973	$ 43,095,958	$ 521,173,588	$ 42,870,183

Environmental Improvement Fund Revenue Bonds activity as of June 30, 2025 is as follows:

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

Environmental Improvement Fund revenue obligation serial and term bonds as of June 30, 2026 and 2025 consisted of the following:

	2026	2025
2018 Series A:		
Serial Bonds, final maturity June 1, 2026	$ -	$ 15,635,000
Unamortized premium on bonds	-	383,081
	-	16,018,081
2020 Series A:		
Serial Bonds, final maturity June 1, 2039	68,890,000	71,000,000
Unamortized premium on bonds	11,250,266	12,662,599
	80,140,266	83,662,559
2021 Series A:		
Serial Bonds, final maturity June 1, 2040	81,240,000	86,280,000
Unamortized premium on bonds	11,645,857	13,751,979
	92,885,857	100,031,979
2022 Series A:		
Serial Bonds, final maturity June 1, 2043	41,070,000	44,195,000
Unamortized premium on bonds	2,238,904	2,661,511
	43,308,904	46,856,511
2024 Series A:		
Serial Bonds, final maturity June 1, 2033	150,000,000	150,000,000
Unamortized premium on bonds	20,712,823	24,542,111
	170,712,823	174,542,111
2025 Series 1:		
Serial Bonds, final maturity June 1, 2029	21,225,000	28,645,000
Unamortized premium on bonds	974,740	1,677,293
	22,199,740	30,322,293
2025 Series A:		
Serial Bonds, final maturity June 1, 2034	100,000,000	-
Unamortized premium on bonds	11,925,998	-
	111,925,998	-
Total environmental improvement fund revenue series	$ 521,173,588	$ 451,433,574

The original premium at issuance and the interest rates for Environmental Improvement Fund Revenue Bonds outstanding at June 30, 2026 was the following:

Series	Original Issue (Premium)	Interest Rates
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
2025 Series A	(12,835,973)	5.00

Principal and interest due on the Environmental Improvement Fund Revenue Bonds as of June 30, 2026, are as follows:

Years Ending June 30:	Clean Water Fund Program		Safe Drinking Water Loan Program		
	Principal	Interest	Principal	Interest	Total
2027	$ 25,450,000	$ 16,170,650	$ 7,415,000	$ 6,903,200	$ 55,938,850
2028	25,090,000	14,724,150	7,215,000	6,436,900	53,466,050
2029	26,350,000	13,286,950	7,050,000	5,991,250	52,678,200
2030	20,435,000	11,969,450	6,950,000	5,638,750	44,993,200
2031	19,500,000	10,947,700	7,810,000	5,291,250	43,548,950
2032-2036	163,030,000	31,098,500	87,265,000	13,354,250	294,747,750
2037-2041	45,410,000	5,301,400	9,250,000	1,374,000	61,335,400
2042-2043	2,705,000	204,500	1,500,000	113,500	4,523,000
Total	$ 327,970,000	$ 103,703,300	$ 134,455,000	$ 45,103,100	$ 611,231,400

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

Years Ending June 30:	Clean Water Fund Program		Safe Drinking Water Loan Program		
	Principal	Interest	Principal	Interest	Total
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	$ 292,540,000	$ 96,784,950	$ 103,215,000	$ 39,772,300	$ 532,312,250

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 - 2026	$ 462.4 M	2020-2025	2043	19%	$ 611.23 M	$ 53.0 M	$ 187.7 M
Environmental Improvement Fund - 2025	395.8 M	2018-2025	2043	16	532.31 M	55.0 M	181.3 M

8. 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, 2026 and 2025:

	2026	2025
Interest:		
State of Wisconsin Investment Board State Investment Fund	$ 550,364	$ 980,655
U.S. Bank	18,995,240	23,330,289
Total investment income	$ 19,545,604	$ 24,310,944

9. 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 $91.7 million for federal fiscal year 2026. Four percent of the EPA grant amount may be used for wastewater program administrative expenses. Appropriation levels for years 2026 and 2027 are known and were included as part of the Infrastructure Investment and Jobs Act. Appropriation levels for years after 2027 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 2026 and a grant to Wisconsin of approximately $157.5 million is expected for federal fiscal year 2026.

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.

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

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

- Statement No. 105, *Subsequent Events*

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 6). 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.

13. Accounting Changes

The Fund reported a change in accounting principle on the Statement of Revenues, Expenses and Changes in Net Position. The Intergovernmental grants and Grants awarded financial statement line items were classified as nonoperating revenues and expenses in fiscal year 2025. In addition, Transfers out were previously presented within income before transfers. With the implementation of GASB Statement No. 103, *Financial Reporting Model Improvements* for fiscal year 2026, these line items have been retroactively adjusted and are now presented as noncapital subsidies.

SUPPLEMENTARY INFORMATION

State of Wisconsin Environmental Improvement Fund

Statement of Net Position by Program
June 30, 2026

	Clean Water Fund Program		Safe Drinking Water Loan Portfolio	Eliminations	Total
	Direct Loan Portfolio	Proprietary Portfolio			
Assets and Deferred Outflows of Resources					
Current Assets					
Unrestricted cash and cash equivalents	$ 333,842,471	$ 12,638,114	$ 206,103,661	$ -	$ 552,584,246
Receivables:					
Loans to local governments, current portion	174,106,244	973,768	45,499,535	-	220,579,547
Due from other funds	617,653	1,795,404	311,768	(1,762,250)	962,575
Due from other governmental entities	8,352,068	23,312	5,019,406	-	13,394,786
Accrued investment income	-	37,824	-	-	37,824
Other	18,579	16,937	34,709	-	70,225
Prepaid items	-	47	-	-	47
Total current assets	516,937,015	15,485,406	256,969,079	(1,762,250)	787,629,250
Noncurrent Assets					
Loans to local governments	1,877,931,295	7,340,941	576,170,719	-	2,461,442,955
Advances to other funds	7,695,733	-	-	-	7,695,733
Restricted assets:					
Net pension asset	-	42,283	-	-	42,283
Sick leave OPEB asset	-	1,451	-	-	1,451
Total noncurrent assets	1,885,627,028	7,384,675	576,170,719	-	2,469,182,422
Total assets	2,402,564,043	22,870,081	833,139,798	(1,762,250)	3,256,811,672
Deferred Outflows of Resources					
Pension related amounts	-	234,714	-	-	234,714
OPEB related amounts, health	-	7,263	-	-	7,263
OPEB related amounts, life	-	3,827	-	-	3,827
Total deferred outflows of resources	-	245,804	-	-	245,804
Total assets and deferred outflows of resources	$ 2,402,564,043	$ 23,115,885	$ 833,139,798	$ (1,762,250)	$ 3,257,057,476

State of Wisconsin Environmental Improvement Fund

Statement of Net Position by Program
June 30, 2026

	Clean Water Fund Program		Safe Drinking Water Loan Portfolio	Eliminations	Total
	Direct Loan Portfolio	Proprietary Portfolio			
Liabilities, Deferred Inflows of Resources and Net Position					
Current Liabilities					
Accrued expenses	$ 10,254	$ 31,673	$ 885,992	$ -	$ 927,919
Accrued interest on bonds	1,347,554	-	575,267	-	1,922,821
Due to other funds	2,743,257	124,220	1,030,920	(1,762,250)	2,136,147
Due to other governmental entities	-	-	241,123	-	241,123
Compensated absences, current portion	-	230,924	-	-	230,924
Revenue obligation bonds (including unamortized premium)	32,623,977	-	10,246,206	-	42,870,183
Total current liabilities	36,725,042	386,817	12,979,508	(1,762,250)	48,329,117
Noncurrent Liabilities					
OPEB liability, health	-	44,455	-	-	44,455
Net OPEB liability, life	-	34,067	-	-	34,067
Compensated absences	-	433,860	-	-	433,860
Revenue obligation bonds (including unamortized premium)	336,501,282	-	141,802,123	-	478,303,405
Total noncurrent liabilities	336,501,282	512,382	141,802,123	-	478,815,787
Total liabilities	373,226,324	899,199	154,781,631	(1,762,250)	527,144,904
Deferred Inflows of Resources					
Pension related amounts	-	220,707	-	-	220,707
OPEB related amounts, health	-	10,551	-	-	10,551
OPEB related amounts, life	-	17,771	-	-	17,771
OPEB related amounts, sick	-	80,128	-	-	80,128
Unamortized charges	623,487	-	-	-	623,487
Total deferred inflows of resources	623,487	329,157	-	-	952,644
Net Position					
Restricted for:					
Environmental improvement	2,028,714,232	-	678,358,167	-	2,707,072,399
Net pension asset	-	42,283	-	-	42,283
OPEB asset	-	1,451	-	-	1,451
Unrestricted	-	21,843,795	-	-	21,843,795
Total net position	2,028,714,232	21,887,529	678,358,167	-	2,728,959,928
Total liabilities, deferred inflows of resources and net position	$ 2,402,564,043	$ 23,115,885	$ 833,139,798	$ (1,762,250)	$ 3,257,057,476

State of Wisconsin Environmental Improvement Fund

Statement of Revenues, Expenses and Changes in Net Position by Program
Year Ended June 30, 2026

	Clean Water Fund Program		Safe Drinking Water Loan Portfolio	Eliminations	Total
	Direct Loan Portfolio	Proprietary Portfolio			
Operating Revenues					
Loan interest	$ -	$ 107,032	$ -	$ -	$ 107,032
Interest income used as security for revenue bonds	38,857,135	-	9,508,041	-	48,365,176
Miscellaneous other	3,758,234	11,752	1,275,447	-	5,045,433
Total operating revenues	42,615,369	118,784	10,783,488	-	53,517,641
Operating Expenses					
Salaries and benefits	3,675,259	(41,872)	6,056,194	-	9,689,581
Contractual services and other	839,346	-	7,453,159	-	8,292,505
Total operating expenses	4,514,605	(41,872)	13,509,353	-	17,982,086
Operating income (loss)	38,100,764	160,656	(2,725,865)	-	35,535,555
Noncapital Subsidies					
Intergovernmental grants	127,061,095	-	163,937,236	-	290,998,331
Grants awarded	(37,265,091)	(86,493)	(77,358,956)	-	(114,710,540)
Transfers in	247,954,615	-	302,523,446	(550,478,061)	-
Transfers out	(252,454,615)	(12,762)	(302,523,446)	550,478,061	(4,512,762)
Total noncapital subsidies	85,296,004	(99,255)	86,578,280	-	171,775,029
Operating income (loss) and noncapital subsidies	123,396,768	61,401	83,852,415	-	207,310,584
Other Nonoperating Revenues (Expenses)					
Interest	(9,456,645)	-	(4,378,649)	-	(13,835,294)
Investment income	11,939,376	153,811	7,452,417	-	19,545,604
Total other nonoperating revenues (expenses)	2,482,731	153,811	3,073,768	-	5,710,310
Change in net position	125,879,499	215,212	86,926,183	-	213,020,894
Net Position, Beginning	1,902,834,733	21,672,317	591,431,984	-	2,515,939,034
Net Position, Ending	$ 2,028,714,232	$ 21,887,529	$ 678,358,167	$ -	$ 2,728,959,928

State of Wisconsin Environmental Improvement Fund

Statement of Cash Flows by Program
Year Ended June 30, 2026

	Clean Water Fund Program		Safe Drinking Water Loan Portfolio	Eliminations	Total
	Direct Loan Portfolio	Proprietary Portfolio			
Cash Flows From Operating Activities					
Collection of loans	$ 173,946,516	$ 817,468	$ 42,541,745	$ -	$ 217,305,729
Interest received on loans	38,319,386	102,278	9,218,101	-	47,639,765
Origination of loans	(318,480,694)	(1,512,668)	(146,545,893)	-	(466,539,255)
Payments to employees for services	(11,065,856)	6,306,426	(8,528,308)	-	(13,287,738)
Payments to suppliers and other	(3,067,608)	2,035,866	(6,884,769)	-	(7,916,511)
Other operating revenues	3,758,234	11,752	1,275,447	-	5,045,433
Net cash flows from operating activities	(116,590,022)	7,761,122	(108,923,677)	-	(217,752,577)
Cash Flows From Noncapital Financing Activities					
Intergovernmental grants received	126,407,248	-	164,306,748	-	290,713,996
Grants paid	(37,147,436)	(86,493)	(77,476,611)	-	(114,710,540)
Transfers in	247,954,615	-	302,523,446	(550,478,061)	-
Transfers out	(252,454,615)	(12,762)	(302,523,446)	550,478,061	(4,512,762)
Proceeds from issuance of long-term debt	74,562,278	-	38,152,834	-	112,715,112
Retirement of long-term debt	(30,685,000)	-	(5,786,225)	-	(36,471,225)
Interest payments	(16,970,289)	-	(3,517,725)	-	(20,488,014)
Other cash flows from noncapital financing activities	(242,467)	-	-	-	(242,467)
Net cash flows from noncapital financing activities	111,424,334	(99,255)	115,679,021	-	227,004,100
Cash Flows From Investing Activities					
Investment and interest income	11,939,376	180,232	7,452,417	-	19,572,025
Net cash flows from investing activities	11,939,376	180,232	7,452,417	-	19,572,025
Net increase in cash and cash equivalents	6,773,688	7,842,099	14,207,761	-	28,823,548
Cash and Cash Equivalents, Beginning	327,068,783	4,796,015	191,895,900	-	523,760,698
Cash and Cash Equivalents, Ending	$ 333,842,471	$ 12,638,114	$ 206,103,661	$ -	$ 552,584,246

State of Wisconsin Environmental Improvement Fund

Statement of Cash Flows by Program
Year Ended June 30, 2026

	Clean Water Fund Program		Safe Drinking Water Loan Portfolio	Eliminations	Total
	Direct Loan Portfolio	Proprietary Portfolio			
Reconciliation of Operating Income (Loss) to Net Cash Flows From Operating Activities					
Operating income (loss)	$ 38,100,764	$ 160,656	$ (2,725,865)	$ -	$ 35,535,555
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Changes in assets, deferred outflow of resources, liabilities and deferred inflows of resources:					
Receivables	(3,004)	-	(18,506)	-	(21,510)
Loans to other governments	(144,600,308)	(695,199)	(103,938,016)	-	(249,233,523)
Due from other funds	(552,234)	8,418,173	(163,973)	(8,448,865)	(746,899)
Proportionate share of contributions	-	210,513	-	-	210,513
Prepaid items	-	13	-	-	13
Compensated absences	-	(180,341)	-	-	(180,341)
Net pension	-	(61,434)	-	-	(61,434)
Accrued expenses	4,906	9,051	609,881	-	623,838
Accrued interest on bonds	(683,880)	(4,754)	(291,561)	-	(980,195)
Due to other funds	(8,856,266)	(95,556)	(2,489,102)	8,448,865	(2,992,059)
Due to other governmental entities	-	-	93,465	-	93,465
Total adjustments	(154,690,786)	7,600,466	(106,197,812)	-	(253,288,132)
Net cash flows from operating activities	$ (116,590,022)	$ 7,761,122	$ (108,923,677)	$ -	$ (217,752,577)
Noncash Investing and Noncapital Financing Activities					
Bond premium amortization	$ 7,242,069	$ -	$ 2,523,890	$ -	$ 9,765,959

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, 2026, and the related statements of revenues, expenses, 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, 2026.

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.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

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, 2026