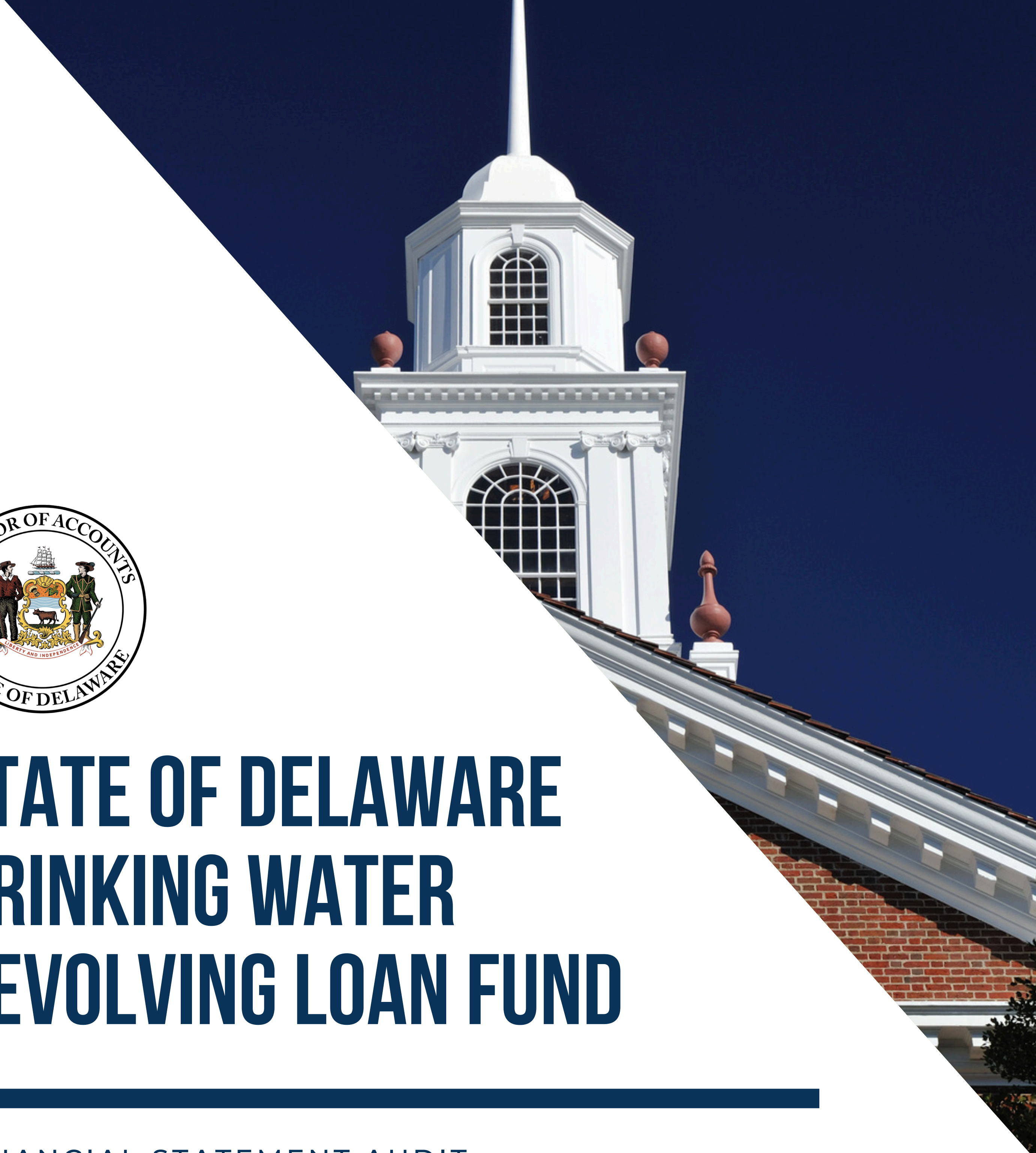

STATE OF DELAWARE DRINKING WATER REVOLVING LOAN FUND

FINANCIAL STATEMENT AUDIT
FISCAL YEARS ENDED JUNE 30, 2025 AND 2024

STATE OF DELAWARE DRINKING WATER REVOLVING LOAN FUND

REPORT SUMMARY FOR FISCAL YEARS ENDED JUNE 30, 2025 & 2024

BACKGROUND

The Drinking Water State Revolving Fund (DWSRF) Fund was established in 1996 and provides financial assistance to eligible public water systems in Delaware for the planning, design, and construction of drinking water facilities, as well as loans for land acquisition for source water protection purposes.

The Fund is funded through federal grants as established under the Federal Safe Drinking Water Act and the Capitalization Grants for the Drinking Water State Revolving Loan Fund. The Safe Water Drinking Act requires the State of Delaware (the State) to provide matching funds equal to 20% of federal funds received. The Delaware Department of Natural Resources and Environmental Control (DNREC) and the State of Delaware Department of Health and Social Services (DHSS) administers the fund.

During fiscal year ended June 30, 2025, the Fund received grants (Emerging Contaminants Grant, Lead Service Line Grant, and General Supplement Grant) funded by the Infrastructure Investment and Jobs Act (IIJA) which provides funds for the DWSRF program. The grants are to provide low interest financing to numerous subrecipients for costs associated with the planning, design, and construction of eligible water quality improvement and protection projects. EPA authorized the Fund to issue subsidization through principal forgiveness loans with a policy to maintain an allowance equal to the amount of disbursement until the last disbursement is made. The State is not required to match funds for the Emerging Contaminants or Lead Service Line Grants, however, is required to provide matching funds equal to 10% of the General Supplemental Grant.

This engagement was conducted in accordance with 29 Del. C. §2906.

KEY INFORMATION AND FINDINGS

This audit contains an unmodified opinion on the financial statements. An unmodified opinion is sometimes referred to as a "clean" opinion, in which the auditor expresses an opinion that the financial statements are presented fairly, in all material respects, an entity's financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. There were no findings required to be reported under Government Auditing Standards.

Drinking Water Revolving Fund (In Thousands, 2021-2025)					
	2025	2024	2023	2022	2021
Net Position	$251,105	$233,009	$208,093	$195,315	$190,257
Pooled Cash & Investments	$139,236	$121,174	$106,630	$95,544	$76,903
Loans Receivable	$114, 314	$111,230	$100,932	$99,228	$106,186

State of Delaware Drinking Water Revolving Loan Fund
Financial Statements
Fiscal Years Ended June 30, 2025 and 2024

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INDEPENDENT AUDITORS' REPORT

Delaware Department of Natural Resources and Environmental Control
and the Water Infrastructure Advisory Council
Dover, Delaware

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the State of Delaware Drinking Water Revolving Loan Fund (the Fund) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Fund's basic 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 of the Fund as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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. 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 Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note A, the financial statements present only the financial position, results of operations and where applicable, cash flows of the Fund and do not purport to, and do not, present fairly the financial position of the State of Delaware, as of June 30, 2025, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

The basic financial statements of the Fund as of June 30, 2024, were audited by other auditors whose report dated April 3, 2025, expressed an unmodified opinion on the Fund, and included an emphasis of matter paragraph indicating the financial statements of the Fund did not purport to, and did not present fairly the financial position of the State of Delaware as of June 30, 2024, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. 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 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.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

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

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The schedule of fund net position by sub-fund, schedule of activities by sub-fund, schedules of fund net position by classification, and schedules of activities by classification (collectively, the supplementary information) are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 is fairly stated in all material respects in relation to the basic 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 April 22, 2026 on our consideration of the 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 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 Fund's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Timonium, Maryland
April 22, 2026

State of Delaware Drinking Water Revolving Loan Fund
Management's Discussion and Analysis
June 30, 2025 and 2024

As management of the State of Delaware Drinking Water Revolving Loan Fund (the Fund), we offer readers of the Fund's financial statements this narrative overview and analysis of the financial activities of the Fund for the fiscal years ended June 30, 2025 and 2024 (fiscal years 2025 and 2024). All amounts, unless otherwise indicated, are expressed in thousands of dollars.

This section of the Fund's annual financial statements presents management's discussion and analysis of the financial performance during the fiscal year. Please read it in conjunction with the Fund's financial statements, which follow this section.

Overview of the Financial Statements

The Fund was established through subsection 15 of Title 29, Chapter 79 of the Delaware Code, §7903(14), and provides financial assistance to eligible public water systems in Delaware for the planning, design and construction of drinking water facilities, as well as loans for land acquisition for source water protection purposes. The Fund is funded through federal capitalization grants as established under Federal §1452 of the Safe Drinking Water Act (the Act). The Act requires the State of Delaware (the State) to provide matching funds equal to 20% of federal funds received.

During fiscal year ended June 30, 2025, the Fund received grants funded by the Infrastructure Investment and Jobs Act which provides funds for the Drinking Water State Revolving Fund program; the Emerging Contaminants Grant, Lead Service Line Grant and the General Supplemental Grant. The grants are to provide low interest financing to numerous subrecipients for costs associated with the planning, design, and construction of eligible water quality improvement and protection projects. The State is required to provide matching funds equal to 10% of the General Supplemental Grant. No match is required for the Emerging Contaminants or Lead Service Line grants.

The Fund is jointly administered by the Department of Natural Resources and Environmental Control (DNREC) and the State of Delaware Department of Health and Social Services (DHSS). The primary activities include making loans, providing direct assistance, and managing the Fund to meet the objectives of the Act.

The Fund consists of five sub-funds, each of which is considered a separate accounting entity. The primary activity of the Loan Fund, the main sub-fund is the issuance of loans. The remaining four set-aside sub-funds are used to account for the proceeds of specific federal grant revenues that are legally restricted to expenses for specific purposes.

The Fund's activities are accounted for as a distinct operating unit within the DNREC. Accordingly, the financial statements of the Fund are intended to present the financial position and the results of operations of only that portion of the State that are attributable to the transactions of the Fund.

The Fund is accounted for as an enterprise fund. The accrual basis of accounting is utilized in enterprise funds. Revenue is recognized when earned, and expenses are recognized when the liability is incurred.

The United States Environmental Protection Agency (the “EPA”) authorized the Fund to issue subsidization through principal forgiveness loans. These loans are deemed no longer outstanding after the last loan disbursement is forgiven per the terms of the loan agreement. Therefore, it is the Fund’s policy to maintain an allowance for subsidization through principal forgiveness loans, equal to the amount of the disbursement, until the last disbursement is made.

Financial Highlights (Numbers in Thousands)

The Fund realized a change in net position of $21,096 in fiscal year 2025, which represents an increase of 9%. The increase was primarily a result of an increase in cash accounts interest income, coupled with consistent grant revenue. The Fund realized a change in net position of $24,915 in fiscal year 2024, which represents an increase of 12%. The increase in net position in 2024 was primarily a result of an increase in grant revenue and interest income.

Grant revenue recognized from the federal and state governments totaled $30,458 in fiscal year 2025, a 4% increase from fiscal year 2024, due to an increase in state revenues. Grant revenue recognized from the federal and state governments totaled $29,380 in fiscal year 2024, a 19% increase from fiscal year 2023, due to an increase in federal revenues.

Loans made totaled $22,138 during fiscal year 2025, which represents a decrease of $2,335 from the previous year. This decrease of 10% was caused by decreased draws on existing loans from municipalities and others through the state. Loans made during 2024 totaled $24,473, which represents an increase of $3,632 from the previous year. This increase of 17% was caused by increased draws on existing loans from municipalities and others through the state.

Loan collections (principal) totaled $10,254 during fiscal year 2025. This represents an overall increase of $726, 8%, from 2024 due to increased borrowings resulting in increased principal payments by loan recipients. Loan collections (principal) totaled $9,527 during 2024. This represents an overall increase of $647 or 7%, from the prior year.

Loan agreements may provide for a subsidization of the loan where, upon completion, a percentage of the loan will be forgiven. The allowance for subsidization for fiscal 2025 was $13,524. This represents an overall increase of $8,689, or 180% from fiscal 2024. The allowance for subsidization for fiscal 2024 increased $2,695 from 2023, or 126% to $4,835.

Statement of Net Position

The total net position of the Fund for years ended June 30, 2025 and 2024 increased by $21,096 and $24,916, respectively. The following condensed statement of net position (Table 1) shows a summary of changes in dollars for the Fund for fiscal years ended June 30, 2025, 2024 and 2023.

During fiscal year 2025, pooled cash increased by approximately $18,062, or 15%, to $139,236 based on an increase in interest income, and an increase in EPA grant receipts. Loans receivable increased, by $3,085, or 3%, to $114,315, mostly as a result of increased loans made. Federal grants receivable decreased by $8,899, or 61%, due to the timing of reimbursements requests from the EPA during fiscal year ended June 30, 2025. Due to state decreased $12,310, or 87%, due to decreased state grants received.

During fiscal year 2024, pooled cash increased by approximately $14,544, or 14%, to $121,174 based on an increase in interest income, and an increase in collections. Loans receivable increased, by $10,299, or 10%, to $111,230, mostly as a result of increased loans made, a decrease in principal forgiveness and an increase in federal grants received. Federal grants receivable increased by $13,011, or 799%, due to the timing of reimbursements requests from the EPA during fiscal year ended June 30, 2024. Due to state increased $12,949, or 1,040%, due to increased state grants received.

Vouchers payable in 2025 increased by $3,332 or 638% from the prior year as a result of timing of disbursements at year end for 2025. Vouchers payable in 2024 increased by $140, or 37% for the same reason.

The intangible right-to-use asset decreased by $2 or 7% from fiscal year 2024. The intangible right-of-use asset decreased $11 from fiscal year 2023. The related lease liability decreased $3 or 11%, in fiscal year 2025. The lease liability decreased $12 or 28% in fiscal 2024.

Table 1
Statement of Net Position
(Thousands of Dollars)

	June 30, 2025	2024	2023
Current assets			
Pooled cash and investments	$ 139,236	$ 121,174	$ 106,630
Loans, current portion	8,961	9,343	8,890
Loan interest	556	686	534
Federal grants receivable	5,739	14,638	1,628
Total current assets	154,492	145,841	117,682
Noncurrent assets			
Operating right-of-use assets	26	28	39
Loans, net of current portion	105,353	101,887	92,042
Total current assets	105,379	101,915	92,081
Total assets	$ 259,871	$ 247,756	$ 209,763
Current liabilities			
Due to State	$ 1,885	$ 14,195	$ 1,245
Short term lease liability	14	10	12
Vouchers payable	3,854	522	382
Total current liabilities	5,753	14,727	1,639
Noncurrent liabilities			
Long term lease liabilty	13	21	31
Total liabilities	5,766	14,748	1,670
Net position restricted for DWSRF program	254,105	233,008	208,093
Total liabilities and net position	$ 259,871	$ 247,756	$ 209,763

Statement of Revenues, Expenses, and Changes in Net Position (Numbers in Thousands)

The following schedule summarizes the statement of revenue, expenses, and changes in net position of the Fund for the fiscal years ended June 30, 2025, 2024, and 2023 (Table 2).

Federal grant revenue decreased by $1,338, or 5%, and the state match revenue increased $2,416, due the timing cost incurred and reimbursements that were not considered available during fiscal year 2025 and different match requirements on the new grants. Federal grant revenue increased by $4,792, or 22% during fiscal year 2024 due to an increase in loan requests.

Statement of Revenues, Expenses, and Changes in Net Position (Numbers in Thousands) - Continued

Interest income from cash deposits increased by $2,511, or 62% during fiscal year 2025. Interest income from cash deposits increased by $3,168, or 366%, during fiscal year 2024. These increases are due to increased rates in fiscal years 2025 and 2024, coupled with higher cash deposit balances.

In 2025, operating expenses decreased by approximately $23, or less than 1%, due mostly to the decreases in contract services, grants, and training.

In 2024, operating expenses increased by approximately $797, or 15%, due mostly to increases in contract services and training.

Table 2
Statement of Revenues, Expenses and Changes in Net Position
(Thousands of Dollars)

	June 30, 2025	2024	2023
Operating revenue			
Interest income - loans and administrative fees	$ 2,235	$ 2,508	$ 2,457
Operating expenses			
Salaries and related benefits	3,067	2,882	2,807
Contract services	1,994	2,227	1,603
Grants	255	275	327
Supplies	493	276	458
Training	165	349	-
Travel	13	2	19
Total operating expenses	5,987	6,011	5,214
Operating loss	(3,752)	(3,503)	(2,757)
Nonoperating revenues and expenses			
Amortization	$ (13)	$ (12)	$ (12)
Lease Interest	(1)	(1)	(2)
Interest income - cash deposits	6,546	4,035	867
Grant revenue	24,929	26,267	21,475
State match	5,529	3,113	3,201
Subsidization through principal forgiveness	(12,141)	(4,984)	(9,994)
Total nonoperating revenues and expenses	24,849	28,418	15,535
Change in net position	21,097	24,915	12,778
Net position - beginning of year	233,008	208,093	195,315
Net position - ending of year	$ 254,105	$ 233,008	$ 208,093

Request for Information

This financial report is designed to provide a general overview of the Fund's finances to the users of such data. Requests for additional copies of this report, questions concerning any of the information in this report, and requests for additional financial information should be addressed to:

Laura Robbins
State of Delaware
Department of Natural Resources & Environmental Control
Environmental Finance
97 Commerce Way, Suite 106
Dover, DE 19901

State of Delaware
Drinking Water Revolving Loan Fund

Statements of Net Position
June 30, 2025 and 2024

	2025	2024
Assets		
Current assets		
Pooled cash and investments	$ 139,235,955	$ 121,173,616
Loans receivable	8,961,321	9,343,190
Interest receivable	555,927	686,286
Federal grants receivable	5,738,994	14,638,477
Total current assets	154,492,197	145,841,569
Noncurrent assets		
Operating right-of-use asset	25,668	27,656
Loans receivable	105,353,270	101,886,801
Total noncurrent assets	105,378,938	101,914,457
Total assets	$ 259,871,135	$ 247,756,026
Liabilities		
Current liabilities		
Due to State	$ 1,885,330	$ 14,194,947
Short-term lease liability	13,780	9,663
Vouchers payable	3,853,664	521,926
Total current liabilities	5,752,774	14,726,536
Noncurrent liabilities		
Long-term lease liability	13,450	20,947
Total liabilities	5,766,224	14,747,483
Net position		
Net position restricted for DWSRF program	254,104,911	233,008,543
Total liabilities and net position	$ 259,871,135	$ 247,756,026

See accompanying notes to financial statements.

State of Delaware
Drinking Water Revolving Loan Fund
Statements of Revenues, Expenses and Changes in Fund Net Position
Years Ended June 30, 2025 and 2024

	2025	2024
Operating revenues		
Interest income - loans	$ 1,110,666	$ 1,239,119
Interest income - administrative fees	1,124,778	1,268,739
Total operating revenues	2,235,444	2,507,858
Operating expenses		
Salaries and related benefits	3,067,789	2,881,837
Contract services	1,993,621	2,227,075
Grants	255,293	274,941
Supplies	492,616	275,641
Training	165,244	348,593
Travel	12,998	2,375
Total operating expenses	5,987,561	6,010,462
Operating loss	(3,752,117)	(3,502,604)
Nonoperating revenues and expenses		
Amortization	(12,660)	(11,817)
Lease interest	(1,400)	(1,169)
Interest income - cash accounts	6,546,010	4,034,914
Grant revenue	24,928,981	26,266,963
State match	5,529,200	3,112,900
Subsidization through principal forgiveness	(12,141,646)	(4,983,685)
Total nonoperating revenues	24,848,485	28,418,106
Change in net position	21,096,368	24,915,502
Net position - beginning of year	233,008,543	208,093,041
Net position - end of year	$ 254,104,911	$ 233,008,543

See accompanying notes to financial statements.

State of Delaware
Drinking Water Revolving Loan Fund
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Loan repayments	$ 10,253,750	$ 9,527,459
Interest income - loans	1,110,666	1,239,119
Interest income - administrative fees	1,255,138	1,116,919
Loan disbursements	(22,138,097)	(24,472,895)
Salaries and related benefits paid	(3,067,789)	(2,881,837)
General expenses paid	(2,929,934)	(3,325,731)
Net cash used in operating activities	(15,516,266)	(18,796,966)
Cash flows from noncapital financing activities		
Grants received from EPA	33,817,792	13,256,392
Grants received from State	5,529,200	3,112,900
Advance from (repayment to) State	(12,309,617)	12,949,320
Net cash provided by noncapital financing activities	27,037,375	29,318,612
Cash flows from noncapital financing activities		
Principal paid on capital debt	(3,380)	(11,834)
Interest paid on capital debt	(1,400)	(1,169)
Net cash used in capital and related financing activities	(4,780)	(13,003)
Cash flows from investing activities		
Interest received from cash deposits	6,546,010	4,034,914
Net increase in cash and cash equivalents	18,062,339	14,543,557
Cash and cash equivalents - beginning of year	121,173,616	106,630,059
Cash and cash equivalents - end of year	$ 139,235,955	$ 121,173,616
Reconciliation of net operating income to net cash used in operating activities:		
Operating loss	$ (3,752,117)	$ (3,502,604)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Changes in assets and liabilities:		
Decrease (increase) in loans receivable	(15,226,246)	(15,282,189)
Decrease (increase) in interest and dividends receivable	130,359	(151,821)
Increase (decrease) in vouchers payable	3,331,738	139,648
Net cash used in operating activities	$ (15,516,266)	$ (18,796,966)
Schedule of noncash investing activities		
Subsidization through principal forgiveness	$ (12,141,646)	$ (4,983,685)
Noncash Lease acquisition	-	8,244
	$ (12,141,646)	$ (4,975,441)

See accompanying notes to financial statements.

Note A - Summary of Significant Accounting Policies

This summary of significant accounting policies of the State of Delaware Drinking Water Revolving Loan Fund (the Fund) is presented to assist in understanding the Fund's financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the financial statements.

1. General Background

The Fund was established through Title 29, Chapter 79 of the Delaware Code, which provides financial assistance to eligible public water systems in Delaware for the planning, design, and construction of drinking water facilities as well as loans for land acquisition for source water protection purposes. Standard loans made by the Fund must be repaid within 20 to 30 years. All repayments, including interest and principal, must remain in the Fund.

The Fund is jointly administered by the State of Delaware Department of Health and Social Services (DHSS), and the State of Delaware Department of Natural Resources and Environmental Control (DNREC). DHSS is responsible for program administration, which includes management of program set-asides. DNREC is responsible for accounting and financial management, which includes management of accounts, coordinating audit requirements, and coordinating loan closings with legal counsel.

The Fund is funded through federal capitalization grants as established under Federal §1452 of the Safe Drinking Water Act (the Act) and Capitalization Grants for Drinking Water State Revolving Loan Fund (Assistance Listing #66,488)(Capitalization Grants). The Act requires the State of Delaware (the State) to provide matching funds equal to 20% of federal funds received.

During the fiscal year ended June 30, 2023, the Fund received additional grants funded by the Infrastructure Investment and Jobs Act (IIJA), which provides funds for the Drinking Water Revolving Loan Fund (DWSRF) program. These grants are known as the Emerging Contaminants Grant, Lead Service Line and the General Supplemental Grant. The activities are to provide low interest financing to numerous subrecipients for costs associated with the planning, design, and construction of eligible water quality improvement and protection projects. The Emerging Contaminants Grant's primary objective to address emerging contaminants in drinking water with a focus on projects addressing perfluoroalkyl and polyfluoroalkyl substances (PFAS) under section 1452 of the Safe Drinking Water Act (SDWA). The Lead Service Line Grant has an emphasis on lead service line replacement and associated activities directly connected to the identification, planning, design, and replacement of lead service lines.

Note A - Summary of Significant Accounting Policies (Continued)

1. **General Background (Continued)**

The grants were issued as follows:

Grant Year	Total Available Funding	Federal Portion	State Portion
ARRA	$ 19,500,000	$ 19,500,000	$ -
1997-2020 *	226,594,498	188,828,748	37,765,750
2021	13,320,000	11,100,000	2,220,000
2022	64,105,800	60,905,000	3,200,800
2023	65,494,900	62,382,000	3,112,900
2024	45,754,363	40,225,163	5,529,200
Total	$434,769,561	$382,940,911	$51,828,650

*Amounts were adjusted to reflect deobligation of federal funding, and corresponding State match, see note A-6.

The federal grant years are one year behind the Fund's fiscal year. Therefore, federal year 2024 corresponds to the Fund's 2025 fiscal year.

The State match is paid from nonfederal administrative funds or from appropriations received from the State.

The Fund is accounted for as an enterprise fund. The Fund is made up of four sub-funds whose funds are restricted for specific purposes. The sub-funds are described below:

Loan Fund

The primary purpose of the Loan Fund is to serve as a permanent loan fund to make low-interest loans to public water systems.

Set-Aside Sub-Funds

The Set-Aside Sub-Funds are used to account for the proceeds of specific grant revenues that are legally restricted to expenditures for specific purposes.

There are four such funds:

a. The 2% Technical Assistance Sub-Fund is used to account for the funds allotted to the State (up to 2% of the total) to provide assistance to public water systems serving 10,000 people or fewer.
b. The 4% Administration Sub-Fund is used to account for the funds allotted to the State (up to 4% of the total) for the reasonable costs of administering the programs under §1452 and providing technical assistance. These costs may include such activities as issuing debt; program start-up costs; audit costs; financial, management and legal consulting fees; development of an intended use plan and priority ranking system;

Note A - Summary of Significant Accounting Policies (Continued)

1. **General Background (Continued)**

b. (Continued)

development of affordability criteria; and cost of support services provided by other State agencies.

c. The 10% Program Management Sub-Fund is used to account for the funds allotted to the State (up to 10% of the total) to:
   1) Administer the State Public Water System Supervision Program (PWSS) program;
   2) Administer or provide technical assistance through source water protection programs;
   3) Develop and implement a capacity development strategy; and
   4) Develop and implement an operator certification program.

d. The 15% Local Assistance Sub-Funds are used to fund several other categories of activities to assist development and implementation of local drinking water protection initiatives with the stipulation that not more than 20% of the capitalization grant amount can be used for any one activity.

2. Type of Entity and Division of Funds

The Fund is part of the reporting entity of the State. The Fund's activities are accounted for as a distinct operating unit within the DNREC. Accordingly, the financial statements of the Fund are intended to present the financial position and the results of operations of only that portion of the funds and account groups of the State that is attributable to the transactions of the Fund. The Fund is included in the State's basic financial statements as an activity reported within the Federal fund; a major governmental fund.

3. Measurement Focus and Basis of Accounting

The Fund's activities are financed and operated as an enterprise fund. The accompanying financial statements of the Fund have been prepared under the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with its activities are included on its statements of net position. The statements of revenues, expenses and changes in net position present increases (revenues) and decreases (expenses) in total net position.

The Fund utilizes the accrual basis of accounting in conformity with U.S. GAAP applicable to governmental entities as prescribed by the Governmental Accounting Standard Board (GASB). Under this method, revenues are recorded when earned, and expenses are recorded when incurred, regardless of the timing of the related cash flows. When an expense is incurred that can be paid using either restricted or unrestricted resources, it is the Fund's policy to first apply the expense towards restricted resources and then toward unrestricted resources.

Note A - Summary of Significant Accounting Policies (Continued)

3. Measurement Focus and Basis of Accounting (Continued)

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Fund. Operating revenues consist primarily of interest on loans receivable, and loan administration fees. Non-operating revenues and expenses consist of federal and state grants and those revenues and expenses that are related to financing and investing types of activities.

4. Recognition of Revenues

Federal assistance provided to the Fund by the EPA and State is earned when qualified loan requisitions and supporting expenditure documentation is received by the Fund and when the borrowers' authorized representative and consulting engineer have certified the work completed. Matching funds provided by the State are considered earned by the same criteria. Amounts earned in excess of grant monies received from the EPA and the State are recorded as grants receivable, whereas an excess of grant monies received over the amounts earned is recorded as unearned grant revenue. A right of set-off does not exist between the State and the EPA.

Operating revenues include those that result from the Fund's lending activities. Non-operating revenues include those from noncapital financing and investing activities.

5. Pooled Cash

Pooled cash consists of the funds allocated share of cash, cash equivalents, and investments under control of the Treasurer of the State of Delaware (the Treasurer) (see Note B).

6. Use of Estimates

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

Note B - Pooled Cash

Pooled Cash - State Treasurer's Pool

Pooled cash, as reported on the statements of net position, represents the Fund's allocated share of cash, cash equivalents, and investments under the control of the Treasurer. All cash is deposited with the Treasurer by State agencies and maintained by the Treasurer in various pooled funds. The Treasurer invests the deposited cash, including cash float in short-term securities and other investments. Interest income is credited to the Fund based on the weighted average rate of return on the State's monies applied to the Fund's average monthly spending authority. Pooled investments represent those investments in units of a pool rather than specific securities. Since the Fund's pooled cash is part of the State's pooled deposits and investments

Note B - Pooled Cash - Continued

Pooled Cash - State Treasurer's Pool (Continued)

maintained by the Treasurer, the required disclosures related to risks are included in the State of Delaware's Annual Comprehensive Financial Report.

The Cash Management Policy Board

The State's policy for the investment of State funds is the responsibility of the Cash Management Policy Board (the Board). The Board, created by State law, establishes policies for and the terms, conditions, and other matters relating to the investment of all money belonging to the State except money in any State pension fund and money held under the State deferred compensation program. The Policy is available on the Treasurer of the State of Delaware's website (http://treasury.delaware.gov/).

Investment Guidelines and Management

The investment guidelines adopted by the Board provide, among other things, that no more than 10% of the portfolio may be invested in obligations of any one issuer other than the U.S. Government. Investments may be made only in fixed income instruments with maturities of up to five years in certain circumstances.

Collateralization Requirements

All State certificates of deposit and time deposits are required by law to be collateralized by direct obligations of, or obligations that are guaranteed by the United States of America or other suitable obligations as determined by the Board, unless the Board shall find such collateralization not in the best interest of the State. The Board has determined that certificates of deposit and time deposits must be collateralized unless the bank issuing the certificate has assets of not less than $5 billion and is rated not lower than "B" by Fitch, Inc.'s Bank Watch Service. The Board has also determined that State demand deposits need not be collateralized provided that any bank that holds these funds has for the last two years, a return on average assets of .5% or greater and an average equity - capital ratio of at least 1:20.

If the bank does not meet the above criteria, collateral must consist of one or more of the following:

- U.S. Government securities;
- U.S. Government agency securities;
- Federal Home Loan Board letters of credit;
- State of Delaware securities; or
- Securities of a political subdivision of the State with a Moody's Investors Service rating of "A" or better.

Additionally, the bank must ensure that those securities pledged as collateral have a market value equal to or greater that 102% of the legal balance(s) in the account(s) each day and ensure that securities pledged are identified as held in the State's name and are segregated on the bank's records.

Note C - Available Funding, Disbursements, and Remaining Balance by Funding Year

As of June 30, 2025, the Fund had federal grants awarded in the amount of $236,134,749, from which it had made disbursements of $232,541,172. These amounts reflect the $27,050,177 of federal grants deobligated by the EPA in the 2012 fiscal year, see Note F. The breakdown for all grants is as follows:

Loan Fund

Grant Year	Committed Portion of Available Funding	Disbursed to Date	Reallocation of Funds	Remaining Balance
ARRA	$ 18,778,138	$ 18,778,138	$ -	$ -
1997-2020	135,383,187	135,850,646	467,459	-
2021	7,659,000	7,659,000	-	-
2022	5,008,134	5,008,134	-	-
2023	5,037,000	5,037,000	-	-
2024	4,661,000	1,067,423	-	3,593,577
Total	$176,526,459	$173,400,341	$ 467,459	$ 3,593,577

Set-Aside Sub-Funds

2% Technical Assistance

Grant Year	Committed Portion of Available Funding	Disbursed to Date	Reallocation of Funds	Remaining Balance
1997-2020	$ 3,540,524	$ 3,522,747	$ (17,777)	$ -
2021	222,000	222,000	-	-
2022	137,332	137,332	-	-
2023	-	-	-	-
2024	-	-	-	-
Total	$ 3,899,856	$ 3,882,079	$ (17,777)	$ -

Note C - Available Funding, Disbursements, and Remaining Balance by Funding Year (Continued)

Set-Aside Sub-Funds (Continued)

4% Administration

Grant Year	Committed Portion of Available Funding	Disbursed to Date	Reallocation of Funds	Remaining Balance
ARRA	$ 721,862	$ 721,862	$ -	$ -
1997-2020	7,424,397	7,295,804	(128,593)	-
2021	444,000	444,000	-	-
2022	263,247	263,247	-	-
2023	-	-	-	-
2024	-	-	-	-
Total	$ 8,853,506	$ 8,724,913	$ (128,593)	$ -

10% Program Management

Grant Year	Committed Portion of Available Funding	Disbursed to Date	Reallocation of Funds	Remaining Balance
1997-2020	$ 18,948,327	$ 18,855,396	$ (92,931)	$ -
2021	1,110,000	1,110,000	-	-
2022	662,925	662,925	-	-
2023	-	-	-	-
2024	-	-	-	-
Total	$ 20,721,252	$ 20,628,321	$ (92,931)	$ -

Note C - Available Funding, Disbursements, and Remaining Balance by Funding Year (Continued)

Set-Aside Sub-Funds (Continued)

15% Local Assistance

Grant Year	Committed Portion of Available Funding	Disbursed to Date	Reallocation of Funds	Remaining Balance
1997-2020	$ 23,532,314	$ 23,304,156	$ (228,158)	$ -
2021	1,665,000	1,665,000	-	-
2022	936,362	936,362	-	-
2023	-	-	-	-
2024	-	-	-	-
Total	$ 26,133,676	$ 25,905,518	$ (228,158)	$ -

Total Program Balance

Grant Year	Committed Portion of Available Funding	Disbursed to Date	Reallocation of Funds	Remaining Balance
ARRA	$ 19,500,000	$ 19,500,000	$ -	$ -
1997-2020	188,828,749	188,828,749	-	-
2021	11,100,000	11,100,000	-	-
2022	7,008,000	7,008,000	-	-
2023	5,037,000	5,037,000	-	-
2024	4,661,000	1,067,423	-	3,593,577
Total	$236,134,749	$232,541,172	$ -	$ 3,593,577

As of June 30, 2025, the federal grants awarded under the Infrastructure Investment and Jobs Act, General Supplemental grant, Emerging Contaminants (EC) and Lead Service Line (LSL) grant, awards and disbursements are as follows:

Note C - Available Funding, Disbursements, and Remaining Balance by Funding Year (Continued)

SUPPLEMENTAL AWARDS

Loan Fund

Grant Year	Committed Portion of Available Funding	Disbursed to Date	Reallocation of Funds	Remaining Balance
2022	$ 15,949,301	$ 15,949,301	$ -	$ -
2023	16,163,484	16,163,484	-	-
2024	17,117,136	3,757,050	-	13,360,086
Total	$ 49,229,921	$ 35,869,835	$ -	$ 13,360,086

Set-Aside Sub-Funds

2% Technical Assistance

Grant Year	Committed Portion of Available Funding	Disbursed to Date	Reallocation of Funds	Remaining Balance
2022	$ 79,195	$ 79,195	$ -	$ -
2023	262,485	250,283	-	12,202
2024	459,700	-	-	459,700
Total	$ 801,380	$ 329,478	$ -	$ 471,902

4% Administration

Grant Year	Committed Portion of Available Funding	Disbursed to Date	Reallocation of Funds	Remaining Balance
2022	$ 416,849	$ 416,849	$ -	$ -
2023	794,099	796,989	-	(2,890)
2024	794,083	283,833	-	510,250
Total	$ 2,005,031	$ 1,497,671	$ -	$ 507,360

Note C - Available Funding, Disbursements, and Remaining Balance by Funding Year (Continued)

SUPPLEMENTAL AWARDS (Continued)

Set-Aside Sub-Funds (Continued)

10% Program Management

Grant Year	Committed Portion of Available Funding	Disbursed to Date	Reallocation of Funds	Remaining Balance
2022	$ 363,202	$ 363,202	$ -	$ -
2023	1,197,325	1,059,732	-	137,593
2024	1,912,093	(669)	-	1,912,762
Total	$ 3,472,620	$ 1,422,265	$ -	$ 2,050,355

15% Local Assistance

Grant Year	Committed Portion of Available Funding	Disbursed to Date	Reallocation of Funds	Remaining Balance
2022	$ 1,183,453	$ 1,183,453	$ -	$ -
2023	2,637,607	1,883,822	-	753,785
2024	2,701,988	433,338	-	2,268,650
Total	$ 6,523,048	$ 3,500,613	$ -	$ 3,022,435

Total Program Balance

Grant Year	Committed Portion of Available Funding	Disbursed to Date	Reallocation of Funds	Remaining Balance
2022	$ 17,992,000	$ 17,992,000	$ -	$ -
2023	21,055,000	20,154,310	-	900,690
2024	22,985,000	4,473,552	-	18,511,448
Total	$ 62,032,000	$ 42,619,862	$ -	$ 19,412,138

Note C - Available Funding, Disbursements, and Remaining Balance by Funding Year (Continued)

EC AWARDS

Loan Fund

Grant Year	Committed Portion of Available Funding	Disbursed to Date	Reallocation of Funds	Remaining Balance
2022	$ 6,378,574	$ 1,498,687	$ -	$ 4,879,887
2023	7,493,985	-	-	7,493,985
2024	7,551,216	-	-	7,551,216
Total	$ 21,423,775	$ 1,498,687	$ -	$ 19,925,088

Set-Aside Sub-Funds

2% Technical Assistance

Grant Year	Committed Portion of Available Funding	Disbursed to Date	Reallocation of Funds	Remaining Balance
2022	$ 78,000	$ 78,000	$ -	$ -
2023	-	-	-	-
2024	-	-	-	-
Total	$ 78,000	$ 78,000	$ -	$ -

4% Administration

Grant Year	Committed Portion of Available Funding	Disbursed to Date	Reallocation of Funds	Remaining Balance
2022	$ 148,425	$ 148,425	$ -	$ -
2023	146,015	114,621	-	31,394
2024	138,784	5,825		132,959
Total	$ 433,224	$ 268,871	$ -	$ 164,353

Note C - Available Funding, Disbursements, and Remaining Balance by Funding Year (Continued)

EC AWARDS (Continued)

Set-Aside Sub-Funds (Continued)

10% Program Management

Grant Year	Committed Portion of Available Funding	Disbursed to Date	Reallocation of Funds	Remaining Balance
2022	$ -	$ -	$ -	$ -
2023	-	-	-	-
2024	-	-	-	-
Total	$ -	$ -	$ -	$ -

15% Local Assistance

Grant Year	Committed Portion of Available Funding	Disbursed to Date	Reallocation of Funds	Remaining Balance
2022	$ 950,000	$ 950,000	$ -	$ -
2023	-	-	-	-
2024	-	-	-	-
Total	$ 950,000	$ 950,000	$ -	$ -

Total Program Balance

Grant Year	Committed Portion of Available Funding	Disbursed to Date	Reallocation of Funds	Remaining Balance
2022	$ 7,554,999	$ 2,675,112	$ -	$ 4,879,887
2023	7,640,000	114,621	-	7,525,379
2024	7,690,000	5,825	-	7,684,175
Total	$ 22,884,999	$ 2,795,558	$ -	$ 20,089,441

Note C - Available Funding, Disbursements, and Remaining Balance by Funding Year (Continued)

LSL AWARDS

Loan Fund

Grant Year	Committed Portion of Available Funding	Disbursed to Date	Reallocation of Funds	Remaining Balance
2022	$ 27,887,331	$ 5,588,775	$ -	$ 22,298,556
2023	27,453,050	-	-	27,453,050
2024	4,512,298	-	-	4,512,298
Total	$ 59,852,679	$ 5,588,775	$ -	$ 54,263,904

Set-Aside Sub-Funds

2% Technical Assistance

Grant Year	Committed Portion of Available Funding	Disbursed to Date	Reallocation of Funds	Remaining Balance
2022	$ 170,379	$ 170,379	$ -	$ -
2023	75,214	7,152	-	68,062
2024	145,214	764	-	144,450
Total	$ 390,807	$ 178,295	$ -	$ 212,512

4% Administration

Grant Year	Committed Portion of Available Funding	Disbursed to Date	Reallocation of Funds	Remaining Balance
2022	$ 292,290	$ 292,290	$ -	$ -
2023	1,121,736	1,119,823	-	1,913
2024	231,651	74,787	-	156,864
Total	$ 1,645,677	$ 1,486,900	$ -	$ 158,777

Note C - Available Funding, Disbursements, and Remaining Balance by Funding Year (Continued)

LSL AWARDS (Continued)

Set-Aside Sub-Funds (Continued)

10% Program Management

Grant Year	Committed Portion of Available Funding	Disbursed to Date	Reallocation of Funds	Remaining Balance
2022	$ -	$ -	$ -	$ -
2023	-	-	-	-
2024	-	-	-	-
Total	$ -	$ -	$ -	$ -

15% Local Assistance

Grant Year	Committed Portion of Available Funding	Disbursed to Date	Reallocation of Funds	Remaining Balance
2022	$ -	$ -	$ -	$ -
2023	-	-	-	-
2024	-	-	-	-
Total	$ -	$ -	$ -	$ -

Total Program Balance

Grant Year	Committed Portion of Available Funding	Disbursed to Date	Reallocation of Funds	Remaining Balance
2022	$ 28,350,000	$ 6,051,444	$ -	$ 22,298,556
2023	28,650,000	1,126,975	-	27,523,025
2024	4,889,163	75,551	-	4,813,612
Total	$ 61,889,163	$ 7,253,970	$ -	$ 54,635,193

Note D - Federal Grants Receivable

Grants receivable of $5,738,994 and $14,638,477, as of June 30, 2025 and 2024, respectively, represent amounts due from the federal government for amounts expended or accrued.

Note E - Deobligation of Federal and State Match Funds Between the Fund and Water Pollution Control Revolving Loan Fund (WPCRLF)

On September 4, 2012, the Environmental Protection Agency (EPA) deobligated $27,050,177 of the Fund's federal capitalization grant and awarded it to the WPCRLF. As part of the deobligation, $5,410,035, which represented the required 20% state match, was appropriated to WPCRLF. During 2025 and 2024, no additional funds were deobligated.

In accordance with WPCRLF's Intended Use Plan (Plan), the $32,460,212, described above will be returned to the Fund when they are needed for Fund commitments. The transfer will occur at management's discretion to facilitate cash flow for loan commitments incurred by the Fund. When funds are transferred between WPCRLF and the Fund, the funds will be accounted for as transfers out and in, respectively.

Note F - Loans Receivable

The loans receivable account is made up of the following major categories:

	Loans Receivable	
	2025	2024
City of Harrington	$ 377,429	$ 396,509
Town of Bethany Beach	100,585	321,497
Town of Blades	248,370	271,073
Town of Milton	830,419	2,313,871
City of Wilmington	57,708,836	53,851,088
Town of Greenwood	409,086	675,777
Town of Dagsboro	357,542	421,381
Town of Laurel	1,553,372	3,249,713
Town of Smyrna	5,337,782	3,847,800
City of Lewes	5,668,911	1,499,768
Town of Bridgeville	533,377	621,420
City of Seaford	491,117	564,151
City of Dover	3,910,831	4,237,452
Town of Delmar*	528,571	555,370
Town of Middletown	953,770	937,747
City of Milford	1,457,371	1,620,844
City of Newark	8,262,969	7,424,564
Town of Georgetown	14,773	20,441
Less: principal subsidization allowance	(13,523,783)	(4,835,195)
Total municipal	$ 75,221,328	$ 77,995,271

*Subsidy allowed

Note F - Loans Receivable (Continued)

	Loans Receivable	
	2025	2024
Investor-owned		
Artesian Water Company	$ 12,270,278	$ 13,146,823
Municipal Services Comission	417,531	388,240
Tidewater Utilities, Inc.	20,178,930	16,233,158
Willow Tree	1,078,449	103,314
Sussex County Council	634,132	109,999
Sussex Shores Water Co	3,987,900	2,642,520
Southern Shores Water Co, LLC	526,043	610,666
Total investor-owned	39,093,263	33,234,720
Sub-total	114,314,591	111,229,991
Less: loans receivable - current portion	8,961,321	9,343,190
Loans receivable - net of current portion	$ 105,353,270	$ 101,886,801

Interest charged on these loans ranges from 0.00% to 3.90%. Interest earned on loans receivable and administrative fees was $2,235,444 and $2,507,858 for the years ended June 30, 2025 and 2024, respectively.

Loan maturities vary based on individual agreements. General Obligation and Municipal Revenue Bonds collateralize municipal loans; business assets and real estate collateralize investor-owned and mobile home park loans.

Except for the principal subsidy allowance, there was no allowance for doubtful accounts as of June 30, 2025 and 2024 based on historical experience. As of June 30, 2025 and 2024, there were no material delinquent loan balances. There were no loan defaults for the years ended June 30, 2025 and 2024. There has been no history of significant bad debts or uncollectible accounts.

The Fund also issues loans eligible for subsidization through principal forgiveness from funds provided under EPA grants received by the Fund. These loans are to be deemed no longer outstanding after the last loan disbursement is forgiven per the terms of the loan agreement. Therefore, it is the Fund's policy to maintain an allowance for subsidization through principal forgiveness loans, equal to the amount of the disbursement, until the last disbursement is made to the recipient and the loan can be removed from the outstanding loans list.

Note F - Loans Receivable (Continued)

The allowance for subsidization as of June 30, 2025 and 2024 was $13,523,783 and $4,835,195, respectively.

Note G - State Match

As of June 2025, the Fund had disbursed all state match funding as follows:

Grant Year	Committed Portion of Available Funding	Disbursed to Date	Remaining Balance
1997-2020 *	$ 36,358,412	$ 36,358,412	$ -
2021	2,220,000	2,220,000	-
2022	3,200,800	3,200,800	-
2023	3,112,900	3,112,900	-
2024	5,529,200	5,529,200	-
Total	$ 50,421,312	$ 50,421,312	$ -

*Amounts were adjusted to reflect deobligation of federal funding, see note G.

Note H - Pension

Employees of the Fund are considered employees of the State and are covered under the State Employees' Pension Plan. Total pension cost of $392,657 for 2025 and $363,256 for 2024 is included in salaries and related benefits. As of June 30, 2025, the Fund was not allocated any portion of the overall State net pension liability, since the State of Delaware recognizes the net pension liability and related deferred outflows and inflows of resources in its own financial statements.

The Delaware Public Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information of the plan. The financial report may be obtained by writing to the State Board of Pension Trustees and Office of Pensions, McArdle Building, Suite #1, 860 Silver Lake Boulevard, Dover, Delaware 19904-2402 or online at www.delawarepensions.com.

Note I - Other Post-Employment Benefits (OPEB)

On July 1, 2007, the Delaware OPEB Fund Trust (OPEB Trust) was established pursuant to Section 115 of the Internal Revenue Code and separate from the State Employees' Pension Plan. The OPEB Trust is administered by the Delaware Public Employees' Retirement System (DPERS) Board of Directors. Policy for and management of the OPEB benefits provided to retirees are the responsibility of the State. As of June 30, 2025, the Fund was not allocated any portion of the overall State of Delaware net OPEB liability. Further information is available in the State's stand-alone financial report, issued for the OPEB Trust, online at https://auditor.delaware.gov/reports.

The OPEB Trust is a cost-sharing multiple-employer defined benefit plan. The OPEB Trust provides retirement medical coverage to pensioners and their eligible dependents in the State Employees' Pension Plan.

Note J - Commitments and Contingencies

1. Loans

The Fund has met its prior binding commitments (equal to at least 120% of each quarterly payment within one (1) year of receipt of that payment). As of June 30, 2025, there were $100,410,071 in undisbursed loan proceeds for projects under construction. As of June 30, 2025, there were binding commitments of $23,911,116.

2. Cost Reimbursement Contracts

The Fund derives all of its nonoperating revenue from EPA Capitalization Grants for State Revolving Fund program and mandatory State matching funds that are contracts based on the reimbursement of allowable costs related to the program. Costs are subject to review by the EPA. Any adjustments arising from disallowed costs are recorded in the Fund's financial statements.

Note K - Risk Management

The Fund is insured under the State's insurance plans. The State is exposed to various risks of losses related to workers' compensation, employee healthcare and accident, automobile accident, police professional malpractice, and property and casualty claims. It is the policy of the State not to purchase commercial insurance to cover these risks. Instead, State management believes it is more economical to manage its risk internally and thus, covers all claim settlements and judgments out of its General Fund.

Note K - Risk Management (Continued)

The State continues to carry commercial insurance for all other risks of loss, including general liability and the remainder of the property and casualty liability. There have been no significant reductions in insurance coverage from prior years. In the past three years of insured coverage, settled claims have not exceeded commercial coverage.

Claim liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process does not result in an exact amount. Claim liabilities are re-evaluated annually to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

At June 30, 2025, there were no outstanding or pending claims against the Fund.

Note L - Lease-Lessee

At the commencement of a lease, the Fund initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured at the initial amount of the lease liability, adjusted for lease payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. The lease liabilities were discounted to a net present value using a 3.25% and 8.50% interest rate.

Key estimates and judgements related to leases include how the Fund determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments as follows:

- The Fund uses the interest rate charged by the lessor as the discount rate if provided; otherwise, the Fund generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Fund is reasonably certain to exercise.
- The Fund monitors changes in circumstance that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as capital assets and lease liabilities are reported as long-term debt on the accompanying statements of net position.

DNREC leases office spaces through October 2027 with an allocation of 84% and 16%, between Water Pollution Control Revolving Loan Fund and Drinking Water Revolving Loan Fund, respectively. Lease payments are due monthly with an increase of 2% annually.

Note L - Lease-Lessee (Continued)

DNREC entered into an agreement to lease a copier with an allocation of 84% and 16%, between Water Pollution Control Revolving Loan Fund and Drinking Water Revolving Loan Fund, respectively. Along with an additional copier with 100% use allocation to Drinking Water Revolving Loan Fund. For the years ended June 30, 2025 and 2024, lease expense and lease interest expense reported on the statement of net activities were:

Lease expense	Year Ending 2025	Year Ending 2024
Amortization expense by class of underlying asset		
Office space	$ 9,219	$ 9,219
Copy machine	3,441	2,598
Total amortization expense	12,660	11,817
Interest on lease liabilities	1,400	1,169
Total	$ 14,060	$ 12,986

Future lease payments due to Lessor under the lease contracts are:

Maturity Analysis	Principal	Interest	Total Payments
Year ending 2026	$ 13,780	$ 920	$ 14,700
Year ending 2027	13,450	302	13,752
Year ending 2028 and thereafter	-	-	-
Total future payments	$ 27,230	$ 1,222	$ 28,452

Note M - Subsequent Events

The Fund's policy is to evaluate events and transactions subsequent to year end for potential recognition in the financial statements or disclosures in the notes to the financial statements. Management has evaluated all events and transactions through April 22, 2026, the date the financial statements were available to be issued.

Supplementary Information

State of Delaware
Drinking Water Revolving Loan Fund
Combining Fund Schedule of Fund Net Position by Sub-Fund
June 30, 2025

	Loan Fund	2% Technical Assistance	4% Administration	10% Program Management	15% Local Assistance	Total
Assets						
Current assets						
Pooled cash and investments	$ 139,235,955	$ -	$ -	$ -	$ -	$ 139,235,955
Loans receivable	8,961,321	-	-	-	-	8,961,321
Interest receivable	555,927	-	-	-	-	555,927
Federal grants receivable	4,847,377	764	372,318	55,253	463,282	5,738,994
Total current assets	153,600,580	764	372,318	55,253	463,282	154,492,197
Noncurrent assets						
Operating right-of-use asset	25,668	-	-	-	-	25,668
Loans receivable	105,353,270	-	-	-	-	105,353,270
Total noncurrent assets	105,378,938	-	-	-	-	105,378,938
Total assets	$ 258,979,518	$ 764	$ 372,318	$ 55,253	$ 463,282	$ 259,871,135
Liabilities						
Current liabilities						
Due to State	$ 1,090,327	$ 764	$ 335,820	$ 30,519	$ 427,900	$ 1,885,330
Short-term lease liability	13,780	-	-	-	-	13,780
Vouchers payable	3,757,050	-	36,498	24,734	35,382	3,853,664
Noncurrent liabilities						
Long-term lease liability	13,450	-	-	-	-	13,450
Total Liabilities	4,874,607	764	372,318	55,253	463,282	5,766,224
Net position						
Net position - unrestricted	254,104,911	-	-	-	-	254,104,911
Total liabilities and net position	$ 258,979,518	$ 764	$ 372,318	$ 55,253	$ 463,282	$ 259,871,135

State of Delaware
Drinking Water Revolving Loan Fund
Combining Fund Schedule of Fund Net Position by Sub-Fund
June 30, 2024

	Loan Fund	2% Technical Assistance	4% Administration	10% Program Management	15% Local Assistance	Total
Assets						
Current assets						
Pooled cash and investments	$ 121,173,616	$ -	$ -	$ -	$ -	$ 121,173,616
Loans receivable	9,343,190	-	-	-	-	9,343,190
Interest receivable	686,286	-	-	-	-	686,286
Federal grants receivable	13,083,226	70,575	935,107	206,100	343,469	14,638,477
Total current assets	144,286,318	70,575	935,107	206,100	343,469	145,841,569
Noncurrent assets						
Operating right-of-use asset	27,656	-	-	-	-	27,656
Loans receivable	101,886,801	-	-	-	-	101,886,801
Total noncurrent assets	101,914,457	-	-	-	-	101,914,457
Total assets	$ 246,200,775	$ 70,575	$ 935,107	$ 206,100	$ 343,469	$ 247,756,026
Liabilities						
Current liabilities						
Due to State	$ 12,746,472	$ 70,575	$ 896,371	$ 177,250	$ 304,279	$ 14,194,947
Short-term lease liability	9,663	-	-	-	-	9,663
Vouchers payable	415,150	-	38,736	28,850	39,190	521,926
Noncurrent liabilities						
Long-term lease liability	20,947	-	-	-	-	20,947
Total liabilities	13,192,232	70,575	935,107	206,100	343,469	14,747,483
Net position						
Net position - unrestricted, as adjusted	233,008,543	-	-	-	-	233,008,543
Total liabilities and net position	$ 246,200,775	$ 70,575	$ 935,107	$ 206,100	$ 343,469	$ 247,756,026

State of Delaware
Drinking Water Revolving Loan Fund
Combining Fund Schedule of Activities by Sub-Fund
Year Ended June 30, 2025

	Loan Fund	2% Technical Assistance	4% Administration	10% Program Management	15% Local Assistance	Total
Operating revenues						
Interest income - loans	$ 1,110,666	$ -	$ -	$ -	$ -	$ 1,110,666
Interest income - administrative fees	1,124,778	-	-	-	-	1,124,778
Total operating revenues	2,235,444	-	-	-	-	2,235,444
Operating expenses						
Salaries and related benefits	274,471	2,490	994,633	741,184	1,055,011	3,067,789
Contract services	294,693	192,801	476,099	134,145	895,883	1,993,621
Grants	138,543	-	20,750	-	96,000	255,293
Supplies	379,663	-	11,930	25,868	75,155	492,616
Training	-	38,077	2,245	-	124,922	165,244
Travel	403	-	-	772	11,823	12,998
Total operating expenses	1,087,773	233,368	1,505,657	901,969	2,258,794	5,987,561
Operating income (loss)	1,147,671	(233,368)	(1,505,657)	(901,969)	(2,258,794)	(3,752,117)
Nonoperating revenues and expenses						
Amortization	(12,660)	-	-	-	-	(12,660)
Lease interest	(1,400)	-	-	-	-	(1,400)
Interest income - cash accounts	6,546,010	-	-	-	-	6,546,010
Grant revenue	20,029,193	233,368	1,505,657	901,969	2,258,794	24,928,981
State match	5,529,200	-	-	-	-	5,529,200
Subsidization through principal forgiveness	(12,141,646)	-	-	-	-	(12,141,646)
Total nonoperating revenues	19,948,697	233,368	1,505,657	901,969	2,258,794	24,848,485
Transfers in (out)	-	-	-	-	-	-
Increase (decrease) in net position	21,096,368	-	-	-	-	21,096,368
Net position - beginning of year	233,008,543	-	-	-	-	233,008,543
Net position - end of year	$ 254,104,911	$ -	$ -	$ -	$ -	$ 254,104,911

State of Delaware
Drinking Water Revolving Loan Fund
Combining Fund Schedule of Activities by Sub-Fund
Year Ended June 30, 2024

	Loan Fund	2% Technical Assistance	4% Administration	10% Program Management	15% Local Assistance	Total
Operating revenues						
Interest income - loans	$ 1,239,119	$ -	$ -	$ -	$ -	$ 1,239,119
Interest income - administrative fees	1,268,739	-	-	-	-	1,268,739
Total operating revenues	2,507,858	-	-	-	-	2,507,858
Operating expenses						
Salaries and related benefits	149,557	-	886,026	750,609	1,095,645	2,881,837
Contract services	504,782	234,521	654,572	65,068	768,132	2,227,075
Grants	274,941	-	-	-	-	274,941
Supplies	224,935	-	293	22,629	27,784	275,641
Training	-	107,259	143,866	2,976	94,492	348,593
Travel	-	-	-	-	2,375	2,375
Total operating expenses	1,154,215	341,780	1,684,757	841,282	1,988,428	6,010,462
Operating income (loss)	1,353,643	(341,780)	(1,684,757)	(841,282)	(1,988,428)	(3,502,604)
Nonoperating revenues and expenses						
Amortization	(11,817)	-	-	-	-	(11,817)
Lease Interest	(1,169)	-	-	-	-	(1,169)
Interest income - cash accounts	4,034,914	-	-	-	-	4,034,914
Grant revenue	21,433,448	341,780	1,682,491	817,483	1,991,761	26,266,963
State match	3,112,900	-	-	-	-	3,112,900
Subsidization through principal forgiveness	(4,983,685)	-	-	-	-	(4,983,685)
Total nonoperating revenues	23,584,591	341,780	1,682,491	817,483	1,991,761	28,418,106
Increase (decrease) in net position	24,938,234	-	(2,266)	(23,799)	3,333	24,915,502
Net position - beginning of year	208,070,309	-	2,266	23,799	(3,333)	208,093,041
Net position - end of year	$ 233,008,543	$ -	$ -	$ -	$ -	$ 233,008,543

State of Delaware
Drinking Water Revolving Loan Fund
Combining Fund Schedule of Fund Net Position by Classification
June 30, 2025 and 2024

	2025				2024			
	Federal Administrative Fund	Capital Reserve Fund	Nonfederal Administrative Fund	Total	Federal Administrative Fund	Capital Reserve Fund	Nonfederal Administrative Fund	Total
Assets								
Current assets								
Pooled cash and investments	$ -	$ 131,647,912	$ 7,588,043	$ 139,235,955	$ -	$ 113,966,437	$ 7,207,179	$ 121,173,616
Loans receivable - current portion	-	8,961,321	-	8,961,321	-	9,343,190	-	9,343,190
Interest receivable	-	278,222	277,705	555,927	-	343,427	342,859	686,286
Federal grants receivable	891,617	4,847,377	-	5,738,994	1,555,251	13,083,226	-	14,638,477
Total current assets	891,617	145,734,832	7,865,748	154,492,197	1,555,251	136,736,280	7,550,038	145,841,569
Noncurrent assets								
Operating right-of-use asset	-	-	25,668	25,668	-	-	27,656	27,656
Loans receivable, net of current portion	-	105,353,270	-	105,353,270	-	101,886,801	-	101,886,801
Total noncurrent assets	-	105,353,270	25,668	105,378,938	-	101,886,801	27,656	101,914,457
Total assets	$ 891,617	$ 251,088,102	$ 7,891,416	$ 259,871,135	$ 1,555,251	$ 238,623,081	$ 7,577,694	$ 247,756,026
Liabilities								
Current liabilities								
Due to State	$ 795,003	$ 1,090,327	$ -	$ 1,885,330	$ 1,448,475	$ 12,746,472	$ -	$ 14,194,947
Short-term lease liability	-	-	13,780	13,780	-	-	9,663	9,663
Vouchers payable	96,614	3,757,050	-	3,853,664	106,776	336,754	78,396	521,926
Long-term liabilities								
Long-term lease liabilities	-	-	13,450	13,450	-	-	20,947	20,947
Total liabilities	891,617	4,847,377	27,230	5,766,224	1,555,251	13,083,226	109,006	14,747,483
Net position								
Net position - unrestricted	-	246,240,725	7,864,186	254,104,911	-	225,539,855	7,468,688	233,008,543
Total liabilities and net position	$ 891,617	$ 251,088,102	$ 7,891,416	$ 259,871,135	$ 1,555,251	$ 238,623,081	$ 7,577,694	$ 247,756,026

State of Delaware
Drinking Water Revolving Loan Fund
Combining Fund Schedule of Fund Activities by Classification
Year Ended June 30, 2025 and 2024

	2025				2024			
	Federal Administrative Fund	Capital Reserve Fund	Nonfederal Administrative Fund	Total	Federal Administrative Fund	Capital Reserve Fund	Nonfederal Administrative Fund	Total
Operating revenues								
Interest income - loans	$ -	$ 1,110,666	$ -	$ 1,110,666	$ -	$ 1,239,119	$ -	$ 1,239,119
Interest income - administrative fees	-	-	1,124,778	1,124,778	-	-	1,268,739	1,268,739
Total operating revenues	-	1,110,666	1,124,778	2,235,444	-	1,239,119	1,268,739	2,507,858
Operating expenses								
Salaries and related benefits	2,793,318	-	274,471	3,067,789	2,732,280	-	149,557	2,881,837
Contract services	1,698,928	-	294,693	1,993,621	1,722,293	-	504,782	2,227,075
Grants	116,750	-	138,543	255,293	-	-	274,941	274,941
Supplies	112,953	-	379,663	492,616	50,706	-	224,935	275,641
Training	165,244	-	-	165,244	348,593	-	-	348,593
Travel	12,595	-	403	12,998	2,375	-	-	2,375
Total operating expenses	4,899,788	-	1,087,773	5,987,561	4,856,247	-	1,154,215	6,010,462
Operating income (loss)	(4,899,788)	1,110,666	37,005	(3,752,117)	(4,856,247)	1,239,119	114,524	(3,502,604)
Nonoperating revenues and expenses								
Amortization	-	-	(12,660)	(12,660)	-	-	(11,817)	(11,817)
Lease interest	-	-	(1,400)	(1,400)	-	-	(1,169)	(1,169)
Interest income - cash accounts	-	6,173,457	372,553	6,546,010	-	3,784,852	250,062	4,034,914
Grant revenue	4,899,788	20,029,193	-	24,928,981	4,833,515	21,433,448	-	26,266,963
State match	-	5,529,200	-	5,529,200	-	3,112,900	-	3,112,900
Subsidization through principal forgiveness	-	(12,141,646)	-	(12,141,646)	-	(4,983,685)	-	(4,983,685)
Total nonoperating revenues	4,899,788	19,590,204	358,493	24,848,485	4,833,515	23,347,515	237,076	28,418,106
Transfers in (out)	-	-	-	-	-	(13,355)	13,355	-
Change in net position	-	20,700,870	395,498	21,096,368	(22,732)	24,573,279	364,955	24,915,502
Net position - beginning of year, as adjusted	-	225,539,855	7,468,688	233,008,543	22,732	200,966,576	7,103,733	208,093,041
Net position - end of year	$ -	$ 246,240,725	$ 7,864,186	$ 254,104,911	$ -	$ 225,539,855	$ 7,468,688	$ 233,008,543

INDEPENDENT AUDITORS' 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*

Delaware Department of Natural Resources and Environmental Control
and the Water Infrastructure Advisory Council
Dover, Delaware

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, the financial statements of the State of Delaware Drinking Water Revolving Loan Fund (the Fund) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated April 22, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Timonium, Maryland
April 22, 2026