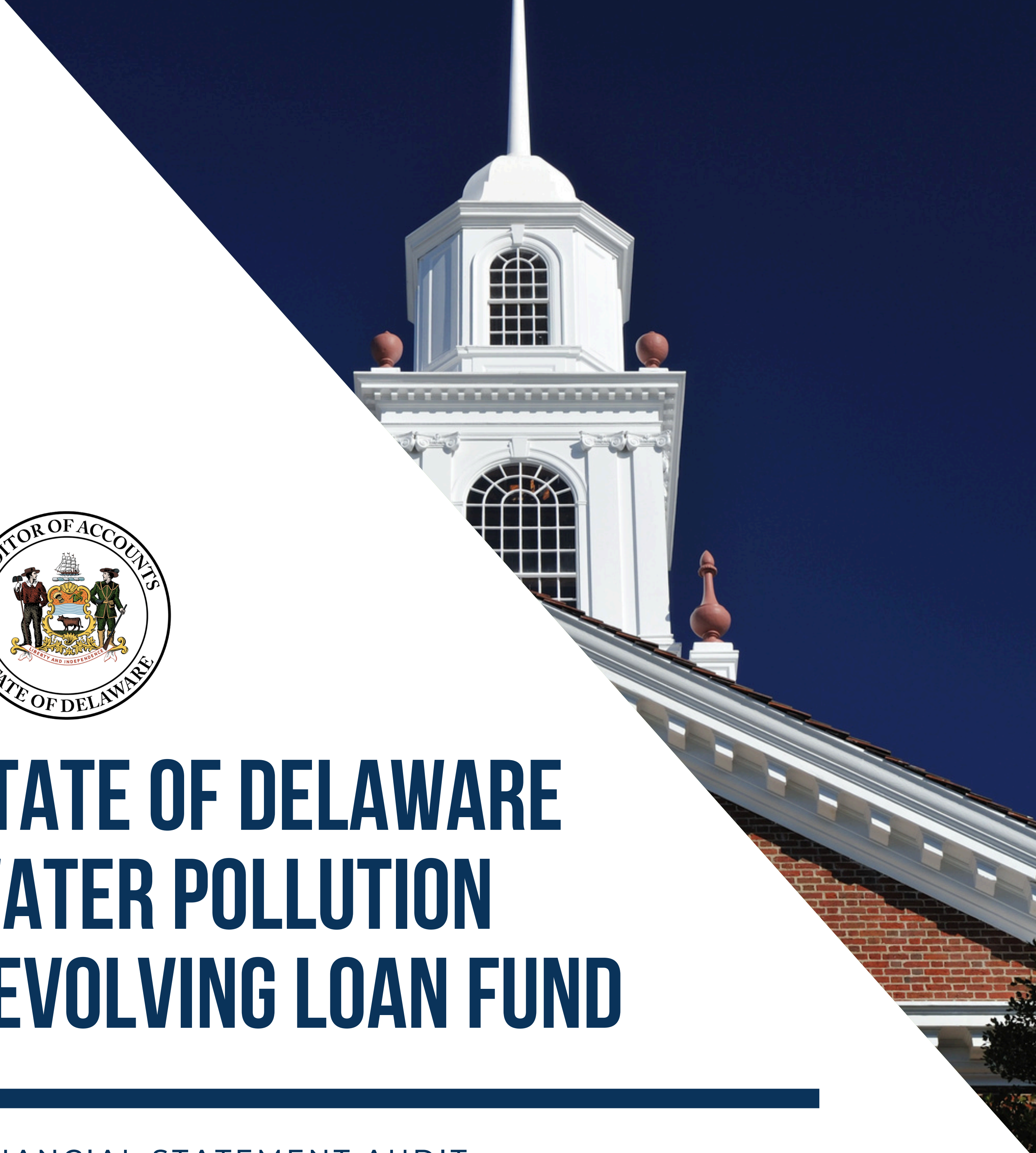

STATE OF DELAWARE WATER POLLUTION REVOLVING LOAN FUND

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

STATE OF DELAWARE WATER POLLUTION REVOLVING LOAN FUND

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

BACKGROUND

The Fund, commonly known as the Clean Water State Revolving Fund, was created by the State of Delaware Legislature in 1990.

The Fund provides below market rate interest rate loans and grants to municipalities, private organizations, nonprofit organizations, individuals, and other qualifying applicants of the state for projects that will improve water quality under the United States Environmental Protection Agency's ("EPA") Capitalization Grants for Clean Water State Revolving Funds federal assistance program. The federal capitalization grants require the State to provide matching funds equal to 20% of federal funds received.

During fiscal year ended June 30, 2025, the Fund received additional grants funded by the Infrastructure Investment and Jobs Act (IIJA) which to provides funds for the Clean Water State Revolving Fund Program.

The Delaware Department of Natural Resources and Environmental Control (DNREC) administers the funds.

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.

KEY INFORMATION AND FINDINGS CONTINUED

Clean Water Revolving Fund (In Thousands, 2021-2025)					
	2025	2024	2023	2022	2021
Net Position	$402,258	$381,748	$360,159	$352,797	$342,916
Pooled Cash & Investments	$144,112	$141,817	$121,581	$106,307	$85,573
Loans Receivable	$259,962	$233,043	$231,355	$239,561	$250,463

In Fiscal Year 2025, DNREC received a Federal Capitalization Grant for $17,620,952 from the U.S. Environmental Protection Agency (EPA). The combined total capitalization amount on June 30, 2025 was $283,745,510 since inception of the fund. During fiscal year 2025, DNREC received additional funds from IIJA in the amount of $1,052,000 for the Emerging Containments and $13,759,709 for the General Supplemental grants. Amounts expended for Emerging Containments were $0 and General Supplemental grants were $32,730,709 for the fiscal year ended June 30, 2025.

State of Delaware
Delaware Water Pollution Control
Revolving Loan Fund
Dover, Delaware

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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 Water Pollution Control 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.

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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 combining fund statements of net position and statements of revenues, expenses and changes in net position (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

As management of the Delaware Water Pollution Control 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).

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

This discussion and analysis is an introduction to the Fund's basic financial statements. The Fund's basic financial statements are comprised of two components: Fund financial statements and notes to the financial statements.

Financial Highlights

In fiscal year 2025, the Delaware Department of Natural Resources and Environmental Control (DNREC) was awarded a Federal Capitalization Grant for $17,620,952 from the U.S. Environmental Protection Agency (EPA). As of June 30, 2025, DNREC has received Federal Capitalization Grants in an aggregate amount of $283,742,510 since the inception of the Fund. As of June 30, 2025, the State of Delaware has provided State match funds of $57,030,584 since the inception of the Fund. The combined total capitalization amount at June 30, 2025 was $340,773,094 since the inception of the Fund.

During fiscal year ended June 30, 2025, the Fund received additional grants funded by the Infrastructure Investment and Jobs Act which provides funds for the Clean Water State Revolving Fund program; the Emerging Contaminants Grant and the General Supplemental Grant. The funding received in fiscal year ended June 30, 2025 was $1,052,000 and $13,759,709 for the Emerging Contaminants and General Supplemental grants, respectively. The funding received in fiscal year ended June 30, 2024 was $1,043,000 and $11,858,465 for the Emerging Contaminants and General Supplemental grants, respectively. Amounts were expended under the grants at June 30, 2025 of $0 and $32,730,709, respectively.

The Fund realized operating loss of $371,568 in fiscal year 2025, which represents a decrease of $1,344,737, from the fiscal year ended June 30, 2024 (fiscal year 2024). Contributions from the federal and state governments, which are included in the amount since inception, totaled $20,655,352 in fiscal year 2025, a 13% decrease from fiscal year 2024.

Operating revenues for fiscal year 2025 (including interest income on loans) decreased $1,421,075 or 30% from the previous year. Operating revenues for fiscal year 2024 (including interest income on loans) decreased $597,904 or 7% from the previous fiscal year.

Loans and note disbursements made totaled $50,776,481 during the fiscal year 2025, which represents an increase of $28,619,915 or 129% from fiscal year 2024. The increase in loan disbursements from fiscal year 2024 to fiscal year 2025 is primarily due to loans given under the supplemental grants in fiscal year 2025. Loans and note collections totaled $23,479,640 during fiscal year 2025, which represents an increase of $8,736,143 or 59% from fiscal year 2024.

Financial Highlights - Continued

The intangible right-of-use asset decreased in fiscal year 2025 by $40,051 or 28% from fiscal year 2024. The intangible right-of-use asset decreased in fiscal year 2024 by $48,398 or 25% from fiscal year 2023. The related lease liability decreased $44,397 or 28%, in fiscal year 2025. The lease liability decreased by $48,058 in fiscal 2024.

Statement of Net Position

The following schedule summarizes the statements of net position (thousands of dollars) of the Fund as of June 30, 2025, 2024 and 2023:

	June 30,		
	2025	2024	2023
Current assets			
Pooled cash and investments	$144,112	$ 141,817	$121,581
Administrative fees receivable	497	588	546
Interest receivable	511	602	572
Federal grant receivable	-	6,847	1,321
Loans receivable, current	16,111	14,181	14,574
Notes receivable, current	-	329	281
Total current assets	161,231	164,364	138,875
Noncurrent assets			
Operating right-of-use asset	105	145	194
Notes receivable, less current portion	-	5,537	5,886
Loans receivable, less current portion	243,851	218,862	216,781
Total noncurrent assets	243,956	224,544	222,861
Total assets	$405,187	$ 388,908	$361,736
Current liabilities			
Vouchers payable	$ 2,757	$ 1,729	$ 5
Accrued payroll	56	49	47
Short term lease liability	59	51	48
Due to State	-	5,221	1,316
Total current liabilities	$ 2,872	$ 7,050	$ 1,416

Statement of Net Position – Continued

	June 30, 2025	2024	2023
Long term liabilities			
Long term lease liability	$ 57	$ 110	$ 161
Total liabilities	2,929	7,160	1,577
Net position restricted for CWSRF program	402,258	381,748	360,159
Total liabilities and net position	$405,187	$ 388,908	$361,736

The combined total net position of the Fund for the fiscal year ended June 30, 2025 increased by $20,510,393 from fiscal year 2024, which increased by $21,588,717 from the fiscal year ended June 30, 2023 (fiscal year 2023).

Pooled cash and investments increased $2,294,558 or 2% to $144,111,787 during fiscal year 2025, as a function of loan collections and federal reimbursements.

Pooled cash and investments increased $20,236,235 or 17% to $141,817,229 during fiscal year 2024, as a function of loan collections and federal reimbursements.

Statement of Revenues, Expenses and Changes in Net Position

The following schedule summarizes the statements of revenues, expenses and changes in net position (thousands of dollars) for fiscal years 2025, 2024 and 2023:

	June 30, 2025	2024	2023
Operating revenues			
Interest income on loans*	$ 1,613	$ 2,306	$ 2,686
Administrative fee revenue	1,711	2,439	2,615
Application fees	-	-	1
Other income	-	-	40
Total operating revenues	$ 3,324	$ 4,745	$ 5,342

Statement of Revenues, Expenses and Changes in Net Position – Continued

	June 30,		
	2025	2024	2023
Operating expenses			
Reimbursable expenditures under operating grants:			
Personnel costs	$ 1,857	$ 2,006	$ 1,604
Travel	17	6	3
Contractual services	125	132	260
Supplies	144	11	22
Other expenses	16	7	79
Grants made	1,536	1,610	1,095
Total operating expenses	3,695	3,772	3,063
Operating income	(371)	973	2,279
Nonoperating revenues (expenses)			
Amortization expense	(55)	(48)	(50)
Interest on capital lease	(5)	(6)	(8)
Interest income on deposits*	7,499	4,624	960
Contributions, EPA	17,621	21,933	3,953
Contributions, State	3,034	1,760	2,010
Loan forgiveness and write-offs	(7,213)	(7,647)	(1,782)
Total nonoperating revenues	20,881	20,616	5,083
Change in net position	20,510	21,589	7,362
Net position - beginning	381,748	360,159	352,797
Net position - ending	$402,258	$ 381,748	$360,159

* Restated for 2024 and 2023 - see Note A

The Fund reported operating revenues of $3,323,785 during fiscal year 2025, which represents a decrease of $1,421,075 or 30% from fiscal year 2024. The Fund reported operating revenues of $4,744,860 during fiscal year 2024, which represents a decrease of $597,904 or 7% from fiscal year 2023. The decrease in the current fiscal year is primarily a result of decreased interest income on loans, which were monies received as part of loan repayments. In accordance with the individual loan financing and bond terms, borrowers are required to pay interest and administrative fees on funds disbursed during construction as well as throughout the life of the loan. Due to a decrease in interest rates from the prior year, income from interest decreased. The Fund reported an overall increase of $20,510,393 in total net position for fiscal year 2025, and an overall increase of $21,588,717 in total net position for fiscal year 2024.

Statement of Revenues, Expenses and Changes in Net Position – Continued

Federal grant revenue decreased by $4,311,733 or 20% during fiscal year 2025, while the state match increased by $1,274,500, or 72%.

Federal grant revenue increased by $17,979,321 or 455% during fiscal year 2024, while the state match decreased by $250,100, or 12%.

Total operating expenses decreased $76,338 or 2% during fiscal 2025, due to a decrease in personnel costs, contractual services and grants made from the Nonfederal Administrative Fund. Total operating expenses increased $708,056 or 23% during fiscal 2024, due to an increase in personnel costs and grants made from the Nonfederal Administrative Fund.

During fiscal year 2025, the Fund recognized nonoperating expenses of $7,212,793 for loan forgiveness and write-offs compared to $7,647,288 in fiscal year 2024.

Requests 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, Delaware 19904

State of Delaware
Delaware Water Pollution Control Revolving Loan Fund
Statements of Net Position
June 30, 2025 and 2024

	2025	2024
Current assets		
Pooled cash and investments	$ 144,111,787	$ 141,817,229
Administrative fees receivable	497,308	588,067
Interest receivable	511,011	602,080
Federal grant receivable	-	6,846,680
Loans receivable - current	16,111,483	14,180,519
Notes receivable - current	-	328,795
Total current assets	161,231,589	164,363,370
Noncurrent assets		
Right-of-use asset	105,143	145,194
Loans receivable, less current portion	243,851,210	218,862,448
Notes receivable, less current portion	-	5,536,642
Total noncurrent assets	243,956,353	224,544,284
Total assets	$ 405,187,942	$ 388,907,654
Current liabilities		
Vouchers payable	$ 2,757,005	$ 1,728,881
Accrued payroll	56,200	48,817
Short term lease liability	58,977	50,731
Due to State	-	5,221,215
Total current liabilities	2,872,182	7,049,644
Long term liabilities		
Long term lease liability	57,327	109,970
Total long term liabilities	57,327	109,970
Total liabilities	2,929,509	7,159,614
Net position restricted for CWSRF program	402,258,433	381,748,040
Total liabilities and net position	$ 405,187,942	$ 388,907,654

See accompanying notes to financial statements.

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

	2025	2024
Operating revenues		
Interest income on loans - restated for 2024 (Note A)	$ 1,612,777	$ 2,306,077
Administrative fee revenue	1,711,008	2,438,783
Total operating revenues	3,323,785	4,744,860
Operating expenses		
Reimbursable expenditures under operating grants:		
Personnel costs	1,857,367	2,006,249
Travel	16,566	6,052
Contractual services	125,415	131,962
Supplies and office expenses	143,924	11,009
Other expenses	15,801	6,585
Grants made	1,536,280	1,609,834
Total operating expenses	3,695,353	3,771,691
Operating income (loss)	(371,568)	973,169
Nonoperating revenues and expenses		
Amortization expense	(55,075)	(48,398)
Interest on capital lease	(5,130)	(5,947)
Interest income on deposits- restated for 2024 (Note A)	7,499,607	4,624,596
Contributions:		
EPA	17,620,952	21,932,685
State	3,034,400	1,759,900
Loan forgiveness and write-offs	(7,212,793)	(7,647,288)
Total nonoperating revenues and expenses	20,881,961	20,615,548
Change in net position	20,510,393	21,588,717
Net position - beginning	381,748,040	360,159,323
Net position - end	$ 402,258,433	$ 381,748,040

See accompanying notes to financial statements.

State of Delaware
Delaware Water Pollution Control Revolving Loan Fund
Statements of Cash Flows
Year Ended June 30, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Loan and note collections	$ 23,479,640	$ 14,743,497
Interest received from borrowers - restated for 2024 (Note A)	1,703,846	2,275,681
Administrative fee revenue	1,801,767	2,396,733
Loan and note disbursements	(50,776,481)	(22,156,566)
General expenses paid	(3,630,087)	(3,666,018)
Net cash used in operating activities	(27,421,315)	(6,406,673)
Cash flows from noncapital financing activities		
Grants received from EPA	24,452,608	16,407,642
State portion funded by recipient	3,034,400	1,759,900
Advances from State	(5,221,215)	3,904,775
Net cash provided by noncapital financing activities	22,265,793	22,072,317
Cash flows from capital and related financing activities		
Principal paid on capital debt	(44,397)	(48,058)
Interest paid on capital debt	(5,130)	(5,947)
Net cash used in capital and related financing activities	(49,527)	(54,005)
Cash flows from investing activities		
Interest on deposits - restated for 2024 (Note A)	7,499,607	4,624,596
Net increase in pooled cash and investments	2,294,558	20,236,235
Pooled cash and investments - beginning of year	141,817,229	121,580,994
Pooled cash and investments - end of year	$ 144,111,787	$ 141,817,229
Reconciliation of net operating income to cash provided by (used in) operating activities:		
Cash flows from operating activities:		
Operating income	$ (371,568)	$ 973,169
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Administrative fees receivable	90,759	(42,050)
Interest receivable	91,069	(30,396)
Loans receivable	(34,132,519)	(9,335,545)
Notes receivable	5,865,437	302,207
Accrued payroll	7,383	2,258
Vouchers payable	1,028,124	1,723,684
Net cash used in operating activities	$ (27,421,315)	$ (6,406,673)
Schedule of noncash investing activities		
Loan forgiveness, subsidies and write-offs	$ (7,212,793)	$ (7,647,288)

See accompanying notes to financial statements.

Note A - Summary of Significant Accounting Policies

This summary of significant accounting policies of the Delaware Water Pollution Control Revolving Loan Fund (the Fund) is presented to assist in understanding the Fund's financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

1. General Background

The Fund was created by the 1990 session of the Delaware General Assembly and received its first State appropriation from the State of Delaware (the State) on July 1, 1990. The Fund's purpose is to make below-market interest rate loans to local governments, individuals, and other qualifying applicants of the State under the Environmental Protection Agency's (EPA) Capitalization Grants for Clean Water State Revolving Funds (Assistance Listing #66.458) (SRF) federal assistance program. The Fund's enabling legislation empowers the Delaware Department of Natural Resources and Environmental Control (DNREC) to administer the Fund. The federal capitalization grants require the State to provide matching funds equal to 20% of the federal funds received.

2. Type of Entity and Division of Funds

The Fund's activities are accounted for as a distinct operating unit and a Proprietary Fund within DNREC's Office of the Secretary. Accordingly, the financial statements of the Fund are intended to present the financial position, results of operations and cash flows of Proprietary Fund types of only that portion of the funds of the State that are 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.

The Fund is divided into three sub-funds:

- The Federal Administrative Fund, which accounts for program-related administrative activities;
- The Capital Reserve Loan Fund, which accounts for capital lending and repayment activities; and
- The Nonfederal Administrative Fund, which accounts for monies that the State has been authorized, by the EPA, to allocate from the SRF program for the State's use. The use of these funds are governed by EPA rules and regulations 40 CFR Part 35 Guidance on Fees Charged by State to Recipients of Clean Water State Revolving Fund Program Assistance.

Note A - Summary of Significant Accounting Policies - Continued

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 accounting principles generally accepted in the United States of America (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.

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 SRF program revenues are 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 are recorded as grants receivable. Amounts received from the State in excess of amounts earned are considered unearned.

To permit comparability to grant revenues earned and fiscal budgets, expenditures reimbursable under the Fund's program guidelines are listed separately by object category and subtotaled in the statements of revenues, expenses and changes in net position.

5. Pooled Cash and Investments

Pooled cash and investments consist of the Fund's allocated share of cash, cash equivalents and investments under the control of the Treasurer of the State of Delaware (the Treasurer).

Note A - Summary of Significant Accounting Policies - Continued

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.

7. Reclassifications

Certain amounts in the statement of revenues, expenses and changes in net position and the statement of cash flows for the year ended June 30, 2024 have been reclassified to conform with the June 30, 2025 presentation.

Note B - Pooled Cash and Investments

Pooled Cash and Investments

Pooled cash and investments as reported on the statements of net position represent 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 daily cash balance. Pooled investments represent those investments in units of a pool rather than specific securities.

As a result, such investments are not categorized by risk because they are not evidenced by securities that exist in a physical or book-entry form. Since the Fund's deposits and investments are part of the State's pooled deposits and investments maintained by the Treasurer, the required disclosures are included within the State's financial statements.

The Cash Management Policy Board

The State's policy for the investment of State funds is the responsibility of the State's 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/).

Note B - Pooled Cash and Investments - Continued

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 United States Government. Investments may be made only in fixed income instruments with maturities of up to five years in certain circumstances.

Collateralization Requirements

All State funds are required by law to be collateralized by direct obligations of, or obligations which 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's 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.

Since the Fund's pooled cash and investments are managed by the Treasurer, the Fund is unable to control compliance with the collateralization requirements or determine if these requirements have been met.

Pooled Cash and Investments - Federal Administrative Fund

The pooled cash and investments in the Federal Administrative Fund represent grant funds drawn to pay administrative expenses of the Fund. The grant agreement permits an amount up to one-fifth of one percent of the prior year's Net Position Balance for these administrative expenses.

Note B - Pooled Cash and Investments - Continued

Pooled Cash and Investments - Capital Reserve Loan Fund

The pooled cash and investments in the Capital Reserve Loan Fund represent all principal and interest received from Fund loans. These dollars are earmarked for future loans in accordance with applicable federal regulations.

Pooled Cash and Investments - Administrative Fees

The pooled cash and investments from administrative fees on municipal loans are recorded in the Nonfederal Administrative Fund and are then available to the State for use at its discretion.

Note C - Loans Receivable

The loans receivable account is made up of the following major borrowers for the years ended June 30:

	2025	2024
Municipal loans		
Sussex County*	$ 52,724,350	$ 55,622,742
City of Wilmington	61,687,733	52,116,912
City of Seaford	2,799,430	2,940,847
Kent County	17,111,756	23,145,858
City of Milford	311,144	369,744
New Castle County	38,380,404	25,275,675
Town of Selbyville	-	214,726
Town of Laurel	186,375	368,176
City of Dover	3,786,477	4,207,450
City of Lewes	8,499,731	10,166,633
Town of Delmar	368,330	438,750
Town of Georgetown	441,240	760,621
City of Harrington*	2,305,697	2,534,475
Town of Smyrna	7,781,690	7,267,805
City of Delaware City	545,565	580,443
City of Rehoboth Beach	45,150,332	43,583,724
Town of Millsboro	6,777,722	-
City of Newark	10,861,454	10,243,303
Town of Middletown	803,107	311,553
Less: principal subsidization allowance	(3,367,469)	(10,328,168)
Total municipal loans	$ 257,155,068	$ 229,821,269

Note C - Loans Receivable - Continued

	2025	2024
ARRA loans		
Sussex County Council	$ 2,527,938	$ 2,894,367
Kent County	279,687	327,331
Total ARRA loans	2,807,625	3,221,698
Total loans	$ 259,962,693	$ 233,042,967
Current portion	$ 16,111,483	$ 14,180,519
Long-term portion	243,851,210	218,862,448
Total loans	$ 259,962,693	$ 233,042,967

*Subsidy allowed

Interest charged on these loans ranges from 0% to 3.9% for both fiscal years 2025 and 2024. Loan maturities vary, based on individual agreements. General Obligation and Municipal Revenue bonds collateralize municipal loans; business assets and real estate collateralize other loans.

The loans are shown net of an allowance for doubtful accounts of $0 for fiscal years 2025 and 2024 for accounts in collection. Change in allowance for loan forgiveness and subsidization for 2025 and 2024 were $7,212,793 and $7,647,288, respectively. Total loans forgiven or written off during fiscal years 2025 and 2024 were $0.

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.

The allowance for subsidization as of June 30, 2025 and 2024 was $3,367,469 and $10,328,168, respectively.

Note D - Notes Receivable

The Fund, as lendor, has entered into agreements with DNREC, the borrower, to finance the construction of water quality improvement projects totaling $0 and $5,865,437 as of June 30, 2025 and 2024, respectively. The notes call for an initial term of twenty years. The Fund has secured interest in the improvements financed with the proceeds from the agreements. Payments are payable twice annually. Payments are contingent upon DNREC receiving sufficient revenue or appropriations for the legal payment of the note agreements. The notes include an option for DNREC to prepay the entire balance of the notes. During fiscal years 2025 and 2024, the Fund disbursed $0 under note agreements. During fiscal years 2025 and 2024, the Fund collected $5,865,437 and $302,207, respectively, under the note agreements.

Note E - Significant Source of Revenue - State Revolving Loan Grant

The Fund currently derives a significant portion of its revenue from SRF awards and mandatory State matching funds. The total funds awarded through a series of agreements during the federal capitalization period (October 1, 1990 through June 30, 2025) were $373,462,094, which includes the federal portion of $316,431,510, or five-sixths, and the State matching portion of $57,030,584, or one-sixth.

According to federal program guidelines, the Fund may spend up to one-fifth of the prior year's Net Capital Reserve Loan Fund Balance of the federal awards on administrative expenses. As previously described in Note A, a separate Administrative Fund is used to account for such costs and related revenues.

The table below summarizes funding for the Fund over the capitalization period:

	Federal	State	Total
Awards made through June 30, 2025	$ 283,742,510	$ 57,030,584	$340,773,094
Awards expended through June 30, 2025	$ 283,742,510	$ 57,030,584	$340,773,094

Note E - Significant Source of Revenue - State Revolving Loan Grant - Continued

During the years ended June 30, 2025 and 2024, the Fund received additional grants funded by the Infrastructure Investment and Jobs Act (IIJA), which provides funds for the Clean Water State Revolving Fund (CWSRF) program. These grants are known as the Emerging Contaminants Grant 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 purpose is to provide low interest financing to numerous borrowers for costs eligible under section 603(c) of the Clean Water Act and must be to address emerging contaminants requirements.

The table below summarizes funding for the Fund over the capitalization period:

	Emerging Contaminants	Supplemental Fund
Awards made through June 30, 2025	$ 2,554,000	$ 34,356,174
Awards expended through June 30, 2025	$ -	$ 32,730,709

Note F - Pension Plan

Employees that administer the Fund are considered employees of DNREC and the State and are covered under the State Employees' Pension Plan (the Plan). While the Fund contributed to the Plan $251,071 for fiscal year 2025 and $267,162 for fiscal year 2024, respectively, which is included in the financial statements as personnel costs, the Fund is not a reporting unit and does not share in the State Employees' Pension Plan 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 G - 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 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. No stand-alone financial report is issued for the OPEB Trust. As of June 30, 2021, the Fund was not allocated any portion of the overall State of Delaware net OPEB liability. Further information is available in the State's Comprehensive Annual Financial Report 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 H - Commitments and Contingencies

1. Loan Commitments

The Fund has met its prior binding commitments (equal to at least one hundred twenty percent (120%) of each quarterly payment within one (1) year of receipt of that payment). As of June 30, 2025, there were $198,343,392 in undisbursed loan proceeds for projects under construction. There was also binding loan commitments of $88,012,537.

2. Cost Reimbursement Contracts

The Fund derives all of its non-operating revenue from SRF Program and mandatory State matching funds which are contracts based on the reimbursement of allowance costs related to the program. Costs are subject to review by the EPA. Management does not believe there are any adjustments that could arise from disallowed costs that would materially impact the Fund's financial statements.

3. Deobligation of the Drinking Water State Revolving Loan Fund Grants

On September 4, 2012, the EPA deobligated $27,050,177 of the Drinking Water State Revolving Fund (DWSRF) federal capitalization grant and awarded it to the Fund. As part of the deobligation, $5,410,035 initially appropriated to the DWSRF, which represented the required 20% State match, was also appropriated to the Fund.

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

Note I - 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.

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 J - American Recovery and Reinvestment Act of 2009

During the fiscal year ended June 30, 2009, the Fund was awarded additional funding as a result of the American Recovery and Reinvestment Act (ARRA) of 2009 in the amount of $19,239,100. The Fund began processing various loan applications and began disbursing the funds in fiscal year 2011. The loan agreements state that each loan will be granted principal forgiveness of between 25% and 100% of the loan amount upon completion of the project. During fiscal years 2025 and 2024, the Fund forgave $14,173,493 and $3,270,000, respectively, in ARRA loans.

Note K - Nonfederal Administrative Fund

The Nonfederal Administrative Fund account is used to supplement administrative expenses of the Fund and other water quality improvement expenses.

The Nonfederal Administrative Fund also funds the Septic Rehabilitation Grant Program (SRG Grants) and other water quality areas. The SRG Fund provides grants to low-income homeowners for replacement of failing septic systems.

Note K - Nonfederal Administrative Fund - Continued

During the fiscal years ended June 30, 2025 and 2024, the Nonfederal Administrative Fund funded the following:

	Year Ending 2025	Year Ending 2024
SEFO grants	$ 983,300	$ 915,338
Wastewater matching planning grants	-	97,250
DNREC other program matching planning grants	552,980	533,923
Total	$ 1,536,280	$ 1,546,511

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.

The Fund is leasing shared office spaces through October 2027 with an allocation of 84% of the lease being allocated to the Fund. Lease payments are due monthly with an increase of 2% annually.

Note L - Lease-Lessee - Continued

The Fund entered into a shared lease agreement for a copier with an allocation of 84% being paid by the Fund. The copier lease will expire September 2026.

For the years ended June 30, 2025 and 2024, lease expense and lease interest expense reported on the statements of revenues, expenses and changes in net position, contractual services were:

	Year Ending	
Lease expense	2025	2024
Amortization expense by class of underlying asset:		
Office Space	$ 48,398	$48,398
Copy Machine	6,677	-
Total amortization expense	55,075	48,398
Interest on lease liabilities	5,130	5,947
Total	$ 60,205	$54,345

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

Maturity Analysis	Principal	Interest	Total
Year Ending 2026	$ 58,977	$3,078	$ 62,055
Year Ending 2027	57,327	1,015	58,342
Year Ending 2028 and thereafter	-	-	-
Total Future Payments	$116,304	$4,093	$120,397

Note M - Subsequent Events

Events and transactions subsequent to year end have been evaluated for potential recognition in the financial statements or disclosure in the notes to the financial statements. All events and transactions have been evaluated through April 22, 2026, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

State of Delaware
Delaware Water Pollution Control Revolving Loan Fund
Combining Fund Statements of Net Position
June 30, 2025 and 2024

	2025				2024			
	Federal Administrative Fund	Capital Reserve Loan Fund	Nonfederal Administrative Fund	Total	Federal Administrative Fund	Capital Reserve Loan Fund	Nonfederal Administrative Fund	Total
Current assets								
Pooled cash and investments	$ 904,215	$ 135,290,611	$ 7,916,961	$ 144,111,787	$ 593,146	$ 132,537,989	$ 8,686,094	$ 141,817,229
Administrative fees receivable	-	-	497,308	497,308	-	-	588,067	588,067
Interfund receivable	-	(562,162)	562,162	-	-	(562,162)	562,162	-
Interest receivable	-	511,011	-	511,011	-	602,080	-	602,080
Federal grant receivable	-	-	-	-	-	6,846,680	-	6,846,680
Loans receivable - current	-	16,111,483	-	16,111,483	-	14,180,519	-	14,180,519
Notes receivable - current	-	-	-	-	-	328,795	-	328,795
Total current assets	904,215	151,350,943	8,976,431	161,231,589	593,146	153,933,901	9,836,323	164,363,370
Noncurrent assets								
Operating right-of-use asset	-	-	105,143	105,143	-	-	145,194	145,194
Loans receivable, less current portion	-	243,851,210	-	243,851,210	-	218,862,448	-	218,862,448
Notes receivable, less current portion	-	-	-	-	-	5,536,642	-	5,536,642
Total noncurrent assets	-	243,851,210	105,143	243,956,353	-	224,399,090	145,194	224,544,284
Total assets	$ 904,215	$ 395,202,153	$ 9,081,574	$ 405,187,942	$ 593,146	$ 378,332,991	$ 9,981,517	$ 388,907,654
Current liabilities								
Vouchers payable	$ -	$ 2,595,709	$ 161,296	$ 2,757,005	$ -	$ 1,688,789	$ 40,092	$ 1,728,881
Accrued payroll	-	-	56,200	56,200	-	-	48,817	48,817
Short term lease liability	-	-	58,977	58,977	-	-	50,731	50,731
Due to State	-	-	-	-	-	5,221,215	-	5,221,215
Total current liabilities	-	2,595,709	276,473	2,872,182	-	6,910,004	139,640	7,049,644
Long term liabilities								
Long term lease liability	-	-	57,327	57,327	-	-	109,970	109,970
Total long term liabilities	-	-	57,327	57,327	-	-	109,970	109,970
Total liabilities	-	2,595,709	333,800	2,929,509	-	6,910,004	249,610	7,159,614
Net position-unrestricted	904,215	392,606,444	8,747,774	402,258,433	593,146	371,422,987	9,731,907	381,748,040
Total liabilities and net position	$ 904,215	$ 395,202,153	$ 9,081,574	$ 405,187,942	$ 593,146	$ 378,332,991	$ 9,981,517	$ 388,907,654

See accompanying notes to financial statements.

State of Delaware
Delaware Water Pollution Control Revolving Loan Fund
Combining Fund Statements of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2025 and 2024

	2025				2024			
	Federal Administrative Fund	Capital Reserve Loan Fund	Nonfederal Administrative Fund	Total	Federal Administrative Fund	Capital Reserve Loan Fund	Nonfederal Administrative Fund	Total
Operating revenues								
Interest income on loans	$ -	$ 1,612,777	$ -	$ 1,612,777	$ -	$ 2,306,077	$ -	$ 2,306,077
Administrative fee revenue	-	-	1,711,008	1,711,008	-	-	2,438,783	2,438,783
Total operating revenues	-	1,612,777	1,711,008	3,323,785	-	2,306,077	2,438,783	4,744,860
Operating expenses								
Reimbursable expenditures under operating grants:								
Personnel costs	733,730	-	1,123,637	1,857,367	708,529	-	1,297,720	2,006,249
Travel	-	-	16,566	16,566	-	-	6,052	6,052
Contractual services	-	-	125,415	125,415	-	-	131,962	131,962
Supplies and office expenses	-	-	143,924	143,924	-	-	11,009	11,009
Other expenses	-	-	15,801	15,801	-	-	6,585	6,585
Grants made	-	-	1,536,280	1,536,280	-	63,323	1,546,511	1,609,834
Total operating expenses	733,730	-	2,961,623	3,695,353	708,529	63,323	2,999,839	3,771,691
Operating income (loss)	(733,730)	1,612,777	(1,250,615)	(371,568)	(708,529)	2,242,754	(561,056)	973,169
Nonoperating revenues and expenses								
Amortization expense	-	-	(55,075)	(55,075)	-	-	(48,398)	(48,398)
Interest on capital lease	-	-	(5,130)	(5,130)	-	-	(5,947)	(5,947)
Interest income on deposits	-	7,109,597	390,010	7,499,607	-	4,332,489	292,107	4,624,596
Contributions:								
EPA	-	17,620,952	-	17,620,952	-	21,932,685	-	21,932,685
State	-	3,034,400	-	3,034,400	-	1,759,900	-	1,759,900
Loan forgiveness and write-offs	-	(7,212,793)	-	(7,212,793)	-	(7,647,288)	-	(7,647,288)
Total nonoperating revenues and expenses	-	20,552,156	329,805	20,881,961	-	20,377,786	237,762	20,615,548
Transfers in	1,044,799	-	-	1,044,799	1,004,774	-	-	1,004,774
Transfers out	-	(981,476)	(63,323)	(1,044,799)	-	(1,004,774)	-	(1,004,774)
Change in net position	311,069	21,183,457	(984,133)	20,510,393	296,245	21,615,766	(323,294)	21,588,717
Net position - beginning - unrestricted	593,146	371,422,987	9,731,907	381,748,040	296,901	349,807,221	10,055,201	360,159,323
Net position - end - unrestricted	$ 904,215	$ 392,606,444	$ 8,747,774	$ 402,258,433	$ 593,146	$ 371,422,987	$ 9,731,907	$ 381,748,040

See accompanying notes to financial statements.

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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 Water Pollution Control 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