Puerto Rico Water Pollution Control
Revolving Loan Fund

Basic Financial Statements and
Required Supplementary Information and
Supplemental Schedule of
Expenditures of Federal Awards

June 30, 2025

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Puerto Rico Water Pollution Control
Revolving Loan Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying statement of net position of the Puerto Rico Water Pollution Control Revolving Loan Fund ("the Revolving Fund") as of June 30, 2025, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the basic financial statements, which collectively comprise the Revolving Fund's basic financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Revolving Fund as of June 30, 2025, and the related changes in its net position and its cash flows 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 Revolving 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.

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.

Responsibilities of Management for the Financial Statements – (continued)

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 Revolving Fund's ability to continue as a going concern for twelve months beyond the financial statements 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Revolving 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 Revolving 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 the Management's Discussion and Analysis on pages 5 through 9 be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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 audit 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 basic financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

<u>Other Reporting Required by Government Auditing Standards</u>

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2026, on our consideration of the Puerto Rico Water Pollution Control Revolving Loan Fund ("the Revolving Fund") 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 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 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 Revolving Fund's internal control over financial reporting and compliance.

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DLLC322-1978
Puerto Rico Water Pollution Control Revolving Loan Fund

Galindez LLC

San Juan, Puerto Rico
March 30, 2026
License No. LLC-322
Expires December 1, 2026

Puerto Rico Water Pollution Control
Revolving Loan Fund

Management's Discussion and Analysis (Unaudited)

June 30, 2025

Puerto Rico Infrastructure Financial Authority (PRIFA) as operating agent for the financial and accounting activities of the Puerto Rico Water Pollution Control Revolving Fund (the Revolving Fund), offers readers of the Revolving Fund's financial statements this narrative overview and analysis of the Revolving Fund's financial performance during fiscal year ended June 30, 2025. This discussion and analysis is designed to assist the reader in focusing on the significant financial matters and activities and to identify any significant changes in the net position of the Revolving Fund. We encourage readers to consider the information presented here in conjunction with the basic financial statements as a whole, which follow this section.

Financial Highlights

- Restricted net position increased approximately $50.5 million or 7.48%.
- Operating gain was approximately $343 thousand for fiscal year 2025, an increase of approximately $493 thousand when compared to the prior year.
- Grants and contributions received had an increase of approximately $15.7 million; 42.04% when compared to the prior year.
- Contributions to others increased by $1.9 million or 18.7% when compared to prior fiscal year.
- Loan disbursements made during the fiscal year 2025 to finance capital improvement programs amounted to approximately $42 million, an increase of approximately $13.3 million, or 46.34%, from approximately $28.7 million disbursed during the previous fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Revolving Fund's basic financial statements, which are comprised of the basic financial statements and the notes to the basic financial statements. Since the Revolving Fund is comprised of a single enterprise fund, no fund level financial statements are shown.

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the Revolving Fund's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Revolving Fund's assets and liabilities, with the difference between the two reported as net position. Net position increases when revenues exceed expenses. Increases in assets without a corresponding increase to liabilities result in increased net position, which indicate an improved financial position.

The statement of revenues, expenses, and changes in net position presents information showing how an entity's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of timing of related cash flows.

The last of the required financial statements is the statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and capital and non-capital financing activities and provides answers to such questions as where cash came from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

Net position may serve, over time, as a useful indicator of whether a governmental entity's financial position is improving or deteriorating. In the case of the Revolving Fund, assets exceeded liabilities by approximately $724.7 million as of June 30, 2025. This represents an increase of approximately $50.5 million or 7.48% over net position as of June 30, 2024. The total amount of net position is restricted as it only serves the purpose provided by the enabling legislation of providing loans and financing of drinking water infrastructure facilities. As of June 30, 2025, most of the outstanding loans have been granted to the Puerto Rico Aqueduct and Sewer Authority (PRASA) and the Puerto Rico Electric Power Authority (PREPA).

The operation of the Revolving Fund is subject to the capital financing requirements of PRASA, and/or any other qualifying entity, and therefore, loan origination activity will be determined on an annual basis, depending upon PRASA's and/or any other qualifying entity's needs.

Condensed financial information on assets, liabilities, and restricted net position is presented below (in thousands):

	June 30,		Change	
	2025	2024	Amount	Percent
Assets:				
Restricted cash and cash equivalents	$ 225,479	$ 210,576	$ 14,903	7.08%
Accounts recivable	24	-	24	100.00%
Loans receivable	498,890	463,924	34,966	7.54%
Interest receivable	1,367	1,366	1	0.07%
Total assets	725,760	675,866	49,894	7.38%
Liabilities - accounts payable	1,029	1,588	(559)	-35.20%
Net position - restricted	$ 724,731	$ 674,278	$ 50,453	7.48%

Restricted cash and cash equivalents at June 30, 2025 amounted to approximately $225.5 million resulting in an increase of approximately $14.9 million from approximately $210.6 million as of June 30 2024, or an increase of 7.08%.

Loans receivable amount to approximately $498.9 million, resulting in an increase of approximately $35 million when compared to the previous year. The increase is mainly composed of collections of outstanding loans amounting to approximately $7 million and new loans issued amounting to approximately $42 million during the year ended on June 30, 2025.

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Condensed financial information on revenues, expenses and change in net position is presented below (in thousands):

	June 30,		Change	
	2025	2024	Amount	Percent
Operating income - interest on loans	$ 1,324	$ 1,056	$ 268	25.38%
Operating expenses				
general and administrative and bad debt expense	(981)	(1,206)	225	-18.66%
Operating income (loss)	343	(150)	493	-328.67%
Non-operating revenues (expenses)				
Interest income - deposits	9,071	10,145	(1,074)	-10.59%
Grants and contributions	52,914	37,253	15,661	42.04%
Contributions to other				
governmental entities	(11,875)	(10,004)	(1,871)	18.70%
Total non-operating revenues	50,110	37,394	12,716	34.01%
Changes in restricted net position	50,453	37,244	13,209	35.47%
Net position - beginning of year	674,278	637,034	37,244	5.85%
Net position - end of year	$ 724,731	$ 674,278	$ 50,453	7.48%

The change in restricted net position increased by approximately $13.2 million when compared to the previous year. The increase is mainly related to interest income on time deposits of approximately $9 million, grants and contributions received of $52.9 million, and contributions made to others of approximately $11.9 million. Grant proceeds are draw down only as needed to fund disbursement related to outstanding loan commitments.

Also, interest on loans increased by $268 thousand or 25.38% in relation to interest on loans of the prior year and general and administrative expenses decreased by $225 thousand as a result of a provision for bad debt recorded during the previous year.

During the fiscal year ended on June 30, 2025, interest income on deposits decreased by approximately $1 million, due to a decrease in market interest rates even when there was an increase in restricted cash equivalents during the same period.

Currently Known Facts

Financial Assistance Agreement

On June 12, 2025, Fiscal Oversight and Management Board (FOMB) approved a contribution amounting to $12.6 million to the Caño Martin Peña Project for the installation Israel Bitumul Strom Water System Project amounting to $3.8 million which consists of a new sewer system including new pipes, culverts, water quality units and controlled discharges. Improvements to Paseo del Sur Steet including the installation of new potable water, sanitary and storm drainage system and electrical infrastructure. Also $9.1 million for Buena Vista and Sector San Ciprian Storm Water Sewer System Project which consist of improvements to roads, storm sewers, potable water distribution, sanitary system, improvement to the electrical infrastructure within the Buena Vista Community and Paseo del Norte, the construction of the Antonio de Asis Street including pavement, sidewalks, roads, parking area, a bike lane, green area potable water, storm and sanitary systems, electrical power distribution, telecommunications and street lighting. On October 27, 2025, the Corporation for the Caño Martin Peña Project signed a contract with the Revolving Fund in order to formalize this agreement.

On July 15, 2025, the Isleta Marina Condominium signed a contract with the State Revolving Fund for contribution amounting to $2.4 million to develop a project to seize and demolish the treatment plant once the necessary infrastructure is built to transfer wastewater by pumping. An underwater tube must be provided for forced transfer of sanitary effluents to the existing PRASA sewer system in the Mantenillo neighborhood of Fajardo.

On January 15, 2026, PRIFA board of directors approve the following contributions: $579 thousand to the Municipality of Toa Alta and $429 thousand to the Municipality of Isabela to finance equipment related to Septic Truck Procurement for Waste Management.in each municipality.

On February March 30, 2026, PRIFA board of directors approved a contribution amounting to $8.7 million to the Municipality of Yauco for the construction of "Barinas & Diego Hernandez Sanitary Sewer System.

Capitalization grants

As of the date these basic financial statements are available to be issued, the Revolving Fund received capitalization grant awards notifications for the fiscal year 2025 as follows:

Date received	Fiscal Year	Amount
August 12, 2025	2025	$ 52,823,000
August 26, 2025	2025	7,000
Total		$ 52,830,000

Requests for Information

This financial report is designed to provide those interested with a general overview of the Revolving Fund's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Puerto Rico Water Pollution Control Revolving Fund, PO Box 42001, San Juan, Puerto Rico, 00940-2001.

Puerto Rico Water Pollution Control
Revolving Loan Fund

Statement of Net Position

June 30, 2025

Assets

Current assets	
Contribution receivable from the U.S. Environmental Protection Agency	$ 24,604
Loans receivable from Puerto Rico Aqueduct and Sewer Authority	7,736,334
Interest receivable from:	
Deposits and certificate of deposits	658,027
Loans, net of allowance for doubtfull accounts	708,720
Total current assets	9,127,685
Non current assets	
Restricted cash and cash equivalents	225,479,322
Loans receivable from:	
Puerto Rico Aqueduct and Sewer Authority	469,055,259
Puerto Rico Electric Power Authority	22,098,126
Total non current assets	716,632,707
Total assets	725,760,392

Liabilities and Net Position

Current liabilities	
Accounts payable	401,756
Due to Puerto Rico Department of Natural and Environmental Resources	474,686
Due to Puerto Rico Infrastructure Financing Authority	123,284
Due to other entities	29,525
Total liabilities	1,029,251
Net position - restricted	724,731,141
Total liabilities and net position	$ 725,760,392

See notes to basic financial statements

Puerto Rico Water Pollution Control
Revolving Loan Fund

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2025

Operating income (expenses):	
Interest income on loans	$ 1,323,797
General and administrative	(980,967)
Operating income	342,830
Non-operating revenues:	
Interest income on deposits	9,071,390
Capital Contributions :	
Contributions from the U.S. Environmental Protection Agency- pass-through from the Puerto Rico Department of Natural and Environmental Resources	46,731,333
Contributions from the Commonwealth of Puerto Rico	6,182,458
Contributions to other governmental entities	(11,875,394)
Capital Contributions, net	41,038,397
Total non-operating revenues, net	50,109,787
Change in net restricted position	50,452,617
Net position - beginning of year	674,278,524
Net position - end of year	$ 724,731,141

See notes to basic financial statements

Puerto Rico Water Pollution Control
Revolving Loan Fund

Statement of Cash Flows

For the Year Ended June 30, 2025

Cash flows from operating activities:	
Cash paid for general and administrative expenses	$ (1,539,858)
Loan disbursements	(42,002,194)
Principal Collected on loans	7,036,276
Interest received on loans	1,140,130
Net cash used in operating activities	(35,365,646)
Net cash provided by investing activities :	
Interest received on deposits	9,254,665
Cash flow from capital financing activities:	
Contributions received from Department of Natural and Enviromental Resources	46,706,729
Contributions received from Commonwealth of Puerto Rico	6,182,458
Contributions paid to other govermental entities	(11,875,394)
Net cash provided by non-capital financing activities	41,013,793
Net change in restricted cash and cash equivalents	14,902,812
Restricted cash and cash equivalents - beginning of year	210,576,510
Restricted cash and cash equivalents - end of year	$ 225,479,322
Reconciliation of operating income to net cash used in operating activities:	
Operating income	$ 342,830
Adjustment to reconcile operating loss to net cash used in operating activities:	
Increase in loans receivable from loans	(34,965,918)
Increase in interest receivable	(183,667)
Decrease in accounts payable	(27,472)
Decrease in due to other entities	(216,325)
Decrease in due to Puerto Rico Department of Natural and Environmental Resources	(337,517)
Increase in due to Puerto Rico Infrastructure Financing Authority	22,423
Net cash used in operating activities	$ (35,365,646)

See notes to basic financial statements

Note 1 - Reporting entity

Puerto Rico Water Pollution Control Revolving Fund (the Revolving Fund) was created by Act 44 of the Legislature of the Commonwealth of Puerto Rico (the Commonwealth) on June 21, 1988, as amended. The Revolving Fund was constituted separately and independently from any other funds or resources of the Commonwealth. It is presented as an enterprise fund of the Commonwealth.

The Revolving Fund is administered, pursuant to Act 416 of September 22, 2004, as amended, (the Act 416) by the Puerto Rico Department of Natural and Environmental Resources (DNER). Pursuant to the Act 416, DNER, on behalf of the Commonwealth, is authorized to enter into operating agreements and capitalization grant agreements with the U.S. Environmental Protection Agency (EPA). On August 2018, the Commonwealth enacted Act No. 171 of 2018, "*Department of Natural and Environmental Resources Reorganization Plan*", in which the former Puerto Rico Environmental Quality Board operations were merged into the Puerto Rico Department of Natural and Environmental Resources.

DNER and Puerto Rico Infrastructure Financing Authority (PRIFA), entered on December 27, 2016, into a Memorandum of Understanding (MOU), subsequently amended on June 21, 2018, to include the Fiscal Agency and Financial Advisory Authority (FAFAA). Under the MOU, as amended, each party has agreed to assume specific responsibilities in connection with the operations of the Revolving Fund pursuant to the Operating Agreement entered between the EPA and the DNER on July 25, 2018. Pursuant to the MOU, as amended, DNER will remain as the administrator for the Revolving Fund, PRIFA will act as the operating agent to provide assistance with the financial and accounting activities, and FAFAA will conduct the financial capabilities analysis of any eligible assistance recipient of funds, provide the necessary information to the DNER and PRIFA to the extent as possible for the development of the different programs compliance reports reviews, provide oversight as fiscal agent, financial advisor and information agent of the Commonwealth to ensure that the monies are safeguarded in a trust structure and to ensure the proper administration.

On June 30, 2017, PRASA, PRIFA, DNER and the Puerto Rico Department of Health (DOH), entered into an Escrow Deposit Agreement (Escrow Agreement) with Banco Popular de Puerto Rico (BPPR or Escrow Agent). The Escrow Agreement was established, among other things, (1) to account for irrevocable escrow accounts, (2) hold deposit of the escrowed assets and (3) to apply such escrowed assets solely in accordance with the escrow agreement.

The Escrow Agreement emerged as part of and as a condition to the second amendment to the Forbearance Agreement as PRASA agreed to execute certain minimum payments to PRIFA for the sole benefit of the Revolving Fund.

Note 1 - Reporting entity – (continued)

Pursuant to the operating agreements with EPA, PRIFA is required to establish trust fund accounts to hold separate and apart from its assets or those of any of the agencies of the Commonwealth, in which it will deposit all funds received from borrowers of the Revolving Fund funds. PRASA will not have and will not exercise any dominion or control over the escrowed assets until the date that the Escrow Agent receives a certificate of compliance with the operating agreements with EPA and duly constituted in accordance with the laws of the Commonwealth.

Amendments to the Operating Agreements and Memorandum of Understanding-Incorporation into Trust Agreement

Effective September 18, 2018, DNER and EPA entered into a revised Clean Water State Revolving Fund Operating Agreement (the Revolving Fund Operating Agreement). On September 18, 2018, PRIFA and DNER entered into an amendment to the December 27, 2016 memorandum of understanding between PRIFA and DNER attached to and referenced in the Revolving Fund Operating Agreement.

DNER, PRIFA and FAFAA, with the consent of EPA, have agreed to incorporate into the Revolving Fund Operating Agreement, The Trust Agreement (the Trust Agreement) with BPPR, as Trustee (the Trustee), pursuant to which the Trustee shall receive all capitalization grant funds, investment earnings and funds recovered under the Commonwealth Fiscal Plan related to the Revolving Fund, and set them aside in a Trust separate and apart from any and all proprietary funds of PRIFA, DNER, and the Commonwealth, its agencies and instrumentalities, all in accordance with the further terms and conditions provided in the Trust Agreement. The Trust Agreement between DNER, PRIFA and Banco Popular of Puerto Rico was executed on December 18, 2018.

Note 2 - Summary of significant accounting policies

The accounting and reporting policies of the Revolving Fund conform to Generally Accepted Accounting Principles in the United States of America (U.S. GAAP), as applicable to governmental entities. The Revolving Fund follows Governmental Accounting Standards Board (GASB) statements under the hierarchy established by Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, in the preparation of its basic financial statements.

The preparation of basic 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 the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of changes in net position and revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 2 - Summary of significant accounting policies – (continued)

Following is a description of the Revolving Fund's most significant accounting policies:

Measurement focus, basis of accounting, and financial statements presentation

The Revolving Fund basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows.

The statement of net position and the statement of revenues, expenses, and changes in net position report information on all activities of the Revolving Fund. The Revolving Fund's activities are distinguished as proprietary activities. The Revolving Fund's activities generally are financed through intergovernmental revenues, other non-exchange revenues and interest income from its loans and deposits. Following is a description of the Revolving Fund's financial statements.

The statement of net position presents the Revolving Fund's assets and liabilities, with the difference reported as net position. Net position may be reported as:

- Restricted component of net position consists of restricted assets reduced by liabilities related to those assets. Restricted net assets result when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

- Unrestricted component of net position consists of net amount of the assets and liabilities that do not meet the definition of the preceding category. Unrestricted component of net position often is designated in order to indicate that management does not consider them to be available for general operations. Unrestricted component of net position often has constraints on use that are imposed by management, but such constraints may be removed or modified.

As of June 30, 2025, the Revolving Fund net position is presented as restricted.

The statement of revenues, expenses, and changes in net position demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Operating expenses are those that relate to the administration of the Revolving Fund. Other items not meeting the definition of program revenues or operating expense are reported as non-operating revenues or expenses.

Note 2 - Summary of significant accounting policies – (continued)

Restricted cash and cash equivalents

Time deposits with maturities at date of purchase of three months or less are classified as cash equivalents. Cash and cash equivalents are carried at a cost, which approximates fair value. As of June 30, 2025, The Revolving Fund maintains approximately $225.5 million in cash equivalents.

Loans receivable and allowance for loan losses

Loans are presented at the outstanding principal balance reduced by allowance for loan losses. The allowance for loan losses is established through a provision recorded in the statement of revenues, expenses and changes in net position. The allowance for loan losses is based on management's evaluation of the risk characteristics of the loans including such factors as the nature of individual credit outstanding, past loss experience, known and inherent risk in the portfolios' sources of repayment, adverse situation that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and general economic conditions. Loan charge-offs are recorded against the allowance when management believes that the collection of the principal is unlikely. Recoveries of amount previously charged off are credited to the respective allowance. Because of uncertainties inherent in the estimation process, management's estimate of credit losses in the outstanding loans receivable portfolios and the related allowance may change if economic and other conditions differ substantially from the assumptions used in making the estimates. Such adjustments to original estimates, as necessary, are made in the period in which these factors and other relevant considerations indicate that loss levels vary from previous estimates.

The Revolving Fund considers loans as impaired based on current information and events, including significant delays in the receipt of the scheduled debt service payments. To establish an allowance for loans losses, the Revolving Fund's management used applicable authoritative literature, general background information and recent relevant information included in the PRASA fiscal plan, as further discussed in Note 6.

In relation to income recognition, the Revolving Fund classifies loans as nonaccrual when management determines if any of the following characteristics are present: (a) a loan was six months past due; (b) it has no current source of repayment; (c) it is not covered by formal commitment from the debtor; and (d) it does not have designated collateral, or such collateral is insufficient. Based on these four elements, when a loan is placed in nonaccrual status, interest receivable is reversed from interest income. Interest income on nonaccrual loan is thereafter recognized in income only to the extent that it is collected. Nonaccrual loans are returned to accrual status when management has adequate evidence to believe that the loans would perform as contracted.

Note 2 - Summary of significant accounting policies – (continued)

Loan receivable and allowance for loan losses – (continued)

Also, as the loans made and collected (including interest on loans) are part of a governmental program, the loan activities are reported as operating activities in the statement of cash flows.

New accounting standards adopted

During the fiscal year ended on June 30, 2025, certain governmental accounting pronouncements became effective, none of which had any impact in the results of the operations, or in the presentation of the financial statements of the Revolving Fund.

Accounting pronouncements issued but not yet effective

GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

Management's Discussion and Analysis - This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions.

Unusual or Infrequent Items - This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

Note 2 - Summary of significant accounting policies – (continued)

Accounting pronouncements issued but not yet effective– (continued)

Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position - This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses.

Major Component Unit Information - This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

Budgetary Comparison Information - This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 104, *Disclosures of Certain Capital Assets.* The State and local governments are required to provide detailed information about capital assets in notes to financial statements. Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, requires certain information regarding capital assets to be presented by major class. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

Note 2 - Summary of significant accounting policies – (continued)

Accounting pronouncements issued but not yet effective– (continued)

This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

This statement does not have any impact on the Revolving Fund’s basic financial statements.

Note 3 - Financial dependency

The Revolving Fund main source of revenue consists of EPA grant awards and Commonwealth appropriations made for the state match. As result, the Revolving Fund’s operations are dependent on the EPA and Commonwealth’s ability to continue providing funding to the Revolving Fund through grants and legislative appropriations. EPA grants are approved by the Federal Government and Commonwealth appropriations by the Financial Oversight and Management Board.

Note 4 - Transactions with related parties

As established in the MOU between DNER, FAFAA and PRIFA, DNER and PRIFA have performed certain managerial, administrative and duties related to the accounting of the Revolving Fund which resulted in amounts due to DNER and PRIFA of approximately $474.7 thousand and $123 thousand, respectively, included in the accompanying statement of net position.

Note 5 - Custodial credit risk

Custodial credit risk is the risk that in the event of a bank failure of a depository financial institution, the entity will not be able to recover its deposits. The Revolving Fund does not have a custodial credit policy.

Restricted cash and cash equivalents as of June 30, 2025 were deposited as follows:

Type of Deposit	Book Balance	Bank Balance
Time deposits at commercial bank	$ 225,479,322	$ 225,479,322

The Commonwealth requires that public funds deposited in commercial banks in Puerto Rico must be fully collateralized for the amount deposited in excess of federal depository insurance.

Note 6 - Loans receivable

At June 30, 2025, loans receivable consist of the outstanding balances from the Puerto Rico Aqueduct and Sewer Authority (PRASA) and the Puerto Rico Electric Power Authority (PREPA), as follows:

Loan receivable from:	Balance
PRASA:	
Permanent loans	$ 415,493,485
Construction loans	61,298,108
PREPA - construction loans	22,098,126
Total loans receivables	$ 498,889,719

Permanent loans are due in semiannual installments, bearing interest between 1%-2% per annum, maturing on various dates through December 31, 2055. As fully disclosed below, PRASA´s restructured loan is due in semiannual installments, bearing interest at 0% per annum from year 1 thru 10 and 1% for the next 20 years.

Note 6 - Loans receivable – (continued)

Loans receivable, as of June 30, 2025, mature as follows:

Years Ending June 30,	Amount
2026	$ 7,736,334
2027	9,015,633
2028	8,221,864
2029	8,237,121
2030	12,515,069
2031-2035	86,249,805
2036-2040	90,660,632
2041-2045	95,231,147
2046-2050	90,199,979
2051-2055	7,425,902
	415,493,485
Plus: construction loans - projects in process	83,396,234
Total	$ 498,889,719

Construction loans bear interest at 2% per annum, and principal will be payable semiannually, commencing no later than one year after construction completion date. All loans are required to be paid in full in a period not to exceed 30 years. For construction loans, such period commences after the construction loan is converted to a permanent loan. Interest on construction loans is payable semiannually since inception of the loan. As of June 30, 2025, PREPA and PRASA construction loans amounts to approximately $22.1 million and $61.3 million, respectively.

The Revolving Fund is operated as a direct loan program, whereby most of the loans made are funded by capitalization grants from the EPA and a Commonwealth match equaling approximately 15.5% of the EPA's capitalization grant. All of the outstanding loans were 100% funded with EPA capitalization grants and with funds from the results of the operations of the Revolving Fund.

Pursuant to Act 96 of June 30, 2015 (the Act 96), the Commonwealth guaranteed the payment of principal and interest on most of the outstanding Revolving Fund loans granted to PRASA. However, pursuant to the refinancing of the loans disclosed below, the Commonwealth's guaranty related to all the original financing agreements, and the guaranty related to all the bonds and loans

Note 6 - Loans receivable – (continued)

issued, was terminated on July 26, 2019. The new loans are not subject to the guaranty, and the obligations of PRASA under the new loan agreements and the notes will not constitute Commonwealth guaranteed indebtedness under the trust agreement. Any future right to the Commonwealth guaranty was waived.

Before the refinancing of the loans, PRASA was experiencing a challenging financial scenario with its ability to fulfill all of its financial commitments, including those obligations incurred under the Revolving Fund's loans. As a result, PRASA seeked relief through the modification of its debt obligations.

During previous years, the Revolving Fund established an allowance for loan losses on identified impaired loans based on management's estimate of the present value of expected debt service payments discounted at the loans' effective interest rate. However, after PRASA's debt restructuring and improvements in the financial condition of PRASA, which has been able to meet in full its scheduled debt service, the Revolving Fund was able to release allowance for loan losses.

PRASA's debt restructuring

On July 26, 2019, the U.S. Environmental Protection Agency (EPA) and Puerto Rico Aqueduct and Sewer Authority (PRASA) restructured certain delinquent loans – amounting to approximately $596 million in principal – owed to Puerto Rico's Water Pollution Control (WP) and Drinking Water (DW) State Revolving Fund (SRF) programs. PRASA entered into two loan agreements in order to restructure certain existing loans from the SRF funds. The notes issued by PRASA under the new loan agreements superseded and replaced all outstanding obligations with SRF funds. The SRF also waived all accrued and unpaid interest with respect to the old debt. The two new loan agreements (one for the WP and one for DW) each have a term of thirty years commencing on January 1, 2020 (effective date) and bear interest at 0.0% for the first 10 years and 1% for the next 20 years. The loans and notes issued by PRASA to the applicable SRF were incurred by PRASA as other system indebtedness and have been designated as senior indebtedness under the master agreement of trust, between PRASA and Banco Popular de Puerto Rico, as trustee, and as amended by the seventh supplemental agreement of trust.

As disclosed above, the new loans provided by the SRF to PRASA are not the Commonwealth guaranteed indebtedness, as defined in the trust agreement and the Commonwealth guaranty related to all the original financing agreements was terminated.

Note 6 - Loans receivable – (continued)

PRASA operations

The following presents information obtained from PRASA's audited financial statements as of June 30, 2024, and PRASA's 2024 Fiscal Plan, as certified on June 27, 2025 by the Financial Oversight and Management Board for Puerto Rico (unaudited). The Revolving Fund considered this information, along with the debt restructuring and PRASA's ability to meet it scheduled debt service, in assessing the realizable value of the loans receivable from PRASA as of June 30, 2025.

As disclosed on PRASA's 2025 Fiscal Plan, PRASA's financial condition has improved materially since 2017, mainly due to the implementation of various revenue enhancing and debt optimization measures, including modest and gradual rate increases across all customers segments, proactive collection of past due amounts from government accounts, and various debt modification and debt refunding transactions. PRASA's debt optimization strategies resulted in about $1.3 billion in debt service relief through the debt modification with its Federal Lenders, refunding a significant portion of its outstanding 2008 Senior bonds and all of the 2008 Guaranteed bonds in 2020 and 2021, refunding all the outstanding 2012 Serie A and B senior bonds and the executed loan settlement with the Government Development Bank Debt Recovery Authority of a outstanding loan. Furthermore, renewed access to SRF and RD loans and grants, FEMA recovery, mitigation and reconstruction funds, and CDBG disaster related and mitigation funds, are collectively expected to provide the necessary financial support to improve, rebuild, recover, and upgrade critical water and wastewater facilities.

PRASA has now a unique opportunity to invest in its infrastructure at a much lower cost than usual without the need to access capital markets in the short term.

Given PRASA's current fiscal situation and given the need to prioritize improving its systems performance, the 2025 Certified Fiscal Plan outlines areas of opportunity largely related to its operations and capital investment, such as "non-revenue water", capital delivery, and metering infrastructure upgrades. Through the successful and timely implementation of each of the measures identified herein, PRASA is expected to improve its financial and operational system capacity of its system.

Nonetheless, there is no certainty that the PRASA Fiscal Plan will be fully implemented, or, if implemented, will ultimately provide the intended results. All these plans and measures, and PRASA's ability to reduce its deficit and continue meeting in full its scheduled debt service, depend on a number of factors and risks, some of which are not wholly within PRASA's control.

Note 7 - Capitalization grants

The Clean Water Act (the CWA), as amended, is the main federal law that establishes the basic structure for regulating discharges of pollutants into waters of the United States and for regulating quality standards for surface waters. Under the CWA, the EPA has implemented pollution control programs such as setting wastewater standards for industry and quality standards for all contaminants in surface waters. The CWA created the federal Clean Water State Revolving Fund to make funds available to finance water quality protection projects for wastewater treatment, nonpoint source pollution control, and watershed and estuary management that are needed to comply with the CWA water pollution requirements. The CWA authorizes the EPA to award capitalization grants to state which, in turn, provide low interest loans and other types of financial assistance to eligible systems.

These grants are routinely subject to financial and compliance audits in accordance with the provisions of the Title 2, *U.S. Code of Federal Regulation Part 200, Uniform Administration Requirements, Cost Principles and Audit Requirements for Federal Award* (Uniform Guidance) and compliance audits by the EPA. The latter has the authority to determine liabilities as well as to limit, suspend, or terminate the federal assistance. All funds drawn from the EPA and the matching funds from the Commonwealth are recorded as non-operating revenues in the Statement of Revenues and Expenses and Changes in Net Position.

The following summarizes the capitalization grants awarded, amounts drawn on each grant as of the statement of net position date, and balances available for future draws:

June 30,	Grant amount	Total draws at June 30, 2024	Draws during 2025	Total draws at June 30, 2025	Available at June 30, 2025
2017	$ 17,292,000	$ 16,678,429	$ 613,571	$ 17,292,000	$ -
2018	20,935,000	20,935,000	-	20,935,000	-
2019	20,724,000	92,867	20,267,146	20,360,013	363,987
2020	20,727,000	-	18,687,387	18,687,387	2,039,613
2021	20,724,000	-	41,667	41,667	20,682,333
2022	39,551,000	478,335	7,121,562	7,599,897	31,951,103
2023	373,611,000	-	-	-	373,611,000
2024	43,081,000	-	-	-	43,081,000
	$ 556,645,000	$ 38,184,631	$ 46,731,333	$ 84,915,964	$ 471,729,036

Note 7 - Capitalization grants – (continued)

As of June 30, 2025, the Revolving Fund had $43,081,000 from grant awarded by the EPA during the federal fiscal year ended September 30, 2023, which are available to be drawn for loan commitments and/or administrative expenses once all the EPA requirements have been met. As of June 30, 2025, PRIFA, PRASA, and third parties have not executed financial agreements related to these awards. Also, as of June 30, 2025, certain amounts are still available for drawdowns from the grants awarded during the federal fiscal years ended on September 30, 2019, 2020, 2021 and 2022, which already have financial agreements executed and from which partial drawdowns have been made. See Note 9 for subsequent events.

The Bipartisan Budget Act of 2019 provides that notwithstanding the requirements of section 603(d) of the Federal Water Pollution Control Act or section 1452(f) of the Safe Drinking Water Act, the state or territory shall utilize the full amount of such funds, excluding existing loans, to provide additional subsidization to eligible recipients in the form of forgiveness of principal, negative interest loans or grants or any combination of these. Provided further, that such funds may be used for eligible projects whose purpose is to repair damage incurred as a result of Hurricanes Irma and María, reduce flood damage risk and vulnerability or to enhance resiliency to rapid hydrologic change or a natural disaster at treatment works as defined by section 212 of the Federal Water Pollution Control Act or a public drinking water system under section 1452 of the Safe Drinking Water Act. Provided further, that any project involving the repair or replacement of a lead service line shall replace the entire lead service line, not just a portion.

During fiscal year ended June 30, 2025, the Revolving Fund contributed $11,875,394, of which $29,525 remain payable in due to other entities in the accompanying statement of net position as of June 30, 2025, for different types of projects to the following entities:

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Note 7 - Capitalization grants – (continued)

Project	Amount
Fundación Aguas Claras Inc.	$ 3,035,237
Hospital General Castañer	12,210
Municipality of Caguas	411,327
Municipality of Camuy	649,966
Municipality of Jayuya	135,553
Municipality of Naranjito	122,625
Municipality of Yauco	404,500
PREPA	5,594,819
San Juan Bay Estuary	996,638
University of Puerto Rico	512,519
Total	$ 11,875,394

Note 8 - Administrative expenses

As provided by federal laws and regulations, reasonable costs of administering the Revolving Fund are reimbursable under federal programs up to a maximum of 4% of the capitalization grant awarded each year. The federal government also reimburses expenses incurred in training and certifying personnel as well as technical matters. During the year ended June 30, 2025, total reimbursement of administrative expenses amounted to $1,219,070.

Note 9 - Subsequent events

Subsequent events were evaluated through March 30,2026, the date the basic financial statements were available to be issued. Management believes that the subsequent events disclosed below are intrinsically related to the financial statements of the Revolving Fund. These might have been disclosed elsewhere in these financial statements, but management believes they require specific mentioning based on their relevance and materiality as a whole.

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Note 9 - Subsequent events – (continued)

Financial Assistance Agreement

On July 15, 2025, the Isleta Marina Condominium signed a contract with the State Revolving Fund for contribution amounting to $2.4 million to develop a project to seize and demolish the treatment plant once the necessary infrastructure is built to transfer wastewater by pumping. An underwater tube must be provided for forced transfer of sanitary effluents to the existing PRASA sewer system in the Mantenillo neighborhood of Fajardo.

On October 27, 2025, the Corporation for the Caño Martin Peña Project (Corporation) signed a contract with the Revolving Fund in order for the Corporation receive a contribution amounting to $12.6 million to the Caño Martin Peña Project for the installation Israel Bitumul Strom Water System Project amounting to $3.8 million which consists of a new sewer system including new pipes, culverts, water quality units and controlled discharges. Improvements to Paseo del Sur Steet including the installation of new potable water, sanitary and storm drainage system and electrical infrastructure. Also $9.1 million for Buena Vista and Sector San Ciprian Storm Water Sewer System Project which consist of improvements to roads, storm sewers, potable water distribution, sanitary system, improvement to the electrical infrastructure within the Buena Vista Community and Paseo del Norte, the construction of the Antonio de Asis Street including pavement, sidewalks, roads, parking area, a bike lane, green area potable water, storm and sanitary systems, electrical power distribution, telecommunications and street lighting.

On January 15, 2026, PRIFA board of directors approve the following contributions: $579 thousand to the Municipality of Toa Alta and $429 thousand to the Municipality of Isabela to finance equipment related to Septic Truck Procurement for Waste Management.in each municipality.

On March 30, 2026, PRIFA board of directors approved a contribution amounting to $8.7 million to the Municipality of Yauco for the construction of "Barinas & Diego Hernandez Sanitary Sewer System.

Capitalization grants

As of the date these basic financial statements are available to be issued, the Revolving Fund received capitalization grant awards notifications for the federal fiscal year 2025 as follows:

Date received	Fiscal Year	Amount
August 12, 2025	2025	$ 52,823,000
August 26, 2025	2025	7,000
Total		$ 52,830,000

Puerto Rico Water Pollution Control
Revolving Loan Fund

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2025

Federal Agency/ (Pass-Through Agency) and Program Tittle	ALN Number	Other Award Number	Expenditures: From Direct Awards	Expenditures: From Pass-Through Awards	Expenditures: Total	Passed-Through to Subrecipients	Note
Clean Water State Revolving Funds Cluster:							
U.S Environmental Protection Angency							
(Pass-through from the Puerto Rico Department of Natural and Environmental Resources)							
Capitalization Grants For Clean Water State Revolving Funds	66.458	CS72000117 CS72000119 CS72000120 CS72000121 CS72000122 4C-96237822 4X-96237622	$ -	$ 46,493,230	$ 46,493,230	$ 45,512,263	Note 4 Note 5
Total Clean Water State Revolving Fund Cluster			**$ -**	**$ 46,493,230**	**$ 46,493,230**	**$ 45,512,263**	

See accompanying notes to the schedule of expenditures of federal awards

Note 1 - Basis of presentation

The accompanying supplementary Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Puerto Rico Water Pollution Control Revolving Loan Fund ("the Revolving Fund") and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the Revolving Fund's financial statements.

Because the Schedule presents only a selected portion of the activities of the Revolving Fund, it is not intended to, and does not present the net position, changes in net position, and cash flows of the Revolving Fund.

Note 2 - Summary of significant accounting policies

a. The Schedule is prepared from the Revolving Fund's accounting records. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures may or may not be available or may be limited as to reimbursement.

b. The financial transactions are recorded by the Revolving Fund in accordance with the terms and conditions of the grants, which are consistent with accounting principles generally accepted in the United States of America.

c. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, or when paid, whichever occurs first.

d. The Revolving Fund has elected not to use the 10-percent de minimis indirect costs rate as allowed under the Uniform Guidance.

Note 3 - Assistance Listing Numbers (ALN)

The Assistance Listing Numbers (ALN) included in the Schedule are determined based on the program name, review of grant contract information and the public descriptions of federal assistance listings published by the U.S. Government on sam.gov. Assistance Listing Numbers are presented for those programs for which such numbers were available.

Note 4 - Capitalization grants

During the year ended June 30, 2025, loans originated with the U.S. Environmental Protection Agency ("EPA) capitalization grants amounted to $35,534,980, which represent the federal portion of loans originated. For the year ended June 30, 2025, the federal portion of grants awarded to subrecipients amounted to $9,977,283 of which, $9,952,679 were disbursed during the year and $24,604 remain payable and accrued as part of due to other entities in the statement of net position as of June 30, 2025. Grants are not subject to loan or interest charges. The balance of loans previously granted amounting to $463,923,801 is not included in the schedule since the Revolving Fund is not deemed to have continuing compliance with requirements.

Note 5 - Reconciliation of the Schedule with the statement of revenues, expenses and changes in net position

The following presents a reconciliation between the Schedule with the contributions received from the EPA as presented in the statement of revenues, expenses and changes in net position:

For the year ended on June 30, 2025:	Amount
Expenditures per Schedule of Expenditures of Federal Awards	$ 46,493,230
Plus: expenditures incurred in prior years but claimed to the EPA during the the year ended June 30, 2025	989,807
Less: expenditures incurred during the year ended June 30, 2025 that have not been claimed for reimbursement to the EPA	(751,704)
Contributions from EPA per statement of revenues, expenses and changes in net position	$ 46,731,333

PART II

Puerto Rico Water Pollution Control
Revolving Loan Fund

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*

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

To the Board of Directors of
Puerto Rico Water Pollution Control
Revolving Loan Fund

We have audited in accordance with 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 Puerto Rico Water Pollution Control Revolving Loan Fund ("the Revolving Fund"), which comprise the statement of net position as of June 30, 2025, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the basic financial statements, which collectively comprise the Revolving Fund´s basic financial statements, and have issued our report thereon dated March 30, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Revolving Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Revolving Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Revolving 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 have not been identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Revolving 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 statement. 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 result of that testing, and not to provide an opinion on the effectiveness of the Revolving Fund'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 Revolving Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DLLC322-1979
Puerto Rico Water Pollution Control Revolving
Loan Fund

Galíndez LLC

San Juan, Puerto Rico
March 30, 2026
License No. LLC-322
Expires December 1, 2026

PART III

Puerto Rico Water Pollution Control
Revolving Loan Fund

Independent Auditors´ Report on Compliance for Major Federal
Program and Report on Internal Control Over Compliance in Accordance with
the Uniform Guidance

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

To the Board of Directors of
Puerto Rico Water Pollution Control
Revolving Loan Fund

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Puerto Rico Water Pollution Control Revolving Loan Fund's ("the Revolving Fund") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Revolving Fund's major federal program for the year ended June 30, 2025. The Revolving Fund's major federal program is identified in the summary of auditors´ results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Puerto Rico Water Pollution Control Revolving Loan Fund complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2025.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Revolving Fund and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Revolving Fund's compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Revolving Fund's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Revolving Fund's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Revolving Fund's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

COLEGIO DE CONTADORES PÚBLICOS AUTORIZADOS DE PUERTO RICO
CPA
$5.00 SELLO $2.00 INDCI

DLLC322-1980
Puerto Rico Water Pollution Control Revolving Loan Fund

Galindez LLC

San Juan, Puerto Rico
March 30, 2026
License No. LLC-322
Expires December 1, 2026

PART IV

Puerto Rico Water Pollution Control
Revolving Loan Fund

Schedule of Findings and Questioned Costs

Puerto Rico Water Pollution Control
Revolving Loan Fund

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2025

Part I - Summary of Auditors' Results

Financial Statements

a) Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified opinion

b) Material weaknesses in internal control over financial reporting identified: None.

c) Significant deficiencies in internal control over financial reporting identified that are not considered to be material weaknesses: None.

d) Noncompliance that is material to the financial statements: None.

Federal Awards

a) Are there any reportable findings under Uniform Guidance § 200.516: No.

b) Major program:

Name of Federal Program or Cluster:	ALN Number
U.S. Environmental Protection Agency:	
(Passthrough from the Puerto Rico Department of Natural and Environmental Resources)	
Clean Water State Revolving Funds Cluster:	
Capitalization Grants for Clean Water State Revolving Funds	66.458

c) Dollar threshold used to distinguish between Type A and Type B programs: $750,000.

d) Auditee qualified as a low-risk auditee under Uniform Guidance § 200.520: No.

e) Internal control over compliance with major programs:

   i. Material weaknesses identified? No
   ii. Significant deficiencies identified? No

f) Type of auditors' report issued on compliance for major programs: Unmodified opinion.

Part II - Findings Relating to the Financial Statements that are Required to be Reported in Accordance with Government Auditing Standards

None.

Part III - Findings and Questioned Costs Relating to Federal Awards

None.

PART V

Puerto Rico Water Pollution Control Revolving Loan Fund

Summary Schedule of Prior Year Findings

Puerto Rico Water Pollution Control
Revolving Loan Fund

Summary Schedule of Prior Year Findings

For the Year Ended June 30, 2025

None.