

**MARYLAND WATER QUALITY  
FINANCING ADMINISTRATION**

**Financial Statements and Supplemental Schedules  
Together with Report of Independent Public Accountants**

**For the Years Ended June 30, 2015 and 2014**



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**JUNE 30, 2015 AND 2014**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

To the Director of  
Maryland Water Quality Financing Administration

### **Report on the Financial Statements**

We have audited the accompanying statements of net position of the Maryland Water Quality Financing Administration (the Administration), an enterprise fund of the State of Maryland, as of June 30, 2015 and 2014, and the related statements of revenue, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Administration's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The Administration's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Administration as of June 30, 2015 and 2014, and its changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 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 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.

*Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Administration's basic financial statements. The supplemental information as listed in the table of contents 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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 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 September 18, 2015 on our consideration of the Administration'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 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 Administration's internal control over financial reporting and compliance.

Hunt Valley, Maryland  
September 18, 2015

## MARYLAND WATER QUALITY FINANCING ADMINISTRATION

### Management's Discussion and Analysis June 30, 2015 and 2014

The Maryland Water Quality Financing Administration (MWQFA or Administration) was established in 1987 by an act of the Maryland State Legislature under Title 9, Subtitle 16 of the Environmental Article, Annotated Code of Maryland.

The legislation created the Maryland Water Quality Revolving Loan Fund (WQRLF) consistent with the requirements under the Federal Clean Water Act. The purpose of the WQRLF is to make below market interest rate loans to local governments and eligible private entities for construction of water quality infrastructure. Starting in fiscal year 2010, the WQRLF can also provide loan forgiveness, grants, and negative interest rate loans. MWQFA receives capitalization grants from the Federal government, which are matched with a 20% State of Maryland (State) contribution.

Legislative amendments to the MWQFA Act in 1997 established the Maryland Drinking Water Revolving Loan Fund (DWRLF) consistent with the requirements under the Federal Safe Drinking Water Act. The purpose of the DWRLF is to provide below market interest rate loans to local governments and eligible private entities for certain drinking water capital projects. The DWRLF also allows for extended term loans (up to 30 years) and loan principal forgiveness, grants, and negative interest rate loans for disadvantaged communities and eligible green projects. MWQFA receives capitalization grants from the Federal government, which are matched with a 20% State contribution. At least 69% of the Federal funds must be used for the capital program, while the remaining can be used for program set-asides.

A Legislative amendment to the MWQFA Act in 2004 established the Bay Restoration Fund (BRF). The BRF is financed by two sources. First, a monthly flat fee of \$2.50 (\$30 per year) effective January 1, 2005 through June 30, 2012, from each household and business (\$2.50 per month per equivalent dwelling unit) served by a wastewater treatment plant (wastewater fund). The wastewater funds are managed by the Maryland Department of the Environment (MDE) for the key purpose of providing grants for upgrade of major wastewater treatment plants in Maryland with enhanced nutrient removal technologies. Second, an annual fee of \$30 from each user/household served by an onsite well and septic system (septic fund) effective October 1, 2005 through June 30, 2012, of which 60% is allocated to MDE for the purpose of providing grants for the upgrade of onsite septic disposal systems with nitrogen removal technology. Forty percent of the BRF septic funds are allocated to the Maryland Department of Agriculture (MDA) for the purpose of implementing the cover crop program. The MWQFA is responsible for the financial management of the fees transferred to MDE by the State Comptroller's office under the BRF. During the 2012 legislative session, the State Legislature amended the BRF statute (HB 446) that doubled the BRF fee to \$5.00 per month (\$60 per year) for most users, effective July 1, 2012 (FY 2013). The fee remained unchanged for users that do not discharge wastewater into the Chesapeake or Atlantic Bays Watershed.

A Legislative amendment to the MWQFA was made through the Budget Reconciliation and Financing Acts (BRFA) of 2010, 2011 and 2012 resulting in the unexpended balance in the BRF being reduced by a total of \$290,000,000. Those funds were not needed to pay for current debt service obligations on Revenue Bonds issued by MWQFA. The \$290,000,000 of BRF funds transferred out was replenished back with \$290,000,000 of State General Obligation (GO) bonds. As of June 30, 2013, MWQFA has fully drawn down the \$290,000,000 of State GO bonds against capital project expenditures.

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Management's Discussion and Analysis June 30, 2015 and 2014

A Legislative amendment to the MWQFA Act in 2008 established the Chesapeake and Atlantic Coastal Bays Non-point Source (NPS) Fund. This amendment provides financial assistance for the implementation of non-point source pollution control projects to achieve the State's tributary strategy. Source of funding for the NPS Fund are transfers made from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund, which is managed by the State's Department of Natural Resources (DNR). The MWQFA was responsible for the financial management of funds transferred by DNR for the NPS Trust Fund until the program was closed in June 2014.

The WQRLF, DWRLF, BRF, and NPS Fund program activities are considered proprietary activities and are accounted for in a manner similar to a private sector business operation. Sources of funding for these programs include Federal grants, State match to Federal funds (20% requirement), State GO bonds, revenue bonds, special fees and other revolving type revenue. The total net position of these programs represents the accumulated earnings since their inception and are generally restricted for program purposes.

This section of the MWQFA annual financial report presents management's discussion and analysis of the MWQFA financial performance during the fiscal years that ended on June 30, 2015 and 2014, with the year ended June 30, 2013, presented for comparative purposes. Please read it in conjunction with the MWQFA's financial statements, which follow this section.

### Financial Highlights

The financial highlights include an analysis of any change from the prior year's balance sheet greater than \$3,000,000 and greater than five percent of any individual balance sheet item.

### Statements of Net Position

The statement of net position is a financial statement that reports the assets, liabilities, and net position of the Administration at a given point in time.

As of June 30, 2015:

The unrestricted current asset of cash and cash equivalents decreased by \$126.3 million. This decrease was primarily a result of the FY2015 BRF-wastewater grant disbursements of \$205M which were funded with unrestricted cash. In FY 2014, the majority of the BRF wastewater grant disbursements were funded with restricted cash from bond proceeds from the sale of \$100 million of BRF series 2014 Revenue bonds.

The current unrestricted loans receivable increased by \$18.0 million due to recent direct loans which are now scheduled to begin their principal repayments as well as increased direct new loan activity in both the WQRLF and DWRLF programs.

The current restricted loans receivable decreased by \$6.3 million as a result of decreased principal payments on older pledged loans becoming fully paid off.

## MARYLAND WATER QUALITY FINANCING ADMINISTRATION

### Management's Discussion and Analysis June 30, 2015 and 2014

#### Statements of Net Position (continued)

The non-current investment asset decreased by \$4.6 million as a result of \$4.0 million of Farm Credit bonds being reclassified to a current investment due to their maturity dates.

The non-current unrestricted loans receivable increased by \$127.2 million from new WQRLF and DWRLF direct loans. The non-current restricted loans receivable decreased by \$65.9 million as a result of decreased principal payments on older pledged loans becoming fully paid off.

The current revenue bonds payable liability increased by \$5.8 million. The increase is attributed to the start of principal payments for BRF series 2014 bonds.

The non-current liability revenue bonds payable decreased by \$12.4 million. This decrease is the result of the reclassification of current principal payments into the current liability account.

The net position, restricted for debt service decreased by \$64.7 million. This decrease is primarily due to the liquidation of WQRLF loans receivable for loans pledged against bond indentures and downsizing of the 2005A Debt Service Reserve. There was a net decrease of \$66.8 million and \$3.0 million, respectively, for the WQRLF 2008A and 2005A indentures.

As of June 30, 2014:

The unrestricted current asset of cash and cash equivalents increased by \$81.4 million. This increase was primarily a result of the sale of \$100 million of BRF Revenue bonds. The bond proceeds funded the majority of the FY 2014 BRF grant disbursements, leaving much of the new FY 2014 BRF fee revenue available as cash.

The current unrestricted loans receivable increased by \$6.8 million due to recent direct loans which are now scheduled to begin their principal repayments as well as increased direct new loan activity in both the WQRLF and DWRLF programs.

The non-current unrestricted loans receivable increased by \$99.5 million from new WQRLF and DWRLF direct loans. The non-current restricted loans receivable decreased by \$49 million as a result of decreased principal payments on older pledged loans becoming fully paid off.

The non-current restricted investment balance decreased by \$4.0 million. This is primarily due to the downsizing of the Guaranteed Investment Contracts required for debt service reserve. Furthermore, the Guaranteed Investment Contracts are now classified as current investments based upon their original maturity date.

The current revenue bonds payable liability decreased by \$6.9 million. The decrease is attributed to a reduction of principal payments due in the next year for existing bonds.

The non-current liability revenue bonds payable increased by \$93.5 million. This increase is the result of the sale of \$100 million of BRF series 2014 revenue bonds.

## MARYLAND WATER QUALITY FINANCING ADMINISTRATION

### Management's Discussion and Analysis June 30, 2015 and 2014

#### Statements of Net Position (continued)

The non-current bonds premium payable increased by \$13.9 million. This increase is attributed to the \$14.3 million premium received with the BRF 2014 series \$100 million bond sale.

The total net position, restricted for debt service decreased by \$154.1 million. This decrease is primarily due to the increased liability from the BRF Bond sale of \$100 million and associated \$14.3 million premium payable. Furthermore, this decrease is also impacted by the liquidation of WQLF loans receivable for loans pledged against bond indentures and downsizing of the 2005A Debt Service Reserve. There was a net decrease of \$37.3 million and \$7.3 million, respectively, for the WQLF 2008A and 2005A indentures.

The total unrestricted net position increased by \$187.2 million. This change is the result of increased cash, interest income, investment income, and increased loan activity. The WQLF and DWRLF had increases in net position of \$93.2 million and \$8.8 million, respectively. The BRF had an increase in unrestricted net position of \$86.2 million resulting from the sale of BRF revenue bonds which funded the majority of grant disbursements. Also, the NPS Trust Fund net position decreased by \$1.0 million.

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Management's Discussion and Analysis June 30, 2015 and 2014

### Statements of Net Position (continued)

The following condensed statements of net position show a summary of changes between fiscal years:

#### Comparative Condensed Statements of Net Position June 30, 2015, 2014, and 2013 (Millions of Dollars)

	6/30/2015	6/30/2014	6/30/2013	\$ Increase/(Decrease)	
				Difference FY 15 - 14	Difference FY 14 - 13
<b>Current Assets</b>					
Cash and cash equivalents	\$ 347.7	\$ 474.0	\$ 392.6	\$ (126.3)	\$ 81.4
Investments	4.0	2.0	1.0	2.0	1.0
Receivables:					
Loans	46.7	28.7	21.9	18.0	6.8
BRF fees	1.8	1.6	1.5	0.2	0.1
Other	8.7	7.6	6.6	1.1	1.0
<b>Current Restricted Assets</b>					
Cash and cash equivalents	25.3	23.1	23.3	2.2	(0.2)
Investments	7.4	10.3	11.3	(2.9)	(1.0)
Receivables:					
BRF fees	22.4	24.4	22.2	(2.0)	2.2
Loans	42.8	49.1	50.2	(6.3)	(1.1)
Other	2.2	2.6	3.1	(0.4)	(0.5)
Total Current Assets	<b>509.0</b>	623.4	533.7	(114.4)	89.7
<b>Non-current Assets</b>					
Investments	7.3	11.9	14.2	(4.6)	(2.3)
Loans receivable	672.8	545.6	446.1	127.2	99.5
<b>Non-current Restricted Assets</b>					
Investments	0.8	-	4.0	0.8	(4.0)
Loans receivable	312.3	378.2	427.2	(65.9)	(49.0)
Total Non-current Assets	<b>993.2</b>	935.7	891.5	57.5	44.2
<b>Total Assets</b>	<b>1,502.2</b>	1,559.1	1,425.2	(56.9)	133.9

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Management's Discussion and Analysis June 30, 2015 and 2014

### Statements of Net Position (continued)

#### Comparative Condensed Statements of Net Position June 30, 2015, 2014, and 2013 (Millions of Dollars)

	6/30/2015	6/30/2014	6/30/2013	\$ Increase/(Decrease)	
				Difference FY 15 - 14	Difference FY 14 - 13
<b>Current Liabilities</b>					
Accounts payable	\$ 0.5	\$ 0.5	\$ 0.4	\$ -	\$ 0.1
Current liabilities payable from restricted assets:					
Revenue bonds payable	12.4	6.6	13.5	5.8	(6.9)
Accrued interest on bonds	1.7	1.2	1.1	0.5	0.1
Arbitrage rebate	-	1.3	-	(1.3)	1.3
<b>Total Current Liabilities</b>	<b>14.6</b>	<b>9.6</b>	<b>15.0</b>	<b>5.0</b>	<b>(5.4)</b>
<b>Non-current Liabilities</b>					
Other	0.4	0.2	0.2	0.2	-
Non-current liabilities payable from restricted assets:					
Revenue bonds payable	150.8	163.2	69.7	(12.4)	93.5
Bonds premium	13.5	15.9	2.0	(2.4)	13.9
Arbitrage rebate	-	-	1.2	-	(1.2)
<b>Total Non-current Liabilities</b>	<b>164.7</b>	<b>179.3</b>	<b>73.1</b>	<b>(14.6)</b>	<b>106.2</b>
<b>Total Liabilities</b>	<b>179.3</b>	<b>188.9</b>	<b>88.1</b>	<b>(9.6)</b>	<b>100.8</b>
<b>Net Position</b>					
Net investment in capital assets	-	-	-	-	-
Restricted for debt service	234.8	299.5	453.6	(64.7)	(154.1)
Unrestricted	1,088.1	1,070.7	883.5	17.4	187.2
<b>Total Net Position</b>	<b>\$ 1,322.9</b>	<b>\$ 1,370.2</b>	<b>\$ 1,337.1</b>	<b>\$ (47.3)</b>	<b>\$ 33.1</b>

## MARYLAND WATER QUALITY FINANCING ADMINISTRATION

### Management's Discussion and Analysis June 30, 2015 and 2014

#### Statements of Revenue, Expenses and Changes in Net Position

The statement of revenue, expenses and changes in net position is a financial statement that reports the activity of the Administration during the fiscal year.

For fiscal year ended June 30, 2015:

There was an increase of \$74.5 million in capital grant disbursements. BRF grant disbursements increased by \$77.0 million. This increase is primarily due to several large BRF ENR projects in construction as well as fluctuations in construction project draws.

The contributions received from Federal and state governments for WQRLF and DWRLF decreased by \$4.5 million. This is primarily due to a decrease in the Federal Grant award from EPA along with the associated required state match. The WQRLF program had a net decrease in contributions of \$3.0 million. The DWRLF program also had a net decrease in contributions of \$1.5 million.

For fiscal year ended June 30, 2014:

There was an increase of \$9.3 million in fee revenue, primarily due to growth and the full phase in of the doubling of the BRF fee in fiscal year 2014 over 2013. Timing of this billing increase did not take full effect until the second quarter of FY2013.

There was a decrease of \$33.7 million in capital grant disbursements. This included an increase of \$0.3 million in DWRLF grant disbursements, offset by decreases of \$31.6 million in BRF grant disbursements, \$2.1 million in WQRLF grant disbursements, and \$0.3 million in 2010 Trust Fund grant disbursements. This decrease is due to fluctuations in construction project draws.

The contributions received from Federal grants and the State match of WQRLF and DWRLF decreased by \$58.4 million. This is primarily due to decreased availability of Federal Grant and State match funding. All grants are used in the current fiscal year resulting in no carry forward funding. The WQRLF program had a net decrease of contributions of \$58.0 million. The DWRLF program had a net decrease of contributions of \$0.4 million.

The transfers from State GO bonds back to the BRF decreased by \$99.3 million. These transactions are all part of the overall \$290 million BRFA transfer to the State's general fund for State GO bond proceeds as previously discussed. All transfers were complete as of FY 2013.

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Management's Discussion and Analysis June 30, 2015 and 2014

### Statements of Revenue, Expenses and Changes in Net Position (continued)

The following Statement of Revenue, Expenses and Changes in Net Position shows a summary of changes between fiscal years:

	6/30/2015	6/30/2014	6/30/2013	\$ Increase/(Decrease)	
				Difference FY 15 -14	Difference FY 14 -13
<b>Operating Revenue</b>					
Interest on loans	\$ 11.2	\$ 10.6	\$ 9.9	\$ 0.6	\$ 0.7
Loan fees	5.0	4.7	4.5	0.3	0.2
Fee revenue	127.3	127.4	118.1	(0.1)	9.3
Grant revenue (set-a-sides only)	4.2	4.1	4.7	0.1	(0.6)
Other grant revenue and other	1.6	1.6	1.6	-	-
<b>Total Operating Revenue</b>	<b>149.3</b>	<b>148.4</b>	<b>138.8</b>	<b>0.9</b>	<b>9.6</b>
<b>Operating Expenses</b>					
Salaries and related benefits	6.7	5.5	4.9	1.2	0.6
Transfers-out (set-a-sides)	4.2	4.1	4.7	0.1	(0.6)
Capital grant disbursements	233.6	159.1	192.8	74.5	(33.7)
General and other costs	2.3	2.0	2.3	0.3	(0.3)
<b>Total Operating Expenses</b>	<b>246.8</b>	<b>170.7</b>	<b>204.7</b>	<b>76.1</b>	<b>(34.0)</b>
<b>Operating Loss</b>	<b>(97.5)</b>	<b>(22.3)</b>	<b>(65.9)</b>	<b>(75.2)</b>	<b>43.6</b>
<b>Non-operating Revenue &amp; Expenses</b>					
Investment income	5.4	5.1	4.7	0.3	0.4
Cost of issuance & arbitrage rebate exp	-	(0.5)	(0.9)	0.5	0.4
Interest on bonds	(4.8)	(3.3)	(3.6)	(1.5)	0.3
FMV investment adjustment	(0.1)	(0.1)	(0.1)	-	-
<b>Total Non-operating Revenue</b>	<b>0.5</b>	<b>1.2</b>	<b>0.1</b>	<b>(0.7)</b>	<b>1.1</b>
<b>Loss Before Contributions</b>	<b>(97.0)</b>	<b>(21.1)</b>	<b>(65.8)</b>	<b>(75.9)</b>	<b>44.7</b>
Contributions from Federal and State governments	49.7	54.2	112.6	(4.5)	(58.4)
Transfers from State GO Bonds	-	-	99.3	-	(99.3)
<b>Changes in Net Position</b>	<b>(47.3)</b>	<b>33.1</b>	<b>146.1</b>	<b>(80.4)</b>	<b>(113.0)</b>
<b>Net Position, Beginning of Year</b>	<b>1,370.2</b>	<b>1,337.1</b>	<b>1,191.0</b>	<b>33.1</b>	<b>146.1</b>
<b>Net Position, End of Year</b>	<b>\$ 1,322.9</b>	<b>\$ 1,370.2</b>	<b>\$ 1,337.1</b>	<b>\$ (47.3)</b>	<b>\$ 33.1</b>

## **MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

### **Management's Discussion and Analysis June 30, 2015 and 2014**

#### **Economic Environment**

The MWQFA is subject to the present economic environment that exists in the State of Maryland as well as factors relating to national issues. Currently, MWQFA receives Federal funding for the WQRLF and DWRLF from the U.S. Environmental Protection Agency. Those funds are subject to economic factors, which may result in increases or decreases of Federal funding for these programs from year to year. MWQFA has a steady stream of special fund revenues resulting from revolving loan fund repayments.

The loans are primarily supported by water and sewer revenue of the borrowers and backed by the general obligation pledge. MWQFA does not foresee economic factors that would significantly impact its operation. However, a natural disaster in Maryland could result in delayed loan repayments or loan defaults by local jurisdictions. MWQFA has a debt service reserve equal to one-year debt service on the series 2005A WQRLF bonds that could be used during severe economic conditions, while the WQRLF Series 2008A bonds are highly over-collateralized with pledged loans.

The BRF is subject to citizens and businesses paying fees for upgrading wastewater treatment plants and septic systems in Maryland. The MWQFA does not have the authority to raise the fees. However, MWQFA continues to have sufficient cash flows from fees to satisfy current debt service requirements related to both the BRF Series 2008 and Series 2014 bonds. Also, MWQFA continues to meet current capital disbursements for those activities. As noted above, a natural disaster in Maryland could result in a reduction of fees related to the BRF that may lead to a temporary suspension or delay of capital disbursements.

#### **American Recovery and Reinvestment Act (ARRA)**

The U.S. Environmental Protection Agency awarded \$121.6 million in Federal ARRA funds through the WQRLF and DWRLF programs for infrastructure projects to create jobs, protect public health, improve the environment, and help clean the waterways. MWQFA began drawing those funds during fiscal year 2010.

The WQRLF was awarded \$92.8 million for water pollution reduction projects, including wastewater treatment improvements, sewer upgrades, storm water runoff controls, and green non-point source controls as well as \$2 million for administrative expenses. In fiscal year 2010, MWQFA approved \$36,049,115 in direct loans, awarded loan forgiveness and non-green grants of \$34,847,060, and awarded \$21,888,425 in green grants. During fiscal year 2013, the WQRLF disbursed \$3,335,628 for ARRA projects. Cumulative WQRLF ARRA disbursements through June 30, 2013 total \$92,784,600. All WQRLF ARRA funds are fully expended.

The DWRLF was awarded \$26.4 million for improvements to drinking water treatment, water storage, wells, and green water efficiency projects as well as \$0.4 million for administrative expenses. In fiscal year 2010, MWQFA approved \$11,309,825 in direct loans, awarded loan forgiveness and non-green grants of \$7,674,375, and awarded \$7,447,800 in green grants. During fiscal year 2012, the DWRLF disbursed \$4,562,578 for ARRA projects. Cumulative DWRLF ARRA disbursements through June 30, 2012 total \$26,832,000, and all DWRLF ARRA funds are fully expended.

## **MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

### **Management's Discussion and Analysis June 30, 2015 and 2014**

#### **New Pronouncements**

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68 "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,*" effective for fiscal years beginning after June 15, 2014. The Administration has reviewed GASB Statement No. 68, and is not required to record a net unfunded pension liability as this will be recorded at the State level.

#### **Contact Maryland Water Quality Financing Administration Management**

This financial report is designed to provide our fellow citizens, customers, investors, and creditors with a general overview of MWQFA finances, and to show MWQFA's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact by writing to Jag Khuman, Director, Maryland Water Quality Financing Administration, 1800 Washington Boulevard, Baltimore, Maryland 21230.

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Statements of Net Position As of June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 347,649,358	\$ 473,984,309
Investments	4,027,950	1,999,980
Receivables:		
Investment interest	188,401	197,300
Loans	46,736,013	28,658,783
Loan interest	3,479,011	2,694,459
BRF fee	1,808,983	1,618,274
Administrative fee	4,998,539	4,735,822
<b>Current Restricted Assets</b>		
Cash and cash equivalents	25,307,137	23,074,550
Investments	7,359,282	10,358,930
Receivables:		
Investment interest	9,505	66,680
BRF fee	22,421,804	24,380,413
Loans	42,799,328	49,076,769
Loan interest	2,136,820	2,553,809
<b>Total Current Assets</b>	<u>508,922,131</u>	<u>623,400,078</u>
<b>Non-current Assets</b>		
Investments	7,342,727	11,938,742
Loans receivable	672,785,766	545,577,460
Fixed assets, net	54,134	35,861
<b>Non-current Restricted Assets</b>		
Investments	785,341	-
Loans receivable	312,289,069	378,156,379
<b>Total Non-current Assets</b>	<u>993,257,037</u>	<u>935,708,442</u>
<b>Total Assets</b>	<u>1,502,179,168</u>	<u>1,559,108,520</u>

The accompanying notes are an integral part of these financial statements

## MARYLAND WATER QUALITY FINANCING ADMINISTRATION

### Statements of Net Position As of June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 495,159	\$ 469,566
Current liabilities payable from restricted assets:		
Revenue bonds payable	12,345,000	6,560,000
Accrued interest on bonds payable	1,701,401	1,215,832
Arbitrage rebate payable	49,582	1,295,959
<b>Total Current Liabilities</b>	<u>14,591,142</u>	<u>9,541,357</u>
<b>Non-current Liabilities</b>		
Other liabilities	430,877	249,595
Non-current liabilities payable from restricted assets:		
Revenue bonds payable	150,820,000	163,165,000
Bonds premium	13,448,793	15,910,599
<b>Total Non-current Liabilities</b>	<u>164,699,670</u>	<u>179,325,194</u>
<b>Total Liabilities</b>	<u>179,290,812</u>	<u>188,866,551</u>
<b>NET POSITION</b>		
Net investment in capital assets	54,134	35,861
Restricted for debt service	234,743,510	299,520,140
Unrestricted	1,088,090,712	1,070,685,968
<b>Total Net Position</b>	<u>\$ 1,322,888,356</u>	<u>\$ 1,370,241,969</u>

The accompanying notes are an integral part of these financial statements

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Statements of Revenue, Expenses and Changes in Net Position  
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Operating Revenue</b>		
Interest on loans	\$ 11,157,778	\$ 10,577,122
Loan administration fee	5,008,033	4,737,742
Fees	127,253,210	127,377,750
Grants and other	5,815,416	5,693,265
<b>Total Operating Revenue</b>	<u>149,234,437</u>	<u>148,385,879</u>
<b>Operating Expenses</b>		
Salaries and related benefits	6,730,738	5,554,146
General	2,221,903	1,962,574
Capital grants disbursements	233,587,788	159,067,223
Other	4,248,026	4,117,462
<b>Total Operating Expenses</b>	<u>246,788,455</u>	<u>170,701,405</u>
<b>Operating Loss</b>	(97,554,018)	(22,315,526)
<b>Non-operating Revenue (Expenses)</b>		
Investment income	5,404,745	5,106,588
Cost of debt issuance and amortization	(57,968)	(398,379)
Interest on bonds	(4,847,693)	(3,387,299)
Arbitrage rebate	93,992	(78,604)
Net unrealized loss on investments	(47,420)	(64,800)
<b>Net Non-operating Revenue</b>	<u>545,656</u>	<u>1,177,506</u>
<b>Loss Before Contributions</b>	(97,008,362)	(21,138,020)
Contributions received from:		
Federal government	40,581,749	44,597,086
State of MD-required match for Federal grant	9,073,000	9,672,000
<b>Changes in Net Position</b>	<u>(47,353,613)</u>	<u>33,131,066</u>
<b>Net Position, Beginning of Year</b>	<u>1,370,241,969</u>	<u>1,337,110,903</u>
<b>Net Position, End of Year</b>	<u><u>\$1,322,888,356</u></u>	<u><u>\$ 1,370,241,969</u></u>

The accompanying notes are an integral part of these financial statements

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Statements of Cash Flows For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Cash Flows from Operating Activities:</b>		
Loan repayments	\$ 79,377,141	\$ 72,220,833
Interest and fees received from borrowers	15,535,530	14,659,359
BRF fee and other receipts	134,836,526	130,757,687
Loan disbursements	(152,517,924)	(128,217,625)
Grant disbursements	(233,587,788)	(159,067,223)
Salaries and benefits paid	(6,730,738)	(5,554,146)
General and other expenses paid	(6,248,968)	(5,901,625)
<b>Net Cash from Operating Activities</b>	<u>(169,336,221)</u>	<u>(81,102,740)</u>
<b>Cash Flows from Non-capital Financing Activities:</b>		
Federal government grants	40,581,749	44,597,086
State of MD-required match to Federal grant	9,073,000	9,672,000
Proceeds from sale of bonds	-	114,383,974
Repayment of bonds	(6,560,000)	(13,470,000)
Cost of issuance/underwriters discount	(57,968)	(398,379)
Interest on bonds	(6,823,929)	(3,760,362)
Payment of arbitrage rebate-bonds	(1,152,385)	-
<b>Net Cash from Non-capital Financing Activities</b>	<u>35,060,467</u>	<u>151,024,319</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Purchase of equipment	(32,359)	(24,913)
<b>Net Cash from Capital Financing Activities</b>	<u>(32,359)</u>	<u>(24,913)</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of investments	(11,220,356)	(7,082,030)
Interest on investments securities	5,470,818	5,141,519
Proceeds from sales and maturities of investments	15,955,287	13,196,062
<b>Net Cash from Investing Activities</b>	<u>10,205,749</u>	<u>11,255,551</u>
<b>Net (Decrease) Increase</b>	<b>(124,102,364)</b>	<b>81,152,217</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>497,058,859</u>	<u>415,906,642</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 372,956,495</u></u>	<u><u>\$ 497,058,859</u></u>

The accompanying notes are an integral part of these financial statements

## MARYLAND WATER QUALITY FINANCING ADMINISTRATION

### Statements of Cash Flows (continued) For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	\$ (97,554,018)	\$ (22,315,526)
Depreciation	14,086	3,586
Effect of changes in non-cash operating assets and liabilities:		
Loan disbursements	(152,517,924)	(128,217,625)
Loan repayments	79,377,141	72,220,833
Loan interest receivable	(367,564)	(397,335)
Administrative fee and BRF fee receivables	1,505,183	(2,571,498)
Accounts payable and other liabilities	206,875	174,825
<b>Net Cash Used in Operating Activities</b>	<b><u>\$ (169,336,221)</u></b>	<b><u>\$ (81,102,740)</u></b>

The accompanying notes are an integral part of these financial statements

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2015 and 2014

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Maryland Water Quality Financing Administration (the Administration) was created during the 1987 session of the Maryland General Assembly as an enterprise fund of the State of Maryland (State). The Administration's purpose is to provide financing of capital infrastructure for wastewater and drinking water projects pursuant to the Federal Clean Water Act of 1987, the Federal Safe Drinking Water Act and Amendments of 1996, the State of Maryland Bay Restoration Fund Act of 2004, and the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund Act of 2008. The Administration is empowered to issue bonds subject to the approval of the State Board of Public Works and Secretary of the Maryland Department of the Environment (MDE). Bonds issued by the Administration do not constitute a debt or pledge of the full faith and credit of the State or any political subdivision thereof, other than the Administration.

#### **Basis of Accounting**

The Administration utilizes the enterprise fund accounting method, which is the accrual basis of accounting in preparing its financial statements, wherein revenue is recognized when earned and expenses are recognized when incurred. As an enterprise fund, operating revenue and expenses are distinguished from non-operating items. Operating revenues and expenses result from the Administration providing loan and grant financing of capital wastewater and drinking water projects. Operating expenses include administrative expenses and grant or loan forgiveness expenditures in support of these projects. All revenue and expenses not meeting these criteria are reported as non-operating revenues and expenses. In preparing its financial statements, the Administration has adopted Governmental Accounting Standards Board (GASB) Statement No. 65 "*Items Previously Reported as Assets and Liabilities*", for debt issuance costs. In Fiscal Year 2013, the Administration wrote-off the remaining unamortized balance of debt issuance costs carried on the Statement of Net Position as Non-current Restricted Assets, since these costs are no longer considered either assets or deferred outflows of resources and are required to be expensed in the year of incurrence. In Fiscal Year 2014, the Administration expended debt issuance costs related to the BRF 2014 bond sale. The implementation of GASB Statement No. 65 has no material effect on its financial statements.

The Administration has reviewed GASB Statement No. 68 "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,*" and has determined that it is not required to record a net unfunded pension liability because the Administration is allocated a charge for employees from MDE and has no liability for those employees or their benefits beyond what MDE allocates to the Administration for those MDE employees providing services to the Administration.

The WQRLF and the BRF record their activity in the general accounts, capital reserve accounts and bond funds. The DWRLF records activity in the general accounts and capital reserve accounts, as no DWRLF revenue bonds have been issued to date.

The general accounts are used to record transactions relating to general administrative functions performed by the Administration, and other MDE units or State agencies on its behalf.

The capital reserve accounts are used to record transactions of the funds, which are executed by the Administration through the State treasury. The bond funds held by trustee accounts are used to record transactions in trust accounts established in connection with bonds issued by the Administration. As of June 30, 2015, there have been no bonds issued in the DWRLF.

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2015 and 2014

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Use of Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amount of revenue, expenses, gains and losses during the reporting periods. Actual results could differ from these estimates.

#### Restricted Assets

In December 2004, GASB issued Statement No. 46 "*Net Assets Restricted by Enabling Legislation an amendment of GASB Statement No. 34.*" The WQRLF, DWRLF, and the BRF are special, continuing, non-lapsing funds that were enacted by separate legislation, and the money in those funds may not be reverted to the General Fund of the State of Maryland. As of June 30, 2015, the Maryland General Assembly did not enact enabling legislation regarding the Administration's restricted use of those funds other than for specific purposes. As such, the restricted assets as reported on the Administration's statements of net position are restricted to payment of debt service on the bonds and are not available for new loans or to pay the general operating expenses of the Administration.

#### Cash and Cash Equivalents

Cash and cash equivalents include bank deposits and highly liquid investments readily convertible to cash, which have original maturities of three months or less when acquired. The cash reported on the accompanying statements of net position is listed as restricted and non-restricted amounts. The non-restricted cash is used primarily for disbursements related to direct loans (loans not pledged for payment of bond debt service) and administrative operations. The restricted cash is used primarily for pledged loan disbursements or repayment of debt service requirements.

#### Investments

Investments are stated at fair value. The change in fair value is recognized as an increase or decrease from the original cost of the investment. The investments reported on the accompanying statements of net position are listed as restricted and non-restricted amounts. The non-restricted investments are used primarily for future disbursements related to direct loans and administrative operations. They are the result of surplus funds that are invested to earn additional revenue until such time as they are needed. The restricted investments are used primarily for pledged loan disbursements or repayment of debt service requirements.

#### Allowance for Loan Losses

Management periodically reviews loans receivable for possible uncollectible amounts. In the event management determines a specific need for an allowance, a provision for loss is provided. No allowance for loan losses was provided as of June 30, 2015 and 2014.

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2015 and 2014

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Fixed Assets

Fixed assets are carried at cost and include only vehicles. They are depreciated over their estimated useful service life of 5 years using the straight-line method.

#### Revenue Bonds Payable

The Administration issues revenue bonds to fund WQRLF capital projects and BRF construction grants. The bonds payable obligations include indenture series 2005A and 2008A for WQRLF capital project loans and series 2008 and 2014 for BRF capital project grants.

The bond indenture is a document that outlines the terms and conditions under which revenue bonds are issued.

#### Contributions and Revenue

Amounts received from EPA and the State for distribution as loans to local governments were recorded as contributions and were restricted for the purposes identified above.

The portion of the State deposit designated to match Federal grant revenue is disbursed proportionate to Federal disbursements.

Interest on investments is recorded as earned in the respective accounts. Loan administration fees, which equal up to 5% of annual loan debt service payments on loans, are recorded as fee revenue in the general accounts. Interest income on certain loans receivable is restricted to pay the debt service related to the fund's bonds payable to the extent required by the indenture and is recorded in the bond funds held by trustee accounts. Under the bond indentures, certain funds held by trustees in the bond accounts may be transferred to the capital reserve accounts after payment of bond debt service, pursuant to the Administration's cash flow projection that it will meet certain debt service requirements in all future years.

#### Fringe

The Administration is allocated a fringe rate as designated by the State of Maryland, which includes various employee benefit items, including but not limited to pension related liabilities.

#### Pension Benefits

Eligible employees of the Administration and support staff, as employees of the State, are covered under the retirement plans of the State Retirement and Pension System of Maryland (the System) and are also entitled to certain pension and healthcare benefits upon retirement. This system is a cost sharing multiple-employer defined benefit pension plan administered by the System Board of Trustees in accordance with the State Personnel and Pensions Article. Eligible employees are required to contribute a fixed percentage of their regular salaries and wages that exceed the Social Security wage base to the System. The Administration is required to make contributions to the System based on actuarial valuations, which is funded through the fringe allocation as directed by the State.

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2015 and 2014

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Pension Benefits (continued)

The contribution requirements of eligible employees and the Administration are established and may be amended by the System Board of Trustees. The Administration's only liability for retirement and post employment benefits is its required contribution, which is funded through the fringe allocation as directed by the State. The Administration has reviewed GASB Statement No. 68, and is not required to record a net unfunded pension liability as this will be recorded at the State level. If you need more information, please contact them by writing to the Maryland State Retirement and Pension System, 120 East Baltimore Street, Baltimore, Maryland, 21202.

#### Loan Forgiveness/Grant

Starting Fiscal Year 2010 with ARRA and the subsequent Federal Appropriation Acts, the Administration, in addition to providing WQRLF and DWRLF loans, may also provide loan forgiveness, grants, and negative interest rate loans based on certain financial hardship criteria. Those amounts for which the loan principal is forgiven are excluded from the loans receivable balance, as the amount forgiven is recorded at the time funds are disbursed. This is an expansion of the loan forgiveness provision that previously was only permitted under DWRLF.

### 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following is a summary of the components of cash and cash equivalents as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Cash held by the State's treasury office	\$ 372,956,435	\$ 496,989,250
Cash in trust accounts	<u>60</u>	<u>69,609</u>
<b>Total Cash and Cash Equivalents</b>	<b><u>\$ 372,956,495</u></b>	<b><u>\$ 497,058,859</u></b>

Cash held by the State's treasury office is invested by the State Treasurer as a pool of funds from various State agencies.

Deposits and investments held that relate to the indenture are not available to pay the general operating expenses of the Administration. Generally, the indenture authorizes the Administration or its trustee bank to invest assets related to the indenture in obligations of the United States of America, any Federal agency, repurchase agreements collateralized by direct obligations of the United States government, high quality commercial paper or money market funds that invest in government securities. Investments in the bond funds are held in safekeeping in trustee bank accounts in accordance with the requirements of the related indenture. The Administration is authorized to otherwise invest in securities as allowed under the Maryland State Code.

## MARYLAND WATER QUALITY FINANCING ADMINISTRATION

### Notes to the Financial Statements June 30, 2015 and 2014

#### 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

Investments as of June 30, 2015 and 2014, were \$19,515,300 and \$24,297,652, respectively. The amounts relating to GASB Statement No. 40 "Deposit and Investment Risk Disclosures," were certificates of deposit for linked deposit investments of \$3,374,112 and \$3,894,737, as of June 30, 2015 and 2014, respectively.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Administration relies on the State Treasurer's Office to invest its funds in securities as allowed by Maryland State Code and their policies and procedures. The cash flow needs of the Administration are a factor in determining the length of investment maturities.

As of June 30, 2015, the Administration had the following investments and maturities:

Investment Types	Fair Value	Investment Maturities (In Years)		
		Less than 1	1 to 5	6 to 10
Linked Deposits-Farm Credit AG Bonds	\$ 7,996,565	\$ 4,027,950	\$ 3,968,615	\$ -
Treasury Bills	7,359,062	7,359,062	-	-
Treasury Note	785,315	-	785,315	-
Restricted Money Market	246	220	26	-
Subtotal	16,141,188	11,387,232	4,753,956	-
Certificates of Deposit- Linked Deposits	3,374,112	-	16,253	3,357,859
<b>Total Investments</b>	<b>\$ 19,515,300</b>	<b>\$ 11,387,232</b>	<b>\$ 4,770,209</b>	<b>\$ 3,357,859</b>

In addition, the Administration's investments had the following quality ratings as of June 30, 2015:

Investment Types	Fair Value	Concentration <sup>1</sup>	Rating	Rating Organization
Linked Deposits-Farm Credit AG Bonds	\$ 7,996,565	41%	Aaa	Moody's
Treasury Bills	7,359,062	38%	Aaa	Moody's
Treasury Note	785,315	4%	Aaa	Moody's
Restricted Money Market	246	0%		
Certificates of Deposit- Linked Deposits	3,374,112	17%		
<b>Total Investments</b>	<b>\$ 19,515,300</b>	<b>100%</b>		

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2015 and 2014

### 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

As of June 30, 2014, the Administration had the following investments and maturities:

Investment Types	Fair Value	Investment Maturities (In Years)		
		Less than 1	1 to 5	6 to 10
Guaranteed Investment Contracts:				
Debt Service Reserve	\$ 3,276,900	\$ 3,276,900	\$ -	\$ -
Linked Deposits-Farm Credit AG Bond:	10,043,985	1,999,980	8,044,005	-
Treasury Bills	7,082,030	7,082,030	-	-
Subtotal	<u>20,402,915</u>	<u>12,358,910</u>	<u>8,044,005</u>	<u>-</u>
Certificates of Deposit- Linked Deposits	<u>3,894,737</u>	-	124,018	3,770,719
Total Investments	<u>\$24,297,652</u>	<u>\$ 12,358,910</u>	<u>\$ 8,168,023</u>	<u>\$3,770,719</u>

In addition, the Administration's investments had the following quality ratings as of June 30, 2014:

Investment Types	Fair Value	Concentration <sup>1</sup>	Rating	Rating Organization
Guaranteed Investment Contracts:				
Debt Service Reserve	\$ 3,276,900	14%	A3	Moody's
Linked Deposits-Farm Credit AG Bond:	10,043,985	41%	Aaa	Moody's
Treasury Bills	7,082,030	29%	Aaa	Moody's
Certificates of Deposit - Linked Deposits	<u>3,894,737</u>	<u>16%</u>		
<b>Total Investments</b>	<u>\$24,297,652</u>	<u>100%</u>		

1. Concentration of Credit Risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Administration places no limit on the amount it may invest in any one issuer. For fiscal years 2015 and 2014, the Administration's investments were not in obligations of the Federal Home Loan Mortgage Corporation – FHLMC and the Federal National Mortgage Association – FNMA or any other agency funds. The investment portfolio was in Guaranteed Investment Contracts, Linked Deposits, and U.S. Treasury Bills.

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2015 and 2014

### 3. LOANS RECEIVABLE

The Administration makes low interest rate loans to various local governments and other entities in the State. These loans are secured by a pledge of the revenue from the ownership or operation of the wastewater and/or drinking water systems and certain other funds of the entities. Certain loans are additionally secured by the full faith and credit of the borrowing entities.

The WQRLF loans included in bond funds held by trustee accounts are pledged under the indenture. The loans included in the capital reserve accounts represent loans made under Federal and State regulations, which are not pledged under the indenture. The Administration may, at its option, pledge these loans to support future bond issues, at which time the loans and related fund equity will be transferred to bond funds held by trustee accounts.

As of June 30, 2015 and 2014, the Administration's lending commitments and outstanding balances under the WQRLF to specific governmental entities within the State are detailed as follows:

WQRLF Borrower	2015			2014		
	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2015	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2014
Aberdeen , City of	\$ 9,329,266	\$ -	\$ 7,337,052	\$ 9,329,266	\$ -	\$ 7,786,285
Allegany County	22,597,480	44,082	12,873,630	22,597,480	275,954	13,739,442
Annapolis, City of	1,591,479	-	-	1,591,479	-	106,112
Anne Arundel County	113,834,931	17,022,948	52,102,492	113,834,931	27,817,063	44,233,690
Ashton Park Comm. Assoc.	408,470	-	313,870	408,470	-	333,170
Baltimore City	386,312,560	126,920,114	136,799,291	294,513,560	66,773,435	116,704,055
Baltimore County	166,298,918	14,854,389	69,152,492	166,298,918	21,359,811	70,992,481
Bel Air, Town of	101,686	-	-	101,686	-	-
Berlin , Town of	3,207,000	-	3,049,090	3,207,000	274,828	2,932,172
Betterton, Town of	93,559	-	44,819	93,559	-	50,322
Boonsboro, Town of	2,127,984	-	1,599,316	2,127,984	-	1,607,042
Bowie, City of	4,014,466	-	2,218,455	4,014,466	-	2,427,141
Brunswick, City of	1,690,570	-	291,812	1,690,570	-	333,327
Calvert County	18,343,759	876,817	4,520,348	18,343,759	1,549,014	4,531,875
Cambridge, City of	12,468,077	84,908	4,659,314	12,468,077	84,908	5,333,946
Canton Crossing	3,711,142	-	2,161,142	3,711,142	-	2,361,142
Carroll County	12,074,030	-	188,125	12,074,030	-	216,757
Cecil County	44,370,811	11,885,668	21,506,835	44,370,811	19,866,000	14,754,732
Centreville, Town of	3,878,064	-	1,283,871	3,878,064	-	1,427,753
Charles County	23,358,722	-	8,556,099	23,358,722	-	9,279,687
Chesapeake Beach, Town of	9,491,864	1,776,700	5,797,847	5,541,864	-	3,921,351
Chestertown, Town of	3,955,893	-	1,949,405	3,955,893	-	2,120,254
Clear Spring, Town of	72,705	-	-	72,705	-	-
Crisfield, City of	1,201,338	192,236	665,435	1,201,338	318,213	577,504
Cumberland, City of	10,166,906	-	4,799,619	10,198,288	40,169	5,290,176
Delmar, Town of	276,040	-	81,725	276,040	-	96,938
Denton, Town of	2,386,077	-	1,116,530	2,386,077	-	1,235,831

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2015 and 2014

### 3. LOANS RECEIVABLE (continued)

WQRLF Borrower	2015			2014		
	Total	Commitment	Outstanding	Total	Commitment	Outstanding
	Commitment	Outstanding	Balance * June 30, 2015	Commitment	Outstanding	Balance * June 30, 2014
Easton, Town of	\$ 22,112,191	\$ 310,383	\$ 15,490,915	\$ 22,112,191	\$ 1,490,443	\$ 15,306,242
Elkton, Town of	21,395,474	-	13,972,689	21,395,474	-	15,051,263
Emmitsburg, Town of	600,000	-	212,040	600,000	-	252,951
Federalsburg, Town of	3,479,097	-	2,501,267	3,500,715	325,000	2,369,730
Frederick, City of	52,462,000	27,496,770	20,031,016	24,320,000	2,941,977	17,609,699
Frederick County	114,454,864	2,720,008	68,582,650	114,454,864	5,688,110	70,104,840
Frostburg, City of	739,788	23,773	484,656	739,788	94,120	448,154
Fruitland, City of	4,935,438	775,768	2,219,648	3,570,438	-	1,819,208
Funkstown, Town of	1,875,221	-	1,097,706	1,875,221	-	1,209,969
Galena, Town of	112,219	-	-	112,219	-	-
Garrett County	1,970,000	-	260,365	1,970,000	-	384,325
Garrett County San. Distr	2,635,641	-	573,562	2,635,641	-	703,853
Grantsville, Town of	16,891	-	-	16,891	-	-
Greensboro, Town of	443,345	-	29,465	443,345	-	58,008
Hagerstown, City of	22,102,169	-	12,306,045	22,102,169	-	13,485,090
Hancock, Town of	797,062	-	287,736	797,062	-	332,145
Harford County	69,535,228	-	2,043,938	69,535,228	-	3,109,362
Havre De Grace, City of	28,996,682	-	21,752,553	28,996,682	-	23,180,988
Hebron, Town of	195,729	-	136,204	195,729	-	148,109
Howard County	91,534,729	-	30,153,611	91,534,729	-	33,760,315
Hurlock, Town of	3,626,240	-	1,879,410	3,626,240	-	2,041,841
Indian Head, Town of	4,603,656	-	1,518,226	4,603,656	-	1,696,373
Kent County	7,394,107	-	3,996,946	7,394,107	-	4,337,148
La Plata, Town of	12,972,019	-	7,717,322	12,972,019	380,007	7,997,115
Leonardtown, Town of	1,582,233	-	300,390	1,582,233	-	398,154
Md. Envir Services	6,014,121	-	5,119,762	6,014,121	-	5,741,292
Middletown, Town of	3,970,639	-	1,077,040	3,970,639	-	1,277,841
Millington, Town of	42,000	-	-	42,000	-	-
Mountain Lake Park, Town of	770,287	-	266,730	770,287	-	310,677
Mount Airy, Town of	3,523,087	-	894,740	3,523,087	-	1,101,155
Myersville, Town of	1,259,983	-	314,314	1,259,983	-	388,325
New Windsor, Town of	3,858,474	-	1,518,643	3,858,474	-	1,613,559
North Beach, Town of	3,686,922	1,028,529	1,366,961	3,686,922	1,447,583	1,025,643
Oakland, Town of	892,046	-	128,986	892,046	-	140,434
Oxford, Town of	45,402	-	7,767	45,402	-	10,360
Perryville, Town of	5,923,965	-	4,471,870	5,923,965	-	4,768,474
Pocomoke City, City of	851,579	-	430,560	851,579	-	473,838
Poolesville, Town of	5,658,051	-	3,275,945	5,905,073	1,717,060	2,049,365
Prince George's County	23,238,580	-	1,750,000	23,238,580	-	4,380,998
Queen Anne's County	27,651,411	-	11,369,255	27,651,411	-	12,513,844
Ridgely, Town of	1,598,297	-	1,186,030	1,598,297	-	1,293,780
Rising Sun, Town of	1,010,437	-	-	1,010,437	-	-
Rockville, Town of	2,300,633	-	1,461,610	2,300,633	-	1,580,977
Salisbury, Town of	84,511,299	34,611,375	30,327,880	49,966,299	66,375	32,702,117

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2015 and 2014

### 3. LOANS RECEIVABLE (continued)

WQRLF Borrower	2015			2014		
	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2015	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2014
Sharptown	\$ 170,925	\$ -	\$ 160,723	\$ 189,000	\$ 26,622	\$ 162,379
Snow Hill, Town of	1,108,123	-	455,750	1,108,123	-	478,984
Somerset County	2,151,215	-	768,205	2,151,215	-	887,598
Somerset County San. Distr.	187,031	-	-	187,031	-	12,695
St. Mary's County	7,447,625	-	1,344,219	7,447,625	-	1,917,223
St. Mary's METCOM	43,055,774	14,289,854	19,830,933	43,055,774	24,640,201	10,197,321
Talbot County	9,975,333	-	5,987,716	9,975,333	-	6,493,160
Taneytown, City of	6,477,722	-	1,353,860	6,477,722	-	1,708,345
Thurmont , Town of	8,270,174	307,716	4,544,874	8,270,174	1,664,855	3,535,391
Union Bridge, Town of	142,000	-	57,183	142,000	-	64,634
Washington County	40,321,948	1,800,397	16,492,938	37,768,948	-	17,979,156
Washington Co Sanitary Dist.	20,387,427	-	-	20,387,427	-	-
Westernport , Town of	1,030,992	-	197,117	1,030,992	-	223,957
Westminster, City of	1,711,580	-	-	1,711,580	-	-
Wicomico County	2,929,876	-	-	2,929,876	-	-
Willards, Town of	433,599	-	285,761	433,599	-	307,134
Williamsport, Town of	684,538	-	504,689	684,538	-	549,651
Wash. Suburban San. Comm.	353,095,592	-	247,879,292	353,095,592	53,960,170	201,601,520
Worcester County	11,134,755	-	4,519,388	11,134,755	-	5,198,745
<b>Loan Totals</b>	<b>\$2,015,459,262</b>	<b>\$ 257,022,435</b>	<b>\$ 919,967,715</b>	<b>\$1,853,423,359</b>	<b>\$ 232,801,918</b>	<b>\$ 850,888,639</b>
<b>Grant /Loan Forgiveness</b>	<b>81,207,160</b>			<b>77,848,857</b>		
<b>Total Commitment</b>	<b>\$2,096,666,422</b>			<b>\$1,931,272,216</b>		

\* Net of repayments

The current portion of WQRLF loans receivable as of June 30, 2015 and 2014, was \$80,206,465 and \$68,813,559, respectively. Also, the outstanding balance of loans receivable is made up of \$3,622,954 pledged loans (2005 indenture), \$351,465,443 pledged loans (2008 indenture), and \$564,879,318 non-pledged loans (direct). During fiscal years 2015 and 2014, there were no defaults or delinquencies.

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2015 and 2014

### 3. LOANS RECEIVABLE (continued)

As of June 30, 2015 and 2014, the Administration's lending commitments under the DWRLF to specific governmental entities within the State are detailed as follows:

DWRLF Borrower	2015			2014		
	Total	Commitment	Outstanding	Total	Commitment	Outstanding
	Commitment	Outstanding	Balance * June 30, 2015	Commitment	Outstanding	Balance * June 30, 2014
Allegany County	\$ 138,582	\$ -	\$ 125,431	\$ 138,582	\$ -	\$ 129,645
Annapolis, City of	28,500,000	23,104,947	5,395,053	28,500,000	27,461,326	1,038,674
Anne Arundel County	6,985,468	913,364	4,653,313	6,985,468	2,344,013	3,446,842
Baltimore City	30,984,771	-	26,764,032	30,984,771	-	27,828,629
Baltimore County	31,899,374	-	25,555,721	31,899,374	-	27,165,934
Beaches Water Co.	464,713	69,682	340,885	85,000	-	35,393
Betterton, Town of	43,483	-	20,830	43,483	-	23,388
Boonsboro, Town of	1,662,639	-	235,949	1,662,639	-	253,638
Bowie, City of	1,677,500	-	592,712	1,677,500	-	683,238
Brunswick, City of	359,975	-	221,528	359,975	-	241,814
Cecilton, Town of	968,323	-	689,903	968,323	-	721,334
Centreville, Town of	912,870	-	348,357	912,870	-	463,313
Chesapeake City, Town of	125,955	-	114,146	127,000	9,957	111,162
Chestertown, Town of	1,765,422	-	929,260	1,765,422	-	1,023,544
Clear Spring, Town of	1,260,531	-	750,767	1,260,531	-	802,664
Cumberland, City of	9,256,475	-	6,050,168	9,256,475	-	6,394,208
Dorchester County	52,777	-	-	52,777	-	-
East New Market	368,150	-	348,949	368,150	-	368,150
Emmitsburg, Town of	1,582,762	-	731,571	1,582,762	-	816,780
Fahrney Keedy	500,000	-	-	500,000	-	-
Federalsburg, Town of	1,830,881	-	1,110,342	1,831,673	12,375	1,190,576
Frederick County	10,831,167	-	2,952,870	10,903,427	53,827	3,630,586
Frostburg, City of	337,500	17,018	320,482	-	-	-
Garrett County	388,653	-	247,917	388,653	-	265,777
Grantsville, Town of	224,283	-	81,656	224,283	-	94,138
Hagerstown, City of	27,807,895	1,087,461	21,117,974	27,807,895	6,087,913	16,985,482
Hampstead, Town of	722,587	-	267,226	722,587	-	307,898
Independence Village	44,902	-	3,899	44,902	-	7,625
La Plata, Town of	499,150	-	437,294	500,000	130,629	328,584
Lonaconing, Town of	187,500	-	178,985	187,500	98,618	88,882
Manchester	400,000	-	177,233	400,000	-	198,412
Martingham Utilities Coop	594,700	-	457,448	594,700	-	476,617
Myersville, Town of	467,842	-	122,799	467,842	-	151,149
New Windsor, Town of	1,927,731	-	1,252,303	1,927,731	-	1,337,329
North East, Town of	19,048,711	-	13,223,022	19,048,711	-	14,998,388
Oakland, Town of	972,415	-	680,168	972,415	-	715,780
Oxford, Town of	810,770	-	533,168	810,770	-	583,018
Perryville, Town of	11,534,299	-	9,152,788	11,534,299	-	9,553,510
Pittsville, Town of	86,166	-	78,030	86,166	-	82,114
Pocomoke City	17,214	-	15,569	17,688	14,154	2,715
Port Deposit, Town of	291,760	-	-	291,760	-	-
Queenstown, Town of	489,139	-	450,279	489,139	186,200	286,833

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2015 and 2014

### 3. LOANS RECEIVABLE (continued)

DWRLF Borrower	2015			2014		
	Total	Commitment	Outstanding	Total	Commitment	Outstanding
	Commitment	Outstanding	Balance * June 30, 2015	Commitment	Outstanding	Balance * June 30, 2014
Rising Sun, Town of	\$ 1,698,717		\$ 1,048,243	\$ 1,698,717		\$ 1,108,863
Rock Hall, Town of	1,020,183	-	715,416	1,020,183	-	749,709
Rockville, City of	8,122,000	-	2,907,865	8,122,000	-	3,365,154
Salisbury, City of	1,513,160	-	1,417,532	1,513,160	-	1,465,560
Secretary, Town of	149,408	-	80,848	149,408	-	88,833
Sharptown, Town of	168,452	103,009	65,443	-	-	-
Somerset County	32,000	-	21,333	32,000	-	22,400
St. Mary's Co Metcom	7,582,096	1,323,604	4,962,185	7,582,096	3,328,678	3,107,246
St. Michaels, Town of	1,179,912	-	878,953	1,179,912	-	917,101
Taneytown, City of	4,011,000	-	3,226,464	4,011,000	-	3,413,866
Thurmont, Town of	2,243,740	-	-	2,243,740	-	788,429
Union Bridge, Town of	775,499	-	487,300	775,499	-	514,026
Westernport, Town of	1,675,861	131,426	1,485,099	1,675,861	912,131	733,960
Westminister, City of	15,535,902	-	10,264,294	15,535,902	-	11,100,389
Worcester County	367,063	-	276,981	367,063	-	295,190
WSSC	166,000	86,751	74,477	166,000	89,737	76,263
<b>Loan Total</b>	<b>\$ 245,266,028</b>	<b>\$ 26,837,262</b>	<b>\$ 154,642,460</b>	<b>\$ 244,455,784</b>	<b>\$ 40,729,558</b>	<b>\$ 150,580,752</b>
<b>Grant /Loan Forgiveness</b>	<b>48,892,196</b>			<b>48,288,519</b>		
<b>Total Commitment</b>	<b>\$ 294,158,224</b>			<b>\$ 292,744,303</b>		

\* Net of repayments

The current portion of DWRLF loans receivable as of June 30, 2015 and 2014, was \$9,328,876 and \$8,921,993, respectively. During fiscal years 2015 and 2014, there were no defaults or delinquencies.

The Administration is not required to disclose the market value of the loans. The Administration believes that the calculated market value of the loans at any given date would be less than their nominal amounts primarily because of their below market interest rates. The Administration currently plans to hold the loans to maturity and will continue to reflect them in the accompanying financial statements at cost.

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**Notes to the Financial Statements  
June 30, 2015 and 2014**

**4. FIXED ASSETS**

Fixed assets represent vehicles, net of accumulated depreciation. The activity for the years ended June 30, 2015 and 2014, follows:

	<u>Balance June 30, 2014</u>	<u>For the Year Ended June 30, 2015</u>				<u>Balance June 30, 2015</u>
		<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Depreciation</u>	
Cost	\$ 215,970	\$32,359	\$ -	\$ -	\$ -	\$ 248,329
Accumulated depreciation	<u>180,109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,086</u>	<u>194,195</u>
Net	<u>\$ 35,861</u>	<u>\$32,359</u>	<u>-</u>	<u>-</u>	<u>\$ 14,086</u>	<u>\$ 54,134</u>

	<u>Balance June 30, 2013</u>	<u>For the Year Ended June 30, 2014</u>				<u>Balance June 30, 2014</u>
		<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Depreciation</u>	
Cost	\$ 191,057	\$ 24,913	\$ -	\$ -	\$ -	\$ 215,970
Accumulated depreciation	<u>176,523</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,586</u>	<u>180,109</u>
Net	<u>\$ 14,534</u>	<u>24,913</u>	<u>-</u>	<u>-</u>	<u>\$ 3,586</u>	<u>\$ 35,861</u>

Note: Depreciation is charged to business activities.

**5. DRINKING WATER STATE REVOLVING SOURCE WATER PROTECTION**

The transaction below is part of the DWRLF 15% set-aside grant and the loan information below is not included in the DWRLF capital program financial statements. The DWRLF 15% set-aside work plans approved by EPA allow use of Federal funds to make loans to purchase land, for source water and wellhead protection. One loan is outstanding with an original principal balance of \$310,000 with the Town of Boonsboro. This loan is at a 0% interest rate and has a 20-year term. Information on this loan as of June 30, 2015, is summarized below:

	<u>Loan Amount</u>	<u>ITD Principal Payments</u>	<u>Principal Balance</u>	<u>Annual Repayment</u>
Town of Boonsboro	\$ 310,000	\$ 170,500	\$ 139,500	\$ 15,500

Accumulated interest and principal payments have been transferred to the Drinking Water Capital Reserve Account.

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2015 and 2014

### 6. REVENUE BONDS PAYABLE

The Administration had the following outstanding debt as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
<b>Water Quality RLF</b>		
2005 Series A, Current Refunding Revenue Bonds, dated July 28, 2005, with a true interest rate of 3.31% due serially from September 1, 2006 to September 1, 2015.	\$ 2,930,000	\$ 5,940,000
2008 Series A, Revenue Bonds, dated April 29, 2008, with an all-in true interest rate of 4.10% due serially from March 1, 2009, to March 1, 2025.	30,255,000	30,730,000
Total amount payable for Clean Water RLF	<u>33,185,000</u>	<u>36,670,000</u>
<b>Bay Restoration Fund</b>		
2008 Series BRF Revenue Bonds, dated June 25, 2008, with an all-in true interest rate of 4.09% due serially from March 1, 2009 to March 1, 2023.	29,980,000	33,055,000
2014 Series BRF Revenue Bonds, dated May 14, 2014, with an all-in true interest rate of 2.58% due serially from March 1, 2016 to March 1, 2029.	100,000,000	100,000,000
Total amount payable for BRF	<u>129,980,000</u>	<u>133,055,000</u>
Total amount payable for all indentured series	<u>\$ 163,165,000</u>	<u>\$ 169,725,000</u>
Less: Current portion payable	<u>12,345,000</u>	<u>6,560,000</u>
Non-current bonds payable	<u>\$ 150,820,000</u>	<u>\$ 163,165,000</u>

As of June 30, 2015, there are four series of Serial Bonds as follows:

<b>Water Quality RLF Series</b>	<b>Current Bonds Payable</b>			<b>Years Remaining</b>	<b>Final Payment Date Due</b>
	<b>Debt Service Due</b>	<b>Non-Current Bonds Payable</b>			
	<b>Sept. 1, 2015 &amp; March 1, 2016</b>				
2008A	\$ 1,050,000	\$ 29,205,000		10	March 1, 2025
2005A	2,930,000	-		0	September 1, 2015
<b>Total WQRLF</b>	<u>\$ 3,980,000</u>	<u>\$ 29,205,000</u>			

<b>Bay Restoration Fund Series</b>	<b>Current Bonds Payable</b>			<b>Years Remaining</b>	<b>Final Payment Date Due</b>
	<b>Debt Service Due</b>	<b>Non-Current Bonds Payable</b>			
	<b>March 1, 2016</b>				
2014	\$ 5,160,000	\$ 94,840,000		14	March 1, 2029
2008	3,205,000	26,775,000		8	March 1, 2023
<b>Total BRF</b>	<u>\$ 8,365,000</u>	<u>\$ 121,615,000</u>			

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2015 and 2014

### 6. REVENUE BONDS PAYABLE (continued)

The WQRLF bonds are payable solely from, and secured by, a pledge of the loan principal and interest payments required to be made by the local and other governmental entity borrowers and a pledge of all bond funds to the Administration identified by the two indentures (March 1, 1990 & April 1, 2008). Similarly, the BRF bonds are payable solely from the revenue derived from collections from the Bay Restoration wastewater fees.

The principal and interest payment obligations related to WQRLF and BRF as of June 30, 2015, were as follows:

<b>Water Quality RLF</b>			
<b>Years Ended June 30,</b>	<b>Interest</b>	<b>Principal</b>	<b>Total</b>
2016	\$ 1,500,677	\$ 3,980,000	\$ 5,480,677
2017	1,385,428	1,235,000	2,620,428
2018	1,336,028	4,330,000	5,666,028
2019	1,136,927	2,900,000	4,036,927
2020	999,928	3,035,000	4,034,928
2021-2025	2,620,600	17,705,000	20,325,600
<b>Total WQRLF</b>	<b>\$ 8,979,588</b>	<b>\$ 33,185,000</b>	<b>\$ 42,164,588</b>

<b>Bay Restoration Fund</b>			
<b>Years Ended June 30,</b>	<b>Interest</b>	<b>Principal</b>	<b>Total</b>
2016	\$ 5,964,956	\$ 8,365,000	\$ 14,329,956
2017	5,567,256	8,735,000	14,302,256
2018	5,130,507	9,130,000	14,260,507
2019	4,674,006	9,545,000	14,219,006
2020	4,232,456	10,095,000	14,327,456
2021-2025	13,401,032	49,015,000	62,416,032
2026-2029	3,165,850	35,095,000	38,260,850
<b>Total BRF</b>	<b>\$ 42,136,063</b>	<b>\$ 129,980,000</b>	<b>\$ 172,116,063</b>

<b>Total Interest &amp; Bonds Payable for all series</b>	<b>\$ 51,115,651</b>	<b>\$ 163,165,000</b>	<b>\$ 214,280,651</b>
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As of June 30, 2015 and 2014, the Administration's management believes that it is in compliance with all significant requirements of the indentures.

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2015 and 2014

### 7. SCHEDULES OF CHANGES IN BONDS PAYABLE AND COMPENSATED ABSENCES

Changes in business-type activities long-term debt for the year ended June 30, 2015, were as follows:

Bond Series & Program	Beginning Balance 6/30/2014	Additions	Reductions	Ending Balance 6/30/2015	Amounts Due Within One Year
<b><u>1990 - 2005 &amp; 2008A Water Quality RLF</u></b>					
Arbitrage Rebate Liability	\$ 1,295,959	\$ (93,992)	\$ 1,152,385	\$ 49,582	\$ 49,582
Unamortized Premium	844,414	-	171,392	673,022	-
Revenue Bonds Payable	36,670,000	-	3,485,000	33,185,000	3,980,000
Total WQ: 1990-2005 & 2008A Series	38,810,373	(93,992)	4,808,777	33,907,604	4,029,582
<b><u>2008 &amp; 2014 Bay Restoration Fund</u></b>					
Unamortized Premium	15,066,185	-	2,290,414	12,775,771	-
Revenue Bonds Payable	133,055,000	-	3,075,000	129,980,000	8,365,000
Total BRF: 2008 & 2014 Series	148,121,185	-	5,365,414	142,755,771	8,365,000
<b>Total All Bond Series &amp; Programs</b>	<b>186,931,558</b>	<b>(93,992)</b>	<b>10,174,191</b>	<b>176,663,375</b>	<b>12,394,582</b>
<b><u>Compensated Absences</u></b>					
Water Quality	408,805	322,587	115,027	616,365	322,587
Drinking Water	80,636	47,221	52,052	75,805	47,221
BRF - Wastewater	141,099	67,212	75,474	132,837	67,212
BRF - Septics	72,070	41,498	29,180	84,388	41,498
Total Compensated Absences	702,610	478,518	271,733	909,395	478,518
<b>Total</b>	<b>\$ 187,634,168</b>	<b>\$ 384,526</b>	<b>\$ 10,445,924</b>	<b>\$ 177,572,770</b>	<b>\$ 12,873,100</b>

Changes in business-type activities long-term debt for the year ended June 30, 2014, were as follows:

Bond Series & Program	Beginning Balance 6/30/2013	Additions	Reductions	Ending Balance 6/30/2014	Amounts Due Within One Year
<b><u>1990 - 2005 &amp; 2008A Water Quality RLF</u></b>					
Arbitrage Rebate Liability	\$ 1,217,355	\$ 78,604	\$ -	\$ 1,295,959	\$ 1,295,959
Unamortized Premium	1,121,181	-	276,767	844,414	-
Revenue Bonds Payable	47,200,000	-	10,530,000	36,670,000	3,485,000
Total WQ: 1990-2005 & 2008A Series	49,538,536	78,604	10,806,767	38,810,373	4,780,959
<b><u>2008 &amp; 2014 Bay Restoration Fund</u></b>					
Unamortized Premium	869,299	14,383,974	187,088	15,066,185	-
Revenue Bonds Payable	35,995,000	100,000,000	2,940,000	133,055,000	3,075,000
Total BRF: 2008 & 2014 Series	36,864,299	114,383,974	3,127,088	148,121,185	3,075,000
<b>Total All Bond Series &amp; Programs</b>	<b>86,402,835</b>	<b>114,462,578</b>	<b>13,933,855</b>	<b>186,931,558</b>	<b>7,855,959</b>
<b><u>Compensated Absences</u></b>					
Water Quality	261,329	269,881	122,405	408,805	269,881
Drinking Water	74,930	52,686	46,980	80,636	52,686
BRF - Wastewater	122,403	86,667	67,971	141,099	86,667
BRF - Septics	70,324	43,781	42,035	72,070	43,781
Total Compensated Absences	528,986	453,015	279,391	702,610	453,015
<b>Total</b>	<b>\$ 86,931,821</b>	<b>\$ 114,915,593</b>	<b>\$ 14,213,246</b>	<b>\$ 187,634,168</b>	<b>\$ 8,308,974</b>

## MARYLAND WATER QUALITY FINANCING ADMINISTRATION

### Notes to the Financial Statements June 30, 2015 and 2014

The Administration had no pending workers' compensation claims as of June 30, 2015 and 2014.

#### **8. CHESAPEAKE AND ATLANTIC COASTAL BAYS NPS FUND (2010 TRUST FUND)**

MWQFA received no new funds from the Maryland Department of Natural Resources (DNR) during fiscal year ended June 30, 2014 to make grants, as DNR will manage the Fund in the future. The unobligated balance of \$112,384, that was not needed for projects was returned back to DNR during FY 2014. There were grant disbursements of \$841,833 in fiscal year 2014. This program was closed as of June 30, 2014.

#### **9. LOAN FORGIVENESS/GRANTS AND RELATED PARTY TRANSACTIONS**

In accordance with the provisions of the WQRLF and DWRLF Capitalization Grants awarded by the Environmental Protection Agency to the Administration, loan principal forgiveness is allowed under certain circumstances. Related party loan forgiveness was granted to Maryland Environmental Services (MES). In fiscal year 2011, MES was awarded two WQRLF loans with partial loan forgiveness. MES did not receive any loan forgiveness or grant disbursements under the SRF program for the fiscal years ended 2015 and 2014.

MES was also awarded grants under the BRF program. MES received BRF grant disbursements totaling \$177,588 and \$272,572, for the fiscal years ended 2015 and 2014, respectively.

#### **10. BAY RESTORATION FUND ACTIVITY**

Bay Restoration Fund (BRF) includes Wastewater Fund and Septic Fund. BRF fee revenue is collected by the State Comptroller's office and transferred to MWQFA for the purpose of providing grants for upgrade of major wastewater treatment plants in Maryland with enhanced nutrient removal technologies (Wastewater Fund) and for the purpose of providing grants for the upgrade of onsite septic disposal systems with nitrogen removal technology (Septic Fund). The revenue is recorded as earned. During the fiscal year ending June 30, 2015, the Wastewater Fund received cash deposits from the Maryland Comptroller's Office totaling \$111,784,847, which earned investment interest of \$1,187,925 for capital projects and \$135 for the 2008 indenture. Similarly, the Septic Fund (60.0% of septic fees) received cash deposits of \$17,236,263, which earned investment interest of \$72,776. The 40.0% of septic fee revenue transferred by the State Comptroller's office to the MDA is not recorded or accounted for in the accompanying financial statements of the Administration. The Board of Public Works approves grant awards, which are implemented through signed agreements. Also, capital disbursements of funds were made totaling \$205,840,253 for the wastewater treatment plant and sewer upgrades and \$18,338,144 for septic system projects for FY 2015. Wastewater Fund and Septic Fund fee revenue receivable as of June 30, 2015 and 2014, was \$22,763,253 and \$1,467,534, and \$24,751,688 and \$1,246,999, respectively.

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2015 and 2014

### 10. BAY RESTORATION FUND ACTIVITY (continued)

Below is a summary of grant activity as of June 30, 2015 and June 30, 2014:

BRF Wastewater Fund	2015			2014		
	BRF Grant Award	Cumulative Grant Disbursements	Remaining Grant Balance @ 6/30/15	BRF Grant Award	Cumulative Grant Disbursements	Remaining Grant Balance @ 6/30/14
<b>ENR Grants:</b>						
Aberdeen, Town of	\$ 14,982,000	\$ 14,259,961	\$ 722,039	\$ 14,982,000	\$ 14,259,961	\$ 722,039
Allegany County	12,208,518	12,208,518	-	12,208,518	12,208,518	-
Anne Arundel County	124,387,000	85,917,238	38,469,762	124,387,000	49,954,877	74,432,123
Baltimore City	374,078,867	254,448,776	119,630,091	299,922,000	144,933,958	154,988,042
Bowie, City of	8,668,492	8,668,492	-	8,668,492	8,668,492	-
Brunswick, City of	8,263,000	8,263,000	-	8,263,000	8,263,000	-
Cambridge, City of	8,944,000	8,321,280	622,720	8,944,000	8,321,280	622,720
Cecil County	10,977,120	4,990,102	5,987,018	10,977,120	693,000	10,284,120
Chesapeake Beach	7,080,000	4,541,851	2,538,149	7,080,000	1,625,699	5,454,301
Chestertown, Town of	1,490,854	1,490,854	-	1,490,854	1,490,854	-
Crisfield, City of	4,230,766	4,230,766	-	4,230,766	4,230,766	-
Cumberland, City of	25,654,866	25,654,866	-	25,654,866	25,654,866	-
Delmar, Town of	2,369,464	2,369,464	-	2,369,464	2,369,464	-
Denton, Town of	4,405,615	4,405,615	-	4,405,615	4,405,615	-
Easton, Town of	7,788,021	7,788,021	-	7,788,021	7,788,021	-
Elkton, Town of	7,403,154	7,403,154	-	7,403,154	7,403,154	-
Emmitsburg, Town of	5,581,000	5,071,187	509,813	5,581,000	3,198,913	2,382,087
Federsburg, Town of	2,900,000	2,900,000	-	2,900,000	2,900,000	-
Frederick, City of	16,060,521	1,346,282	14,714,239	1,458,000	379,756	1,078,244
Frederick County	31,000,000	30,124,616	875,384	31,000,000	28,868,175	2,131,825
Fruitland, City of	4,809,000	2,057,427	2,751,573	4,809,000	213,395	4,595,605
Hagerstown, City of	10,191,836	10,191,836	-	10,191,836	10,191,836	-
Harford County	41,180,778	39,903,026	1,277,752	41,315,000	33,425,666	7,889,334
Havre de Grace, City of	10,474,820	10,474,820	-	10,474,820	10,474,820	-
Howard County	35,493,172	35,493,172	-	35,493,172	35,493,172	-
Hurlock, Town of	941,148	941,148	-	941,148	941,148	-
Indian Head, Town of	5,822,098	5,822,098	-	5,822,098	5,822,098	-
La Plata, Town of	9,367,610	9,367,610	-	9,378,000	8,643,736	734,264
Leonardtown, Town of	8,996,527	468,671	8,527,856	510,000	-	510,000
MD Environmental Serv.	8,082,345	580,189	7,502,156	713,000	462,601	250,399
Mount Airy, Town of	3,354,144	3,354,144	-	3,354,144	3,354,144	-
Perryville, Town of	3,888,168	3,888,168	-	3,888,168	3,888,168	-
Pocomoke, City of	3,214,878	3,214,878	-	3,214,878	3,214,878	-
Poolesville, Town of	223,132	223,132	-	223,132	223,132	-
Queen Anne's County	6,380,645	6,380,645	-	6,380,645	6,380,645	-
Queenstown, Town of	880,929	310,597	570,332	880,929	-	880,929
Rising Sun, Town of	1,099,268	240,899	858,369	-	-	-
Salisbury, City of	16,644,767	2,733,838	13,910,929	3,406,877	2,733,838	673,039
Secretary, Town of	50,000	49,041	959	50,000	-	50,000
Snow Hill, Town of	3,275,455	3,275,455	-	3,416,000	3,142,386	273,614
St. Mary's County	9,896,000	5,046,138	4,849,862	9,896,000	1,690,240	8,205,760
Sudlersville, Town of	2,364,420	892,195	1,472,225	-	-	-
Talbot County	1,978,699	1,978,699	-	1,978,699	1,978,699	-
Taneytown, City of	5,566,494	1,321,387	4,245,107	580,000	184,125	395,875
Thurmont, Town of	6,680,679	6,680,679	-	6,889,000	6,680,679	208,321
Washington County	3,059,028	632,467	2,426,561	350,000	308,123	41,877
Westminster, City of	1,020,000	641,687	378,313	1,020,000	598,319	421,681
WSSC	209,197,572	149,141,088	60,056,484	177,160,803	118,766,458	58,394,345
<b>ENR Total</b>	<b>1,092,606,870</b>	<b>799,709,177</b>	<b>292,897,693</b>	<b>932,051,219</b>	<b>596,430,675</b>	<b>335,620,544</b>
<b>Sewer Grants-Statewide</b>	<b>19,711,306</b>	<b>19,711,306</b>	<b>-</b>	<b>19,711,306</b>	<b>19,711,306</b>	<b>-</b>
<b>O&amp;M Grants-Statewide</b>	<b>5,522,310</b>	<b>5,522,310</b>	<b>-</b>	<b>2,960,560</b>	<b>2,960,560</b>	<b>-</b>
<b>Total ENR, Sewer &amp; O&amp;M Grants</b>	<b>\$1,117,840,486</b>	<b>\$ 824,942,793</b>	<b>\$ 292,897,693</b>	<b>\$ 954,723,085</b>	<b>\$ 619,102,541</b>	<b>\$ 335,620,544</b>

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements  
June 30, 2015 and 2014

10. BAY RESTORATION FUND ACTIVITY (continued)

BRF Septic Fund	2015			2014		
	BRF Grant	Cumulative	Remaining	BRF Grant	Cumulative	Remaining
	Award	Grant	Grant Balance	Award	Grant	Grant Balance
		Disbursements	@ 6/30/15		Disbursements	@ 6/30/14
<b>Septic Capital Grants:</b>						
Allegany Co.	\$ 246,792	\$ 168,438	\$ 78,354	\$ 174,166	\$ 103,162	\$ 71,004
Anne Arundel Co.	14,610,686	13,376,823	1,233,863	11,908,040	9,764,004	2,144,036
Baltimore Co.	1,770,954	1,641,951	129,003	1,100,065	846,723	253,342
Calvert Co.	7,882,546	7,638,225	244,321	6,539,546	6,388,718	150,828
Caroline Co.	2,284,699	2,240,634	44,065	1,855,699	1,775,721	79,978
Carroll Co.	906,248	806,172	100,076	428,698	300,155	128,543
Cecil Co.	4,144,680	3,742,127	402,553	3,113,001	2,911,141	201,860
Charles Co.	2,286,293	2,148,398	137,895	2,046,885	1,689,813	357,072
Dorchester Co.	4,574,470	4,155,892	418,578	3,787,098	3,359,805	427,293
Frederick Co.	2,455,994	2,354,347	101,647	2,016,835	1,782,740	234,095
Garrett Co.	571,417	556,214	15,203	427,060	368,074	58,986
Harford Co.	2,081,288	1,760,848	320,440	1,582,895	1,190,053	392,842
Howard Co.	643,586	627,586	16,000	444,982	393,490	51,492
Kent Co.	3,829,092	3,720,289	108,803	3,294,377	3,052,803	241,574
Montgomery Co.	862,083	726,399	135,684	754,638	256,261	498,377
Prince George's Co.	172,200	4,200	168,000	180,200	4,200	176,000
Queen Anne's Co.	5,019,773	4,408,898	610,875	3,934,051	3,300,623	633,428
Somerset Co.	1,716,776	1,547,170	169,606	1,424,259	1,222,259	202,000
St. Mary's Co.	6,318,913	6,201,076	117,837	4,766,110	4,210,827	555,283
Talbot Co.	4,602,589	4,391,905	210,684	3,840,992	3,055,919	785,073
Washington Co.	2,428,439	2,248,873	179,566	2,125,700	1,990,418	135,282
Wicomico Co.	4,886,017	4,514,748	371,269	4,226,278	3,964,303	261,975
Worcester Co.	2,318,730	1,916,730	402,000	2,066,587	1,663,587	403,000
Individual Septic Grants	17,725,267	17,725,267	-	17,725,267	17,725,267	-
<b>Total Septic -Capital</b>	<b>94,339,532</b>	<b>88,623,210</b>	<b>5,716,322</b>	<b>79,763,429</b>	<b>71,320,066</b>	<b>8,443,363</b>
<b>HB12 Grants (statewide)</b>	<b>1,035,000</b>	<b>1,035,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total BRF Septic Grants</b>	<b>\$ 95,374,532</b>	<b>\$ 89,658,210</b>	<b>\$ 5,716,322</b>	<b>\$ 79,763,429</b>	<b>\$ 71,320,066</b>	<b>\$ 8,443,363</b>

## **SUPPLEMENTAL INFORMATION**

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Combining Statements of Net Position – Schedule 1 As of June 30, 2015 and 2014

	2015					2014				
	Funds held by Administration					Funds held by Administration				
	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	2010 NPS Trust Fund	Total	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	2010 NPS Trust Fund	Total
<b>ASSETS</b>										
<b>Current Assets:</b>										
Cash and cash equivalents	\$ 294,343,481	\$ 42,950,644	\$ 10,355,233	\$ -	\$ 347,649,358	\$ 318,385,513	\$ 38,543,941	\$ 117,054,855	\$ -	\$ 473,984,309
Investments	4,027,950	-	-	-	4,027,950	1,999,980	-	-	-	1,999,980
Receivables:										
Investment interest	188,401	-	-	-	188,401	197,300	-	-	-	197,300
Loans	37,407,137	9,328,876	-	-	46,736,013	19,736,790	8,921,993	-	-	28,658,783
Loan interest	2,733,781	745,230	-	-	3,479,011	1,911,759	782,700	-	-	2,694,459
BRF fee	-	-	1,808,983	-	1,808,983	-	-	1,618,274	-	1,618,274
Administrative fee	4,488,773	509,766	-	-	4,998,539	4,213,454	522,368	-	-	4,735,822
<b>Current Restricted Assets:</b>										
Cash and cash equivalents	21	-	25,307,116	-	25,307,137	9	-	23,074,541	-	23,074,550
Investments	7,359,282	-	-	-	7,359,282	10,358,930	-	-	-	10,358,930
Receivables:										
Investment interest	9,505	-	-	-	9,505	66,659	-	21	-	66,680
BRF fee	-	-	22,421,804	-	22,421,804	-	-	24,380,413	-	24,380,413
Loans	42,799,328	-	-	-	42,799,328	49,076,769	-	-	-	49,076,769
Loan interest	2,136,820	-	-	-	2,136,820	2,553,809	-	-	-	2,553,809
<b>Total Current Assets</b>	<b>395,494,479</b>	<b>53,534,516</b>	<b>59,893,136</b>	<b>-</b>	<b>508,922,131</b>	<b>408,500,972</b>	<b>48,771,002</b>	<b>166,128,104</b>	<b>-</b>	<b>623,400,078</b>
<b>Non-current Assets:</b>										
Investments	7,342,727	-	-	-	7,342,727	11,938,742	-	-	-	11,938,742
Loans receivable	527,472,182	145,313,584	-	-	672,785,766	403,918,701	141,658,759	-	-	545,577,460
Fixed assets, net	45,942	-	8,192	-	54,134	24,498	-	11,363	-	35,861
<b>Non-current Restricted Assets:</b>										
Investments	785,341	-	-	-	785,341	-	-	-	-	-
Loans receivable	312,289,069	-	-	-	312,289,069	378,156,379	-	-	-	378,156,379
<b>Total Non-current Assets</b>	<b>847,935,261</b>	<b>145,313,584</b>	<b>8,192</b>	<b>-</b>	<b>993,257,037</b>	<b>794,038,320</b>	<b>141,658,759</b>	<b>11,363</b>	<b>-</b>	<b>935,708,442</b>
<b>Total Assets</b>	<b>1,243,429,740</b>	<b>198,848,100</b>	<b>59,901,328</b>	<b>\$ -</b>	<b>1,502,179,168</b>	<b>1,202,539,292</b>	<b>190,429,761</b>	<b>166,139,467</b>	<b>-</b>	<b>1,559,108,520</b>

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Combining Statements of Net Position – Schedule 1 (continued) As of June 30, 2015 and 2014

LIABILITIES AND NET POSITION	2015					2014				
	Funds held by Administration					Funds held by Administration				
	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	2010 NPS Trust Fund	Total	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	2010 NPS Trust Fund	Total
<b>LIABILITIES</b>										
Current Liabilities:										
Accounts payable	\$ 330,908	\$ 49,417	\$ 114,834	\$ -	\$ 495,159	\$ 278,156	\$ 54,869	\$ 136,541	\$ -	\$ 469,566
Current liabilities payable from restricted assets:										
Revenue bonds payable	3,980,000	-	8,365,000	-	12,345,000	3,485,000	-	3,075,000	-	6,560,000
Accrued interest bonds payable	469,877	-	1,231,524	-	1,701,401	511,167	-	704,665	-	1,215,832
Arbitrage rebate	49,582	-	-	-	49,582	1,295,959	-	-	-	1,295,959
<b>Total Current Liabilities</b>	<b>4,830,367</b>	<b>49,417</b>	<b>9,711,358</b>	<b>-</b>	<b>14,591,142</b>	<b>5,570,282</b>	<b>54,869</b>	<b>3,916,206</b>	<b>-</b>	<b>9,541,357</b>
Non-current Liabilities:										
Other liabilities	293,778	28,584	108,515	-	430,877	138,924	27,950	82,721	-	249,595
Non-current liabilities payable from restricted assets:										
Revenue bonds payable	29,205,000	-	121,615,000	-	150,820,000	33,185,000	-	129,980,000	-	163,165,000
Bonds premium	673,022	-	12,775,771	-	13,448,793	844,414	-	15,066,185	-	15,910,599
<b>Total Non-current Liabilities</b>	<b>30,171,800</b>	<b>28,584</b>	<b>134,499,286</b>	<b>-</b>	<b>164,699,670</b>	<b>34,168,338</b>	<b>27,950</b>	<b>145,128,906</b>	<b>-</b>	<b>179,325,194</b>
<b>Total Liabilities</b>	<b>35,002,167</b>	<b>78,001</b>	<b>144,210,644</b>	<b>-</b>	<b>179,290,812</b>	<b>39,738,620</b>	<b>82,819</b>	<b>149,045,112</b>	<b>-</b>	<b>188,866,551</b>
<b>NET POSITION</b>										
Net investment in capital assets	45,942	-	8,192	-	54,134	24,498	-	11,363	-	35,861
Restricted for debt service	331,001,885	-	(96,258,375)	-	234,743,510	400,891,015	-	(101,370,875)	-	299,520,140
Unrestricted	877,379,746	198,770,099	11,940,867	-	1,088,090,712	761,885,159	190,346,942	118,453,867	-	1,070,685,968
<b>Total Net Position</b>	<b>\$ 1,208,427,573</b>	<b>\$ 198,770,099</b>	<b>\$ (84,309,316)</b>	<b>\$ -</b>	<b>\$ 1,322,888,356</b>	<b>\$ 1,162,800,672</b>	<b>\$ 190,346,942</b>	<b>\$ 17,094,355</b>	<b>\$ -</b>	<b>\$ 1,370,241,969</b>

## MARYLAND WATER QUALITY FINANCING ADMINISTRATION

### Combining Statements of Revenue, Expenses and Changes in Net Position – Schedule 2 For the Years Ended June 30, 2015 and 2014

	2015					2014				
	Funds held by Administration					Funds held by Administration				
	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	2010 NPS Trust Fund	Total	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	2010 NPS Trust Fund	Total
<b>Operating Revenue:</b>										
Interest on loans	\$ 9,629,910	\$ 1,527,868	\$ -	\$ -	\$ 11,157,778	\$ 9,058,201	\$ 1,518,921	\$ -	\$ -	\$ 10,577,122
Loan administration fees	4,489,779	518,254	-	-	5,008,033	4,214,284	523,458	-	-	4,737,742
Fee revenue	-	-	127,253,210	-	127,253,210	-	-	127,490,134	(112,384)	127,377,750
Grant revenue	1,049,213	488,228	-	-	1,537,441	1,045,944	511,706	-	-	1,557,650
Grant revenue (Set-Asides 2%,10%, & 15%)	-	4,248,026	-	-	4,248,026	-	4,117,462	-	-	4,117,462
Miscellaneous	14,449	15,500	-	-	29,949	2,651	15,502	-	-	18,153
<b>Total Operating Revenue</b>	<b>15,183,351</b>	<b>6,797,876</b>	<b>127,253,210</b>	<b>-</b>	<b>149,234,437</b>	<b>14,321,080</b>	<b>6,687,049</b>	<b>127,490,134</b>	<b>(112,384)</b>	<b>148,385,879</b>
<b>Operating Expenses:</b>										
Salaries and related benefits	4,155,437	769,576	1,805,725	-	6,730,738	3,088,400	668,512	1,797,234	-	5,554,146
General	1,551,090	204,808	466,005	-	2,221,903	1,304,801	244,537	413,236	-	1,962,574
Capital grant disbursements	4,211,018	5,198,373	224,178,397	-	233,587,788	4,583,265	6,465,118	147,177,007	841,833	159,067,223
Transfers-out (Set-Asides 2%,10%, & 15%)	-	4,248,026	-	-	4,248,026	-	4,117,462	-	-	4,117,462
<b>Total Operating Expenses</b>	<b>9,917,545</b>	<b>10,420,783</b>	<b>226,450,127</b>	<b>-</b>	<b>246,788,455</b>	<b>8,976,466</b>	<b>11,495,629</b>	<b>149,387,477</b>	<b>841,833</b>	<b>170,701,405</b>
<b>Operating Income (Loss)</b>	<b>5,265,806</b>	<b>(3,622,907)</b>	<b>(99,196,917)</b>	<b>-</b>	<b>(97,554,018)</b>	<b>5,344,614</b>	<b>(4,808,580)</b>	<b>(21,897,343)</b>	<b>(954,217)</b>	<b>(22,315,526)</b>
<b>Non-operating Revenue (Expenses):</b>										
Investment income	3,727,385	416,524	1,260,836	-	5,404,745	4,008,674	377,546	720,368	-	5,106,588
Cost of issuance expense	-	-	(57,968)	-	(57,968)	-	-	(398,379)	-	(398,379)
Arbitrage rebate expense	93,992	-	-	-	93,992	(78,604)	-	-	-	(78,604)
Interest expense on bonds	(1,438,071)	-	(3,409,622)	-	(4,847,693)	(1,691,287)	-	(1,696,012)	-	(3,387,299)
Net change in fair value of investments	(47,420)	-	-	-	(47,420)	(64,800)	-	-	-	(64,800)
<b>Total Non-operating Revenue (Expenses)</b>	<b>2,335,886</b>	<b>416,524</b>	<b>(2,206,754)</b>	<b>-</b>	<b>545,656</b>	<b>2,173,983</b>	<b>377,546</b>	<b>(1,374,023)</b>	<b>-</b>	<b>1,177,506</b>
<b>Income (Loss) Before Contributions</b>	<b>7,601,692</b>	<b>(3,206,383)</b>	<b>(101,403,671)</b>	<b>-</b>	<b>(97,008,362)</b>	<b>7,518,597</b>	<b>(4,431,034)</b>	<b>(23,271,366)</b>	<b>(954,217)</b>	<b>(21,138,020)</b>
<b>Contributions received from:</b>										
Federal government	31,566,209	9,015,540	-	-	40,581,749	34,200,000	10,397,086	-	-	44,597,086
State of MD-required match to Federal grant	6,459,000	2,614,000	-	-	9,073,000	6,840,000	2,832,000	-	-	9,672,000
<b>Change in Net Position</b>	<b>45,626,901</b>	<b>8,423,157</b>	<b>(101,403,671)</b>	<b>-</b>	<b>(47,353,613)</b>	<b>48,558,597</b>	<b>8,798,052</b>	<b>(23,271,366)</b>	<b>(954,217)</b>	<b>33,131,066</b>
Net Position, Beginning of Year	1,162,800,672	190,346,942	17,094,355	-	1,370,241,969	1,114,242,075	181,548,890	40,365,721	954,217	1,337,110,903
<b>Net Position, End of Year</b>	<b>\$ 1,208,427,573</b>	<b>\$ 198,770,099</b>	<b>\$ (84,309,316)</b>	<b>\$ -</b>	<b>\$ 1,322,888,356</b>	<b>\$ 1,162,800,672</b>	<b>\$ 190,346,942</b>	<b>\$ 17,094,355</b>	<b>\$ -</b>	<b>\$ 1,370,241,969</b>

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Combining Statements of Cash Flows – Schedule 3 For the Years Ended June 30, 2015 and 2014

	2015					2014				
	Funds held by Administration					Funds held by Administration				
	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	2010 NPS Trust Fund	Total	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	2010 NPS Trust Fund	Total
<b>Cash Flows from Operating Activities:</b>										
Loan repayments	\$ 68,736,309	\$ 10,640,832	\$ -	\$ -	\$ 79,377,141	\$ 65,275,706	\$ 6,945,127	\$ -	\$ -	\$ 72,220,833
Interest and fees received from borrowers	13,439,336	2,096,194	-	-	15,535,530	12,715,422	1,943,937	-	-	14,659,359
BRF Fee and other receipts	1,063,662	4,751,754	129,021,110	-	134,836,526	1,048,595	4,644,670	125,176,806	(112,384)	130,757,687
Loan disbursements	(137,815,384)	(14,702,540)	-	-	(152,517,924)	(117,113,415)	(11,104,210)	-	-	(128,217,625)
Capital grant disbursements	(4,211,018)	(5,198,373)	(224,178,397)	-	(233,587,788)	(4,583,265)	(6,465,118)	(147,177,007)	(841,833)	(159,067,223)
Salaries and benefits paid	(4,155,437)	(769,576)	(1,805,725)	-	(6,730,738)	(3,088,400)	(668,512)	(1,797,234)	-	(5,554,146)
General expenses paid	(1,332,569)	(4,457,652)	(458,747)	-	(6,248,968)	(1,156,610)	(4,356,203)	(388,812)	-	(5,901,625)
<b>Net Cash from Operating Activities</b>	<b>(64,275,101)</b>	<b>(7,639,361)</b>	<b>(97,421,759)</b>	<b>-</b>	<b>(169,336,221)</b>	<b>(46,901,967)</b>	<b>(9,060,309)</b>	<b>(24,186,247)</b>	<b>(954,217)</b>	<b>(81,102,740)</b>
<b>Cash Flows from Non-capital Financing Activities:</b>										
Contributions received from:										
Federal government	31,566,209	9,015,540	-	-	40,581,749	34,200,000	10,397,086	-	-	44,597,086
State of MD-required match to Federal grant	6,459,000	2,614,000	-	-	9,073,000	6,840,000	2,832,000	-	-	9,672,000
Proceeds from sale of bonds	-	-	-	-	-	-	-	114,383,974	-	114,383,974
Repayment of bonds	(3,485,000)	-	(3,075,000)	-	(6,560,000)	(10,530,000)	-	(2,940,000)	-	(13,470,000)
Cost of issuance/underwriters discount	-	-	(57,968)	-	(57,968)	-	-	(398,379)	-	(398,379)
Interest on bonds	(1,650,752)	-	(5,173,177)	-	(6,823,929)	(2,086,253)	-	(1,674,109)	-	(3,760,362)
Arbitrage Liability-Bonds	(1,152,385)	-	-	-	(1,152,385)	-	-	-	-	-
<b>Net Cash from Non-capital Financing Activities</b>	<b>31,737,072</b>	<b>11,629,540</b>	<b>(8,306,145)</b>	<b>-</b>	<b>35,060,467</b>	<b>28,423,747</b>	<b>13,229,086</b>	<b>109,371,486</b>	<b>-</b>	<b>151,024,319</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>										
Purchase of equipment	(32,359)	-	-	-	(32,359)	(24,913)	-	-	-	(24,913)
<b>Net Cash from Capital and Related Financing Activities</b>	<b>(32,359)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(32,359)</b>	<b>(24,913)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(24,913)</b>
<b>Cash Flows from Investing Activities:</b>										
Purchase of investments	(11,220,356)	-	-	-	(11,220,356)	(7,082,030)	-	-	-	(7,082,030)
Interest on investment securities	3,793,437	416,524	1,260,857	-	5,470,818	4,043,626	377,546	720,347	-	5,141,519
Proceeds from sale of investments	15,955,287	-	-	-	15,955,287	13,196,062	-	-	-	13,196,062
<b>Net Cash from Investing Activities</b>	<b>8,528,368</b>	<b>416,524</b>	<b>1,260,857</b>	<b>-</b>	<b>10,205,749</b>	<b>10,157,658</b>	<b>377,546</b>	<b>720,347</b>	<b>-</b>	<b>11,255,551</b>
<b>Net Increase/(Decr) in Cash and Cash Equivalents</b>	<b>(24,042,020)</b>	<b>4,406,703</b>	<b>(104,467,047)</b>	<b>-</b>	<b>(124,102,364)</b>	<b>(8,345,475)</b>	<b>4,546,323</b>	<b>85,905,586</b>	<b>(954,217)</b>	<b>81,152,217</b>
Cash & Cash Equivalents, Beginning of Year	318,385,522	38,543,941	140,129,396	-	497,058,859	326,730,997	33,997,618	54,223,810	954,217	415,906,642
<b>Cash &amp; Cash Equivalents, End of Year</b>	<b>\$ 294,343,502</b>	<b>\$ 42,950,644</b>	<b>\$ 35,662,349</b>	<b>\$ -</b>	<b>\$ 372,956,495</b>	<b>\$ 318,385,522</b>	<b>\$ 38,543,941</b>	<b>\$ 140,129,396</b>	<b>\$ -</b>	<b>\$ 497,058,859</b>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**Combining Statements of Cash Flows – Schedule 3 (continued)  
For the Years Ended June 30, 2015 and 2014**

	2015					2014				
	Funds held by Administration					Funds held by Administration				
	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	2010 NPS Trust Fund	Total	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	2010 NPS Trust Fund	Total
<b>Reconciliation of operating income (loss) to net cash from operating activities:</b>										
Operating income (loss)	\$ 5,265,806	\$ (3,622,907)	\$ (99,196,917)	\$ -	\$ (97,554,018)	\$ 5,344,614	\$ (4,808,580)	\$ (21,897,343)	\$ (954,217)	\$ (22,315,526)
Depreciation of fixed assets	10,915	-	3,171	-	14,086	415	-	3,171	-	3,586
<b>Adjustments to reconcile operating income to net cash from operating activities:</b>										
Loan disbursements	(137,815,384)	(14,702,540)	-	-	(152,517,924)	(117,113,415)	(11,104,210)	-	-	(128,217,625)
Loan repayments	68,736,309	10,640,832	-	-	79,377,141	65,275,706	6,945,127	-	-	72,220,833
Decrease/(incr) in loan interest receivable	(405,034)	37,470	-	-	(367,564)	(321,582)	(75,753)	-	-	(397,335)
Decrease/(incr) in administrative fee receivable and BRF fee receivable	(275,319)	12,602	1,767,900	-	1,505,183	(235,481)	(22,689)	(2,313,328)	-	(2,571,498)
Increase/(decr) in accounts payable and other liabilities	207,606	(4,818)	4,087	-	206,875	147,776	5,796	21,253	-	174,825
<b>Net Cash from Operating Activities</b>	<b>\$ (64,275,101)</b>	<b>\$ (7,639,361)</b>	<b>\$ (97,421,759)</b>	<b>\$ -</b>	<b>\$ (169,336,221)</b>	<b>\$ (46,901,967)</b>	<b>\$ (9,060,309)</b>	<b>\$ (24,186,247)</b>	<b>\$ (954,217)</b>	<b>\$ (81,102,740)</b>

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

CLEAN WATER STATE REVOLVING LOAN FUND  
 Combining Statements of Net Position – Schedule 4  
 As of June 30, 2015 and 2014

	2015					2014				
	Funds held by Administration					Funds held by Administration				
	General Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Total	General Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Total
<b>ASSETS</b>										
<b>Current Assets:</b>										
Cash and cash equivalents	\$ 1,065,428	\$ 293,278,053	\$ -	\$ -	\$ 294,343,481	\$ 1,322,120	\$ 317,063,393	\$ -	\$ -	\$ 318,385,513
Investments	-	4,027,950	-	-	4,027,950	-	1,999,980	-	-	1,999,980
Receivables:										
Investment interest	-	188,401	-	-	188,401	-	197,300	-	-	197,300
Loans	-	37,407,137	-	-	37,407,137	-	19,736,790	-	-	19,736,790
Loan interest	-	2,733,781	-	-	2,733,781	-	1,911,759	-	-	1,911,759
Administrative fee	4,488,773	-	-	-	4,488,773	4,213,454	-	-	-	4,213,454
<b>Current Restricted Assets:</b>										
Cash and cash equivalents	-	-	13	8	21	-	-	-	9	9
Investments	-	-	-	7,359,282	7,359,282	-	-	-	10,358,930	10,358,930
Receivables:										
Investment interest	-	-	8,213	1,292	9,505	-	-	-	66,659	66,659
Loans	-	-	40,763,488	2,035,840	42,799,328	-	-	44,837,177	4,239,592	49,076,769
Loan interest	-	-	2,085,013	51,807	2,136,820	-	-	2,437,389	116,420	2,553,809
<b>Total Current Assets</b>	<b>5,554,201</b>	<b>337,635,322</b>	<b>42,856,727</b>	<b>9,448,229</b>	<b>395,494,479</b>	<b>5,535,574</b>	<b>340,909,222</b>	<b>47,274,566</b>	<b>14,781,610</b>	<b>408,500,972</b>
<b>Non-current Assets:</b>										
Investments	-	7,342,727	-	-	7,342,727	-	11,938,742	-	-	11,938,742
Loans receivable	-	527,472,182	-	-	527,472,182	-	403,918,701	-	-	403,918,701
Fixed assets, net	45,942	-	-	-	45,942	24,498	-	-	-	24,498
<b>Non-current Restricted Assets:</b>										
Investments	-	-	785,341	-	785,341	-	-	-	-	-
Loans receivable	-	-	310,701,955	1,587,114	312,289,069	-	-	374,533,425	3,622,954	378,156,379
<b>Total Non-current Assets</b>	<b>45,942</b>	<b>534,814,909</b>	<b>311,487,296</b>	<b>1,587,114</b>	<b>847,935,261</b>	<b>24,498</b>	<b>415,857,443</b>	<b>374,533,425</b>	<b>3,622,954</b>	<b>794,038,320</b>
<b>Total Assets</b>	<b>5,600,143</b>	<b>872,450,231</b>	<b>354,344,023</b>	<b>11,035,343</b>	<b>1,243,429,740</b>	<b>5,560,072</b>	<b>756,766,665</b>	<b>421,807,991</b>	<b>18,404,564</b>	<b>1,202,539,292</b>

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**CLEAN WATER STATE REVOLVING LOAN FUND**  
**Combining Statements of Net Position – Schedule 4 (continued)**  
**As of June 30, 2015 and 2014**

	2015					2014				
	Funds held by Administration					Funds held by Administration				
	General Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Total	General Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Total
<b>LIABILITIES AND NET POSITION</b>										
<b>LIABILITIES</b>										
<b>Current Liabilities:</b>										
Accounts payable	\$ 330,908	\$ -	\$ -	\$ -	\$ 330,908	\$ 278,156	\$ -	\$ -	\$ -	\$ 278,156
Current liabilities payable from restricted assets:										
Revenue bonds payable	-	-	1,050,000	2,930,000	3,980,000	-	-	475,000	3,010,000	3,485,000
Accrued interest bonds payable	-	-	432,436	37,441	469,877	-	-	437,634	73,533	511,167
Arbitrage rebate	-	-	-	49,582	49,582	-	-	-	1,295,959	1,295,959
<b>Total Current Liabilities</b>	<b>330,908</b>	<b>-</b>	<b>1,482,436</b>	<b>3,017,023</b>	<b>4,830,367</b>	<b>278,156</b>	<b>-</b>	<b>912,634</b>	<b>4,379,492</b>	<b>5,570,282</b>
<b>Non-current Liabilities:</b>										
Other liabilities	293,778	-	-	-	293,778	138,924	-	-	-	138,924
Non-current liabilities payable from restricted assets:										
Revenue bonds payable	-	-	29,205,000	-	29,205,000	-	-	30,255,000	2,930,000	33,185,000
Bond premium	-	-	655,933	17,089	673,022	-	-	787,085	57,329	844,414
<b>Total Non-current Liabilities</b>	<b>293,778</b>	<b>-</b>	<b>29,860,933</b>	<b>17,089</b>	<b>30,171,800</b>	<b>138,924</b>	<b>-</b>	<b>31,042,085</b>	<b>2,987,329</b>	<b>34,168,338</b>
<b>Total Liabilities</b>	<b>624,686</b>	<b>-</b>	<b>31,343,369</b>	<b>3,034,112</b>	<b>35,002,167</b>	<b>417,080</b>	<b>-</b>	<b>31,954,719</b>	<b>7,366,821</b>	<b>39,738,620</b>
<b>NET POSITION</b>										
Net investment in capital assets	45,942	-	-	-	45,942	24,498	-	-	-	24,498
Restricted for debt service	-	-	323,000,654	8,001,231	331,001,885	-	-	389,853,272	11,037,743	400,891,015
Unrestricted	4,929,515	872,450,231	-	-	877,379,746	5,118,494	756,766,665	-	-	761,885,159
<b>Total Net Position</b>	<b>\$ 4,975,457</b>	<b>\$ 872,450,231</b>	<b>\$ 323,000,654</b>	<b>\$ 8,001,231</b>	<b>\$ 1,208,427,573</b>	<b>\$ 5,142,992</b>	<b>\$ 756,766,665</b>	<b>\$ 389,853,272</b>	<b>\$ 11,037,743</b>	<b>\$ 1,162,800,672</b>

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## CLEAN WATER STATE REVOLVING LOAN FUND

### Combining Statements of Revenue, Expenses and Changes in Net Position – Schedule 5 For the Years Ended June 30, 2015 and 2014

	2015					2014				
	Funds held by Administration					Funds held by Administration				
	General Accounts	Capital Reserve Account	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Total	General Accounts	Capital Reserve Account	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Total
<b>Operating Revenues:</b>										
Interest on loans	\$ -	\$ 4,939,539	\$ 4,522,142	\$ 168,229	\$ 9,629,910	\$ -	\$ 3,558,289	\$ 5,158,677	\$ 341,235	\$ 9,058,201
Loan administration fees	4,489,779	-	-	-	4,489,779	4,214,284	-	-	-	4,214,284
Grant revenue	1,049,213	-	-	-	1,049,213	1,045,944	-	-	-	1,045,944
Miscellaneous income	-	14,449	-	-	14,449	-	2,651	-	-	2,651
<b>Total Operating Revenue</b>	<b>5,538,992</b>	<b>4,953,988</b>	<b>4,522,142</b>	<b>168,229</b>	<b>15,183,351</b>	<b>5,260,228</b>	<b>3,560,940</b>	<b>5,158,677</b>	<b>341,235</b>	<b>14,321,080</b>
<b>Operating Expenses:</b>										
Salaries and related benefits	4,155,437	-	-	-	4,155,437	3,088,400	-	-	-	3,088,400
General	1,551,090	-	-	-	1,551,090	1,304,801	-	-	-	1,304,801
Capital grant disbursements	-	4,211,018	-	-	4,211,018	-	4,583,265	-	-	4,583,265
<b>Total Operating Expenses</b>	<b>5,706,527</b>	<b>4,211,018</b>	<b>-</b>	<b>-</b>	<b>9,917,545</b>	<b>4,393,201</b>	<b>4,583,265</b>	<b>-</b>	<b>-</b>	<b>8,976,466</b>
<b>Operating Income (Loss)</b>	<b>(167,535)</b>	<b>742,970</b>	<b>4,522,142</b>	<b>168,229</b>	<b>5,265,806</b>	<b>867,027</b>	<b>(1,022,325)</b>	<b>5,158,677</b>	<b>341,235</b>	<b>5,344,614</b>
<b>Non-operating Revenue (Expenses)</b>										
Investment income	300	3,712,350	8,629	6,106	3,727,385	231	3,810,796	397	197,250	4,008,674
Arbitrage rebate expense	-	-	-	93,992	93,992	-	-	-	(78,604)	(78,604)
Interest expense on bonds	-	-	(1,307,703)	(130,368)	(1,438,071)	-	-	(1,444,486)	(246,801)	(1,691,287)
Net change in fair value of investments	-	(47,420)	-	-	(47,420)	-	(64,800)	-	-	(64,800)
<b>Total Non-operating Revenue (Expenses)</b>	<b>300</b>	<b>3,664,930</b>	<b>(1,299,074)</b>	<b>(30,270)</b>	<b>2,335,886</b>	<b>231</b>	<b>3,745,996</b>	<b>(1,444,089)</b>	<b>(128,155)</b>	<b>2,173,983</b>
<b>Income (Loss) Before Contributions</b>	<b>(167,235)</b>	<b>4,407,900</b>	<b>3,223,068</b>	<b>137,959</b>	<b>7,601,692</b>	<b>867,258</b>	<b>2,723,671</b>	<b>3,714,588</b>	<b>213,080</b>	<b>7,518,597</b>
<b>Contributions received from:</b>										
Federal government	-	31,566,209	-	-	31,566,209	-	34,200,000	-	-	34,200,000
State of MD-required match to federal grant	-	6,459,000	-	-	6,459,000	-	6,840,000	-	-	6,840,000
<b>Interfund transfers</b>	<b>(300)</b>	<b>73,250,457</b>	<b>(70,075,686)</b>	<b>(3,174,471)</b>	<b>-</b>	<b>(231)</b>	<b>48,583,430</b>	<b>(41,027,329)</b>	<b>(7,555,870)</b>	<b>-</b>
<b>Change in Net Position</b>	<b>(167,535)</b>	<b>115,683,566</b>	<b>(66,852,618)</b>	<b>(3,036,512)</b>	<b>45,626,901</b>	<b>867,027</b>	<b>92,347,101</b>	<b>(37,312,741)</b>	<b>(7,342,790)</b>	<b>48,558,597</b>
Net Position, Beginning of Year	5,142,992	756,766,665	389,853,272	11,037,743	1,162,800,672	4,275,965	664,419,564	427,166,013	18,380,533	1,114,242,075
<b>Net Position, End of Year</b>	<b>\$ 4,975,457</b>	<b>\$ 872,450,231</b>	<b>\$ 323,000,654</b>	<b>\$ 8,001,231</b>	<b>\$ 1,208,427,573</b>	<b>\$ 5,142,992</b>	<b>\$ 756,766,665</b>	<b>\$ 389,853,272</b>	<b>\$ 11,037,743</b>	<b>\$ 1,162,800,672</b>

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## CLEAN WATER STATE REVOLVING LOAN FUND Combining Statements of Cash Flow – Schedule 6 For the Years Ended June 30, 2015 and 2014

	2015					2014				
	Funds held by Administration					Funds held by Administration				
	General Account	Capital Reserve Account	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Totals	General Account	Capital Reserve Account	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Totals
<b>Cash Flows from Operating Activities:</b>										
Loan repayments	\$ -	\$ 19,659,540	\$ 44,837,177	\$ 4,239,592	\$ 68,736,309	\$ -	\$ 15,085,354	\$ 43,293,907	\$ 6,896,445	\$ 65,275,706
Interest and fees received from borrowers	4,214,460	4,117,517	4,874,517	232,842	13,439,336	3,978,803	2,844,413	5,442,578	449,628	12,715,422
Other receipts	1,049,213	14,449	-	-	1,063,662	1,045,944	2,651	-	-	1,048,595
Loan disbursements	-	(137,815,384)	-	-	(137,815,384)	-	(117,113,415)	-	-	(117,113,415)
Capital grant disbursements	-	(4,211,018)	-	-	(4,211,018)	-	(4,583,265)	-	-	(4,583,265)
Salaries and benefits paid	(4,155,437)	-	-	-	(4,155,437)	(3,088,400)	-	-	-	(3,088,400)
General expenses paid	(1,332,569)	-	-	-	(1,332,569)	(1,156,610)	-	-	-	(1,156,610)
<b>Net Cash from Operating Activities</b>	<b>(224,333)</b>	<b>(118,234,896)</b>	<b>49,711,694</b>	<b>4,472,434</b>	<b>(64,275,101)</b>	<b>779,737</b>	<b>(103,764,262)</b>	<b>48,736,485</b>	<b>7,346,073</b>	<b>(46,901,967)</b>
<b>Cash Flows from Non-capital Financing Activities:</b>										
Contributions received from:										
Federal government	-	31,566,209	-	-	31,566,209	-	34,200,000	-	-	34,200,000
State of MD-required match to Federal grant	-	6,459,000	-	-	6,459,000	-	6,840,000	-	-	6,840,000
Interfund transfers	(300)	50,182,475	(47,007,704)	(3,174,471)	-	(231)	48,583,430	(41,027,329)	(7,555,870)	-
Proceeds from sale of bonds	-	-	-	-	-	-	-	-	-	-
Repayment of bonds	-	-	(475,000)	(3,010,000)	(3,485,000)	-	-	(5,970,000)	(4,560,000)	(10,530,000)
Interest on bonds	-	-	(1,444,052)	(206,700)	(1,650,752)	-	-	(1,739,553)	(346,700)	(2,086,253)
Arbitrage liability paid	-	-	-	(1,152,385)	(1,152,385)	-	-	-	-	-
<b>Net Cash from Non-capital Financing Activities</b>	<b>(300)</b>	<b>88,207,684</b>	<b>(48,926,756)</b>	<b>(7,543,556)</b>	<b>31,737,072</b>	<b>(231)</b>	<b>89,623,430</b>	<b>(48,736,882)</b>	<b>(12,462,570)</b>	<b>28,423,747</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>										
Purchase of equipment	(32,359)	-	-	-	(32,359)	(24,913)	-	-	-	(24,913)
<b>Net Cash from Capital and Related Financing Activities</b>	<b>(32,359)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(32,359)</b>	<b>(24,913)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(24,913)</b>
<b>Cash Flows from Investing Activities:</b>										
Purchase of investments	-	-	(785,341)	(10,435,015)	(11,220,356)	-	-	-	(7,082,030)	(7,082,030)
Interest on investment securities	300	3,721,248	416	71,473	3,793,437	231	3,829,338	397	213,660	4,043,626
Proceeds from sale of investments	-	2,520,624	-	13,434,663	15,955,287	-	1,227,311	-	11,968,751	13,196,062
<b>Net Cash from Investing Activities</b>	<b>300</b>	<b>6,241,872</b>	<b>(784,925)</b>	<b>3,071,121</b>	<b>8,528,368</b>	<b>231</b>	<b>5,056,649</b>	<b>397</b>	<b>5,100,381</b>	<b>10,157,658</b>
<b>Net Increase/(Decr) in Cash and Cash Equivalents</b>	<b>(256,692)</b>	<b>(23,785,340)</b>	<b>13</b>	<b>(1)</b>	<b>(24,042,020)</b>	<b>754,824</b>	<b>(9,084,183)</b>	<b>-</b>	<b>(16,116)</b>	<b>(8,345,475)</b>
Cash & Cash Equivalents, Beginning of Year	1,322,120	317,063,393	-	9	318,385,522	567,296	326,147,576	-	16,125	326,730,997
<b>Cash &amp; Cash Equivalents, End of Year</b>	<b>\$ 1,065,428</b>	<b>\$ 293,278,053</b>	<b>\$ 13</b>	<b>\$ 8</b>	<b>\$ 294,343,502</b>	<b>\$ 1,322,120</b>	<b>\$ 317,063,393</b>	<b>\$ -</b>	<b>\$ 9</b>	<b>\$ 318,385,522</b>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**CLEAN WATER STATE REVOLVING LOAN FUND**  
**Combining Statements of Cash Flow – Schedule 6 (continued)**  
**For the Years Ended June 30, 2015 and 2014**

	2015					2014				
	Funds held by Administration					Funds held by Administration				
	General Account	Capital Reserve Account	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Totals	General Account	Capital Reserve Account	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Totals
<b>Reconciliation of operating income (loss) to net cash from operating activities:</b>										
Operating income (loss)	\$ (167,535)	\$ 742,970	\$ 4,522,142	\$ 168,229	\$ 5,265,806	\$ 867,027	\$ (1,022,325)	\$ 5,158,677	\$ 341,235	\$ 5,344,614
Depreciation of fixed assets	10,915	-	-	-	10,915	415	-	-	-	415
<b>Adjustments to reconcile operating income to net cash from operating activities:</b>										
Loan disbursements	-	(137,815,384)	-	-	(137,815,384)	-	(117,113,415)	-	-	(117,113,415)
Loan repayments	-	19,659,540	44,837,177	4,239,592	68,736,309	-	15,085,354	43,293,907	6,896,445	65,275,706
Decrease (incr) in loan interest receivable	-	(822,022)	352,375	64,613	(405,034)	-	(713,876)	283,901	108,393	(321,582)
Decrease/(incr) in administrative fee receivable	(275,319)	-	-	-	(275,319)	(235,481)	-	-	-	(235,481)
Increase/(decr) in accounts payable and other liabilities	207,606	-	-	-	207,606	147,776	-	-	-	147,776
<b>Net Cash from Operating Activities</b>	<b>\$ (224,333)</b>	<b>\$ (118,234,896)</b>	<b>\$ 49,711,694</b>	<b>\$ 4,472,434</b>	<b>\$ (64,275,101)</b>	<b>\$ 779,737</b>	<b>\$ (103,764,262)</b>	<b>\$ 48,736,485</b>	<b>\$ 7,346,073</b>	<b>\$ (46,901,967)</b>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**DRINKING WATER STATE REVOLVING LOAN FUND**

**Combining Statements of Net Position – Schedule 7**

**As of June 30, 2015 and 2014**

	2015			2014		
	Funds held by Administration			Funds held by Administration		
	General Accounts	Capital Reserve Accounts	Total	General Accounts	Capital Reserve Accounts	Total
<b>ASSETS</b>						
<b>Current Assets:</b>						
Cash and cash equivalents	\$ 242,049	\$ 42,708,595	\$ 42,950,644	\$ 197,449	\$ 38,346,492	\$ 38,543,941
Investments	-	-	-	-	-	-
Receivables:						
Investment interest	-	-	-	-	-	-
Loans	-	9,328,876	9,328,876	-	8,921,993	8,921,993
Loan interest	-	745,230	745,230	-	782,700	782,700
Administrative fee	509,766	-	509,766	522,368	-	522,368
<b>Total Current Assets</b>	<b>751,815</b>	<b>52,782,701</b>	<b>53,534,516</b>	<b>719,817</b>	<b>48,051,185</b>	<b>48,771,002</b>
<b>Non-current Assets:</b>						
Receivables:						
Loans	-	145,313,584	145,313,584	-	141,658,759	141,658,759
<b>Total Non-current Assets</b>	<b>-</b>	<b>145,313,584</b>	<b>145,313,584</b>	<b>-</b>	<b>141,658,759</b>	<b>141,658,759</b>
<b>Total Assets</b>	<b>\$ 751,815</b>	<b>\$ 198,096,285</b>	<b>\$ 198,848,100</b>	<b>\$ 719,817</b>	<b>\$ 189,709,944</b>	<b>\$ 190,429,761</b>
<b>LIABILITIES AND NET POSITION</b>						
<b>LIABILITIES</b>						
<b>Current Liabilities:</b>						
Accounts payable	\$ 49,417	\$ -	\$ 49,417	\$ 54,869	\$ -	\$ 54,869
<b>Total Current Liabilities</b>	<b>49,417</b>	<b>-</b>	<b>49,417</b>	<b>54,869</b>	<b>-</b>	<b>54,869</b>
<b>Non-current Liabilities:</b>						
Other liabilities	28,584	-	28,584	27,950	-	27,950
<b>Total Non-current Liabilities</b>	<b>28,584</b>	<b>-</b>	<b>28,584</b>	<b>27,950</b>	<b>-</b>	<b>27,950</b>
<b>Total Liabilities</b>	<b>78,001</b>	<b>-</b>	<b>78,001</b>	<b>82,819</b>	<b>-</b>	<b>82,819</b>
<b>NET POSITION</b>						
Net investment in capital assets	-	-	-	-	-	-
Unrestricted	673,814	198,096,285	198,770,099	636,998	189,709,944	190,346,942
<b>Total Net Position</b>	<b>\$ 673,814</b>	<b>\$ 198,096,285</b>	<b>\$ 198,770,099</b>	<b>\$ 636,998</b>	<b>\$ 189,709,944</b>	<b>\$ 190,346,942</b>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**DRINKING WATER STATE REVOLVING LOAN FUND**

**Combining Statements of Revenue, Expenses and Changes in Net Position – Schedule 8  
For the Years Ended June 30, 2015 and 2014**

	2015			2014		
	Funds held by Administration			Funds held by Administration		
	General Accounts	Capital Reserve Accounts	Total	General Accounts	Capital Reserve Accounts	Total
<b>Operating Revenues:</b>						
Interest on loans	\$ -	\$ 1,527,868	\$ 1,527,868	\$ -	\$ 1,518,921	\$ 1,518,921
Loan administration fees	518,254	-	518,254	523,458	-	523,458
Grant revenue	488,228	-	488,228	511,706	-	511,706
Grant revenue (Set-Asides 2%,10%, 15%)	4,248,026	-	4,248,026	4,117,462	-	4,117,462
Miscellaneous income	-	15,500	15,500	-	15,502	15,502
<b>Total Operating Revenue</b>	<b>5,254,508</b>	<b>1,543,368</b>	<b>6,797,876</b>	<b>5,152,626</b>	<b>1,534,423</b>	<b>6,687,049</b>
<b>Operating Expenses:</b>						
Salaries and related benefits	769,576	-	769,576	668,512	-	668,512
General	204,808	-	204,808	244,537	-	244,537
Capital grant disbursements	-	5,198,373	5,198,373	-	6,465,118	6,465,118
Transfers-out (Set-Asides 2%,10%,15%)	4,248,026	-	4,248,026	4,117,462	-	4,117,462
<b>Total Operating Expenses</b>	<b>5,222,410</b>	<b>5,198,373</b>	<b>10,420,783</b>	<b>5,030,511</b>	<b>6,465,118</b>	<b>11,495,629</b>
<b>Operating Income (Loss)</b>	<b>32,098</b>	<b>(3,655,005)</b>	<b>(3,622,907)</b>	<b>122,115</b>	<b>(4,930,695)</b>	<b>(4,808,580)</b>
<b>Non-operating Revenue (Expenses)</b>						
Investment income	4,718	411,806	416,524	3,229	374,317	377,546
Net change in fair value of investments	-	-	-	-	-	-
<b>Total Non-operating Revenue (Expenses)</b>	<b>4,718</b>	<b>411,806</b>	<b>416,524</b>	<b>3,229</b>	<b>374,317</b>	<b>377,546</b>
<b>Income (Loss) Before Contributions</b>	<b>36,816</b>	<b>(3,243,199)</b>	<b>(3,206,383)</b>	<b>125,344</b>	<b>(4,556,378)</b>	<b>(4,431,034)</b>
<b>Contributions received from:</b>						
Federal government	-	9,015,540	9,015,540	-	10,397,086	10,397,086
State of MD-required match for federal grant	-	2,614,000	2,614,000	-	2,832,000	2,832,000
<b>Change in Net Position</b>	<b>36,816</b>	<b>8,386,341</b>	<b>8,423,157</b>	<b>125,344</b>	<b>8,672,708</b>	<b>8,798,052</b>
Net Position, Beginning of Year	636,998	189,709,944	190,346,942	511,654	181,037,236	181,548,890
<b>Net Position, End of Year</b>	<b>\$ 673,814</b>	<b>\$ 198,096,285</b>	<b>\$ 198,770,099</b>	<b>\$ 636,998</b>	<b>\$ 189,709,944</b>	<b>\$ 190,346,942</b>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**DRINKING WATER STATE REVOLVING LOAN FUND**  
**Combining Statements of Cash Flows – Schedule 9**  
**For the Years Ended June 30, 2015 and 2014**

	2015			2014		
	Funds held by Administration			Funds held by Administration		
	General Accounts	Capital Reserve Accounts	Total	General Accounts	Capital Reserve Accounts	Total
<b>Cash Flows from Operating Activities:</b>						
Loan repayments	\$ -	\$ 10,640,832	\$ 10,640,832	\$ -	\$ 6,945,127	\$ 6,945,127
Interest and fees received from borrowers	530,856	1,565,338	2,096,194	500,769	1,443,168	1,943,937
Other receipts	4,736,254	15,500	4,751,754	4,629,168	15,502	4,644,670
Loan disbursements	-	(14,702,540)	(14,702,540)	-	(11,104,210)	(11,104,210)
Capital grant disbursements	-	(5,198,373)	(5,198,373)	-	(6,465,118)	(6,465,118)
Salaries and benefits paid	(769,576)	-	(769,576)	(668,512)	-	(668,512)
General expenses paid	(4,457,652)	-	(4,457,652)	(4,356,203)	-	(4,356,203)
<b>Net Cash from Operating Activities</b>	<b>39,882</b>	<b>(7,679,243)</b>	<b>(7,639,361)</b>	<b>105,222</b>	<b>(9,165,531)</b>	<b>(9,060,309)</b>
<b>Cash Flows from Non-capital Financing Activities:</b>						
<b>Contributions received from:</b>						
Federal government	-	9,015,540	9,015,540	-	10,397,086	10,397,086
State of MD-required match to federal grant	-	2,614,000	2,614,000	-	2,832,000	2,832,000
<b>Net Cash from Non-capital Financing Activities</b>	<b>-</b>	<b>11,629,540</b>	<b>11,629,540</b>	<b>-</b>	<b>13,229,086</b>	<b>13,229,086</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Purchase of equipment	-	-	-	-	-	-
<b>Net Cash from Capital and Related Financing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Investing Activities:</b>						
Purchase of investment securities	-	-	-	-	-	-
Interest on investments securities	4,718	411,806	416,524	3,229	374,317	377,546
Proceeds from sale of investments	-	-	-	-	-	-
<b>Net Cash from Investing Activities</b>	<b>4,718</b>	<b>411,806</b>	<b>416,524</b>	<b>3,229</b>	<b>374,317</b>	<b>377,546</b>
<b>Net Increase/(Decr) in Cash and Cash Equivalents</b>	<b>44,600</b>	<b>4,362,103</b>	<b>4,406,703</b>	<b>108,451</b>	<b>4,437,872</b>	<b>4,546,323</b>
Cash and Cash Equivalents, Beginning of Year	197,449	38,346,492	38,543,941	88,998	33,908,620	33,997,618
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 242,049</b>	<b>\$ 42,708,595</b>	<b>\$ 42,950,644</b>	<b>\$ 197,449</b>	<b>\$ 38,346,492</b>	<b>\$ 38,543,941</b>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**DRINKING WATER STATE REVOLVING LOAN FUND**  
**Combining Statements of Cash Flows – Schedule 9 (continued)**  
**For the Years Ended June 30, 2015 and 2014**

	2015			2014		
	Funds held by Administration			Funds held by Administration		
	General Accounts	Capital Reserve Accounts	Total	General Accounts	Capital Reserve Accounts	Total
<b>Reconciliation of operating income (loss) to net cash from operating activities:</b>						
Operating income (loss)	\$ 32,098	\$ (3,655,005)	\$ (3,622,907)	\$ 122,115	\$ (4,930,695)	\$ (4,808,580)
Depreciation of fixed assets	-	-	-	-	-	-
<b>Adjustments to reconcile operating income to net cash from operating activities:</b>						
Loan disbursements	-	(14,702,540)	(14,702,540)	-	(11,104,210)	(11,104,210)
Loan repayments	-	10,640,832	10,640,832	-	6,945,127	6,945,127
Decr/(incr) in loan interest receivable	-	37,470	37,470	-	(75,753)	(75,753)
Decrease/(incr) in administrative fee receivable	12,602	-	12,602	(22,689)	-	(22,689)
Increase/(decr) in accounts payable and other liabilities	(4,818)	-	(4,818)	5,796	-	5,796
<b>Net Cash from Operating Activities</b>	<b>\$ 39,882</b>	<b>\$ (7,679,243)</b>	<b>\$ (7,639,361)</b>	<b>\$ 105,222</b>	<b>\$ (9,165,531)</b>	<b>\$ (9,060,309)</b>

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND**  
**Combining Statement of Net Position – Schedule 10**  
**As of June 30, 2015**

	2015					
	Funds held by Administration					
	BAY RESTORATION FUND-WASTEWATER			BAY RESTORATION FUND-SEPTICS		Total
	Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	
<b>ASSETS</b>						
<b>Current Assets:</b>						
Cash and cash equivalents	\$ 1,059,857	\$ 2,515,078	\$ -	\$ 2,421,164	\$ 4,359,134	\$ 10,355,233
Receivables:						
Investment interest	-	-	-	-	-	-
BRF fee	341,449	-	-	117,403	1,350,131	1,808,983
<b>Current Restricted Assets:</b>						
Cash and cash equivalents	-	25,307,077	39	-	-	25,307,116
Receivables:						
Investment interest	-	-	-	-	-	-
BRF fee	-	22,421,804	-	-	-	22,421,804
<b>Total Current Assets</b>	<b>1,401,306</b>	<b>50,243,959</b>	<b>39</b>	<b>2,538,567</b>	<b>5,709,265</b>	<b>59,893,136</b>
<b>Non-current Assets:</b>						
Fixed assets, net	-	-	-	8,192	-	8,192
<b>Total Non-current Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,192</b>	<b>-</b>	<b>8,192</b>
<b>Total Assets</b>	<b>\$ 1,401,306</b>	<b>\$ 50,243,959</b>	<b>\$ 39</b>	<b>\$ 2,546,759</b>	<b>\$ 5,709,265</b>	<b>\$ 59,901,328</b>
<b>LIABILITIES AND NET POSITION</b>						
<b>LIABILITIES</b>						
<b>Current Liabilities:</b>						
Accounts payable	\$ 71,872	\$ -	\$ -	\$ 42,962	\$ -	\$ 114,834
Current liabilities payable from restricted assets:						
Revenue bonds payable	-	-	8,365,000	-	-	8,365,000
Accrued bond interest	-	-	1,231,524	-	-	1,231,524
<b>Total Current Liabilities</b>	<b>71,872</b>	<b>-</b>	<b>9,596,524</b>	<b>42,962</b>	<b>-</b>	<b>9,711,358</b>
<b>Non-current Liabilities:</b>						
Other liabilities	65,625	-	-	42,890	-	108,515
Non-current liabilities payable from restricted assets:						
Revenue bonds payable	-	-	121,615,000	-	-	121,615,000
Bond premium	-	-	12,775,771	-	-	12,775,771
<b>Total Non-current Liabilities</b>	<b>65,625</b>	<b>-</b>	<b>134,390,771</b>	<b>42,890</b>	<b>-</b>	<b>134,499,286</b>
<b>Total Liabilities</b>	<b>137,497</b>	<b>-</b>	<b>143,987,295</b>	<b>85,852</b>	<b>-</b>	<b>144,210,644</b>
<b>NET POSITION</b>						
Net investment in capital assets	-	-	-	8,192	-	8,192
Restricted for debt service	-	47,728,881	(143,987,256)	-	-	(96,258,375)
Unrestricted	1,263,809	2,515,078	-	2,452,715	5,709,265	11,940,867
<b>Total Net Position</b>	<b>\$ 1,263,809</b>	<b>\$ 50,243,959</b>	<b>\$ (143,987,256)</b>	<b>\$ 2,460,907</b>	<b>\$ 5,709,265</b>	<b>\$ (84,309,316)</b>

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND

Combining Statement of Net Position – Schedule 10 (continued)

As of June 30, 2014

	2014					
	Funds held by Administration					
	BAY RESTORATION FUND-WASTEWATER			BAY RESTORATION FUND-SEPTICS		
	Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	Total
<b>ASSETS</b>						
<b>Current Assets:</b>						
Cash and cash equivalents	\$ 803,035	\$ 107,597,895	\$ -	\$ 1,886,785	\$ 6,767,140	\$ 117,054,855
Receivables:						
Investment interest	-	-	-	-	-	-
BRF fee	371,275	-	-	99,760	1,147,239	1,618,274
<b>Current Restricted Assets:</b>						
Cash and cash equivalents	-	23,004,941	69,600	-	-	23,074,541
Receivables:						
Investment interest	-	-	21	-	-	21
BRF fee	-	24,380,413	-	-	-	24,380,413
<b>Total Current Assets</b>	<b>1,174,310</b>	<b>154,983,249</b>	<b>69,621</b>	<b>1,986,545</b>	<b>7,914,379</b>	<b>166,128,104</b>
<b>Non-current Assets:</b>						
Fixed assets, net	-	-	-	11,363	-	11,363
<b>Total Non-current Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,363</b>	<b>-</b>	<b>11,363</b>
<b>Total Assets</b>	<b>1,174,310</b>	<b>154,983,249</b>	<b>69,621</b>	<b>1,997,908</b>	<b>7,914,379</b>	<b>166,139,467</b>
<b>LIABILITIES AND NET POSITION</b>						
<b>LIABILITIES</b>						
<b>Current Liabilities:</b>						
Accounts payable	\$ 91,305	\$ -	\$ -	\$ 45,236	\$ -	\$ 136,541
Current liabilities payable from restricted assets:						
Revenue bonds payable	-	-	3,075,000	-	-	3,075,000
Accrued bond interest	-	-	704,665	-	-	704,665
<b>Total Current Liabilities</b>	<b>91,305</b>	<b>-</b>	<b>3,779,665</b>	<b>45,236</b>	<b>-</b>	<b>3,916,206</b>
<b>Non-current Liabilities:</b>						
Other liabilities	54,432	-	-	28,289	-	82,721
Non-current liabilities payable from restricted assets:						
Revenue bonds payable	-	-	129,980,000	-	-	129,980,000
Bond premium	-	-	15,066,185	-	-	15,066,185
<b>Total Non-current Liabilities</b>	<b>54,432</b>	<b>-</b>	<b>145,046,185</b>	<b>28,289</b>	<b>-</b>	<b>145,128,906</b>
<b>Total Liabilities</b>	<b>145,737</b>	<b>-</b>	<b>148,825,850</b>	<b>73,525</b>	<b>-</b>	<b>149,045,112</b>
<b>NET POSITION</b>						
Net investment in capital assets	-	-	-	11,363	-	11,363
Restricted for debt service	-	47,385,354	(148,756,229)	-	-	(101,370,875)
Unrestricted	1,028,573	107,597,895	-	1,913,020	7,914,379	118,453,867
<b>Total Net Position</b>	<b>\$ 1,028,573</b>	<b>\$ 154,983,249</b>	<b>\$ (148,756,229)</b>	<b>\$ 1,924,383</b>	<b>\$ 7,914,379</b>	<b>\$ 17,094,355</b>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND**

**Combining Statement of Revenue, Expenses and Changes in Net Position – Schedule 11**

**For the Year Ended June 30, 2015**

	2015					TOTAL
	Funds held by Administration					
	Bay Restoration Fund-Wastewater			Bay Restoration Fund-Septics		
Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts		
<b>Operating Revenues:</b>						
Fee revenue	\$ 1,646,946	\$ 108,149,466	\$ -	\$ 1,396,544	\$ 16,060,254	\$ 127,253,210
Miscellaneous income						-
<b>Total Operating Revenue</b>	<b>1,646,946</b>	<b>108,149,466</b>	<b>-</b>	<b>1,396,544</b>	<b>16,060,254</b>	<b>127,253,210</b>
<b>Operating Expenses:</b>						
Salaries and related benefits	1,092,169	-	-	713,556	-	1,805,725
General admin expenses	319,541	-	-	146,464	-	466,005
Capital grant disbursements		205,840,253	-	-	18,338,144	224,178,397
<b>Total Operating Expenses</b>	<b>1,411,710</b>	<b>205,840,253</b>	<b>-</b>	<b>860,020</b>	<b>18,338,144</b>	<b>226,450,127</b>
<b>Operating Income (Loss)</b>	<b>235,236</b>	<b>(97,690,787)</b>	<b>-</b>	<b>536,524</b>	<b>(2,277,890)</b>	<b>(99,196,917)</b>
<b>Non-operating Revenue (Expenses):</b>						
Investment income	-	1,187,925	135	-	72,776	1,260,836
Cost of issuance expense	-	-	(57,968)	-	-	(57,968)
Interest on bonds	-	-	(3,409,622)	-	-	(3,409,622)
Net change in fair value of investments						-
<b>Total Non-operating Revenue (Expenses)</b>	<b>-</b>	<b>1,187,925</b>	<b>(3,467,455)</b>	<b>-</b>	<b>72,776</b>	<b>(2,206,754)</b>
<b>Income (Loss) Before Contributions</b>	<b>235,236</b>	<b>(96,502,862)</b>	<b>(3,467,455)</b>	<b>536,524</b>	<b>(2,205,114)</b>	<b>(101,403,671)</b>
<b>Contributions:</b>						
Interfund equity transfer	-	(8,236,428)	8,236,428	-	-	-
<b>Change in Net Position</b>	<b>235,236</b>	<b>(104,739,290)</b>	<b>4,768,973</b>	<b>536,524</b>	<b>(2,205,114)</b>	<b>(101,403,671)</b>
Net Position, Beginning of Year	1,028,573	154,983,249	(148,756,229)	1,924,383	7,914,379	17,094,355
<b>Net Position, End of Year</b>	<b>\$ 1,263,809</b>	<b>\$ 50,243,959</b>	<b>\$ (143,987,256)</b>	<b>\$ 2,460,907</b>	<b>\$ 5,709,265</b>	<b>\$ (84,309,316)</b>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND**

**Combining Statement of Revenue, Expenses and Changes in Net Position – Schedule 11 (continued)**

**For the Year Ended June 30, 2014**

	2014					TOTAL
	Funds held by Administration					
	Bay Restoration Fund-Wastewater			Bay Restoration Fund-Septics		
	Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	
<b>Operating Revenues:</b>						
Fee revenue	\$ 1,660,331	\$ 109,028,454	\$ -	\$ 1,344,108	\$ 15,457,241	\$ 127,490,134
Miscellaneous income						-
<b>Total Operating Revenue</b>	<u>1,660,331</u>	<u>109,028,454</u>	<u>-</u>	<u>1,344,108</u>	<u>15,457,241</u>	<u>127,490,134</u>
<b>Operating Expenses:</b>						
Salaries and related benefits	1,235,794	-	-	561,440	-	1,797,234
General admin expenses	290,106	-	-	123,130	-	413,236
Capital grant disbursements		18,135,730	113,916,063	-	15,125,214	147,177,007
<b>Total Operating Expenses</b>	<u>1,525,900</u>	<u>18,135,730</u>	<u>113,916,063</u>	<u>684,570</u>	<u>15,125,214</u>	<u>149,387,477</u>
<b>Operating Income (Loss)</b>	134,431	90,892,724	(113,916,063)	659,538	332,027	(21,897,343)
<b>Non-operating Revenue (Expenses):</b>						
Investment income	-	634,139	176	-	86,053	720,368
Cost of issuance expense	-	-	(398,379)	-	-	(398,379)
Interest on bonds	-	-	(1,696,012)	-	-	(1,696,012)
Net change in fair value of investments						-
<b>Total Non-operating Revenue (Expenses)</b>	<u>-</u>	<u>634,139</u>	<u>(2,094,215)</u>	<u>-</u>	<u>86,053</u>	<u>(1,374,023)</u>
<b>Income (Loss) Before Contributions</b>	134,431	91,526,863	(116,010,278)	659,538	418,080	(23,271,366)
<b>Contributions:</b>						
Transfer from State GO Bonds	-	-	-	-	-	-
Interfund equity transfer	-	(4,613,993)	4,613,993	-	-	-
<b>Change in Net Position</b>	134,431	86,912,870	(111,396,285)	659,538	418,080	(23,271,366)
Net Position, Beginning of Year	894,142	68,070,379	(37,359,944)	1,264,845	7,496,299	40,365,721
<b>Net Position, End of Year</b>	<u>\$ 1,028,573</u>	<u>\$ 154,983,249</u>	<u>\$ (148,756,229)</u>	<u>\$ 1,924,383</u>	<u>\$ 7,914,379</u>	<u>\$ 17,094,355</u>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND**  
**Combining Statement of Cash Flow – Schedule 12**  
**For the Year Ended June 30, 2015**

	2015					
	Funds held by Administration					
	Bay Restoration Fund-Wastewater			Bay Restoration Fund-Septics		Total
	Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	
<b>Cash Flows from Operating Activities:</b>						
BRF fee and other receipts	\$ 1,676,772	\$ 110,108,075	\$ -	\$ 1,378,901	\$ 15,857,362	\$ 129,021,110
Capital grant disbursements	-	(205,840,253)	-	-	(18,338,144)	(224,178,397)
Salaries and benefits paid	(1,092,169)	-	-	(713,556)	-	(1,805,725)
General expenses paid	(327,781)	-	-	(130,966)	-	(458,747)
<b>Net Cash from Operating Activities</b>	<b>256,822</b>	<b>(95,732,178)</b>	<b>-</b>	<b>534,379</b>	<b>(2,480,782)</b>	<b>(97,421,759)</b>
<b>Cash Flows from Non-capital Financing Activities:</b>						
Interfund equity transfers	-	(8,236,428)	8,236,428	-	-	-
Repayment of bonds	-	-	(3,075,000)	-	-	(3,075,000)
Cost of issuance/underwriters discount	-	-	(57,968)	-	-	(57,968)
Interest on bonds	-	-	(5,173,177)	-	-	(5,173,177)
<b>Net Cash from Non-capital Financing Activities</b>	<b>-</b>	<b>(8,236,428)</b>	<b>(69,717)</b>	<b>-</b>	<b>-</b>	<b>(8,306,145)</b>
<b>Cash Flows from Investing Activities:</b>						
Interest on investment securities	-	1,187,925	156	-	72,776	1,260,857
<b>Net Increase/(Decr) in Cash and Cash Equivalents</b>	<b>256,822</b>	<b>(102,780,681)</b>	<b>(69,561)</b>	<b>534,379</b>	<b>(2,408,006)</b>	<b>(104,467,047)</b>
Cash and Cash Equivalents, Beginning of Year	803,035	130,602,836	69,600	1,886,785	6,767,140	140,129,396
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,059,857</b>	<b>\$ 27,822,155</b>	<b>\$ 39</b>	<b>\$ 2,421,164</b>	<b>\$ 4,359,134</b>	<b>\$ 35,662,349</b>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND**

**Combining Statement of Cash Flow – Schedule 12 (continued)**

**For the Year Ended June 30, 2015**

	2015					
	Funds held by Administration					
	Bay Restoration Fund-Wastewater			Bay Restoration Fund-Septics		Total
	Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	
<b>Reconciliation of operating income (loss) to net cash from operating activities:</b>						
Operating income (loss)	\$ 235,236	\$ (97,690,787)	\$ -	\$ 536,524	\$ (2,277,890)	\$ (99,196,917)
Depreciation of fixed assets	-	-	-	3,171	-	3,171
<b>Adjustments to reconcile operating income to net cash from operating activities:</b>						
Decrease/(Incr) in BRF fee receivable	29,826	1,958,609	-	(17,643)	(202,892)	1,767,900
Increase (decr) in accounts payable and other liabilities	(8,240)	-	-	12,327	-	4,087
<b>Net Cash from Operating Activities</b>	<b>\$ 256,822</b>	<b>\$ (95,732,178)</b>	<b>\$ -</b>	<b>\$ 534,379</b>	<b>\$ (2,480,782)</b>	<b>\$ (97,421,759)</b>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND**

**Combining Statement of Cash Flow – Schedule 12 (continued)**

**For the Year Ended June 30, 2014**

	2014					
	Funds held by Administration					
	Bay Restoration Fund-Wastewater			Bay Restoration Fund-Septics		Total
	Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	
<b>Cash Flows from Operating Activities:</b>						
BRF fee and other receipts	\$ 1,626,995	\$ 106,839,340	\$ -	\$ 1,336,838	\$ 15,373,633	\$ 125,176,806
Capital grant disbursements	-	(18,135,730)	(113,916,063)	-	(15,125,214)	(147,177,007)
Salaries and benefits paid	(1,235,794)	-	-	(561,440)	-	(1,797,234)
General expenses paid	(270,659)	-	-	(118,153)	-	(388,812)
<b>Net Cash from Operating Activities</b>	<u>120,542</u>	<u>88,703,610</u>	<u>(113,916,063)</u>	<u>657,245</u>	<u>248,419</u>	<u>(24,186,247)</u>
<b>Cash Flows from Non-capital Financing Activities:</b>						
Interfund equity transfers	-	(4,613,993)	4,613,993	-	-	-
Proceeds from sale of bonds	-	-	114,383,974	-	-	114,383,974
Repayment of bonds	-	-	(2,940,000)	-	-	(2,940,000)
Cost of issuance/underwriters discount	-	-	(398,379)	-	-	(398,379)
Interest on bonds	-	-	(1,674,109)	-	-	(1,674,109)
<b>Net Cash from Non-capital Financing Activities</b>	<u>-</u>	<u>(4,613,993)</u>	<u>113,985,479</u>	<u>-</u>	<u>-</u>	<u>109,371,486</u>
<b>Cash Flows from Investing Activities:</b>						
Interest on investment securities	-	634,139	155	-	86,053	720,347
<b>Net Increase/(Decr) in Cash and Cash Equivalents</b>	120,542	84,723,756	69,571	657,245	334,472	85,905,586
Cash and Cash Equivalents, Beginning of Year	<u>682,493</u>	<u>45,879,080</u>	<u>29</u>	<u>1,229,540</u>	<u>6,432,668</u>	<u>54,223,810</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 803,035</u>	<u>\$ 130,602,836</u>	<u>\$ 69,600</u>	<u>\$ 1,886,785</u>	<u>\$ 6,767,140</u>	<u>\$ 140,129,396</u>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND**

**Combining Statement of Cash Flow – Schedule 12 (continued)**

**For the Year Ended June 30, 2014**

	2014					
	Funds held by Administration					
	Bay Restoration Fund-Wastewater			Bay Restoration Fund-Septics		Total
	Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	
<b>Reconciliation of operating income (loss) to net cash from operating activities:</b>						
Operating income (loss)	\$ 134,431	\$ 90,892,724	\$ (113,916,063)	\$ 659,538	\$ 332,027	\$ (21,897,343)
Depreciation of fixed assets	-	-	-	3,171	-	3,171
<b>Adjustments to reconcile operating income to net cash from operating activities:</b>						
Decrease/(Incr) in BRF fee receivable	(33,336)	(2,189,114)	-	(7,270)	(83,608)	(2,313,328)
Increase (decr) in accounts payable and other liabilities	19,447	-	-	1,806	-	21,253
<b>Net Cash from Operating Activities</b>	<u>\$ 120,542</u>	<u>\$ 88,703,610</u>	<u>\$ (113,916,063)</u>	<u>\$ 657,245</u>	<u>\$ 248,419</u>	<u>\$ (24,186,247)</u>



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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS 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 Director of  
Maryland Water Quality Financing Administration

We have audited the basic financial statements of the Maryland Water Quality Financing Administration (the Administration), an enterprise fund of the State of Maryland, as of and for the year ended June 30, 2015, and have issued our report thereon dated September 18, 2015. We conducted our audit 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.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Administration'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Administration's internal control. Accordingly, we do not express an opinion on the effectiveness of the Administration'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 may exist that have not been identified.



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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Administration’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 determination of financial statement amounts. 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 Administration’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 Administration’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hunt Valley, Maryland  
September 18, 2015

A handwritten signature in black ink that reads "SB &amp; Company, LLC".