

**MARYLAND WATER QUALITY
FINANCING ADMINISTRATION**

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

For the Years Ended June 30, 2016 and 2015



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JUNE 30, 2016 AND 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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 11 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 22, 2016 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 22, 2016

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2016 and 2015

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. Amendments to the BRF statute expanded the use of the funds to also allow grants for sewer rehabilitation, stormwater best management practices (SB 133/2015) and to provide additional funding to local health departments to manage septic system regulations (HB12/2014).

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, 2016 and 2015

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 they 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, 2016 and 2015, with the year ended June 30, 2014, 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, 2016:

The current unrestricted asset of cash and cash equivalents increased by \$87.8 million primarily due to the BRF program's unrestricted cash balance increase resulting from wastewater grant disbursements being funded with restricted cash from proceeds from the sale of \$180 million of BRF series 2015 Revenue bonds rather than from fee revenue cash.

The current unrestricted asset of investments decreased by \$4.0 million. The decrease is due to the February 1, 2016, maturity of Farm Credit/Ag First bonds related to the Linked Deposit program.

The current unrestricted loans receivable increased by \$6.4 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.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2016 and 2015

Statements of Net Position (continued)

The current restricted asset of cash and cash equivalents increased by \$38.5 million due to the BRF program's restricted cash increase. This increase was a result of the remaining balance of bond proceeds from the sale of \$180 million of BRF series 2015 Revenue bonds.

The current restricted asset of investments decreased by \$7.4 million. The decrease is due to the maturity of two Treasury Bills required for the 2005A bond series debt service reserve which reached the end of their terms on September 1, 2015.

The current restricted loans receivable decreased by \$3.2 million as a result of decreased principal payments on older pledged loans being fully paid off.

The non-current unrestricted loans receivable increased by \$108.8 million from new WQLRF and DWRLF direct loans. The non-current restricted loans receivable decreased by \$41.4 million as a result of decreased principal payments on older pledged loans becoming fully paid off and no new pledged loans.

The non-current liability revenue bonds payable increased by \$170.0 million. This increase is the result of the sale of \$180 million of BRF series 2015 Revenue bonds.

The non-current liability bonds premium payable increased by \$14.5 million. This increase is the result of the \$16.9 million premium associated with the sale of \$180 million of BRF series 2015 Revenue bonds.

The net position, restricted for debt service decreased by \$197.9 million. There was a net decrease of \$150.0 million for the BRF program resulting from the sale of \$180 million of BRF revenue bonds. There was also a \$47.9 million net decrease for the WQLRF program. The WQLRF decrease is primarily due to the liquidation of WQLRF loans receivable for loans pledged against bond indentures and downsizing of the 2005A Debt Service Reserve.

The total unrestricted net position increased by \$199.7 million. This change is a result of increased cash and loans receivable. The WQLRF and DWRLF had increases in unrestricted net position of \$98.3 million and \$14.0 million, respectively. The BRF program also had an increase of \$87.4 million resulting from the sale of revenue bonds which funded the majority of grant disbursements.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2016 and 2015

Statements of Net Position (continued)

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 \$205 million 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.

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.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2016 and 2015

Statements of Net Position (continued)

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

	6/30/2016	6/30/2015	6/30/2014	\$ Increase/(Decrease)	
				Difference FY 16 - 15	Difference FY 15 - 14
Current Assets					
Cash and cash equivalents	\$ 435.5	\$ 347.7	\$ 474.0	\$ 87.8	\$ (126.3)
Investments	-	4.0	2.0	(4.0)	2.0
Receivables:					
Loans	53.1	46.7	28.7	6.4	18.0
BRF fee	1.6	1.8	1.6	(0.2)	0.2
Other	9.4	8.7	7.6	0.7	1.1
Current Restricted Assets					
Cash and cash equivalents	63.8	25.3	23.1	38.5	2.2
Investments	-	7.4	10.3	(7.4)	(2.9)
Receivables:					
BRF fee	23.0	22.4	24.4	0.6	(2.0)
Loans	39.6	42.8	49.1	(3.2)	(6.3)
Other	1.8	2.2	2.6	(0.4)	(0.4)
Total Current Assets	<u>627.8</u>	<u>509.0</u>	<u>623.4</u>	<u>118.8</u>	<u>(114.4)</u>
Non-current Assets					
Investments	7.1	7.3	11.9	(0.2)	(4.6)
Loans receivable	781.6	672.8	545.6	108.8	127.2
Other	0.1	-	-	0.1	-
Non-current Restricted Assets					
Investments	1.0	0.8	-	0.2	0.8
Loans receivable	270.9	312.3	378.2	(41.4)	(65.9)
Total Non-current Assets	<u>1,060.7</u>	<u>993.2</u>	<u>935.7</u>	<u>67.5</u>	<u>57.5</u>
Total Assets	<u>1,688.5</u>	<u>1,502.2</u>	<u>1,559.1</u>	<u>186.3</u>	<u>(56.9)</u>

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2016 and 2015

Statements of Net Position (continued)

	6/30/2016	6/30/2015	6/30/2014	\$ Increase/(Decrease)	
				Difference FY 16 - 15	Difference FY 15 - 14
Current Liabilities					
Accounts payable	\$ 0.5	\$ 0.5	\$ 0.5	\$ -	\$ -
Current liabilities payable from restricted assets:					
Revenue bonds	10.0	12.4	6.6	(2.4)	5.8
Accrued interest on bonds	4.3	1.7	1.2	2.6	0.5
Arbitrage rebate	0.0	0.0	1.3	-	(1.3)
Total Current Liabilities	14.8	14.6	9.6	0.2	5.0
Non-current Liabilities					
Other	0.2	0.4	0.2	(0.2)	0.2
Non-current liabilities payable from restricted assets:					
Revenue bonds	320.8	150.8	163.2	170.0	(12.4)
Bonds premium	28.0	13.5	15.9	14.5	(2.4)
Total Non-current Liabilities	349.0	164.7	179.3	184.3	(14.6)
Total Liabilities	363.8	179.3	188.9	184.5	(9.6)
Net Position					
Net investment in capital assets	0.1	-	-	0.1	-
Restricted for debt service	36.9	234.8	299.5	(197.9)	(64.7)
Unrestricted	1,287.8	1,088.1	1,070.7	199.7	17.4
Total Net Position	\$ 1,324.8	\$ 1,322.9	\$ 1,370.2	\$ 1.9	\$ (47.3)

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2016 and 2015

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, 2016:

Fee revenue increased by \$14.3 million primarily due to a one-time BRF fee settlement from Baltimore City, which resulted in a net increase of \$13.6 million in additional fee revenue.

There was a decrease of \$33.6 million in capital grant disbursements primarily due to BRF grant disbursements decreasing by \$29.6 million. This decrease is due to large construction reimbursements that occurred in FY15 for BRF ENR projects as well as normal fluctuations in construction project draws.

The contributions received from Federal and state governments for WQRLF and DWRLF increased by \$5.2 million. This is primarily due to an increase in the current Federal Grant award from EPA along with the associated required state match. The WQRLF program had a net increase in contributions of \$2.9 million while the DWRLF program had a net increase in contributions of \$2.3 million.

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.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2016 and 2015

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:

	6/30/2016	6/30/2015	6/30/2014	\$ Increase/(Decrease)	
				Difference FY 16 -15	Difference FY 15 -14
Operating Revenue					
Interest on loans	\$ 11.8	\$ 11.2	\$ 10.6	\$ 0.6	\$ 0.6
Loan administrative fee	5.3	5.0	4.7	0.3	0.3
Fee revenue	141.6	127.3	127.4	14.3	(0.1)
Grant revenue (set-a-sides only)	4.5	4.2	4.1	0.3	0.1
Other grant revenue and other	0.2	1.6	1.6	(1.4)	-
Total Operating Revenue	163.4	149.3	148.4	14.1	0.9
Operating Expenses					
Salaries and related benefits	5.8	6.7	5.5	(0.9)	1.2
Transfers-out (set-a-sides)	4.5	4.2	4.1	0.3	0.1
Capital grant disbursements	200.0	233.6	159.1	(33.6)	74.5
General and other costs	2.3	2.3	2.0	-	0.3
Total Operating Expenses	212.6	246.8	170.7	(34.2)	76.1
Operating Loss	(49.2)	(97.5)	(22.3)	48.3	(75.2)
Non-operating Revenue & Expenses					
Investment income	4.7	5.4	5.1	(0.7)	0.3
Cost of issuance & arbitrage rebate exp	(0.8)	-	(0.5)	(0.8)	0.5
Interest on bonds	(7.7)	(4.8)	(3.3)	(2.9)	(1.5)
FMV investment adjustment	-	(0.1)	(0.1)	0.1	-
Total Non-operating Revenue	(3.8)	0.5	1.2	(4.3)	(0.7)
Loss Before Contributions	(53.0)	(97.0)	(21.1)	44.0	(75.9)
Contributions from Federal and State governments	54.9	49.7	54.2	5.2	(4.5)
Changes in Net Position	1.9	(47.3)	33.1	49.2	(80.4)
Net Position, Beginning of Year	1,322.9	1,370.2	1,337.1	(47.3)	33.1
Net Position, End of Year	\$ 1,324.8	\$ 1,322.9	\$ 1,370.2	\$ 1.9	\$ (47.3)

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2016 and 2015

Economic Environment

The MWQFA is subjected 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 subjected 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. 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 flow from fees to satisfy current debt service requirements related to BRF Series 2008, 2014 and 2015 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.

New Pronouncements

The Governmental Accounting Standards Board (GASB) issued Statement No. 72 "*Fair Value Measurement and Application*," effective for fiscal years beginning after June 15, 2015. The Administration has reviewed GASB Statement No. 72, and has addressed the accounting and financial reporting issues and required disclosures related to fair value measurement of investments.

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 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, 2016 and 2015

ASSETS	<u>2016</u>	<u>2015</u>
Current Assets		
Cash and cash equivalents	\$ 435,475,434	\$ 347,649,358
Investments	-	4,027,950
Receivables:		
Investment interest	69,738	188,401
Loans	53,131,182	46,736,013
Loan interest	4,033,891	3,479,011
BRF fee	1,640,584	1,808,983
Administrative fee	5,324,350	4,998,539
Current Restricted Assets		
Cash and cash equivalents	63,747,508	25,307,137
Investments	-	7,359,282
Receivables:		
Investment interest	5,167	9,505
BRF fee	23,005,904	22,421,804
Loans	39,605,990	42,799,328
Loan interest	1,796,872	2,136,820
Total Current Assets	<u>627,836,620</u>	<u>508,922,131</u>
Non-current Assets		
Investments	7,119,805	7,342,727
Loans receivable	781,646,658	672,785,766
Fixed assets, net	77,093	54,134
Non-current Restricted Assets		
Investments	1,012,307	785,341
Loans receivable	270,869,135	312,289,069
Total Non-current Assets	<u>1,060,724,998</u>	<u>993,257,037</u>
Total Assets	<u>\$ 1,688,561,618</u>	<u>\$ 1,502,179,168</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, 2016 and 2015

LIABILITIES	2016	2015
Current Liabilities		
Accounts payable	\$ 454,774	\$ 495,159
Current liabilities payable from restricted assets:		
Revenue bonds payable	9,970,000	12,345,000
Accrued interest on bonds payable	4,330,678	1,701,401
Arbitrage rebate payable	-	49,582
Total Current Liabilities	14,755,452	14,591,142
Non-current Liabilities		
Other liabilities	199,194	430,877
Non-current liabilities payable from restricted assets:		
Revenue bonds payable	320,850,000	150,820,000
Bonds premium	27,955,261	13,448,793
Total Non-current Liabilities	349,004,455	164,699,670
Total Liabilities	363,759,907	179,290,812
NET POSITION		
Net investment in capital assets	77,093	54,134
Restricted for debt service	36,936,944	234,743,510
Unrestricted	1,287,787,674	1,088,090,712
Total Net Position	\$ 1,324,801,711	\$ 1,322,888,356

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenue		
Interest on loans	\$ 11,763,712	\$ 11,157,778
Loan administration fee	5,327,433	5,008,033
Fees	141,613,001	127,253,210
Grants and other	4,745,071	5,815,416
Total Operating Revenue	<u>163,449,217</u>	<u>149,234,437</u>
Operating Expenses		
Salaries and related benefits	5,834,182	6,730,738
General	2,375,294	2,221,903
Capital grants disbursements	199,954,299	233,587,788
Other	4,481,637	4,248,026
Total Operating Expenses	<u>212,645,412</u>	<u>246,788,455</u>
Operating Loss	(49,196,195)	(97,554,018)
Non-operating Revenue (Expenses)		
Investment income	4,697,621	5,404,745
Cost of debt issuance and amortization	(799,043)	(57,968)
Interest on bonds	(7,677,315)	(4,847,693)
Arbitrage rebate	20,050	93,992
Net unrealized loss on investments	(27,950)	(47,420)
Net Non-operating Revenue (Expenses)	<u>(3,786,637)</u>	<u>545,656</u>
Loss Before Contributions	(52,982,832)	(97,008,362)
Contributions received from:		
Federal government	45,111,187	40,581,749
State of MD-required match for Federal grant	9,785,000	9,073,000
Changes in Net Position	<u>1,913,355</u>	<u>(47,353,613)</u>
Net Position, Beginning of Year	<u>1,322,888,356</u>	<u>1,370,241,969</u>
Net Position, End of Year	<u>\$ 1,324,801,711</u>	<u>\$ 1,322,888,356</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, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities:		
Loan repayments	\$ 90,766,366	\$ 79,377,141
Interest and fees received from borrowers	16,550,402	15,535,530
BRF fee and other receipts	145,942,371	134,836,526
Loan disbursements	(161,409,154)	(152,517,924)
Grant disbursements	(199,954,299)	(233,587,788)
Salaries and benefits paid	(5,834,182)	(6,730,738)
General and other expenses paid	(7,108,131)	(6,248,968)
Net Cash from Operating Activities	(121,046,627)	(169,336,221)
Cash Flows from Non-capital Financing Activities:		
Federal government grants	45,111,187	40,581,749
State of MD-required match to Federal grant	9,785,000	9,073,000
Proceeds from sale of bonds	196,924,064	-
Repayment of bonds	(12,345,000)	(6,560,000)
Cost of issuance/underwriters discount	(799,043)	(57,968)
Interest on bonds	(7,465,634)	(6,823,929)
Arbitrage rebate-bonds	(29,531)	(1,152,385)
Net Cash from Non-capital Financing Activities	231,181,043	35,060,467
Cash Flows from Capital and Related Financing Activities:		
Purchase of equipment	(43,827)	(32,359)
Net Cash from Capital Financing Activities	(43,827)	(32,359)
Cash Flows from Investing Activities:		
Purchase of investments	(226,966)	(11,220,356)
Interest on investments securities	4,820,620	5,470,818
Proceeds from sales and maturities of investments	11,582,204	15,955,287
Net Cash from Investing Activities	16,175,858	10,205,749
Net Increase	126,266,447	(124,102,364)
Cash and Cash Equivalents, Beginning of Year	372,956,495	497,058,859
Cash and Cash Equivalents, End of Year	\$ 499,222,942	\$ 372,956,495

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	\$ (49,196,195)	\$ (97,554,018)
Depreciation	20,868	14,086
Effect of changes in non-cash operating assets and liabilities:		
Loan disbursements	(161,409,154)	(152,517,924)
Loan repayments	90,766,366	79,377,141
Loan interest receivable	(214,932)	(367,564)
Administrative fee and BRF fee receivables	(741,512)	1,505,183
Accounts payable and other liabilities	(272,068)	206,875
Net cash used in operating activities	<u><u>\$ (121,046,627)</u></u>	<u><u>\$ (169,336,221)</u></u>

The accompanying notes are an integral part of these financial statements

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2016 and 2015

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.

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, 2016, there have been no bonds issued in the DWRLF.

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.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2016 and 2015

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

Restricted Assets

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, 2016, 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, 2016 and 2015.

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.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2016 and 2015

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

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, 2014 and 2015 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, 2016 and 2015

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 is not required to record a net unfunded pension liability as this is recorded at the State level because the State has not allocated a liability to the Administration. If you need more information, please contact the Maryland State Retirement and Pension System at 120 East Baltimore Street, Baltimore, Maryland, 21202.

Loan Forgiveness/Grant

Starting Fiscal Year 2010 with American Recovery and Reinvestment Act (ARRA) and the subsequent Federal Appropriation Acts, the Administration, in addition to providing WQLRF 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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Cash held by the State's treasury office	\$ 457,501,985	\$ 372,956,435
Cash in trust accounts	<u>41,720,957</u>	<u>60</u>
Total Cash and Cash Equivalents	<u>\$ 499,222,942</u>	<u>\$ 372,956,495</u>

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, 2016 and 2015

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

Investments as of June 30, 2016 and 2015, were \$8,132,112 and \$19,515,300 respectively. The amounts relating to GASB Statement No. 40 “*Deposit and Investment Risk Disclosures*,” were certificates of deposit for linked deposit investments of \$3,151,190 and \$3,374,112, as of June 30, 2016 and 2015, 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.

The Administration categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Administration has the following recurring fair value measurements as of June 30, 2016:

- Treasury Note and Restricted Money Market are valued using quoted market prices (Level 1 inputs)
- Linked Deposit Bonds and Certificates of Deposit are valued using observable inputs (Level 2 inputs)

	Fair Value Measurements Using 6/30/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Linked Deposits-Farm Credit AG Bonds	\$ 3,968,615	\$ -	\$ 3,968,615	\$ -
Treasury Note	766,694	766,694	-	-
Restricted Money Market	245,613	245,613	-	-
Certificates of Deposit- Linked Deposits	3,151,190	-	3,151,190	-
Total Investments by fair value level	\$ 8,132,112	\$ 1,012,307	\$ 7,119,805	\$ -

As of June 30, 2016, the Administration has 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	\$ 3,968,615	\$ -	\$ 3,968,615	\$ -
Treasury Note	766,694	-	766,694	-
Restricted Money Market	245,613	-	245,613	-
Subtotal	4,980,922	-	4,980,922	-
Certificates of Deposit- Linked Deposits	3,151,190	-	10,753	3,140,437
Total Investments	\$ 8,132,112	\$ -	\$ 4,991,675	\$ 3,140,437

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2016 and 2015

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

In addition, the Administration's investments have the following quality ratings as of June 30, 2016:

Investment Types	Fair Value	Concentration ¹	Rating	Rating Organization
Linked Deposits-Farm Credit AG Bonds	\$ 3,968,615	49%	Aaa	Moody's
Treasury Note	766,694	9%	Aaa	Moody's
Restricted Money Market	245,613	3%		
Certificates of Deposit- Linked Deposits	3,151,190	39%		
Total Investments	\$ 8,132,112	100%		

As of June 30, 2015, the Administration had the following investments by fair value level:

	Fair Value Measurements Using 6/30/2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Linked Deposits-Farm Credit AG Bonds	\$ 7,996,565	\$ -	\$ 7,996,565	\$ -
Treasury Bills	7,359,062	7,359,062	-	-
Treasury Note	785,315	783,315	-	-
Restricted Money Market	246	246	-	-
Certificates of Deposit- Linked Deposits	3,374,112	-	3,374,112	-
Total Investments by fair value level	\$ 19,515,300	\$ 8,142,623	\$ 11,370,677	\$ -

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
Total Investments	\$ 19,515,300	\$ 11,387,232	\$ 4,770,209	\$ 3,357,859

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2016 and 2015

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

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

Investment Types	Fair Value	Concentration ¹	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%		
Total Investments	\$ 19,515,300	100%		

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 2016 and 2015, 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 Linked Deposits, and U.S. Treasury Bills and Notes.

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, 2016 and 2015, the Administration’s lending commitments and outstanding balances under the WQRLF to specific governmental entities within the State are detailed as follows:

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**Notes to the Financial Statements
June 30, 2016 and 2015**

3. LOANS RECEIVABLE (continued)

WQRLF Borrower	2016			2015		
	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2016	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2015
Aberdeen , City of	\$ 9,329,266	\$ -	\$ 6,882,490	\$ 9,329,266	\$ -	\$ 7,337,052
Allegany County	23,751,480	367,381	12,553,909	22,597,480	44,082	12,873,630
Annapolis, City of	1,591,479	-	-	1,591,479	-	-
Anne Arundel County	113,834,931	12,941,032	52,316,400	113,834,931	17,022,948	52,102,492
Ashton Park Comm. Assoc.	408,470	-	294,376	408,470	-	313,870
Baltimore City	410,129,180	98,146,335	175,237,609	386,312,560	126,920,114	136,799,291
Baltimore County	252,609,918	69,401,621	92,399,229	166,298,918	14,854,389	69,152,492
Bel Air, Town of	101,686	-	-	101,686	-	-
Berlin , Town of	3,207,000	-	2,890,924	3,207,000	-	3,049,090
Betterton, Town of	93,559	-	39,295	93,559	-	44,819
Boonsboro, Town of	2,127,984	-	1,591,522	2,127,984	-	1,599,316
Bowie, City of	4,179,266	164,800	2,005,868	4,014,466	-	2,218,455
Brunswick, City of	1,690,570	-	250,025	1,690,570	-	291,812
Calvert County	18,343,759	388,235	4,577,092	18,343,759	876,817	4,520,348
Cambridge, City of	12,440,864	-	4,067,508	12,468,077	84,908	4,659,314
Canton Crossing	3,711,142	-	1,961,142	3,711,142	-	2,161,142
Carroll County	12,074,030	-	158,748	12,074,030	-	188,125
Cecil County	44,370,811	3,671,317	28,476,371	44,370,811	11,885,668	21,506,835
Centreville, Town of	3,878,064	-	1,174,956	3,878,064	-	1,283,871
Charles County	23,358,722	-	7,823,828	23,358,722	-	8,556,099
Chesapeake Beach, Town of	9,491,864	628,503	6,646,009	9,491,864	1,776,700	5,797,847
Chestertown, Town of	3,955,893	-	1,777,873	3,955,893	-	1,949,405
Clear Spring, Town of	72,705	-	-	72,705	-	-
Crisfield, City of	1,201,338	192,236	604,124	1,201,338	192,236	665,435
Cumberland, City of	10,166,906	-	4,294,540	10,166,906	-	4,799,619
Delmar, Town of	276,040	-	66,146	276,040	-	81,725
Denton, Town of	2,386,077	-	996,733	2,386,077	-	1,116,530

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2016 and 2015

3. LOANS RECEIVABLE (continued)

WQRLF Borrower	2016			2015		
	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2016	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2015
Easton, Town of	\$ 21,852,648	\$ -	\$ 14,505,047	\$ 22,112,191	\$ 310,383	\$ 15,490,915
Elkton, Town of	21,395,474	-	12,887,944	21,395,474	-	13,972,689
Emmitsburg, Town of	600,000	-	170,638	600,000	-	212,040
Federalsburg, Town of	3,479,097	-	2,327,579	3,479,097	-	2,501,267
Frederick, City of	52,462,000	22,647,259	23,701,141	52,462,000	27,496,770	20,031,016
Frederick County	114,454,864	2,533,875	64,220,862	114,454,864	2,720,008	68,582,650
Frostburg, City of	739,788	-	469,738	739,788	23,773	484,656
Fruitland, City of	4,935,438	157,937	2,647,040	4,935,438	775,768	2,219,648
Funkstown, Town of	1,875,221	-	984,993	1,875,221	-	1,097,706
Galena, Town of	112,219	-	-	112,219	-	-
Garrett County	1,970,000	-	132,302	1,970,000	-	260,365
Garrett County San. Distr	2,635,641	-	440,514	2,635,641	-	573,562
Grantsville, Town of	16,891	-	-	16,891	-	-
Greensboro, Town of	443,345	-	-	443,345	-	29,465
Hagerstown, City of	22,102,169	-	11,116,854	22,102,169	-	12,306,045
Hancock, Town of	797,062	-	242,351	797,062	-	287,736
Harford County	69,535,228	-	855,000	69,535,228	-	2,043,938
Havre De Grace, City of	28,996,682	-	20,293,560	28,996,682	-	21,752,553
Hebron, Town of	195,729	-	124,299	195,729	-	136,204
Howard County	91,534,729	-	24,507,582	91,534,729	-	30,153,611
Hurlock, Town of	3,626,240	-	1,716,411	3,626,240	-	1,879,410
Indian Head, Town of	4,603,656	-	1,339,367	4,603,656	-	1,518,226
Kent County	7,394,107	-	3,652,899	7,394,107	-	3,996,946
La Plata, Town of	12,972,019	-	7,049,082	12,972,019	-	7,717,322
Leonardtown, Town of	9,082,233	3,972,402	3,729,050	1,582,233	-	300,390
Md. Envir Services	6,014,121	-	4,485,581	6,014,121	-	5,119,762
Middletown, Town of	3,970,639	-	871,521	3,970,639	-	1,077,040
Millington, Town of	42,000	-	-	42,000	-	-
Mountain Lake Park, Town of	770,287	-	221,987	770,287	-	266,730
Mount Airy, Town of	3,523,087	-	681,638	3,523,087	-	894,740
Myersville, Town of	1,259,983	-	238,520	1,259,983	-	314,314
New Windsor, Town of	3,858,474	-	486,228	3,858,474	-	1,518,643
North Beach, Town of	3,686,922	528,686	1,788,291	3,686,922	1,028,529	1,366,961
Oakland, Town of	892,046	-	117,493	892,046	-	128,986
Oxford, Town of	45,402	-	5,118	45,402	-	7,767
Perryville, Town of	5,923,965	-	4,172,004	5,923,965	-	4,471,870
Pocomoke City, City of	851,579	-	387,074	851,579	-	430,560
Poolesville, Town of	5,658,051	-	3,028,847	5,658,051	-	3,275,945
Prince George's County	23,238,580	-	405,000	23,238,580	-	1,750,000
Queen Anne's County	27,651,411	-	10,471,639	27,651,411	-	11,369,255
Ridgely, Town of	1,598,297	-	1,100,177	1,598,297	-	1,186,030
Rising Sun, Town of	1,010,437	-	-	1,010,437	-	-
Rockville, Town of	2,300,633	-	1,341,777	2,300,633	-	1,461,610

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**Notes to the Financial Statements
June 30, 2016 and 2015**

3. LOANS RECEIVABLE (continued)

WQRLF Borrower	2016			2015		
	Total	Commitment	Outstanding	Total	Commitment	Outstanding
	Commitment	Outstanding	Balance * June 30, 2016	Commitment	Outstanding	Balance * June 30, 2015
Salisbury, Town of	\$ 84,511,299	\$ 24,325,116	\$ 38,230,985	\$ 84,511,299	\$ 34,611,375	\$ 30,327,880
Sharptown	170,925	-	151,448	170,925	-	160,723
Snow Hill, Town of	1,410,565	97,830	636,925	1,108,123	-	455,750
Somerset County	2,151,215	-	646,425	2,151,215	-	768,205
Somerset County San. Distr.	187,031	-	-	187,031	-	-
St. Mary's County	7,447,625	-	874,657	7,447,625	-	1,344,219
St. Mary's METCOM	42,875,765	3,230,569	28,789,330	43,055,774	14,289,854	19,830,933
Talbot County	9,975,333	-	5,480,250	9,975,333	-	5,987,716
Taneytown, City of	6,477,722	-	1,008,265	6,477,722	-	1,353,860
Thurmont, Town of	10,340,540	574,559	6,051,085	8,270,174	307,716	4,544,874
Union Bridge, Town of	142,000	-	49,561	142,000	-	57,183
Washington County	40,321,948	-	17,132,015	40,321,948	1,800,397	16,492,938
Washington Co Sanitary Dist.	20,387,427	-	-	20,387,427	-	-
Westernport, Town of	1,030,992	-	169,955	1,030,992	-	197,117
Westminster, City of	1,711,580	-	-	1,711,580	-	-
Wicomico County	2,929,876	-	-	2,929,876	-	-
Willards, Town of	433,599	-	264,302	433,599	-	285,761
Williamsport, Town of	684,538	-	459,727	684,538	-	504,689
Wash. Suburban San. Comm.	415,088,237	49,326,453	245,340,757	353,095,592	-	247,879,292
Worcester County	11,134,755	-	3,837,311	11,134,755	-	4,519,388
Loan Totals	\$2,198,304,370	\$ 293,296,146	\$ 985,126,863	\$2,015,459,262	\$ 257,022,435	\$ 919,967,715
Grant /Loan Forgiveness	82,469,055			81,207,160		
Total Commitment	\$2,280,773,425			\$2,096,666,422		

* Net of repayments

The current portion of WQRLF loans receivable as of June 30, 2016 and 2015, was \$82,175,615 and \$80,206,465, respectively. Also, the outstanding balance of loans receivable is made up of \$310,475,125 pledged loans (2008A indenture) and \$674,651,738 non-pledged direct loans. During fiscal years 2016 and 2015, there were no defaults or delinquencies.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2016 and 2015

3. LOANS RECEIVABLE (continued)

As of June 30, 2016 and 2015, the Administration's lending commitments under the DWRLF to specific governmental entities within the State are detailed as follows:

DWRLF Borrower	2016			2015		
	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2016	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2015
Allegany County	\$ 426,082	\$ 100,000	\$ 300,083	\$ 138,582	\$ -	\$ 125,431
Annapolis, City of	28,500,000	12,254,636	16,245,364	28,500,000	23,104,947	5,395,053
Anne Arundel County	6,985,468	384,167	4,955,835	6,985,468	913,364	4,653,313
Baltimore City	30,984,771	-	25,698,749	30,984,771	-	26,764,032
Baltimore County	31,899,374	-	23,916,658	31,899,374	-	25,555,721
Beaches Water Co.	464,713	13,524	376,636	464,713	69,682	340,885
Berterton, Town of	43,483	-	18,263	43,483	-	20,830
Boonsboro, Town of	1,662,639	-	218,038	1,662,639	-	235,949
Bowie, City of	1,677,500	-	499,923	1,677,500	-	592,712
Brunswick, City of	359,975	-	201,019	359,975	-	221,528
Calvert County	2,568,000	625,149	1,942,851	-	-	-
Cecilton, Town of	968,323	-	658,345	968,323	-	689,903
Centreville, Town of	912,870	-	232,251	912,870	-	348,357
Chesapeake City, Town of	125,955	-	108,171	125,955	-	114,146
Chestertown, Town of	1,765,422	-	834,598	1,765,422	-	929,260
Clear Spring, Town of	1,260,531	-	698,663	1,260,531	-	750,767
Cumberland, City of	9,256,475	-	5,703,243	9,256,475	-	6,050,168
Dorchester County	52,777	-	-	52,777	-	-
East New Market	368,150	-	330,420	368,150	-	348,949
Emmitsburg, Town of	1,582,762	-	644,841	1,582,762	-	731,571
Fahrney Keedy	500,000	-	-	500,000	-	-
Federalsburg, Town of	1,830,881	-	1,018,153	1,830,881	-	1,110,342
Frederick County	10,831,167	-	2,274,663	10,831,167	-	2,952,870
Frostburg, City of	337,500	-	321,133	337,500	17,018	320,482
Garrett Co Sanitary District	388,653	-	230,022	388,653	-	247,917
Grantsville, Town of	224,283	-	68,947	224,283	-	81,656
Hagerstown, City of	27,807,895	608,853	20,445,999	27,807,895	1,087,461	21,117,974
Hampstead, Town of	722,587	-	225,497	722,587	-	267,226
Independence Village	44,902	-	-	44,902	-	3,899
La Plata, Town of	499,150	-	415,762	499,150	-	437,294
Lonaconing, Town of	187,500	-	170,384	187,500	-	178,985
Manchester	400,000	-	155,843	400,000	-	177,233
Martingham Utilities Coop	594,700	-	438,203	594,700	-	457,448
Myersville, Town of	467,842	-	93,538	467,842	-	122,799
New Windsor, Town of	1,927,731	-	1,166,859	1,927,731	-	1,252,303
North East, Town of	19,048,711	-	12,633,881	19,048,711	-	13,223,022
Oakland, Town of	1,333,301	78,506	910,006	972,415	-	680,168
Oxford, Town of	810,770	-	483,256	810,770	-	533,168
Perryville, Town of	11,534,299	-	8,750,463	11,534,299	-	9,152,788
Pittsville, Town of	86,166	-	73,913	86,166	-	78,030
Pocomoke City	17,214	-	14,737	17,214	-	15,569
Port Deposit, Town of	291,760	-	-	291,760	-	-

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2016 and 2015

3. LOANS RECEIVABLE (continued)

DWRLF Borrower	2016			2015		
	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2016	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2015
Queenstown, Town of	\$ 489,139	-	\$ 427,222	\$ 489,139	-	\$ 450,279
Rising Sun, Town of	1,698,717	-	987,321	1,698,717	-	1,048,243
Rock Hall, Town of	1,020,183	-	680,986	1,020,183	-	715,416
Rockville, City of	8,122,000	-	2,437,747	8,122,000	-	2,907,865
Salisbury, City of	1,513,160	-	1,369,071	1,513,160	-	1,417,532
Secretary, Town of	149,408	-	72,843	149,408	-	80,848
Sharptown, Town of	122,299	-	114,573	168,452	103,009	65,443
Somerset County	32,000	-	20,267	32,000	-	21,333
St. Mary's Co Metcom	7,582,096	1,081,814	4,833,574	7,582,096	1,323,604	4,962,185
St. Michaels, Town of	1,860,639	629,727	891,653	1,179,912	-	878,953
Taneytown, City of	4,011,000	-	3,035,051	4,011,000	-	3,226,464
Thurmont, Town of	2,243,740	-	-	2,243,740	-	-
Union Bridge, Town of	775,499	-	460,467	775,499	-	487,300
Westernport, Town of	1,675,861	23,799	1,539,620	1,675,861	131,426	1,485,099
Westminister, City of	15,535,902	-	9,415,806	15,535,902	-	10,264,294
Worcester County	367,063	-	258,573	367,063	-	276,981
WSSC	166,000	50,290	106,118	166,000	86,751	74,477
Loan Total	\$ 249,116,988	\$ 15,850,465	\$ 160,126,102	\$ 245,266,028	\$ 26,837,262	\$ 154,642,460
Grant /Loan Forgiveness	49,616,082			48,892,196		
Total Commitment	\$ 298,733,070			\$ 294,158,224		

* Net of repayments

The current portion of DWRLF loans receivable as of June 30, 2016 and 2015, was \$10,561,557 and \$9,328,876, respectively. During fiscal years 2016 and 2015, 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, 2016 and 2015**

4. FIXED ASSETS

Fixed assets represent vehicles, net of accumulated depreciation. The activity for the years ended June 30, 2016 and 2015 follows:

	For the Year Ended June 30, 2016					Balance
	Balance June 30, 2015	Increases	Decreases	Transfers	Depreciation	June 30, 2016
Cost	\$ 248,329	\$ 43,827	\$ -	\$ -	\$ -	\$ 292,156
Accumulated depreciation	<u>194,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,868</u>	<u>215,063</u>
Net	<u>\$ 54,134</u>	<u>\$ 43,827</u>	<u>-</u>	<u>-</u>	<u>\$ 20,868</u>	<u>\$ 77,093</u>

	For the Year Ended June 30, 2015					Balance
	Balance June 30, 2014	Increases	Decreases	Transfers	Depreciation	June 30, 2015
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>

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, 2016, is summarized below:

	Loan Amount	ITD Principal	Principal Balance	Annual Repayment
Town of Boonsboro	\$ 310,000	\$ 186,000	\$ 124,000	\$ 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, 2016 and 2015

6. REVENUE BONDS PAYABLE

The Administration had the following outstanding debt as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Water Quality RLF		
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
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.	29,205,000	30,255,000
Total amount payable for Clean Water RLF	29,205,000	33,185,000
Bay Restoration Fund		
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.	26,775,000	29,980,000
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.	94,840,000	100,000,000
2015 Series BRF Revenue Bonds, dated December 3, 2015 with an all-in true interest rate of 2.60% due serially from March 1, 2018 to March 1, 2030.	180,000,000	-
Total amount payable for BRF	301,615,000	129,980,000
Total amount payable for all indentured series	\$ 330,820,000	\$ 163,165,000
Less: Current portion payable	9,970,000	12,345,000
Non-current bonds payable	\$ 320,850,000	\$ 150,820,000

As of June 30, 2016, there are four series of Serial Bonds outstanding as follows:

Water Quality RLF Series	Current Bonds Payable due March 1, 2017	Non-Current Bonds Payable	Years Remaining	Final Payment Due Date
2008A	\$ 1,235,000	\$ 27,970,000	9	March 1, 2025
Total WQRLF	\$ 1,235,000	\$ 27,970,000		

Bay Restoration Fund Series	Current Bonds Payable due March 1, 2017	Non-Current Bonds Payable	Years Remaining	Final Payment Due Date
2015	\$ -	\$ 180,000,000	14	March 1, 2030
2014	5,420,000	89,420,000	13	March 1, 2029
2008	3,315,000	23,460,000	7	March 1, 2023
Total BRF	\$ 8,735,000	\$ 292,880,000		

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2016 and 2015

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, 2016, were as follows:

Water Quality RLF			
Years Ended June 30,	Interest	Principal	Total
2017	\$ 1,385,427	\$ 1,235,000	\$ 2,620,427
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	853,028	3,185,000	4,038,028
2022-2025	1,767,572	14,520,000	16,287,572
Total WQRLF	7,478,910	29,205,000	36,683,910
Bay Restoration Fund			
Years Ended June 30,			
2017	14,695,996	8,735,000	23,430,996
2018	12,466,102	19,290,000	31,756,102
2019	11,501,601	20,215,000	31,716,601
2020	10,526,552	21,300,000	31,826,552
2021	9,468,851	22,360,000	31,828,851
2022-2026	30,211,825	115,000,000	145,211,825
2027-2030	7,125,325	94,715,000	101,840,325
Total BRF	95,996,252	301,615,000	397,611,252
Total Interest & Bonds Payable for all series	\$ 103,475,162	\$ 330,820,000	\$ 434,295,162

As of June 30, 2016 and 2015, 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, 2016 and 2015

7. SCHEDULES OF CHANGES IN BONDS PAYABLE AND COMPENSATED ABSENCES

Changes in business-type activities long-term debt for the year ended June 30, 2016, were as follows:

Bond Series & Program	Beginning Balance 6/30/2015	Additions	Reductions	Ending Balance 6/30/2016	Amounts Due Within One Year
<u>1990 - 2005 & 2008A Water Quality RLF</u>					
Arbitrage Rebate Liability	\$ 49,582	\$ -	\$ 49,582	\$ -	\$ -
Unamortized Premium	673,022	-	147,211	525,811	-
Revenue Bonds Payable	33,185,000	-	3,980,000	29,205,000	1,235,000
Total WQ: 1990-2005 & 2008A Series	33,907,604	-	4,176,793	29,730,811	1,235,000
<u>2008, 2014 & 2015 Bay Rest. Fund</u>					
Unamortized Premium	12,775,771	16,924,064	2,270,385	27,429,450	-
Revenue Bonds Payable	129,980,000	180,000,000	8,365,000	301,615,000	8,735,000
Total BRF: 2008, 2014 & 2015 Series	142,755,771	196,924,064	10,635,385	329,044,450	8,735,000
Total All Bond Series & Programs	176,663,375	196,924,064	14,812,178	358,775,261	9,970,000
<u>Compensated Absences</u>					
Water Quality	616,365	249,937	488,119	378,183	249,937
Drinking Water	75,805	30,408	70,173	36,040	30,408
BRF - Wastewater	132,837	108,124	85,622	155,339	108,124
BRF - Septics	84,388	44,102	66,287	62,203	44,102
Total Compensated Absences	909,395	432,571	710,201	631,765	432,571
Total	\$ 177,572,770	\$ 197,356,635	\$ 15,522,379	\$ 359,407,026	\$ 10,402,571

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
<u>1990 - 2005 & 2008A Water Quality RLF</u>					
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
<u>2008 & 2014 Bay Restoration Fund</u>					
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
Total All Bond Series & Programs	186,931,558	(93,992)	10,174,191	176,663,375	12,394,582
<u>Compensated Absences</u>					
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
Total	\$ 187,634,168	\$ 384,526	\$ 10,445,924	\$ 177,572,770	\$ 12,873,100

The Administration had no pending workers' compensation claims as of June 30, 2016 and 2015.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2016 and 2015

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 years 2014 - 2016 as DNR is expected to manage the fund in the future. This program was closed by MDE 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 2016 and 2015.

MES was also awarded grants under the BRF program. MES received BRF grant disbursements totaling \$4,873,813 and \$177,588, for the fiscal years ended 2016 and 2015, 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, 2016, the Wastewater Fund received cash deposits from the Maryland Comptroller's Office totaling \$123,708,140, which earned investment interest of \$734,845 for capital projects and \$20,398 for the 2008 indenture. Similarly, the Septic Fund (60.0% of septic fees) received cash deposits of \$17,489,160, which earned investment interest of \$78,031. 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 \$178,347,642 for the wastewater treatment plant and sewer upgrades and \$16,215,153 for septic system projects for FY 2016. Wastewater Fund and Septic Fund fee revenue receivable as of June 30, 2016 and 2015 was \$23,356,248 and \$1,290,240, and \$22,763,253 and \$1,467,534, respectively.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2016 and 2015

10. BAY RESTORATION FUND ACTIVITY (continued)

Below is a summary of grant activity as of June 30, 2016 and June 30, 2015:

BRF Wastewater Fund	2016			2015		
	BRF Grant Award	Cumulative Grant Disbursements	Remaining Grant Balance as of 6/30/16	BRF Grant Award	Cumulative Grant Disbursements	Remaining Grant Balance as of 6/30/15
ENR Grants:						
Aberdeen, Town of	\$ 14,581,773	\$ 14,581,773	\$ -	\$ 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	130,387,000	102,546,908	27,840,092	124,387,000	85,917,238	38,469,762
Baltimore City	459,807,432	365,519,647	94,287,785	374,078,867	254,448,776	119,630,091
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	8,618,255	8,618,255	-	8,944,000	8,321,280	622,720
Cecil County	10,977,120	9,413,214	1,563,906	10,977,120	4,990,102	5,987,018
Chesapeake Beach	7,080,000	6,459,732	620,268	7,080,000	4,541,851	2,538,149
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	5,517,848	5,517,848	-	5,581,000	5,071,187	509,813
Federalsburg, Town of	2,900,000	2,900,000	-	2,900,000	2,900,000	-
Frederick, City of	16,060,521	3,983,431	12,077,090	16,060,521	1,346,282	14,714,239
Frederick County	31,000,000	30,124,616	875,384	31,000,000	30,124,616	875,384
Fruitland, City of	4,809,000	4,220,154	588,846	4,809,000	2,057,427	2,751,573
Galena, Town of	1,847,832	102,976	1,744,856	-	-	-
Greensboro, Town of	2,660,819	1,794,910	865,909	-	-	-
Hagerstown, City of	10,191,836	10,191,836	-	10,191,836	10,191,836	-
Harford County	40,040,345	40,040,345	-	41,180,778	39,903,026	1,277,752
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	-	9,367,610	9,367,610	-
Leonardtown, Town of	8,996,527	2,653,579	6,342,948	8,996,527	468,671	8,527,856
MD Environmental Serv.	14,269,036	5,364,002	8,905,034	8,082,345	580,189	7,502,156
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	-
Preston, Town of	56,500	-	56,500	-	-	-
Queen Anne's County	6,380,645	6,380,645	-	6,380,645	6,380,645	-
Queenstown, Town of	880,929	763,043	117,886	880,929	310,597	570,332
Rising Sun, Town of	1,099,268	240,899	858,369	1,099,268	240,899	858,369
Salisbury, City of	13,989,288	6,108,037	7,881,251	16,644,767	2,733,838	13,910,929
Secretary, Town of	117,185	49,424	67,761	50,000	49,041	959
Snow Hill, Town of	3,275,455	3,275,455	-	3,275,455	3,275,455	-
St. Mary's County	9,896,000	9,125,696	770,304	9,896,000	5,046,138	4,849,862
Sudlersville, Town of	2,364,420	2,113,312	251,108	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	4,747,412	819,082	5,566,494	1,321,387	4,245,107
Thurmont, Town of	6,680,679	6,680,679	-	6,680,679	6,680,679	-
Washington County	3,059,028	2,524,080	534,948	3,059,028	632,467	2,426,561
Westminister, City of	1,020,000	641,687	378,313	1,020,000	641,687	378,313
WSSC	209,015,971	160,949,855	48,066,116	209,197,572	149,141,088	60,056,484
ENR Total	1,190,387,825	974,874,069	215,513,756	1,092,606,870	799,709,177	292,897,693
Sewer Grants-Statewide	19,711,306	19,711,306	-	19,711,306	19,711,306	-
O&M Grants-Statewide	8,705,060	8,705,060	-	5,522,310	5,522,310	-
Total ENR, Sewer & O&M Grants	\$1,218,804,191	\$ 1,003,290,435	\$ 215,513,756	\$1,117,840,486	\$ 824,942,793	\$ 292,897,693

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements
June 30, 2016 and 2015

10. BAY RESTORATION FUND ACTIVITY (continued)

BRF Septic Fund	2016			2015		
	BRF Grant Award	Cumulative Grant Disbursements	Remaining Grant Balance as of 6/30/16	BRF Grant Award	Cumulative Grant Disbursements	Remaining Grant Balance as of 6/30/15
Septic Capital Grants:						
Allegany Co.	\$ 325,274	\$ 225,274	\$ 100,000	\$ 246,792	\$ 168,438	\$ 78,354
Anne Arundel Co.	17,489,807	16,514,238	975,569	14,610,686	13,376,823	1,233,863
Baltimore Co.	2,417,009	2,371,153	45,856	1,770,954	1,641,951	129,003
Calvert Co.	9,101,985	8,847,675	254,310	7,882,546	7,638,225	244,321
Caroline Co.	2,636,018	2,576,396	59,622	2,284,699	2,240,634	44,065
Carroll Co.	1,337,741	1,146,160	191,581	906,248	806,172	100,076
Cecil Co.	4,979,983	4,414,325	565,658	4,144,680	3,742,127	402,553
Charles Co.	2,788,730	2,434,846	353,884	2,286,293	2,148,398	137,895
Dorchester Co.	5,092,094	4,945,782	146,312	4,574,470	4,155,892	418,578
Frederick Co.	2,865,994	2,794,299	71,695	2,455,994	2,354,347	101,647
Garrett Co.	731,483	708,140	23,343	571,417	556,214	15,203
Harford Co	2,461,135	2,412,433	48,702	2,081,288	1,760,848	320,440
Howard Co.	862,173	797,168	65,005	643,586	627,586	16,000
Kent Co	4,285,092	3,992,006	293,086	3,829,092	3,720,289	108,803
Montgomery Co.	1,242,586	1,119,064	123,522	862,083	726,399	135,684
Prince George's Co.	215,336	69,336	146,000	172,200	4,200	168,000
Queen Anne's Co.	5,995,520	5,991,802	3,718	5,019,773	4,408,898	610,875
Somerset Co.	2,015,517	1,872,348	143,169	1,716,776	1,547,170	169,606
St. Mary's Co.	7,718,913	7,416,495	302,418	6,318,913	6,201,076	117,837
Talbot Co.	5,470,767	5,014,791	455,976	4,602,589	4,391,905	210,684
Washington Co.	2,690,289	2,516,273	174,016	2,428,439	2,248,873	179,566
Wicomico Co	5,405,874	5,289,573	116,301	4,886,017	4,514,748	371,269
Worcester Co.	2,482,485	2,168,519	313,966	2,318,730	1,916,730	402,000
Individual Septic Grants	17,725,267	17,725,267	-	17,725,267	17,725,267	-
Total Septic -Capital	108,337,072	103,363,363	4,973,709	94,339,532	88,623,210	5,716,322
HB12 Grants (statewide)	2,510,000	2,510,000	-	1,035,000	1,035,000	-
Total BRF Septic Grants	\$ 110,847,072	\$ 105,873,363	\$ 4,973,709	\$ 95,374,532	\$ 89,658,210	\$ 5,716,322

SUPPLEMENTAL INFORMATION

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**Combining Statements of Net Position – Schedule 1
As of June 30, 2016 and 2015**

	2016				2015			
	Funds held by Administration				Funds held by Administration			
	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	Total	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	Total
ASSETS								
Current Assets:								
Cash and cash equivalents	\$ 286,160,793	\$ 51,439,584	\$ 97,875,057	\$ 435,475,434	\$ 294,343,481	\$ 42,950,644	\$ 10,355,233	\$ 347,649,358
Investments	-	-	-	-	4,027,950	-	-	4,027,950
Receivables:								
Investment interest	69,738	-	-	69,738	188,401	-	-	188,401
Loans	42,569,625	10,561,557	-	53,131,182	37,407,137	9,328,876	-	46,736,013
Loan interest	3,282,658	751,233	-	4,033,891	2,733,781	745,230	-	3,479,011
BRF fee	-	-	1,640,584	1,640,584	-	-	1,808,983	1,808,983
Administrative fee	4,804,422	519,928	-	5,324,350	4,488,773	509,766	-	4,998,539
Current Restricted Assets:								
Cash and cash equivalents	7,039	-	63,740,469	63,747,508	21	-	25,307,116	25,307,137
Investments	-	-	-	-	7,359,282	-	-	7,359,282
Receivables:								
Investment interest	3,004	-	2,163	5,167	9,505	-	-	9,505
BRF fee	-	-	23,005,904	23,005,904	-	-	22,421,804	22,421,804
Loans	39,605,990	-	-	39,605,990	42,799,328	-	-	42,799,328
Loan interest	1,796,872	-	-	1,796,872	2,136,820	-	-	2,136,820
Total Current Assets	378,300,141	63,272,302	186,264,177	627,836,620	395,494,479	53,534,516	59,893,136	508,922,131
Non-current Assets:								
Investments	7,119,805	-	-	7,119,805	7,342,727	-	-	7,342,727
Loans receivable	632,082,113	149,564,545	-	781,646,658	527,472,182	145,313,584	-	672,785,766
Fixed assets, net	51,739	-	25,354	77,093	45,942	-	8,192	54,134
Non-current Restricted Assets:								
Investments	1,012,307	-	-	1,012,307	785,341	-	-	785,341
Loans receivable	270,869,135	-	-	270,869,135	312,289,069	-	-	312,289,069
Total Non-current Assets	911,135,099	149,564,545	25,354	1,060,724,998	847,935,261	145,313,584	8,192	993,257,037
Total Assets	\$ 1,289,435,240	\$ 212,836,847	\$ 186,289,531	\$ 1,688,561,618	\$ 1,243,429,740	\$ 198,848,100	\$ 59,901,328	\$ 1,502,179,168

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Combining Statements of Net Position – Schedule 1 (continued) For the Years Ended June 30, 2016 and 2015

	2016				2015			
	Funds held by Administration				Funds held by Administration			
	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	Total	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	Total
LIABILITIES AND NET POSITION								
LIABILITIES								
Current Liabilities:								
Accounts payable	\$ 260,539	\$ 33,468	\$ 160,767	\$ 454,774	\$ 330,908	\$ 49,417	\$ 114,834	\$ 495,159
Current liabilities payable from restricted assets:								
Revenue bonds payable	1,235,000	-	8,735,000	9,970,000	3,980,000	-	8,365,000	12,345,000
Accrued interest on bonds payable	420,196	-	3,910,482	4,330,678	469,877	-	1,231,524	1,701,401
Arbitrage rebate payable	-	-	-	-	49,582	-	-	49,582
Total Current Liabilities	1,915,735	33,468	12,806,249	14,755,452	4,830,367	49,417	9,711,358	14,591,142
Non-current Liabilities:								
Other liabilities	128,246	5,632	65,316	199,194	293,778	28,584	108,515	430,877
Non-current liabilities payable from restricted assets:								
Revenue bonds payable	27,970,000	-	292,880,000	320,850,000	29,205,000	-	121,615,000	150,820,000
Bonds premium	525,811	-	27,429,450	27,955,261	673,022	-	12,775,771	13,448,793
Total Non-current Liabilities	28,624,057	5,632	320,374,766	349,004,455	30,171,800	28,584	134,499,286	164,699,670
Total Liabilities	30,539,792	39,100	333,181,015	363,759,907	35,002,167	78,001	144,210,644	179,290,812
NET POSITION								
Net investment in capital assets	51,739	-	25,354	77,093	45,942	-	8,192	54,134
Restricted for debt service	283,143,340	-	(246,206,396)	36,936,944	331,001,885	-	(96,258,375)	234,743,510
Unrestricted	975,700,369	212,797,747	99,289,558	1,287,787,674	877,379,746	198,770,099	11,940,867	1,088,090,712
Total Net Position	\$ 1,258,895,448	\$ 212,797,747	\$ (146,891,484)	\$ 1,324,801,711	\$ 1,208,427,573	\$ 198,770,099	\$ (84,309,316)	\$ 1,322,888,356

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Combining Statements of Revenue, Expenses and Changes in Net Position – Schedule 2
For the Years Ended June 30, 2016 and 2015

	2016				2015			
	Funds held by Administration				Funds held by Administration			
	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	Total	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	Total
Operating Revenue:								
Interest on loans	\$ 10,245,089	\$ 1,518,623	\$ -	\$ 11,763,712	\$ 9,629,910	\$ 1,527,868	\$ -	\$ 11,157,778
Loan administration fees	4,805,565	521,868	-	5,327,433	4,489,779	518,254	-	5,008,033
Fee revenue	-	-	141,613,001	141,613,001	-	-	127,253,210	127,253,210
Grant revenue	-	226,137	-	226,137	1,049,213	488,228	-	1,537,441
Grant revenue (Set-Asides 2% ,10% , & 15%)	-	4,481,637	-	4,481,637	-	4,248,026	-	4,248,026
Miscellaneous	14,607	15,500	7,190	37,297	14,449	15,500	-	29,949
Total Operating Revenue	15,065,261	6,763,765	141,620,191	163,449,217	15,183,351	6,797,876	127,253,210	149,234,437
Operating Expenses:								
Salaries and related benefits	3,140,378	519,326	2,174,478	5,834,182	4,155,437	769,576	1,805,725	6,730,738
General	1,106,967	142,539	1,125,788	2,375,294	1,551,090	204,808	466,005	2,221,903
Capital grant disbursements	3,349,593	2,041,911	194,562,795	199,954,299	4,211,018	5,198,373	224,178,397	233,587,788
Transfers-out (Set-Asides 2% ,10% , & 15%)	-	4,481,637	-	4,481,637	-	4,248,026	-	4,248,026
Total Operating Expenses	7,596,938	7,185,413	197,863,061	212,645,412	9,917,545	10,420,783	226,450,127	246,788,455
Operating Income (Loss)	7,468,323	(421,648)	(56,242,870)	(49,196,195)	5,265,806	(3,622,907)	(99,196,917)	(97,554,018)
Non-operating Revenue (Expenses):								
Investment income	3,376,811	487,536	833,274	4,697,621	3,727,385	416,524	1,260,836	5,404,745
Cost of issuance expense	-	-	(799,043)	(799,043)	-	-	(57,968)	(57,968)
Arbitrage rebate expense	20,050	-	-	20,050	93,992	-	-	93,992
Interest expense on bonds	(1,303,786)	-	(6,373,529)	(7,677,315)	(1,438,071)	-	(3,409,622)	(4,847,693)
Net change in fair value of investments	(27,950)	-	-	(27,950)	(47,420)	-	-	(47,420)
Total Non-operating Revenue (Expenses)	2,065,125	487,536	(6,339,298)	(3,786,637)	2,335,886	416,524	(2,206,754)	545,656
Income (Loss) Before Contributions	9,533,448	65,888	(62,582,168)	(52,982,832)	7,601,692	(3,206,383)	(101,403,671)	(97,008,362)
Contributions received from:								
Federal government	34,152,427	10,958,760	-	45,111,187	31,566,209	9,015,540	-	40,581,749
State of MD-required match to Federal grant	6,782,000	3,003,000	-	9,785,000	6,459,000	2,614,000	-	9,073,000
Change in Net Position	50,467,875	14,027,648	(62,582,168)	1,913,355	45,626,901	8,423,157	(101,403,671)	(47,353,613)
Net Position, Beginning of Year	1,208,427,573	198,770,099	(84,309,316)	1,322,888,356	1,162,800,672	190,346,942	17,094,355	1,370,241,969
Net Position, End of Year	\$ 1,258,895,448	\$ 212,797,747	\$ (146,891,484)	\$ 1,324,801,711	\$ 1,208,427,573	\$ 198,770,099	\$ (84,309,316)	\$ 1,322,888,356

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**Combining Statements of Cash Flows – Schedule 3
For the Years Ended June 30, 2016 and 2015**

	2016				2015			
	Funds held by Administration				Funds held by Administration			
	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	Total	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	Total
Cash Flows from Operating Activities:								
Loan repayments	\$ 81,412,250	\$ 9,354,116	\$ -	\$ 90,766,366	\$ 68,736,309	\$ 10,640,832	\$ -	\$ 79,377,141
Interest and fees received from borrowers	14,526,076	2,024,326	-	16,550,402	13,439,336	2,096,194	-	15,535,530
BRF Fee and other receipts	14,607	4,723,274	141,204,490	145,942,371	1,063,662	4,751,754	129,021,110	134,836,526
Loan disbursements	(146,571,397)	(14,837,757)	-	(161,409,154)	(137,815,384)	(14,702,540)	-	(152,517,924)
Capital grant disbursements	(3,349,593)	(2,041,911)	(194,562,795)	(199,954,299)	(4,211,018)	(5,198,373)	(224,178,397)	(233,587,788)
Salaries and benefits paid	(3,140,378)	(519,326)	(2,174,478)	(5,834,182)	(4,155,437)	(769,576)	(1,805,725)	(6,730,738)
General expenses paid	(1,328,759)	(4,663,077)	(1,116,295)	(7,108,131)	(1,332,569)	(4,457,652)	(458,747)	(6,248,968)
Net Cash from Operating Activities	(58,437,194)	(5,960,355)	(56,649,078)	(121,046,627)	(64,275,101)	(7,639,361)	(97,421,759)	(169,336,221)
Cash Flows from Non-capital Financing Activities:								
Contributions received from:								
Federal government	34,152,427	10,958,760	-	45,111,187	31,566,209	9,015,540	-	40,581,749
State of MD-required match to Federal grant	6,782,000	3,003,000	-	9,785,000	6,459,000	2,614,000	-	9,073,000
Proceeds from sale of bonds	-	-	196,924,064	196,924,064	-	-	-	-
Repayment of bonds	(3,980,000)	-	(8,365,000)	(12,345,000)	(3,485,000)	-	(3,075,000)	(6,560,000)
Cost of issuance/underwriters discount	-	-	(799,043)	(799,043)	-	-	(57,968)	(57,968)
Interest on bonds	(1,500,678)	-	(5,964,956)	(7,465,634)	(1,650,752)	-	(5,173,177)	(6,823,929)
Arbitrage Liability-Bonds	(29,531)	-	-	(29,531)	(1,152,385)	-	-	(1,152,385)
Net Cash from Non-capital Financing Activities	35,424,218	13,961,760	181,795,065	231,181,043	31,737,072	11,629,540	(8,306,145)	35,060,467
Cash Flows from Capital and Related Financing Activities:								
Purchase of equipment	(19,906)	-	(23,921)	(43,827)	(32,359)	-	-	(32,359)
Net Cash from Capital and Related Financing Activities	(19,906)	-	(23,921)	(43,827)	(32,359)	-	-	(32,359)
Cash Flows from Investing Activities:								
Purchase of investments	(226,966)	-	-	(226,966)	(11,220,356)	-	-	(11,220,356)
Interest on investment securities	3,501,974	487,535	831,111	4,820,620	3,793,437	416,524	1,260,857	5,470,818
Proceeds from sale of investments	11,582,204	-	-	11,582,204	15,955,287	-	-	15,955,287
Net Cash from Investing Activities	14,857,212	487,535	831,111	16,175,858	8,528,368	416,524	1,260,857	10,205,749
Net Increase/(Decr) in Cash and Cash Equivalents	(8,175,670)	8,488,940	125,953,177	126,266,447	(24,042,020)	4,406,703	(104,467,047)	(124,102,364)
Cash & Cash Equivalents, Beginning of Year	294,343,502	42,950,644	35,662,349	372,956,495	318,385,522	38,543,941	140,129,396	497,058,859
Cash & Cash Equivalents, End of Year	\$ 286,167,832	\$ 51,439,584	\$ 161,615,526	\$ 499,222,942	\$ 294,343,502	\$ 42,950,644	\$ 35,662,349	\$ 372,956,495

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**Combining Statements of Cash Flows – Schedule 3 (continued)
For the Years Ended June 30, 2016 and 2015**

	2016				2015			
	Funds held by Administration				Funds held by Administration			
	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	Total	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	Total
Reconciliation of operating income (loss) to net cash from operating activities:								
Operating income (loss)	\$ 7,468,323	\$ (421,648)	\$ (56,242,870)	\$ (49,196,195)	\$ 5,265,806	\$ (3,622,907)	\$ (99,196,917)	\$ (97,554,018)
Depreciation of fixed assets	14,109	-	6,759	20,868	10,915	-	3,171	14,086
Adjustments to reconcile operating income to net cash from operating activities:								
Loan disbursements	(146,571,397)	(14,837,757)	-	(161,409,154)	(137,815,384)	(14,702,540)	-	(152,517,924)
Loan repayments	81,412,250	9,354,116	-	90,766,366	68,736,309	10,640,832	-	79,377,141
Decrease/(incr) in loan interest receivable	(208,929)	(6,003)	-	(214,932)	(405,034)	37,470	-	(367,564)
Decrease/(incr) in administrative fee receivable and BRF fee receivable	(315,649)	(10,162)	(415,701)	(741,512)	(275,319)	12,602	1,767,900	1,505,183
Increase/(decr) in accounts payable and other liabilities	(235,901)	(38,901)	2,734	(272,068)	207,606	(4,818)	4,087	206,875
Net Cash from Operating Activities	\$ (58,437,194)	\$ (5,960,355)	\$ (56,649,078)	\$ (121,046,627)	\$ (64,275,101)	\$ (7,639,361)	\$ (97,421,759)	\$ (169,336,221)

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

CLEAN WATER STATE REVOLVING LOAN FUND
 Combining Statements of Net Position – Schedule 4
 As of June 30, 2016 and 2015

ASSETS	2016					2015				
	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
Current Assets:										
Cash and cash equivalents	\$ 1,066,301	\$ 285,094,492	\$ -	\$ -	\$ 286,160,793	\$ 1,065,428	\$ 293,278,053	\$ -	\$ -	\$ 294,343,481
Investments	-	-	-	-	-	-	4,027,950	-	-	4,027,950
Receivables:										
Investment interest	-	69,738	-	-	69,738	-	188,401	-	-	188,401
Loans	-	42,569,625	-	-	42,569,625	-	37,407,137	-	-	37,407,137
Loan interest	-	3,282,658	-	-	3,282,658	-	2,733,781	-	-	2,733,781
Administrative fee	4,804,422	-	-	-	4,804,422	4,488,773	-	-	-	4,488,773
Current Restricted Assets:										
Cash and cash equivalents	-	-	7,039	-	7,039	-	-	13	8	21
Investments	-	-	-	-	-	-	-	-	7,359,282	7,359,282
Receivables:										
Investment interest	-	-	3,004	-	3,004	-	-	8,213	1,292	9,505
Loans	-	-	39,605,990	-	39,605,990	-	-	40,763,488	2,035,840	42,799,328
Loan interest	-	-	1,796,872	-	1,796,872	-	-	2,085,013	51,807	2,136,820
Total Current Assets	5,870,723	331,016,513	41,412,905	-	378,300,141	5,554,201	337,635,322	42,856,727	9,448,229	395,494,479
Non-current Assets:										
Investments	-	7,119,805	-	-	7,119,805	-	7,342,727	-	-	7,342,727
Loans receivable	-	632,082,113	-	-	632,082,113	-	527,472,182	-	-	527,472,182
Fixed assets, net	51,739	-	-	-	51,739	45,942	-	-	-	45,942
Non-current Restricted Assets:										
Investments	-	-	1,012,307	-	1,012,307	-	-	785,341	-	785,341
Loans receivable	-	-	270,869,135	-	270,869,135	-	-	310,701,955	1,587,114	312,289,069
Total Non-current Assets	51,739	639,201,918	271,881,442	-	911,135,099	45,942	534,814,909	311,487,296	1,587,114	847,935,261
Total Assets	\$ 5,922,462	\$ 970,218,431	\$ 313,294,347	\$ -	\$ 1,289,435,240	\$ 5,600,143	\$ 872,450,231	\$ 354,344,023	\$ 11,035,343	\$ 1,243,429,740

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

CLEAN WATER STATE REVOLVING LOAN FUND

Combining Statements of Net Position – Schedule 4 (continued)

As of June 30, 2016 and 2015

	2016					2015				
	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
LIABILITIES AND NET POSITION										
LIABILITIES										
Current Liabilities:										
Accounts payable	\$ 260,539	\$ -	\$ -	\$ -	\$ 260,539	\$ 330,908	\$ -	\$ -	\$ -	\$ 330,908
Current liabilities payable from restricted assets:										
Revenue bonds payable	-	-	1,235,000	-	1,235,000	-	-	1,050,000	2,930,000	3,980,000
Accrued interest on bonds payable	-	-	420,196	-	420,196	-	-	432,436	37,441	469,877
Arbitrage rebate	-	-	-	-	-	-	-	-	49,582	49,582
Total Current Liabilities	260,539	-	1,655,196	-	1,915,735	330,908	-	1,482,436	3,017,023	4,830,367
Non-current Liabilities:										
Other liabilities	128,246	-	-	-	128,246	293,778	-	-	-	293,778
Non-current liabilities payable from restricted assets:										
Revenue bonds payable	-	-	27,970,000	-	27,970,000	-	-	29,205,000	-	29,205,000
Bond premium	-	-	525,811	-	525,811	-	-	655,933	17,089	673,022
Total Non-current Liabilities	128,246	-	28,495,811	-	28,624,057	293,778	-	29,860,933	17,089	30,171,800
Total Liabilities	388,785	-	30,151,007	-	30,539,792	624,686	-	31,343,369	3,034,112	35,002,167
NET POSITION										
Net investment in capital assets	51,739	-	-	-	51,739	45,942	-	-	-	45,942
Restricted for debt service	-	-	283,143,340	-	283,143,340	-	-	323,000,654	8,001,231	331,001,885
Unrestricted	5,481,938	970,218,431	-	-	975,700,369	4,929,515	872,450,231	-	-	877,379,746
Total Net Position	\$ 5,533,677	\$ 970,218,431	\$ 283,143,340	\$ -	\$ 1,258,895,448	\$ 4,975,457	\$ 872,450,231	\$ 323,000,654	\$ 8,001,231	\$ 1,208,427,573

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, 2016 and 2015

	2016					2015				
	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
Operating Revenues:										
Interest on loans	\$ -	\$ 6,362,715	\$ 3,882,374	\$ -	\$ 10,245,089	\$ -	\$ 4,939,539	\$ 4,522,142	\$ 168,229	\$ 9,629,910
Loan administration fees	4,805,565	-	-	-	4,805,565	4,489,779	-	-	-	4,489,779
Grant revenue	-	-	-	-	-	1,049,213	-	-	-	1,049,213
Miscellaneous income	-	14,607	-	-	14,607	-	14,449	-	-	14,449
Total Operating Revenue	4,805,565	6,377,322	3,882,374	-	15,065,261	5,538,992	4,953,988	4,522,142	168,229	15,183,351
Operating Expenses:										
Salaries and related benefits	3,140,378	-	-	-	3,140,378	4,155,437	-	-	-	4,155,437
General	1,106,967	-	-	-	1,106,967	1,551,090	-	-	-	1,551,090
Capital grant disbursements	-	3,349,593	-	-	3,349,593	-	4,211,018	-	-	4,211,018
Total Operating Expenses	4,247,345	3,349,593	-	-	7,596,938	5,706,527	4,211,018	-	-	9,917,545
Operating Income (Loss)	558,220	3,027,729	3,882,374	-	7,468,323	(167,535)	742,970	4,522,142	168,229	5,265,806
Non-operating Revenue (Expenses)										
Investment income	2,505	3,370,105	3,530	671	3,376,811	300	3,712,350	8,629	6,106	3,727,385
Arbitrage rebate expense	-	-	-	20,050	20,050	-	-	-	93,992	93,992
Interest expense on bonds	-	-	(1,285,066)	(18,720)	(1,303,786)	-	-	(1,307,703)	(130,368)	(1,438,071)
Net change in fair value of investments	-	(27,950)	-	-	(27,950)	-	(47,420)	-	-	(47,420)
Total Non-operating Revenue (Expenses)	2,505	3,342,155	(1,281,536)	2,001	2,065,125	300	3,664,930	(1,299,074)	(30,270)	2,335,886
Income (Loss) Before Contributions	560,725	6,369,884	2,600,838	2,001	9,533,448	(167,235)	4,407,900	3,223,068	137,959	7,601,692
Contributions received from:										
Federal government	-	34,152,427	-	-	34,152,427	-	31,566,209	-	-	31,566,209
State of MD-required match to federal grant	-	6,782,000	-	-	6,782,000	-	6,459,000	-	-	6,459,000
Interfund transfers	(2,505)	50,463,889	(42,458,152)	(8,003,232)	-	(300)	73,250,457	(70,075,686)	(3,174,471)	-
Change in Net Position	558,220	97,768,200	(39,857,314)	(8,001,231)	50,467,875	(167,535)	115,683,566	(66,852,618)	(3,036,512)	45,626,901
Net Position, Beginning of Year	4,975,457	872,450,231	323,000,654	8,001,231	1,208,427,573	5,142,992	756,766,665	389,853,272	11,037,743	1,162,800,672
Net Position, End of Year	\$ 5,533,677	\$ 970,218,431	\$ 283,143,340	\$ -	\$ 1,258,895,448	\$ 4,975,457	\$ 872,450,231	\$ 323,000,654	\$ 8,001,231	\$ 1,208,427,573

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

CLEAN WATER STATE REVOLVING LOAN FUND Combining Statements of Cash Flow – Schedule 6 For the Years Ended June 30, 2016 and 2015

	2016					2015				
	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
Cash Flows from Operating Activities:										
Loan repayments	\$ -	\$ 40,421,932	\$ 40,990,318	\$ -	\$ 81,412,250	\$ -	\$ 19,659,540	\$ 44,837,177	\$ 4,239,592	\$ 68,736,309
Interest and fees received from borrowers	4,489,916	5,813,838	4,170,515	51,807	14,526,076	4,214,460	4,117,517	4,874,517	232,842	13,439,336
Other receipts	-	14,607	-	-	14,607	1,049,213	14,449	-	-	1,063,662
Loan disbursements	-	(146,571,397)	-	-	(146,571,397)	-	(137,815,384)	-	-	(137,815,384)
Capital grant disbursements	-	(3,349,593)	-	-	(3,349,593)	-	(4,211,018)	-	-	(4,211,018)
Salaries and benefits paid	(3,140,378)	-	-	-	(3,140,378)	(4,155,437)	-	-	-	(4,155,437)
General expenses paid	(1,328,759)	-	-	-	(1,328,759)	(1,332,569)	-	-	-	(1,332,569)
Net Cash from Operating Activities	20,779	(103,670,613)	45,160,833	51,807	(58,437,194)	(224,333)	(118,234,896)	49,711,694	4,472,434	(64,275,101)
Cash Flows from Non-capital Financing Activities:										
Contributions received from:										
Federal government	-	34,152,427	-	-	34,152,427	-	31,566,209	-	-	31,566,209
State of MD-required match to Federal grant	-	6,782,000	-	-	6,782,000	-	6,459,000	-	-	6,459,000
Interfund transfers	(2,505)	46,840,936	(42,458,152)	(4,380,279)	-	(300)	50,182,475	(47,007,704)	(3,174,471)	-
Proceeds from sale of bonds	-	-	-	-	-	-	-	-	-	-
Repayment of bonds	-	-	(1,050,000)	(2,930,000)	(3,980,000)	-	-	(475,000)	(3,010,000)	(3,485,000)
Interest on bonds	-	-	(1,427,428)	(73,250)	(1,500,678)	-	-	(1,444,052)	(206,700)	(1,650,752)
Arbitrage liability paid	-	-	-	(29,531)	(29,531)	-	-	-	(1,152,385)	(1,152,385)
Net Cash from Non-capital Financing Activities	(2,505)	87,775,363	(44,935,580)	(7,413,060)	35,424,218	(300)	88,207,684	(48,926,756)	(7,543,556)	31,737,072
Cash Flows from Capital and Related Financing Activities:										
Purchase of equipment	(19,906)	-	-	-	(19,906)	(32,359)	-	-	-	(32,359)
Net Cash from Capital and Related Financing Activities	(19,906)	-	-	-	(19,906)	(32,359)	-	-	-	(32,359)
Cash Flows from Investing Activities:										
Purchase of investments	-	-	(226,966)	-	(226,966)	-	-	(785,341)	(10,435,015)	(11,220,356)
Interest on investment securities	2,505	3,488,767	8,739	1,963	3,501,974	300	3,721,248	416	71,473	3,793,437
Proceeds from sale of investments	-	4,222,922	-	7,359,282	11,582,204	-	2,520,624	-	13,434,663	15,955,287
Net Cash from Investing Activities	2,505	7,711,689	(218,227)	7,361,245	14,857,212	300	6,241,872	(784,925)	3,071,121	8,528,368
Net Increase/(Decr) in Cash and Cash Equivalents	873	(8,183,561)	7,026	(8)	(8,175,670)	(256,692)	(23,785,340)	13	(1)	(24,042,020)
Cash & Cash Equivalents, Beginning of Year	1,065,428	293,278,053	13	8	294,343,502	1,322,120	317,063,393	-	9	318,385,522
Cash & Cash Equivalents, End of Year	\$ 1,066,301	\$ 285,094,492	\$ 7,039	\$ -	\$ 286,167,832	\$ 1,065,428	\$ 293,278,053	\$ 13	\$ 8	\$ 294,343,502

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, 2016 and 2015

	2016					2015				
	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
Reconciliation of operating income (loss) to net cash from operating activities:										
Operating income (loss)	\$ 558,220	\$ 3,027,729	\$ 3,882,374	\$ -	\$ 7,468,323	\$ (167,535)	\$ 742,970	\$ 4,522,142	\$ 168,229	\$ 5,265,806
Depreciation of fixed assets	14,109	-	-	-	14,109	10,915	-	-	-	10,915
Adjustments to reconcile operating income to net cash from operating activities:										
Loan disbursements	-	(146,571,397)	-	-	(146,571,397)	-	(137,815,384)	-	-	(137,815,384)
Loan repayments	-	40,421,932	40,990,318	-	81,412,250	-	19,659,540	44,837,177	4,239,592	68,736,309
Decrease (incr) in loan interest receivable	-	(548,877)	288,141	51,807	(208,929)	-	(822,022)	352,375	64,613	(405,034)
Decrease/(incr) in administrative fee receivable	(315,649)	-	-	-	(315,649)	(275,319)	-	-	-	(275,319)
Increase/(decr) in accounts payable and other liabilities	(235,901)	-	-	-	(235,901)	207,606	-	-	-	207,606
Net Cash from Operating Activities	<u>\$ 20,779</u>	<u>\$ (103,670,613)</u>	<u>\$ 45,160,833</u>	<u>\$ 51,807</u>	<u>\$ (58,437,194)</u>	<u>\$ (224,333)</u>	<u>\$ (118,234,896)</u>	<u>\$ 49,711,694</u>	<u>\$ 4,472,434</u>	<u>\$ (64,275,101)</u>

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

DRINKING WATER STATE REVOLVING LOAN FUND

Combining Statements of Net Position – Schedule 7

As of June 30, 2016 and 2015

	2016			2015		
	Funds held by Administration			Funds held by Administration		
	General Accounts	Capital Reserve Accounts	Total	General Accounts	Capital Reserve Accounts	Total
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 283,370	\$ 51,156,214	\$ 51,439,584	\$ 242,049	\$ 42,708,595	\$ 42,950,644
Investments	-	-	-	-	-	-
Receivables:						
Investment interest	-	-	-	-	-	-
Loans	-	10,561,557	10,561,557	-	9,328,876	9,328,876
Loan interest	-	751,233	751,233	-	745,230	745,230
Administrative fee	519,928	-	519,928	509,766	-	509,766
Total Current Assets	803,298	62,469,004	63,272,302	751,815	52,782,701	53,534,516
Non-current Assets:						
Receivables:						
Loans	-	149,564,545	149,564,545	-	145,313,584	145,313,584
Total Non-current Assets	-	149,564,545	149,564,545	-	145,313,584	145,313,584
Total Assets	803,298	212,033,549	212,836,847	751,815	198,096,285	198,848,100
LIABILITIES AND NET POSITION						
LIABILITIES						
Current Liabilities:						
Accounts payable	33,468	-	33,468	49,417	-	49,417
Total Current Liabilities	33,468	-	33,468	49,417	-	49,417
Non-current Liabilities:						
Other liabilities	5,632	-	5,632	28,584	-	28,584
Total Non-current Liabilities	5,632	-	5,632	28,584	-	28,584
Total Liabilities	39,100	-	39,100	78,001	-	78,001
NET POSITION						
Net investment in capital assets	-	-	-	-	-	-
Unrestricted	764,198	212,033,549	212,797,747	673,814	198,096,285	198,770,099
Total Net Position	\$ 764,198	\$ 212,033,549	\$ 212,797,747	\$ 673,814	\$ 198,096,285	\$ 198,770,099

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, 2016 and 2015**

	2016			2015		
	Funds held by Administration			Funds held by Administration		
	General Accounts	Capital Reserve Accounts	Total	General Accounts	Capital Reserve Accounts	Total
Operating Revenues:						
Interest on loans	\$ -	\$ 1,518,623	\$ 1,518,623	\$ -	\$ 1,527,868	\$ 1,527,868
Loan administration fees	521,868	-	521,868	518,254	-	518,254
Grant revenue	226,137	-	226,137	488,228	-	488,228
Grant revenue (Set-Asides 2% ,10% , 15%)	4,481,637	-	4,481,637	4,248,026	-	4,248,026
Miscellaneous income	-	15,500	15,500	-	15,500	15,500
Total Operating Revenue	5,229,642	1,534,123	6,763,765	5,254,508	1,543,368	6,797,876
Operating Expenses:						
Salaries and related benefits	519,326	-	519,326	769,576	-	769,576
General	142,539	-	142,539	204,808	-	204,808
Capital grant disbursements	-	2,041,911	2,041,911	-	5,198,373	5,198,373
Transfers-out (Set-Asides 2% ,10% ,15%)	4,481,637	-	4,481,637	4,248,026	-	4,248,026
Total Operating Expenses	5,143,502	2,041,911	7,185,413	5,222,410	5,198,373	10,420,783
Operating Income (Loss)	86,140	(507,788)	(421,648)	32,098	(3,655,005)	(3,622,907)
Non-operating Revenue (Expenses)						
Investment income	4,244	483,292	487,536	4,718	411,806	416,524
Net change in fair value of investments	-	-	-	-	-	-
Total Non-operating Revenue (Expenses)	4,244	483,292	487,536	4,718	411,806	416,524
Income (Loss) Before Contributions	90,384	(24,496)	65,888	36,816	(3,243,199)	(3,206,383)
Contributions received from:						
Federal government	-	10,958,760	10,958,760	-	9,015,540	9,015,540
State of MD-required match for federal grant	-	3,003,000	3,003,000	-	2,614,000	2,614,000
Change in Net Position	90,384	13,937,264	14,027,648	36,816	8,386,341	8,423,157
Net Position, Beginning of Year	673,814	198,096,285	198,770,099	636,998	189,709,944	190,346,942
Net Position, End of Year	\$ 764,198	\$ 212,033,549	\$ 212,797,747	\$ 673,814	\$ 198,096,285	\$ 198,770,099

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

DRINKING WATER STATE REVOLVING LOAN FUND
Combining Statements of Cash Flows – Schedule 9
For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Funds held by Administration			Funds held by Administration		
	General Accounts	Capital Reserve Accounts	Total	General Accounts	Capital Reserve Accounts	Total
Cash Flows from Operating Activities:						
Loan repayments	\$ -	\$ 9,354,116	\$ 9,354,116	\$ -	\$ 10,640,832	\$ 10,640,832
Interest and fees received from borrowers	511,706	1,512,620	2,024,326	530,856	1,565,338	2,096,194
Other receipts	4,707,774	15,500	4,723,274	4,736,254	15,500	4,751,754
Loan disbursements	-	(14,837,757)	(14,837,757)	-	(14,702,540)	(14,702,540)
Capital grant disbursements	-	(2,041,911)	(2,041,911)	-	(5,198,373)	(5,198,373)
Salaries and benefits paid	(519,326)	-	(519,326)	(769,576)	-	(769,576)
General expenses paid	(4,663,077)	-	(4,663,077)	(4,457,652)	-	(4,457,652)
Net Cash from Operating Activities	37,077	(5,997,432)	(5,960,355)	39,882	(7,679,243)	(7,639,361)
Cash Flows from Non-capital Financing Activities:						
Contributions received from:						
Federal government	-	10,958,760	10,958,760	-	9,015,540	9,015,540
State of MD-required match to federal grant	-	3,003,000	3,003,000	-	2,614,000	2,614,000
Net Cash from Non-capital Financing Activities	-	13,961,760	13,961,760	-	11,629,540	11,629,540
Cash Flows from Capital and Related Financing Activities:						
Purchase of equipment	-	-	-	-	-	-
Net Cash from Capital and Related Financing Activities	-	-	-	-	-	-
Cash Flows from Investing Activities:						
Purchase of investment securities	-	-	-	-	-	-
Interest on investments securities	4,244	483,291	487,535	4,718	411,806	416,524
Proceeds from sale of investments	-	-	-	-	-	-
Net Cash from Investing Activities	4,244	483,291	487,535	4,718	411,806	416,524
Net Increase/(Decr) in Cash and Cash Equivalents	41,321	8,447,619	8,488,940	44,600	4,362,103	4,406,703
Cash and Cash Equivalents, Beginning of Year	242,049	42,708,595	42,950,644	197,449	38,346,492	38,543,941
Cash and Cash Equivalents, End of Year	\$ 283,370	\$ 51,156,214	\$ 51,439,584	\$ 242,049	\$ 42,708,595	\$ 42,950,644

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, 2016 and 2015

	2016			2015		
	Funds held by Administration			Funds held by Administration		
	General Accounts	Capital Reserve Accounts	Total	General Accounts	Capital Reserve Accounts	Total
Reconciliation of operating income (loss) to net cash from operating activities:						
Operating income (loss)	\$ 86,140	\$ (507,788)	\$ (421,648)	\$ 32,098	\$ (3,655,005)	\$ (3,622,907)
Depreciation of fixed assets	-	-	-	-	-	-
Adjustments to reconcile operating income to net cash from operating activities:						
Loan disbursements	-	(14,837,757)	(14,837,757)	-	(14,702,540)	(14,702,540)
Loan repayments	-	9,354,116	9,354,116	-	10,640,832	10,640,832
Decr/(incr) in loan interest receivable	-	(6,003)	(6,003)	-	37,470	37,470
Decrease/(incr) in administrative fee receivable	(10,162)	-	(10,162)	12,602	-	12,602
Increase/(decr) in accounts payable and other liabilities	(38,901)	-	(38,901)	(4,818)	-	(4,818)
Net Cash from Operating Activities	\$ 37,077	\$ (5,997,432)	\$ (5,960,355)	\$ 39,882	\$ (7,679,243)	\$ (7,639,361)

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND

Combining Statement of Net Position – Schedule 10

As of June 30, 2016

	2016					
	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		
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 620,186	\$ 90,134,746	\$ -	\$ 2,800,896	\$ 4,319,229	\$ 97,875,057
Receivables:						
Investment interest	-	-	-	-	-	-
BRF fee	350,344	-	-	103,219	1,187,021	1,640,584
Current Restricted Assets:						
Cash and cash equivalents	-	22,026,551	41,713,918	-	-	63,740,469
Receivables:						
Investment interest	-	-	2,163	-	-	2,163
BRF fee	-	23,005,904	-	-	-	23,005,904
Total Current Assets	970,530	135,167,201	41,716,081	2,904,115	5,506,250	186,264,177
Non-current Assets:						
Fixed assets, net	-	-	-	25,354	-	25,354
Total Non-current Assets	-	-	-	25,354	-	25,354
Total Assets	\$ 970,530	\$ 135,167,201	\$ 41,716,081	\$ 2,929,469	\$ 5,506,250	\$ 186,289,531
LIABILITIES AND NET POSITION						
LIABILITIES						
Current Liabilities:						
Accounts payable	\$ 114,625	\$ -	\$ -	\$ 46,142	\$ -	\$ 160,767
Current liabilities payable from restricted assets:						
Revenue bonds payable	-	-	8,735,000	-	-	8,735,000
Accrued bond interest	-	-	3,910,482	-	-	3,910,482
Total Current Liabilities	114,625	-	12,645,482	46,142	-	12,806,249
Non-current Liabilities:						
Other liabilities	47,215	-	-	18,101	-	65,316
Non-current liabilities payable from restricted assets:						
Revenue bonds payable	-	-	292,880,000	-	-	292,880,000
Bond premium	-	-	27,429,450	-	-	27,429,450
Total Non-current Liabilities	47,215	-	320,309,450	18,101	-	320,374,766
Total Liabilities	161,840	-	332,954,932	64,243	-	333,181,015
NET POSITION						
Net investment in capital assets	-	-	-	25,354	-	25,354
Restricted for debt service	-	45,032,455	(291,238,851)	-	-	(246,206,396)
Unrestricted	808,690	90,134,746	-	2,839,872	5,506,250	99,289,558
Total Net Position	\$ 808,690	\$ 135,167,201	\$ (291,238,851)	\$ 2,865,226	\$ 5,506,250	\$ (146,891,484)

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, 2015

		2015					
		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
ASSETS							
Current Assets:							
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
Current Restricted Assets:							
Cash and cash equivalents		-	25,307,077	39	-	-	25,307,116
Receivables:							
Investment interest		-	-	-	-	-	-
BRF fee		-	22,421,804	-	-	-	22,421,804
Total Current Assets		<u>1,401,306</u>	<u>50,243,959</u>	<u>39</u>	<u>2,538,567</u>	<u>5,709,265</u>	<u>59,893,136</u>
Non-current Assets:							
Fixed assets, net		-	-	-	8,192	-	8,192
Total Non-current Assets		<u>-</u>	<u>-</u>	<u>-</u>	<u>8,192</u>	<u>-</u>	<u>8,192</u>
Total Assets	\$	<u>1,401,306</u>	<u>\$ 50,243,959</u>	<u>\$ 39</u>	<u>\$ 2,546,759</u>	<u>\$ 5,709,265</u>	<u>\$ 59,901,328</u>
LIABILITIES AND NET POSITION							
LIABILITIES							
Current Liabilities:							
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
Total Current Liabilities		<u>71,872</u>	<u>-</u>	<u>9,596,524</u>	<u>42,962</u>	<u>-</u>	<u>9,711,358</u>
Non-current Liabilities:							
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
Total Non-current Liabilities		<u>65,625</u>	<u>-</u>	<u>134,390,771</u>	<u>42,890</u>	<u>-</u>	<u>134,499,286</u>
Total Liabilities		<u>137,497</u>	<u>-</u>	<u>143,987,295</u>	<u>85,852</u>	<u>-</u>	<u>144,210,644</u>
NET POSITION							
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
Total Net Position	\$	<u>1,263,809</u>	<u>\$ 50,243,959</u>	<u>\$ (143,987,256)</u>	<u>\$ 2,460,907</u>	<u>\$ 5,709,265</u>	<u>\$ (84,309,316)</u>

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, 2016

	2016					
	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	
Operating Revenues:						
BRF fee	\$ 1,864,517	\$ 122,436,618	\$ -	\$ 1,384,949	\$ 15,926,917	\$ 141,613,001
Miscellaneous income	-	-	-	-	7,190	7,190
Total Operating Revenue	1,864,517	122,436,618	-	1,384,949	15,934,107	141,620,191
Operating Expenses:						
Salaries and related benefits	1,547,034	-	-	627,444	-	2,174,478
General admin expenses	772,602	-	-	353,186	-	1,125,788
Capital grant disbursements	-	23,918,920	154,428,722	-	16,215,153	194,562,795
Total Operating Expenses	2,319,636	23,918,920	154,428,722	980,630	16,215,153	197,863,061
Operating Income (Loss)	(455,119)	98,517,698	(154,428,722)	404,319	(281,046)	(56,242,870)
Non-operating Revenue (Expenses):						
Investment income	-	734,845	20,398	-	78,031	833,274
Cost of issuance expense	-	-	(799,043)	-	-	(799,043)
Interest on bonds	-	-	(6,373,529)	-	-	(6,373,529)
Net change in fair value of investments	-	-	-	-	-	-
Total Non-operating Revenue (Expenses)	-	734,845	(7,152,174)	-	78,031	(6,339,298)
Income (Loss) Before Contributions	(455,119)	99,252,543	(161,580,896)	404,319	(203,015)	(62,582,168)
Contributions:						
Interfund equity transfer	-	(14,329,301)	14,329,301	-	-	-
Change in Net Position	(455,119)	84,923,242	(147,251,595)	404,319	(203,015)	(62,582,168)
Net Position, Beginning of Year	1,263,809	50,243,959	(143,987,256)	2,460,907	5,709,265	(84,309,316)
Net Position, End of Year	\$ 808,690	\$ 135,167,201	\$ (291,238,851)	\$ 2,865,226	\$ 5,506,250	\$ (146,891,484)

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, 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	
Operating Revenues:						
Fee revenue	\$ 1,646,946	\$ 108,149,466	\$ -	\$ 1,396,544	\$ 16,060,254	\$ 127,253,210
Miscellaneous income						-
Total Operating Revenue	<u>1,646,946</u>	<u>108,149,466</u>	<u>-</u>	<u>1,396,544</u>	<u>16,060,254</u>	<u>127,253,210</u>
Operating Expenses:						
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
Total Operating Expenses	<u>1,411,710</u>	<u>205,840,253</u>	<u>-</u>	<u>860,020</u>	<u>18,338,144</u>	<u>226,450,127</u>
Operating Income (Loss)	235,236	(97,690,787)	-	536,524	(2,277,890)	(99,196,917)
Non-operating Revenue (Expenses):						
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	-	-	-	-	-	-
Total Non-operating Revenue (Expenses)	<u>-</u>	<u>1,187,925</u>	<u>(3,467,455)</u>	<u>-</u>	<u>72,776</u>	<u>(2,206,754)</u>
Income (Loss) Before Contributions	235,236	(96,502,862)	(3,467,455)	536,524	(2,205,114)	(101,403,671)
Contributions:						
Interfund equity transfer	-	(8,236,428)	8,236,428	-	-	-
Change in Net Position	235,236	(104,739,290)	4,768,973	536,524	(2,205,114)	(101,403,671)
Net Position, Beginning of Year	<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>
Net Position, End of Year	<u>\$ 1,263,809</u>	<u>\$ 50,243,959</u>	<u>\$ (143,987,256)</u>	<u>\$ 2,460,907</u>	<u>\$ 5,709,265</u>	<u>\$ (84,309,316)</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, 2016

	2016					
	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	
Cash Flows from Operating Activities:						
BRF fee and other receipts	\$ 1,855,622	\$ 121,852,518	\$ -	\$ 1,399,133	\$ 16,097,217	\$ 141,204,490
Capital grant disbursements	-	(23,918,920)	(154,428,722)	-	(16,215,153)	(194,562,795)
Salaries and benefits paid	(1,547,034)	-	-	(627,444)	-	(2,174,478)
General expenses paid	(748,259)	-	-	(368,036)	-	(1,116,295)
Net Cash from Operating Activities	(439,671)	97,933,598	(154,428,722)	403,653	(117,936)	(56,649,078)
Cash Flows from Non-capital Financing Activities:						
Interfund equity transfers	-	(14,329,301)	14,329,301	-	-	-
Proceeds from sale of bonds	-	-	196,924,064	-	-	196,924,064
Repayment of bonds	-	-	(8,365,000)	-	-	(8,365,000)
Cost of issuance/underwriters discount	-	-	(799,043)	-	-	(799,043)
Interest on bonds	-	-	(5,964,956)	-	-	(5,964,956)
Net Cash from Non-capital Financing Activities	-	(14,329,301)	196,124,366	-	-	181,795,065
Cash Flows from Capital and Related Financing Activities:						
Purchase of equipment	-	-	-	(23,921)	-	(23,921)
Net Cash from Capital and Related Financing Activities	-	-	-	(23,921)	-	(23,921)
Cash Flows from Investing Activities:						
Purchase of investment securities	-	-	-	-	-	-
Interest on investment securities	-	734,845	18,235	-	78,031	831,111
Proceeds from sale of investments	-	-	-	-	-	-
Net Cash from Investing Activities	-	734,845	18,235	-	78,031	831,111
Net Increase/(Decr) in Cash and Cash Equivalents	(439,671)	84,339,142	41,713,879	379,732	(39,905)	125,953,177
Cash and Cash Equivalents, Beginning of Year	1,059,857	27,822,155	39	2,421,164	4,359,134	35,662,349
Cash and Cash Equivalents, End of Year	\$ 620,186	\$ 112,161,297	\$ 41,713,918	\$ 2,800,896	\$ 4,319,229	\$ 161,615,526

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, 2016

	2016					
	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	
Reconciliation of operating income (loss) to net cash from operating activities:						
Operating income (loss)	\$ (455,119)	\$ 98,517,698	\$ (154,428,722)	\$ 404,319	\$ (281,046)	\$ (56,242,870)
Depreciation of fixed assets	-	-	-	6,759	-	6,759
Adjustments to reconcile operating income to net cash from operating activities:						
Decrease/(Incr) in BRF fee receivable	(8,895)	(584,100)	-	14,184	163,110	(415,701)
Increase (decr) in accounts payable and other liabilities	24,343	-	-	(21,609)	-	2,734
Net Cash from Operating Activities	<u>\$ (439,671)</u>	<u>\$ 97,933,598</u>	<u>\$ (154,428,722)</u>	<u>\$ 403,653</u>	<u>\$ (117,936)</u>	<u>\$ (56,649,078)</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, 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	
Cash Flows from Operating Activities:						
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)
Net Cash from Operating Activities	<u>256,822</u>	<u>(95,732,178)</u>	<u>-</u>	<u>534,379</u>	<u>(2,480,782)</u>	<u>(97,421,759)</u>
Cash Flows from Non-capital Financing Activities:						
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)
Net Cash from Non-capital Financing Activities	<u>-</u>	<u>(8,236,428)</u>	<u>(69,717)</u>	<u>-</u>	<u>-</u>	<u>(8,306,145)</u>
Cash Flows from Investing Activities:						
Interest on investment securities	-	1,187,925	156	-	72,776	1,260,857
Net Increase/(Decr) in Cash and Cash Equivalents	256,822	(102,780,681)	(69,561)	534,379	(2,408,006)	(104,467,047)
Cash and Cash Equivalents, Beginning of Year	<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>
Cash and Cash Equivalents, End of Year	<u>\$ 1,059,857</u>	<u>\$ 27,822,155</u>	<u>\$ 39</u>	<u>\$ 2,421,164</u>	<u>\$ 4,359,134</u>	<u>\$ 35,662,349</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, 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	
Reconciliation of operating income (loss) to net cash from operating activities:						
Operating income (loss)	\$ 235,236	\$ (97,690,787)	\$ -	\$ 536,524	\$ (2,277,890)	\$ (99,196,917)
Depreciation of fixed assets	-	-	-	3,171	-	3,171
Adjustments to reconcile operating income to net cash from operating activities:						
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
Net Cash from Operating Activities	<u>\$ 256,822</u>	<u>\$ (95,732,178)</u>	<u>\$ -</u>	<u>\$ 534,379</u>	<u>\$ (2,480,782)</u>	<u>\$ (97,421,759)</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, 2016, and have issued our report thereon dated September 22, 2016. 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 22, 2016

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