

**MARYLAND WATER QUALITY  
FINANCING ADMINISTRATION**

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

**For the Years Ended June 30, 2017 and 2016**



**S B & C O M P A N Y, L L C**  
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**JUNE 30, 2017 AND 2016**

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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, 2017 and 2016, 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.

### ***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.

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

Our responsibility is to express an opinion 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.

### ***Opinion***

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, 2017 and 2016, and the 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 on pages 36-56, 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 25, 2017 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 25, 2017

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

## MARYLAND WATER QUALITY FINANCING ADMINISTRATION

### Management's Discussion and Analysis June 30, 2017 and 2016

The Maryland Water Quality Financing Administration (MWQFA or the 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 the 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). During the 2017 legislative session, the BRF statute was further amended to allow the BRF wastewater fund to also provide grants for biological nutrient removal (HB-384/2017) and to allow for the purchase of nutrients not to exceed \$10 million per year in expenditures (SB-314/2017).

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Management's Discussion and Analysis June 30, 2017 and 2016

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.

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, 2017 and 2016, with the year ended June 30, 2015, 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, 2017:

Unrestricted investments increased by \$4.0 million. This increase is due to the reclassification to current status of a Farm Credit/Ag First Bond with a maturity date within one year.

## MARYLAND WATER QUALITY FINANCING ADMINISTRATION

### Management's Discussion and Analysis June 30, 2017 and 2016

#### Statements of Net Position (continued)

The current unrestricted loans receivable increased by \$10.7 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 cash and cash equivalents decreased by \$41.6 million due to the BRF program's restricted cash decrease. This decrease was a result of the depletion of all remaining bond proceeds during FY 2017 from the BRF series 2015 Revenue bonds.

The restricted current BRF fee receivable increased by \$3.3 million. This is due to quarterly fluctuations and catch up adjustments for late returns from prior quarter.

The current restricted loans receivable decreased by \$4.9 million as a result of decreased principal payments on older pledged loans being fully paid off.

The non-current unrestricted loans receivable increased by \$131.8 million from new WQRLF and DWRLF direct loans. The non-current restricted loans receivable decreased by \$54.6 million as a result of decreased principal payments on older pledged loans becoming fully paid off and no new pledged loans.

The current liability revenue bonds payable increased by \$13.6 million. This increase is due to BRF series 2015, which has its first principal payment due in FY 2018.

The non-current liability revenue bonds payable decreased by \$26.9 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 \$55.1 million. This decrease is primarily due to the liquidation of WQRLF loans receivable for loans pledged to the bond indenture.

The total unrestricted net position increased by \$102.8 million. This change is a result of increased loans receivables. The WQRLF and DWRLF had increases in unrestricted net position of \$107.0 million and \$11.9 million, respectively. The BRF program also had a decrease of \$16.1 million resulting from the depreciation of bond proceeds for project disbursements.

As of June 30, 2016:

The current unrestricted 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 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.



## MARYLAND WATER QUALITY FINANCING ADMINISTRATION

### Management's Discussion and Analysis June 30, 2017 and 2016

#### Statements of Net Position (continued)

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.

The current restricted 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 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 \$108.9 million from new WQRLF 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.

For the FY 17 audit, unrestricted and restricted net position has been reclassified to reflect the actual restricted net assets. As a result of the reclassification, the net position, restricted for debt service decreased by \$50.6 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.

The total unrestricted net position increased by \$52.4 million. This change is a result of increased cash and loans receivable. The WQRLF and DWRLF had increases in unrestricted net position of \$98.3 million and \$14.0 million, respectively. The BRF program had a decrease of \$59.9 million resulting from the sale of revenue bonds which funded the majority of grant disbursement.

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Management's Discussion and Analysis June 30, 2017 and 2016

### Statements of Net Position (continued)

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

#### Comparative Condensed Statements of Net Position June 30, 2017, 2016, and 2015 (Millions of Dollars)

	6/30/2017	6/30/2016	6/30/2015	\$ Increase/(Decrease)	
				Difference FY 17 - 16	Difference FY 16 - 15
<b>Current Assets</b>					
Cash and cash equivalents	\$ 418.3	\$ 435.5	\$ 347.7	\$ (17.2)	\$ 87.8
Investments	4.0	-	4.0	4.0	(4.0)
Receivables:					
Loans	63.8	53.1	46.7	10.7	6.4
BRF fees	1.7	1.6	1.8	0.1	(0.2)
Other	10.5	9.4	8.7	1.1	0.7
<b>Current Restricted Assets</b>					
Cash and cash equivalents	22.2	63.8	25.3	(41.6)	38.5
Investments	-	-	7.4	-	(7.4)
Receivables:					
BRF fees	26.3	23.0	22.4	3.3	0.6
Loans	34.7	39.6	42.8	(4.9)	(3.2)
Other	1.4	1.8	2.2	(0.4)	(0.4)
Total Current Assets	<u>582.9</u>	<u>627.8</u>	<u>509.0</u>	<u>(44.9)</u>	<u>118.8</u>
<b>Non-current Assets</b>					
Investments	5.8	7.1	7.3	(1.3)	(0.2)
Loans receivable	913.5	781.7	672.8	131.8	108.9
Other	0.1	0.1	-	-	0.1
<b>Non-current Restricted Assets</b>					
Investments	-	1.0	0.8	(1.0)	0.2
Loans receivable	216.3	270.9	312.3	(54.6)	(41.4)
Total Non-current Assets	<u>1,135.7</u>	<u>1,060.8</u>	<u>993.2</u>	<u>74.9</u>	<u>67.6</u>
<b>Total Assets</b>	<u>\$ 1,718.6</u>	<u>\$ 1,688.6</u>	<u>\$ 1,502.2</u>	<u>\$ 30.0</u>	<u>\$ 186.4</u>

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Management's Discussion and Analysis June 30, 2017 and 2016

### Statements of Net Position (continued)

#### Comparative Condensed Statements of Net Position June 30, 2017, 2016, and 2015 (Millions of Dollars)

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>\$ Increase/(Decrease)</u>	
				<u>Difference FY 17 - 16</u>	<u>Difference FY 16 - 15</u>
<b>Current Liabilities</b>					
Accounts payable	\$ 0.5	\$ 0.5	\$ 0.5	\$ -	\$ -
Revenue bonds	23.6	10.0	12.4	13.6	(2.4)
Accrued interest on bonds	2.7	4.3	1.7	(1.6)	2.6
<b>Total Current Liabilities</b>	<b>26.8</b>	<b>14.8</b>	<b>14.6</b>	<b>12.0</b>	<b>0.2</b>
<b>Non-current Liabilities</b>					
Other	0.3	0.2	0.4	0.1	(0.2)
Revenue bonds	293.9	320.8	150.8	(26.9)	170.0
Bonds premium	25.1	28.0	13.5	(2.9)	14.5
<b>Total Non-current Liabilities</b>	<b>319.3</b>	<b>349.0</b>	<b>164.7</b>	<b>(29.7)</b>	<b>184.3</b>
<b>Total Liabilities</b>	<b>346.1</b>	<b>363.8</b>	<b>179.3</b>	<b>(17.7)</b>	<b>184.5</b>
<b>Net Position</b>					
Net investment in capital assets	0.1	0.1	-	-	0.1
Restricted for debt service	273.1	328.2	378.8	(55.1)	(50.6)
Unrestricted	1,099.3	996.5	944.1	102.8	52.4
<b>Total Net Position</b>	<b>\$ 1,372.5</b>	<b>\$ 1,324.8</b>	<b>\$ 1,322.9</b>	<b>\$ 47.7</b>	<b>\$ 1.9</b>

## **MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

### **Management's Discussion and Analysis June 30, 2017 and 2016**

#### **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, 2017:

Fee revenue decreased by \$8.5 million primarily due to a one-time BRF fee settlement from Baltimore City in FY 2016 that resulted in a net increase of \$13.6 million in additional fee revenue.

There was a decrease of \$54.4 million in capital grant disbursements primarily due to BRF grant disbursements decreasing by \$57.9 million. This decrease is due to large construction reimbursements that occurred in FY16 for BRF ENR projects as well as normal fluctuations in construction project draws.

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 that 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.

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Management's Discussion and Analysis June 30, 2017 and 2016

### 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:

**Comparative Statements of Revenue, Expenses and Changes in Net Position**  
Years ended June 30, 2017, 2016 and 2015  
(Millions of Dollars)

	6/30/2017	6/30/2016	6/30/2015	\$ Increase/(Decrease)	
				Difference FY 17 -16	Difference FY 16 -15
<b>Operating Revenue</b>					
Interest on loans	\$ 12.7	\$ 11.8	\$ 11.2	\$ 0.9	\$ 0.6
Loan administrative fee	5.5	5.3	5.0	0.2	0.3
Fee revenue	133.1	141.6	127.3	(8.5)	14.3
Grant revenue (set-a-sides only)	3.9	4.5	4.2	(0.6)	0.3
Other grant revenue and other	0.4	0.2	1.6	0.2	(1.4)
<b>Total Operating Revenue</b>	<b>155.6</b>	<b>163.4</b>	<b>149.3</b>	<b>(7.8)</b>	<b>14.1</b>
<b>Operating Expenses</b>					
Salaries and related benefits	7.0	5.8	6.7	1.2	(0.9)
Transfers-out (set-a-sides)	3.9	4.5	4.2	(0.6)	0.3
Capital grant disbursements	145.6	200.0	233.6	(54.4)	(33.6)
General and other costs	2.6	2.3	2.3	0.3	-
<b>Total Operating Expenses</b>	<b>159.1</b>	<b>212.6</b>	<b>246.8</b>	<b>(53.5)</b>	<b>(34.2)</b>
<b>Operating Loss</b>	<b>(3.5)</b>	<b>(49.2)</b>	<b>(97.5)</b>	<b>45.7</b>	<b>48.3</b>
<b>Non-operating Revenue &amp; Expenses</b>					
Investment income	7.0	4.7	5.4	2.3	(0.7)
Cost of issuance and arbitrage rebate exp	(0.2)	(0.8)	-	0.6	(0.8)
Interest on bonds	(9.3)	(7.7)	(4.8)	(1.6)	(2.9)
FMV investment adjustment	(0.1)	-	(0.1)	(0.1)	0.1
<b>Total Non-operating Revenue</b>	<b>(2.6)</b>	<b>(3.8)</b>	<b>0.5</b>	<b>1.2</b>	<b>(4.3)</b>
<b>Loss Before Contributions</b>	<b>(6.1)</b>	<b>(53.0)</b>	<b>(97.0)</b>	<b>46.9</b>	<b>44.0</b>
Contributions from Federal and State governments	53.8	54.9	49.7	(1.1)	5.2
<b>Changes in Net Position</b>	<b>47.7</b>	<b>1.9</b>	<b>(47.3)</b>	<b>45.8</b>	<b>49.2</b>
<b>Net Position, Beginning of Year</b>	<b>1,324.8</b>	<b>1,322.9</b>	<b>1,370.2</b>	<b>1.9</b>	<b>(47.3)</b>
<b>Net Position, End of Year</b>	<b>\$ 1,372.5</b>	<b>\$ 1,324.8</b>	<b>\$ 1,322.9</b>	<b>\$ 47.7</b>	<b>\$ 1.9</b>

## **MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

### **Management's Discussion and Analysis June 30, 2017 and 2016**

#### **Economic Environment**

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

The loans are primarily supported by water and sewer revenue of the borrowers and backed by the general obligation pledge. MWQFA does not foresee economic factors that would significantly impact its operation. However, a natural disaster in Maryland could result in delayed loan repayments or loan defaults by local jurisdictions. The WQRLF Series 2008A and 2016 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.

#### **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 Maryland Water Quality Financing Administration, 1800 Washington Boulevard, Baltimore, Maryland 21230.

## MARYLAND WATER QUALITY FINANCING ADMINISTRATION

### Statements of Net Position As of June 30, 2017 and 2016

ASSETS	2017	2016
<b>Current Assets</b>		
Cash and cash equivalents	\$ 418,327,291	\$ 435,475,434
Investments	3,968,615	-
Receivables:		
Investment interest	94,987	69,738
Loans	63,819,115	53,131,182
Loan interest	4,903,596	4,033,891
BRF fee	1,743,316	1,640,584
Administrative fee	5,535,837	5,324,350
<b>Current Restricted Assets</b>		
Cash and cash equivalents	22,220,053	63,747,508
Receivables:		
Investment interest	-	5,167
BRF fee	26,266,968	23,005,904
Loans	34,650,550	39,605,990
Loan interest	1,423,317	1,796,872
<b>Total Current Assets</b>	<b>582,953,645</b>	<b>627,836,620</b>
<b>Non-current Assets</b>		
Investments	5,770,405	7,119,805
Loans receivable	913,538,781	781,646,658
Fixed assets, net	53,701	77,093
<b>Non-current Restricted Assets</b>		
Investments	-	1,012,307
Loans receivable	216,317,916	270,869,135
<b>Total Non-current Assets</b>	<b>1,135,680,803</b>	<b>1,060,724,998</b>
<b>Total Assets</b>	<b>\$ 1,718,634,448</b>	<b>\$ 1,688,561,618</b>

The accompanying notes are an integral part of these financial statements.

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**Statements of Net Position  
As of June 30, 2017 and 2016**

<b>LIABILITIES</b>	<b>2017</b>	<b>2016</b>
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 481,856	\$ 454,774
Revenue bonds	23,620,000	9,970,000
Accrued interest on bonds payable	2,658,274	4,330,678
<b>Total Current Liabilities</b>	<b>26,760,130</b>	<b>14,755,452</b>
<b>Non-current Liabilities</b>		
Accrued expenses	348,006	199,194
Revenue bonds	293,910,000	320,850,000
Bonds premium	25,072,718	27,955,261
<b>Total Non-current Liabilities</b>	<b>319,330,724</b>	<b>349,004,455</b>
<b>Total Liabilities</b>	<b>346,090,854</b>	<b>363,759,907</b>
<b>NET POSITION</b>		
Net investment in capital assets	53,701	77,093
Restricted for debt service	273,126,467	328,175,795
Unrestricted	1,099,363,426	996,548,823
<b>Total Net Position</b>	<b>\$ 1,372,543,594</b>	<b>\$ 1,324,801,711</b>

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Operating Revenue</b>		
Interest on loans	\$ 12,683,404	\$ 11,763,712
Loan administration fee	5,538,501	5,327,433
Fees	133,102,892	141,613,001
Grants and other	4,325,471	4,745,071
<b>Total Operating Revenue</b>	<u>155,650,268</u>	<u>163,449,217</u>
<b>Operating Expenses</b>		
Salaries and related benefits	6,991,053	5,834,182
General	2,603,680	2,375,294
Capital grants disbursements	145,638,256	199,954,299
Other	3,913,832	4,481,637
<b>Total Operating Expenses</b>	<u>159,146,821</u>	<u>212,645,412</u>
<b>Operating Loss</b>	(3,496,553)	(49,196,195)
<b>Non-operating Revenue (Expenses)</b>		
Investment income	7,060,073	4,697,621
Cost of debt issuance	(201,463)	(799,043)
Interest on bonds	(9,283,054)	(7,677,315)
Arbitrage rebate	-	20,050
Net unrealized loss on investments	(159,090)	(27,950)
<b>Net Non-operating Revenue (Expenses)</b>	<u>(2,583,534)</u>	<u>(3,786,637)</u>
<b>Loss Before Contributions</b>	(6,080,087)	(52,982,832)
Contributions received from:		
Federal government	44,026,970	45,111,187
State of MD-required match for Federal grant	9,795,000	9,785,000
<b>Changes in Net Position</b>	<u>47,741,883</u>	<u>1,913,355</u>
<b>Net Position, Beginning of Year</b>	<u>1,324,801,711</u>	<u>1,322,888,356</u>
<b>Net Position, End of Year</b>	<u>\$ 1,372,543,594</u>	<u>\$ 1,324,801,711</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, 2017 and 2016

	<b>2017</b>	<b>2016</b>
<b>Cash Flows from Operating Activities:</b>		
BRF fee and other receipts	\$ 134,064,567	\$ 145,942,371
Grant disbursements	(145,638,256)	(199,954,299)
Salaries and benefits paid	(6,808,871)	(5,834,182)
General and other expenses paid	(6,500,408)	(7,108,131)
<b>Net Cash from Operating Activities</b>	<b>(24,882,968)</b>	<b>(66,954,241)</b>
<b>Cash Flows from Non-capital Financing Activities:</b>		
Federal government grants	44,026,970	45,111,187
State of MD-required match to Federal grant	9,795,000	9,785,000
Proceeds from sale of bonds	24,485,679	196,924,064
Repayment of bonds	(34,315,000)	(12,345,000)
Cost of issuance/underwriters' discount	(201,463)	(799,043)
Interest on bonds	(17,298,681)	(7,465,634)
Arbitrage rebate-bonds	-	(29,531)
<b>Net Cash from Non-capital Financing Activities</b>	<b>26,492,505</b>	<b>231,181,043</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Purchase of equipment	-	(43,827)
<b>Net Cash from Capital Financing Activities</b>	<b>-</b>	<b>(43,827)</b>
<b>Cash Flows from Investing Activities:</b>		
Loan repayments	92,743,171	90,766,366
Loan disbursements	(175,816,568)	(161,409,154)
Interest and fees received from borrowers	17,514,268	16,550,402
Purchase of investments	(3,000,000)	(226,966)
Interest on investments securities	7,039,992	4,820,620
Proceeds from sales and maturities of investments	1,234,002	11,582,204
<b>Net Cash from Investing Activities</b>	<b>(60,285,135)</b>	<b>(37,916,528)</b>
<b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>	<b>(58,675,598)</b>	<b>126,266,447</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>499,222,942</b>	<b>372,956,495</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 440,547,344</b>	<b>\$ 499,222,942</b>

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	\$ (3,496,553)	\$ (49,196,195)
Depreciation	23,392	20,868
Effect of changes in non-cash operating assets and liabilities:		
Interest and fees received from borrowers	(17,514,268)	(16,550,402)
Loan interest receivable	(496,150)	(214,932)
Administrative fee and BRF fee receivables	(3,575,283)	(741,512)
Accounts payable and other liabilities	175,894	(272,068)
<b>Net cash used in operating activities</b>	<b><u>\$ (24,882,968)</u></b>	<b><u>\$ (66,954,241)</u></b>

The accompanying notes are an integral part of these financial statements.

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2017 and 2016

### 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, 2017, 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, 2017 and 2016

### 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, 2017, 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, 2017 and 2016.

#### 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, 2017 and 2016

### 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 2008A and 2016 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.

#### 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's 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, 2017 and 2016

### 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's 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. For State Retirement, contact the Maryland State Retirement and Pension System at 120 East Baltimore Street, Baltimore, Maryland, 21202. For post-employment benefits, contact Maryland Department of Budget and Management at 300 W Preston Street, Baltimore, Maryland 21201.

#### 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 WQLF 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.

#### Reclassification

Certain 2016 amounts have been reclassified to conform to the 2017 presentation. This reclassification had no net effect on the net position.

### 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following is a summary of the components of cash and cash equivalents as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Cash held by the State's treasury office	\$ 440,547,230	\$ 457,501,985
Cash in trust accounts	114	41,720,957
<b>Total Cash and Cash Equivalents</b>	<b><u>\$ 440,547,344</u></b>	<b><u>\$ 499,222,942</u></b>

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

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2017 and 2016

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

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.

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

As of June 30, 2017, the Administration has the following investments and maturities:

<u>Investment Types</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>
Linked Deposits-Farm Credit AG Bonds	\$ 6,809,525	\$ 3,968,615	\$ -	\$ 2,840,910
Certificates of Deposit- Linked Deposits	2,929,495	-	180,000	2,749,495
<b>Total Investments</b>	<b>\$ 9,739,020</b>	<b>\$ 3,968,615</b>	<b>\$ 180,000</b>	<b>\$ 5,590,405</b>

In addition, the Administration's investments have the following quality ratings as of June 30, 2017:

<u>Investment Types</u>	<u>Fair Value</u>	<u>Concentration<sup>1</sup></u>	<u>Rating</u>	<u>Rating Organization</u>
Linked Deposits-Farm Credit AG Bonds	\$ 6,809,525	70%	Aaa	Moody's
Certificates of Deposit- Linked Deposits	2,929,495	30%		
<b>Total Investments</b>	<b>\$ 9,739,020</b>	<b>100%</b>		



# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2017 and 2016

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

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, 2017:

	Fair Value Measurements Using 6/30/2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
Linked Deposits-Farm Credit AG Bonds	\$ 6,809,525	\$ -	\$ 6,809,525	\$ -
Certificates of Deposit- Linked Deposits	2,929,495	-	2,929,495	-
<b>Total Investments by fair value level</b>	<b>\$ 9,739,020</b>	<b>\$ -</b>	<b>\$ 9,739,020</b>	<b>\$ -</b>

As of June 30, 2016, 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	\$ 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
<b>Total Investments</b>	<b>\$ 8,132,112</b>	<b>\$ -</b>	<b>\$ 4,991,675</b>	<b>\$ 3,140,437</b>

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

Investment Types	Fair Value	Concentration <sup>1</sup>	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%		
<b>Total Investments</b>	<b>\$ 8,132,112</b>	<b>100%</b>		

<sup>1</sup>. 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 2017 and 2016, 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 Deposit CD's and Bonds, as well as U.S. Treasury Bills and Notes.

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2017 and 2016

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

As of June 30, 2016, the Administration had the following investments by fair value level:

	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)
<b>Investments by fair value level</b>				
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	-
<b>Total Investments by fair value level</b>	<b>\$ 8,132,112</b>	<b>\$ 1,012,307</b>	<b>\$ 7,119,805</b>	<b>\$ -</b>

### 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.

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2017 and 2016

### 3. LOANS RECEIVABLE (continued)

As of June 30, 2017 and 2016, the Administration's lending commitments and outstanding balances under the WQRLF to specific governmental entities within the State are detailed as follows:

WQRLF Borrower	2017			2016		
	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2017	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2016
Aberdeen , City of	\$ 9,329,266	\$ -	\$ 6,422,510	\$ 9,329,266	\$ -	\$ 6,882,490
Allegany County	23,679,030	-	11,681,927	23,751,480	367,381	12,553,909
Annapolis, City of	1,591,479	-	-	1,591,479	-	-
Anne Arundel County	113,834,931	10,174,869	50,985,691	113,834,931	12,941,032	52,316,400
Ashton Park Comm. Assoc.	408,470	-	274,687	408,470	-	294,376
Baltimore City	414,764,181	51,401,156	211,393,700	410,129,180	98,146,335	175,237,609
Baltimore County	268,216,127	33,944,146	132,455,323	252,609,918	69,401,621	92,399,229
Bel Air, Town of	101,686	-	-	101,686	-	-
Berlin , Town of	3,207,000	-	2,731,493	3,207,000	-	2,890,924
Betterton, Town of	93,559	-	33,748	93,559	-	39,295
Boonsboro, Town of	2,127,984	-	1,583,661	2,127,984	-	1,591,522
Bowie, City of	4,154,565	-	1,922,198	4,179,266	164,800	2,005,868
Brunswick, City of	1,690,570	-	207,963	1,690,570	-	250,025
Calvert County	18,343,759	135,808	4,306,450	18,343,759	388,235	4,577,092
Cambridge, City of	12,440,864	-	3,414,519	12,440,864	-	4,067,508
Canton Crossing	3,711,142	-	1,761,142	3,711,142	-	1,961,142
Carroll County	12,074,030	-	128,607	12,074,030	-	158,748
Cecil County	44,370,811	3,088,277	26,938,453	44,370,811	3,671,317	28,476,371
Centreville, Town of	3,878,064	-	1,064,952	3,878,064	-	1,174,956
Charles County	23,358,722	-	7,082,771	23,358,722	-	7,823,828
Chesapeake Beach, Town of	9,491,864	207,590	6,584,230	9,491,864	628,503	6,646,009
Chestertown, Town of	3,955,893	-	1,605,655	3,955,893	-	1,777,873
Clear Spring, Town of	72,705	-	-	72,705	-	-
Crisfield, City of	1,201,338	78,160	657,332	1,201,338	192,236	604,124
Cumberland, City of	13,459,725	3,069,487	4,005,902	10,166,906	-	4,294,540
Delmar, Town of	276,040	-	50,193	276,040	-	66,146
Denton, Town of	2,386,077	-	876,436	2,386,077	-	996,733

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2017 and 2016

### 3. LOANS RECEIVABLE (continued)

WQRLF Borrower	2017			2016		
	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2017	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2016
Easton, Town of	\$ 21,852,648	\$ -	\$ 13,425,995	\$ 21,852,648	\$ -	\$ 14,505,047
Elkton, Town of	21,395,474	-	11,796,983	21,395,474	-	12,887,944
Emmitsburg, Town of	600,000	-	128,738	600,000	-	170,638
Federalsburg, Town of	3,479,097	-	2,152,032	3,479,097	-	2,327,579
Frederick, City of	52,429,287	11,482,245	33,640,351	52,462,000	22,647,259	23,701,141
Frederick County	114,454,864	2,533,875	59,734,424	114,454,864	2,533,875	64,220,862
Frostburg, City of	739,788	-	430,424	739,788	-	469,738
Fruitland, City of	4,935,438	92,026	2,455,256	4,935,438	157,937	2,647,040
Funkstown, Town of	1,875,221	-	871,829	1,875,221	-	984,993
Galena, Town of	112,219	-	-	112,219	-	-
Garrett County	1,970,000	-	-	1,970,000	-	132,302
Garrett County San. Distr	2,635,641	-	327,712	2,635,641	-	440,514
Grantsville, Town of	16,891	-	-	16,891	-	-
Greensboro, Town of	443,345	-	-	443,345	-	-
Hagerstown, City of	22,102,169	-	9,917,302	22,102,169	-	11,116,854
Hancock, Town of	797,062	-	195,967	797,062	-	242,351
Harford County	69,535,228	-	405,000	69,535,228	-	855,000
Havre De Grace, City of	28,996,682	-	18,803,351	28,996,682	-	20,293,560
Hebron, Town of	195,729	-	112,394	195,729	-	124,299
Howard County	91,534,729	-	21,267,318	91,534,729	-	24,507,582
Hurlock, Town of	3,626,240	-	1,552,837	3,626,240	-	1,716,411
Indian Head, Town of	4,603,656	-	1,159,792	4,603,656	-	1,339,367
Kent County	7,394,107	-	3,304,958	7,394,107	-	3,652,899
La Plata, Town of	12,972,019	-	6,371,261	12,972,019	-	7,049,082
Leonardtown, Town of	9,082,233	-	7,601,327	9,082,233	3,972,402	3,729,050
Md. Envir Services	6,014,121	-	3,838,480	6,014,121	-	4,485,581
Middletown, Town of	3,970,639	-	661,172	3,970,639	-	871,521
Millington, Town of	42,000	-	-	42,000	-	-
Mountain Lake Park, Town of	770,287	-	200,185	770,287	-	221,987
Mount Airy, Town of	3,523,087	-	461,631	3,523,087	-	681,638
Myersville, Town of	1,259,983	-	160,899	1,259,983	-	238,520
New Windsor, Town of	3,858,474	-	453,813	3,858,474	-	486,228
North Beach, Town of	3,686,922	293,162	1,869,882	3,686,922	528,686	1,788,291
Oakland, Town of	892,046	-	105,953	892,046	-	117,493
Oxford, Town of	45,402	-	2,410	45,402	-	5,118
Perryville, Town of	5,923,965	-	3,868,840	5,923,965	-	4,172,004
Pocomoke City, City of	851,579	-	343,383	851,579	-	387,074
Poolesville, Town of	5,658,051	-	2,778,045	5,658,051	-	3,028,847
Prince George's County	23,238,580	-	-	23,238,580	-	405,000
Queen Anne's County	59,557,969	26,441,861	15,029,744	27,651,411	-	10,471,639
Ridgely, Town of	1,598,297	-	1,014,323	1,598,297	-	1,100,177
Rising Sun, Town of	1,010,437	-	-	1,010,437	-	-
Rockville, Town of	2,300,633	-	1,221,473	2,300,633	-	1,341,777

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2017 and 2016

### 3. LOANS RECEIVABLE (continued)

WQRLF Borrower	2017			2016		
	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2017	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2016
Salisbury, Town of	\$ 84,504,043	\$ 11,696,280	\$ 48,451,533	\$ 84,511,299	\$ 24,325,116	\$ 38,230,985
Sharptown	170,925	-	142,099	170,925	-	151,448
Snow Hill, Town of	1,410,565	52,145	630,839	1,410,565	97,830	636,925
Somerset County	2,151,215	-	522,209	2,151,215	-	646,425
Somerset County San. Distr.	187,031	-	-	187,031	-	-
St. Mary's County	7,447,625	-	549,873	7,447,625	-	874,657
St. Mary's METCOM	42,875,765	152,688	29,903,468	42,875,765	3,230,569	28,789,330
Talbot County	9,975,333	-	4,970,755	9,975,333	-	5,480,250
Taneytown, City of	6,477,722	-	654,681	6,477,722	-	1,008,265
Thurmont, Town of	10,340,540	232,056	5,987,151	10,340,540	574,559	6,051,085
Union Bridge, Town of	142,000	-	41,763	142,000	-	49,561
Washington County	40,321,948	-	15,839,883	40,321,948	-	17,132,015
Washington Co Sanitary Dist.	20,387,427	-	-	20,387,427	-	-
Westernport, Town of	1,030,992	-	142,467	1,030,992	-	169,955
Westminster, City of	1,711,580	-	-	1,711,580	-	-
Wicomico County	2,929,876	-	-	2,929,876	-	-
Willards, Town of	433,599	-	242,757	433,599	-	264,302
Williamsport, Town of	684,538	-	414,764	684,538	-	459,727
Wash. Suburban San. Comm.	415,088,237	29,043,529	249,948,724	415,088,237	49,326,453	245,340,757
Worcester County	11,134,755	-	3,152,508	11,134,755	-	3,837,311
<b>Loan Totals</b>	<b>2,253,607,837</b>	<b>\$ 184,119,360</b>	<b>\$ 1,067,430,501</b>	2,198,304,370	<b>\$ 293,296,146</b>	<b>\$ 985,126,863</b>
<b>Grant /Loan Forgiveness</b>	<b>83,662,669</b>			82,469,055		
<b>Total Commitment</b>	<b>\$ 2,337,270,506</b>			<b>\$ 2,280,773,425</b>		

\* Net of repayments

The current portion of WQRLF loans receivable as of June 30, 2017 and 2016, was \$87,854,194 and \$82,175,615, respectively. Also, the outstanding balance of loans receivable is made up of \$250,968,466 pledged loans (2008 indenture) and \$816,462,035 non-pledged direct loans. During fiscal years 2017 and 2016, there were no defaults or delinquencies.

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2017 and 2016

### 3. LOANS RECEIVABLE (continued)

As of June 30, 2017 and 2016, the Administration's lending commitments under the DWRLF to specific governmental entities within the State are detailed as follows:

DWRLF Borrower	2017			2016		
	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2017	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2016
Allegany County	\$ 426,082	\$ -	\$ 382,444	\$ 426,082	\$ 100,000	\$ 300,083
Annapolis, City of	28,500,000	5,317,642	22,244,177	28,500,000	12,254,636	16,245,364
Anne Arundel County	6,816,718	-	4,942,047	6,985,468	384,167	4,955,835
Baltimore City	114,494,151	83,238,249	24,901,891	30,984,771	-	25,698,749
Baltimore County	31,899,374	-	22,248,218	31,899,374	-	23,916,658
Beaches Water Co.	464,713	-	369,344	464,713	13,524	376,636
Betterton, Town of	43,483	-	15,685	43,483	-	18,263
Boonsboro, Town of	1,662,639	-	199,903	1,662,639	-	218,038
Bowie, City of	1,677,500	-	404,814	1,677,500	-	499,923
Brunswick, City of	359,975	-	180,285	359,975	-	201,019
Calvert County	2,568,000	192,025	2,258,209	2,568,000	625,149	1,942,851
Cecilton, Town of	968,323	-	626,661	968,323	-	658,345
Centreville, Town of	912,870	-	114,984	912,870	-	232,251
Chesapeake City, Town of	125,955	-	102,148	125,955	-	108,171
Chestertown, Town of	1,765,422	-	739,558	1,765,422	-	834,598
Clear Spring, Town of	1,260,531	-	646,350	1,260,531	-	698,663
Cumberland, City of	9,256,475	-	5,353,390	9,256,475	-	5,703,243
Dorchester County	52,778	-	-	52,777	-	-
East New Market	368,150	-	311,557	368,150	-	330,420
Emmitsburg, Town of	1,582,762	-	556,560	1,582,762	-	644,841
Fahrney Keedy	500,000	-	-	500,000	-	-
Federalsburg, Town of	1,830,881	-	925,593	1,830,881	-	1,018,153
Frederick County	10,831,167	-	1,575,917	10,831,167	-	2,274,663
Frostburg, City of	337,500	-	304,618	337,500	-	321,133
Garrett Co Sanitary District	388,653	-	212,092	388,653	-	230,022
Grantsville, Town of	224,283	-	56,009	224,283	-	68,947
Hagerstown, City of	27,510,029	-	19,598,143	27,807,895	608,853	20,445,999
Hampstead, Town of	722,587	-	182,683	722,587	-	225,497
Independence Village	44,902	-	-	44,902	-	-
La Plata, Town of	499,150	-	393,755	499,150	-	415,762
Lonaconing, Town of	887,179	256,993	604,384	187,500	-	170,384
Manchester	400,000	-	134,239	400,000	-	155,843
Martingham Utilities Coop	594,700	-	418,880	594,700	-	438,203
Myersville, Town of	467,842	-	63,339	467,842	-	93,538
New Windsor, Town of	1,927,731	-	1,080,997	1,927,731	-	1,166,859
North East, Town of	19,048,711	-	12,042,658	19,048,711	-	12,633,881
Oakland, Town of	2,759,832	910,776	1,451,192	1,333,301	78,506	910,006
Oxford, Town of	810,770	-	433,282	810,770	-	483,256

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2017 and 2016

### 3. LOANS RECEIVABLE (continued)

DWRLF Borrower	2017			2016		
	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2017	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2016
Perryville, Town of	\$ 11,534,299	\$ -	\$ 8,346,529	\$ 11,534,299	\$ -	\$ 8,750,463
Pittsville, Town of	86,166	-	69,763	86,166	-	73,913
Pocomoke City	17,214	-	13,898	17,214	-	14,737
Port Deposit, Town of	291,760	-	-	291,760	-	-
Queenstown, Town of	489,139	-	403,858	489,139	-	427,222
Rising Sun, Town of	1,698,717	-	926,093	1,698,717	-	987,321
Rock Hall, Town of	1,020,183	-	646,417	1,020,183	-	680,986
Rockville, City of	8,122,000	-	1,954,416	8,122,000	-	2,437,747
Salisbury, City of	1,513,160	-	1,320,175	1,513,160	-	1,369,071
Secretary, Town of	149,408	-	64,819	149,408	-	72,843
Sharptown, Town of	122,299	-	106,779	122,299	-	114,573
Somerset County	32,000	-	19,200	32,000	-	20,267
St. Mary's Co Metcom	7,582,096	453,027	5,087,154	7,582,096	1,081,814	4,833,574
St. Michaels, Town of	1,860,639	448,759	1,002,340	1,860,639	629,727	891,653
Taneytown, City of	4,011,000	-	2,839,532	4,011,000	-	3,035,051
Thurmont, Town of	2,243,740	-	-	2,243,740	-	-
Union Bridge, Town of	775,499	-	433,527	775,499	-	460,467
Westernport, Town of	3,074,861	233,702	2,670,102	1,675,861	23,799	1,539,620
Westminister, City of	15,535,902	-	8,554,701	15,535,902	-	9,415,806
Worcester County	367,063	-	239,962	367,063	-	258,573
WSSC	135,049	-	120,589	166,000	50,290	106,118
<b>Loan Total</b>	<b>335,654,012</b>	<b>\$ 91,051,173</b>	<b>\$ 160,895,860</b>	249,116,988	<b>\$ 15,850,465</b>	<b>\$ 160,126,102</b>
<b>Grant /Loan Forgiveness</b>	<b>56,169,387</b>			49,616,082		
<b>Total Commitment</b>	<b>\$ 391,823,399</b>			<b>\$ 298,733,070</b>		

\* Net of repayments

The current portion of DWRLF loans receivable as of June 30, 2017 and 2016, was \$10,615,471 and \$10,561,557, respectively. During fiscal years 2017 and 2016, 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, 2017 and 2016

#### 4. FIXED ASSETS

Fixed assets represent vehicles, net of accumulated depreciation. The activity for the years ended June 30, 2017 and 2016 follows:

	For the Year Ended June 30, 2017				Balance June 30, 2017
	Balance June 30, 2016	Increases	Decreases	Depreciation	
Cost	\$ 292,156	\$ -	\$ (175,202)	\$ -	\$ 116,954
Accumulated depreciation	215,063	-	(175,202)	23,392	63,253
Net	\$ 77,093	\$ -	\$ (350,404)	\$ 23,392	\$ 53,701

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

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, 2017, is summarized below:

	Loan Amount	ITD Principal Payments	Principal Balance	Annual Repayment
Town of Boonsboro	\$ 310,000	\$ 201,500	\$ 108,500	\$ 15,500

Principal payments have been transferred to the DWRLF Capital Reserve account.



# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2017 and 2016

### 6. REVENUE BONDS PAYABLE

During fiscal year 2017, the Administration sold \$21.025 million in Water Quality RLF Series 2016 bonds to advance refund \$23.640 million of Series 2008A bonds. The Series 2008A bonds defeased were removed as an Administration liability on the balance sheet. This transaction resulted in a net present value savings of \$2.73 million. The Administration had the following outstanding debt as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
<b>Water Quality RLF</b>		
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, 2018. On November 10, 2016, an advanced refunding transaction occurred for callable Series 2008A Bonds with a maturity date of March 1, 2019 and forward with a call date of March 1, 2018.	\$ 4,330,000	\$ 29,205,000
2016 Series, Advanced Refunding Revenue Bonds, dated November 10, 2016 with an all-in true interest rate of 1.53% due serially from March 1, 2017 to March 1, 2025.	<u>20,320,000</u>	<u>-</u>
<b>Total amount payable for Clean Water RLF</b>	<b>24,650,000</b>	29,205,000
<b>Bay Restoration Fund</b>		
2008 Series BRF Revenue Bonds, dated June 25, 2008 with an all-in true interest rate of 4.09% due serially from March 1, 2009 to March 1, 2023.	23,460,000	26,775,000
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.	89,420,000	94,840,000
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.	<u>180,000,000</u>	<u>180,000,000</u>
<b>Total amount payable for BRF</b>	<u>292,880,000</u>	301,615,000
Total amount payable for all indentured series	<u>317,530,000</u>	330,820,000
Less: Current portion payable	<u>23,620,000</u>	9,970,000
Non-current bonds payable	<u>\$ 293,910,000</u>	<u>\$ 320,850,000</u>

As of June 30, 2017, there are five series of Serial Bonds outstanding as follows:

<b>Water Quality RLF</b>	<b>Current Bonds Payable</b>	<b>Non-Current</b>	<b>Years</b>	<b>Final Payment</b>
<u>Series</u>	<u>due March 1, 2018</u>	<u>Bonds Payable</u>	<u>Remaining</u>	<u>Due Date</u>
2008A	\$ 4,330,000	\$ -	1	March 1, 2018
2016	<u>-</u>	<u>20,320,000</u>	8	March 1, 2025
<b>Total WQRLF</b>	<u>\$ 4,330,000</u>	<u>\$ 20,320,000</u>		
<b>Bay Restoration Fund</b>	<b>Current Bonds Payable</b>	<b>Non-Current</b>	<b>Years</b>	<b>Final Payment</b>
<u>Series</u>	<u>due March 1, 2018</u>	<u>Bonds Payable</u>	<u>Remaining</u>	<u>Due Date</u>
2015	\$ 10,160,000	\$ 169,840,000	13	March 1, 2030
2014	5,690,000	83,730,000	12	March 1, 2029
2008	<u>3,440,000</u>	<u>20,020,000</u>	6	March 1, 2023
<b>Total BRF</b>	<u>\$ 19,290,000</u>	<u>\$ 273,590,000</u>		

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2017 and 2016

### 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 indenture dated April 1, 2008. Similarly, the BRF bonds are payable solely from the revenue derived from collections from the Bay Restoration wastewater fees as identified by the indenture dated June 1, 2008.

The principal and interest payment obligations related to WQRLF and BRF as of June 30, 2017, were as follows:

<b>Water Quality RLF</b>			
<b>Years Ended June 30,</b>	<b>Interest</b>	<b>Principal</b>	<b>Total</b>
2018	\$ 1,127,950	\$ 4,330,000	\$ 5,457,950
2019	928,850	2,515,000	3,443,850
2020	803,100	2,635,000	3,438,100
2021	671,350	2,770,000	3,441,350
2022	532,850	2,905,000	3,437,850
2023-2025	972,250	9,495,000	10,467,250
<b>Total WQRLF</b>	<b>5,036,350</b>	<b>24,650,000</b>	<b>29,686,350</b>
<b>Bay Restoration Fund</b>			
<b>Years Ended June 30,</b>	<b>Interest</b>	<b>Principal</b>	<b>Total</b>
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	8,352,907	23,470,000	31,822,907
2023-2027	24,816,167	115,870,000	140,686,167
2028-2030	4,168,075	70,375,000	74,543,075
<b>Total BRF</b>	<b>81,300,255</b>	<b>292,880,000</b>	<b>374,180,255</b>
<b>Total Interest &amp; Bonds Payable for all series</b>	<b>\$ 86,336,605</b>	<b>\$ 317,530,000</b>	<b>\$ 403,866,605</b>

As of June 30, 2017 and 2016, 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, 2017 and 2016

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

Changes in business-type activities, long-term debt for the year ended June 30, 2017, were as follows:

Bond Series & Program	Beginning Balance 6/30/2016	Additions	Reductions	Ending Balance 6/30/2017	Amounts Due Within One Year
<b><u>2008A &amp; 2016 Water Quality RLF</u></b>					
Unamortized Premium	\$ 525,811	\$ 3,460,680	\$ 1,063,038	\$ 2,923,453	\$ -
Revenue Bonds Payable	29,205,000	21,025,000	25,580,000	24,650,000	4,330,000
Total WQ: 2008A & 2016 Series	29,730,811	24,485,680	26,643,038	27,573,453	4,330,000
<b><u>2008, 2014 &amp; 2015 Bay Rest. Fund</u></b>					
Unamortized Premium	27,429,450	-	5,280,185	22,149,265	-
Revenue Bonds Payable	301,615,000	-	8,735,000	292,880,000	19,290,000
Total BRF: 2008, 2014 & 2015 Series	329,044,450	-	14,015,185	315,029,265	19,290,000
<b>Total All Bond Series &amp; Programs</b>	<b>358,775,261</b>	<b>24,485,680</b>	<b>40,658,223</b>	<b>342,602,718</b>	<b>23,620,000</b>
<b><u>Compensated Absences</u></b>					
Water Quality	378,183	321,606	152,251	547,538	321,606
Drinking Water	36,040	44,271	19,470	60,841	44,271
BRF - Wastewater	155,339	64,474	74,709	145,104	64,474
BRF - Septics	62,203	35,590	37,329	60,464	35,590
Total Compensated Absences	631,765	465,941	283,759	813,947	465,941
<b>Total</b>	<b>\$ 359,407,026</b>	<b>\$ 24,951,621</b>	<b>\$ 40,941,982</b>	<b>\$ 343,416,665</b>	<b>\$ 24,085,941</b>

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
<b><u>1990 - 2005 &amp; 2008A Water Quality RLF</u></b>					
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
<b><u>2008, 2014 &amp; 2015 Bay Restoration Fund</u></b>					
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
<b>Total All Bond Series &amp; Programs</b>	<b>176,663,375</b>	<b>196,924,064</b>	<b>14,812,178</b>	<b>358,775,261</b>	<b>9,970,000</b>
<b><u>Compensated Absences</u></b>					
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
<b>Total</b>	<b>\$ 177,572,770</b>	<b>\$ 197,356,635</b>	<b>\$ 15,522,379</b>	<b>\$ 359,407,026</b>	<b>\$ 10,402,571</b>

The Administration had no pending workers' compensation claims as of June 30, 2017 and 2016.

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**Notes to the Financial Statements  
June 30, 2017 and 2016**

**8. GRANTS AND RELATED PARTY TRANSACTIONS**

Maryland Environmental Services (MES) was awarded grants under the BRF program. MES received BRF grant disbursements totaling \$5,960,378 and \$4,873,813, for the fiscal years ended 2017 and 2016, respectively.

**9. 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 on-site septic disposal systems with nitrogen removal technology (Septic Fund). The revenue is recorded as earned. During the fiscal year ending June 30, 2017, the Wastewater Fund received cash deposits from the Maryland Comptroller’s Office totaling \$112,678,327, which earned investment interest of \$1,972,768, for capital projects and \$6,410, for the 2008 indenture. Similarly, the Septic Fund (60.0% of septic fees) received cash deposits of \$17,060,769, which earned investment interest of \$133,493. 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 \$122,406,679, for the wastewater treatment plant and sewer upgrades, and \$14,344,337, for septic system projects for fiscal year 2017. Wastewater Fund and Septic Fund fee revenue receivables as of June 30, 2017 and 2016, were \$26,666,973 and \$1,343,311, and \$23,356,248 and \$1,290,240, respectively.

Below is a summary of grant activity for fiscal years June 30, 2017 and 2016:

	2017			2016		
	BRF Grant Award	Cumulative Grant Disbursements	Remaining Grant Balance as of 6/30/17	BRF Grant Award	Cumulative Grant Disbursements	Remaining Grant Balance as of 6/30/16
<b>BRF Wastewater Fund</b>						
BRF WW Grants:						
ENR Major WWTP	\$ 1,200,447,985	\$ 1,077,418,264	\$ 123,029,721	\$ 1,190,387,825	\$ 974,874,069	\$ 215,513,756
Sewer -pre FY10	19,711,306	19,711,306	-	19,711,306	19,711,306	-
O&M to WWTP	13,482,460	13,482,460	-	8,705,060	8,705,060	-
Expanded Uses(post FY16):						
ENR Minor WWTP	12,895,692	8,056,193	4,839,499	-	-	-
Sewer	48,573,937	7,028,891	41,545,046	-	-	-
<b>Total BRF WW Grants</b>	<b>\$ 1,295,111,380</b>	<b>\$ 1,125,697,114</b>	<b>\$ 169,414,266</b>	<b>\$ 1,218,804,191</b>	<b>\$ 1,003,290,435</b>	<b>\$ 215,513,756</b>

	2017			2016		
	BRF Grant Award	Cumulative Grant Disbursements	Remaining Grant Balance as of 6/30/17	BRF Grant Award	Cumulative Grant Disbursements	Remaining Grant Balance as of 6/30/16
<b>BRF Septic Fund</b>						
BRF SEPTIC Grants:						
Capital BAT/Sewer Connection	\$ 122,309,220	\$ 116,282,700	\$ 6,026,520	\$ 108,337,072	\$ 103,363,363	\$ 4,973,709
HB12 Admin	3,935,000	3,935,000	-	2,510,000	2,510,000	-
<b>Total BRF Septic Grants</b>	<b>\$ 126,244,220</b>	<b>\$ 120,217,700</b>	<b>\$ 6,026,520</b>	<b>\$ 110,847,072</b>	<b>\$ 105,873,363</b>	<b>\$ 4,973,709</b>

## **SUPPLEMENTAL INFORMATION**

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Combining Statements of Net Position – Schedule 1 As of June 30, 2017 and 2016

	2017				2016			
	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
<b>ASSETS</b>								
Current Assets:								
Cash and cash equivalents	\$ 247,915,465	\$ 62,409,888	\$ 108,001,938	\$ 418,327,291	\$ 286,160,793	\$ 51,439,584	\$ 97,875,057	\$ 435,475,434
Investments	3,968,615	-	-	3,968,615	-	-	-	-
Receivables:								
Investment interest	94,987	-	-	94,987	69,738	-	-	69,738
Loans	53,203,644	10,615,471	-	63,819,115	42,569,625	10,561,557	-	53,131,182
Loan interest	4,162,440	741,156	-	4,903,596	3,282,658	751,233	-	4,033,891
BRF fee	-	-	1,743,316	1,743,316	-	-	1,640,584	1,640,584
Administrative fee	4,866,084	669,753	-	5,535,837	4,804,422	519,928	-	5,324,350
Current Restricted Assets:								
Cash and cash equivalents	-	-	22,220,053	22,220,053	7,039	-	63,740,469	63,747,508
Investments	-	-	-	-	-	-	-	-
Receivables:								
Investment interest	-	-	-	-	3,004	-	2,163	5,167
BRF fee	-	-	26,266,968	26,266,968	-	-	23,005,904	23,005,904
Loans	34,650,550	-	-	34,650,550	39,605,990	-	-	39,605,990
Loan interest	1,423,317	-	-	1,423,317	1,796,872	-	-	1,796,872
<b>Total Current Assets</b>	<b>350,285,102</b>	<b>74,436,268</b>	<b>158,232,275</b>	<b>582,953,645</b>	<b>378,300,141</b>	<b>63,272,302</b>	<b>186,264,177</b>	<b>627,836,620</b>
Non-current Assets:								
Investments	5,770,405	-	-	5,770,405	7,119,805	-	-	7,119,805
Loans receivable	763,258,392	150,280,389	-	913,538,781	632,082,113	149,564,545	-	781,646,658
Fixed assets, net	36,303	-	17,398	53,701	51,739	-	25,354	77,093
Non-current Restricted Assets:								
Investments	-	-	-	-	1,012,307	-	-	1,012,307
Loans receivable	216,317,916	-	-	216,317,916	270,869,135	-	-	270,869,135
<b>Total Non-current Assets</b>	<b>985,383,016</b>	<b>150,280,389</b>	<b>17,398</b>	<b>1,135,680,803</b>	<b>911,135,099</b>	<b>149,564,545</b>	<b>25,354</b>	<b>1,060,724,998</b>
<b>Total Assets</b>	<b>\$ 1,335,668,118</b>	<b>\$ 224,716,657</b>	<b>\$ 158,249,673</b>	<b>\$ 1,718,634,448</b>	<b>\$ 1,289,435,240</b>	<b>\$ 212,836,847</b>	<b>\$ 186,289,531</b>	<b>\$ 1,688,561,618</b>

## MARYLAND WATER QUALITY FINANCING ADMINISTRATION

### Combining Statements of Net Position – Schedule 1 (continued) For the Years Ended June 30, 2017 and 2016

	2017				2016			
	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
<b>LIABILITIES AND NET POSITION</b>								
<b>LIABILITIES</b>								
<b>Current Liabilities:</b>								
Accounts payable	\$ 329,439	\$ 46,410	\$ 106,007	\$ 481,856	\$ 260,539	\$ 33,468	\$ 160,767	\$ 454,774
Revenue bonds	4,330,000	-	19,290,000	23,620,000	1,235,000	-	8,735,000	9,970,000
Accrued interest on bonds payable	178,770	-	2,479,504	2,658,274	420,196	-	3,910,482	4,330,678
<b>Total Current Liabilities</b>	<b>4,838,209</b>	<b>46,410</b>	<b>21,875,511</b>	<b>26,760,130</b>	<b>1,915,735</b>	<b>33,468</b>	<b>12,806,249</b>	<b>14,755,452</b>
<b>Non-current Liabilities:</b>								
Other liabilities	225,932	16,570	105,504	348,006	128,246	5,632	65,316	199,194
Revenue bonds	20,320,000	-	273,590,000	293,910,000	27,970,000	-	292,880,000	320,850,000
Bonds premium	2,923,453	-	22,149,265	25,072,718	525,811	-	27,429,450	27,955,261
<b>Total Non-current Liabilities</b>	<b>23,469,385</b>	<b>16,570</b>	<b>295,844,769</b>	<b>319,330,724</b>	<b>28,624,057</b>	<b>5,632</b>	<b>320,374,766</b>	<b>349,004,455</b>
<b>Total Liabilities</b>	<b>28,307,594</b>	<b>62,980</b>	<b>317,720,280</b>	<b>346,090,854</b>	<b>30,539,792</b>	<b>39,100</b>	<b>333,181,015</b>	<b>363,759,907</b>
<b>NET POSITION</b>								
Net investment in capital assets	36,303	-	17,398	53,701	51,739	-	25,354	77,093
Restricted for debt service	224,639,560	-	48,486,907	273,126,467	283,143,340	-	45,032,455	328,175,795
Unrestricted	1,082,684,661	224,653,677	(207,974,912)	1,099,363,426	975,700,369	212,797,747	(191,949,293)	996,548,823
<b>Total Net Position</b>	<b>\$ 1,307,360,524</b>	<b>\$ 224,653,677</b>	<b>\$ (159,470,607)</b>	<b>\$ 1,372,543,594</b>	<b>\$ 1,258,895,448</b>	<b>\$ 212,797,747</b>	<b>\$ (146,891,484)</b>	<b>\$ 1,324,801,711</b>

## MARYLAND WATER QUALITY FINANCING ADMINISTRATION

### Combining Statements of Revenue, Expenses and Changes in Net Position – Schedule 2 For the Years Ended June 30, 2017 and 2016

	2017				2016			
	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	\$ 11,150,297	\$ 1,533,107	\$ -	\$ 12,683,404	\$ 10,245,089	\$ 1,518,623	\$ -	\$ 11,763,712
Loan administration fees	4,866,915	671,586	-	5,538,501	4,805,565	521,868	-	5,327,433
Fee revenue	-	-	133,102,892	133,102,892	-	-	141,613,001	141,613,001
Grant revenue	-	356,089	-	356,089	-	226,137	-	226,137
Grant revenue (Set-Asides 2%,10%, & 15%)	-	3,913,832	-	3,913,832	-	4,481,637	-	4,481,637
Miscellaneous	14,425	15,500	25,625	55,550	14,607	15,500	7,190	37,297
<b>Total Operating Revenue</b>	<b>16,031,637</b>	<b>6,490,114</b>	<b>133,128,517</b>	<b>155,650,268</b>	<b>15,065,261</b>	<b>6,763,765</b>	<b>141,620,191</b>	<b>163,449,217</b>
Operating Expenses:								
Salaries and related benefits	4,405,560	624,528	1,960,965	6,991,053	3,140,378	519,326	2,174,478	5,834,182
General	1,313,929	166,255	1,123,496	2,603,680	1,106,967	142,539	1,125,788	2,375,294
Capital grant disbursements	4,834,031	4,053,209	136,751,016	145,638,256	3,349,593	2,041,911	194,562,795	199,954,299
Transfers-out (Set-Asides 2%,10%, and 15%)	-	3,913,832	-	3,913,832	-	4,481,637	-	4,481,637
<b>Total Operating Expenses</b>	<b>10,553,520</b>	<b>8,757,824</b>	<b>139,835,477</b>	<b>159,146,821</b>	<b>7,596,938</b>	<b>7,185,413</b>	<b>197,863,061</b>	<b>212,645,412</b>
<b>Operating Income (Loss)</b>	<b>5,478,117</b>	<b>(2,267,710)</b>	<b>(6,706,960)</b>	<b>(3,496,553)</b>	<b>7,468,323</b>	<b>(421,648)</b>	<b>(56,242,870)</b>	<b>(49,196,195)</b>
Non-operating Revenue (Expenses):								
Investment income	4,116,732	830,670	2,112,671	7,060,073	3,376,811	487,536	833,274	4,697,621
Cost of issuance expense	(201,463)	-	-	(201,463)	-	-	(799,043)	(799,043)
Arbitrage rebate expense	-	-	-	-	20,050	-	-	20,050
Interest expense on bonds	(1,298,220)	-	(7,984,834)	(9,283,054)	(1,303,786)	-	(6,373,529)	(7,677,315)
Net change in fair value of investments	(159,090)	-	-	(159,090)	(27,950)	-	-	(27,950)
<b>Total Non-operating Revenue (Expenses)</b>	<b>2,457,959</b>	<b>830,670</b>	<b>(5,872,163)</b>	<b>(2,583,534)</b>	<b>2,065,125</b>	<b>487,536</b>	<b>(6,339,298)</b>	<b>(3,786,637)</b>
<b>Income (Loss) Before Contributions</b>	<b>7,936,076</b>	<b>(1,437,040)</b>	<b>(12,579,123)</b>	<b>(6,080,087)</b>	<b>9,533,448</b>	<b>65,888</b>	<b>(62,582,168)</b>	<b>(52,982,832)</b>
Contributions received from:								
Federal government	33,737,000	10,289,970	-	44,026,970	34,152,427	10,958,760	-	45,111,187
State of MD-required match to Federal grant	6,792,000	3,003,000	-	9,795,000	6,782,000	3,003,000	-	9,785,000
<b>Change in Net Position</b>	<b>48,465,076</b>	<b>11,855,930</b>	<b>(12,579,123)</b>	<b>47,741,883</b>	<b>50,467,875</b>	<b>14,027,648</b>	<b>(62,582,168)</b>	<b>1,913,355</b>
Net Position, Beginning 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
<b>Net Position, End of Year</b>	<b>\$ 1,307,360,524</b>	<b>\$ 224,653,677</b>	<b>\$ (159,470,607)</b>	<b>\$ 1,372,543,594</b>	<b>\$ 1,258,895,448</b>	<b>\$ 212,797,747</b>	<b>\$ (146,891,484)</b>	<b>\$ 1,324,801,711</b>



# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Combining Statements of Cash Flows – Schedule 3 For the Years Ended June 30, 2017 and 2016

	2017				2016			
	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:								
BRF Fee and other receipts	\$ 14,425	\$ 4,285,421	\$ 129,764,721	\$ 134,064,567	\$ 14,607	\$ 4,723,274	\$ 141,204,490	\$ 145,942,371
Capital grant disbursements	(4,834,031)	(4,053,209)	(136,751,016)	(145,638,256)	(3,349,593)	(2,041,911)	(194,562,795)	(199,954,299)
Salaries and benefits paid	(4,236,204)	(599,728)	(1,972,939)	(6,808,871)	(3,140,378)	(519,326)	(2,174,478)	(5,834,182)
General expenses paid	(1,301,263)	(4,081,007)	(1,118,138)	(6,500,408)	(1,328,759)	(4,663,077)	(1,116,295)	(7,108,131)
<b>Net Cash from Operating Activities</b>	<b>(10,357,073)</b>	<b>(4,448,523)</b>	<b>(10,077,372)</b>	<b>(24,882,968)</b>	<b>(7,804,123)</b>	<b>(2,501,040)</b>	<b>(56,649,078)</b>	<b>(66,954,241)</b>
Cash Flows from Non-capital Financing Activities:								
Contributions received from:								
Federal government	33,737,000	10,289,970	-	44,026,970	34,152,427	10,958,760	-	45,111,187
State of MD-required match to Federal grant	6,792,000	3,003,000	-	9,795,000	6,782,000	3,003,000	-	9,785,000
Proceeds from sale of bonds	24,485,679	-	-	24,485,679	-	-	196,924,064	196,924,064
Repayment of bonds	(25,580,000)	-	(8,735,000)	(34,315,000)	(3,980,000)	-	(8,365,000)	(12,345,000)
Cost of issuance/underwriters' discount	(201,463)	-	-	(201,463)	-	-	(799,043)	(799,043)
Interest on bonds	(2,602,684)	-	(14,695,997)	(17,298,681)	(1,500,678)	-	(5,964,956)	(7,465,634)
Arbitrage liability-bonds	-	-	-	-	(29,531)	-	-	(29,531)
<b>Net Cash from Non-capital Financing Activities</b>	<b>36,630,532</b>	<b>13,292,970</b>	<b>(23,430,997)</b>	<b>26,492,505</b>	<b>35,424,218</b>	<b>13,961,760</b>	<b>181,795,065</b>	<b>231,181,043</b>
Cash Flows from Capital and Related Financing Activities:								
Purchase of equipment	-	-	-	-	(19,906)	-	(23,921)	(43,827)
<b>Net Cash from Capital and Related Financing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19,906)</b>	<b>-</b>	<b>(23,921)</b>	<b>(43,827)</b>
Cash Flows from Investing Activities:								
Loan repayments	82,176,614	10,566,557	-	92,743,171	81,412,250	9,354,116	-	90,766,366
Loan disbursements	(164,480,253)	(11,336,315)	-	(175,816,568)	(146,571,397)	(14,837,757)	-	(161,409,154)
Interest and fees received from borrowers	15,449,323	2,064,945	-	17,514,268	14,526,076	2,024,326	-	16,550,402
Purchase of investments	(3,000,000)	-	-	(3,000,000)	(226,966)	-	-	(226,966)
Interest on investment securities	4,094,488	830,670	2,114,834	7,039,992	3,501,974	487,535	831,111	4,820,620
Proceeds from sale of investments	1,234,002	-	-	1,234,002	11,582,204	-	-	11,582,204
<b>Net Cash from Investing Activities</b>	<b>(64,525,826)</b>	<b>2,125,857</b>	<b>2,114,834</b>	<b>(60,285,135)</b>	<b>(35,775,859)</b>	<b>(2,971,780)</b>	<b>831,111</b>	<b>(37,916,528)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(38,252,367)</b>	<b>10,970,304</b>	<b>(31,393,535)</b>	<b>(58,675,598)</b>	<b>(8,175,670)</b>	<b>8,488,940</b>	<b>125,953,177</b>	<b>126,266,447</b>
Cash and Cash Equivalents, Beginning 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
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 247,915,465</b>	<b>\$ 62,409,888</b>	<b>\$ 130,221,991</b>	<b>\$ 440,547,344</b>	<b>\$ 286,167,832</b>	<b>\$ 51,439,584</b>	<b>\$ 161,615,526</b>	<b>\$ 499,222,942</b>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**Combining Statements of Cash Flows – Schedule 3 (continued)  
For the Years Ended June 30, 2017 and 2016**

	2017				2016			
	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)	\$ 5,478,117	\$ (2,267,710)	\$ (6,706,960)	\$ (3,496,553)	\$ 7,468,323	\$ (421,648)	\$ (56,242,870)	\$ (49,196,195)
Depreciation of fixed assets	15,436	-	7,956	23,392	14,109	-	6,759	20,868
Adjustments to reconcile operating income to net cash from operating activities:								
Interest and fees received from borrowers	(15,449,323)	(2,064,945)	-	(17,514,268)	(14,526,076)	(2,024,326)	-	(16,550,402)
Decrease/(Increase) in loan interest receivable	(506,227)	10,077	-	(496,150)	(208,929)	(6,003)	-	(214,932)
Decrease/(Increase) in administrative fee receivable and BRF fee receivable	(61,662)	(149,825)	(3,363,796)	(3,575,283)	(315,649)	(10,162)	(415,701)	(741,512)
Increase/(Decrease) in accounts payable and other liabilities	166,586	23,880	(14,572)	175,894	(235,901)	(38,901)	2,734	(272,068)
<b>Net Cash from Operating Activities</b>	<b>\$ (10,357,073)</b>	<b>\$ (4,448,523)</b>	<b>\$ (10,077,372)</b>	<b>\$ (24,882,968)</b>	<b>\$ (7,804,123)</b>	<b>\$ (2,501,040)</b>	<b>\$ (56,649,078)</b>	<b>\$ (66,954,241)</b>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**CLEAN WATER STATE REVOLVING LOAN FUND**

**Combining Statements of Net Position – Schedule 4**

**As of June 30, 2017 and 2016**

	2017				2016			
	Funds held by Administration				Funds held by Administration			
	General Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Total	General Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Total
<b>ASSETS</b>								
Current Assets:								
Cash and cash equivalents	\$ 334,087	\$ 247,581,378	\$ -	\$ 247,915,465	\$ 1,066,301	\$ 285,094,492	\$ -	\$ 286,160,793
Investments	-	3,968,615	-	3,968,615	-	-	-	-
Receivables:								
Investment interest	-	94,987	-	94,987	-	69,738	-	69,738
Loans	-	53,203,644	-	53,203,644	-	42,569,625	-	42,569,625
Loan interest	-	4,162,440	-	4,162,440	-	3,282,658	-	3,282,658
Administrative fee	4,866,084	-	-	4,866,084	4,804,422	-	-	4,804,422
Current Restricted Assets:								
Cash and cash equivalents	-	-	-	-	-	-	7,039	7,039
Investments	-	-	-	-	-	-	-	-
Receivables:								
Investment interest	-	-	-	-	-	-	3,004	3,004
Loans	-	-	34,650,550	34,650,550	-	-	39,605,990	39,605,990
Loan interest	-	-	1,423,317	1,423,317	-	-	1,796,872	1,796,872
<b>Total Current Assets</b>	<b>5,200,171</b>	<b>309,011,064</b>	<b>36,073,867</b>	<b>350,285,102</b>	<b>5,870,723</b>	<b>331,016,513</b>	<b>41,412,905</b>	<b>378,300,141</b>
Non-current Assets:								
Investments	-	5,770,405	-	5,770,405	-	7,119,805	-	7,119,805
Loans receivable	-	763,258,392	-	763,258,392	-	632,082,113	-	632,082,113
Fixed assets, net	36,303	-	-	36,303	51,739	-	-	51,739
Non-current Restricted Assets:								
Investments	-	-	-	-	-	-	1,012,307	1,012,307
Loans receivable	-	-	216,317,916	216,317,916	-	-	270,869,135	270,869,135
<b>Total Non-current Assets</b>	<b>36,303</b>	<b>769,028,797</b>	<b>216,317,916</b>	<b>985,383,016</b>	<b>51,739</b>	<b>639,201,918</b>	<b>271,881,442</b>	<b>911,135,099</b>
<b>Total Assets</b>	<b>\$ 5,236,474</b>	<b>\$ 1,078,039,861</b>	<b>\$ 252,391,783</b>	<b>\$ 1,335,668,118</b>	<b>\$ 5,922,462</b>	<b>\$ 970,218,431</b>	<b>\$ 313,294,347</b>	<b>\$ 1,289,435,240</b>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**CLEAN WATER STATE REVOLVING LOAN FUND**

**Combining Statements of Net Position – Schedule 4 (continued)**

**As of June 30, 2017 and 2016**

	2017				2016			
	Funds held by Administration				Funds held by Administration			
	General Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Total	General Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Total
<b>LIABILITIES</b>								
Current Liabilities:								
Accounts payable	\$ 329,439	\$ -	\$ -	\$ 329,439	\$ 260,539	\$ -	\$ -	\$ 260,539
Revenue bonds payable	-	-	4,330,000	4,330,000	-	-	1,235,000	1,235,000
Accrued interest on bonds payable	-	-	178,770	178,770	-	-	420,196	420,196
<b>Total Current Liabilities</b>	<b>329,439</b>	<b>-</b>	<b>4,508,770</b>	<b>4,838,209</b>	<b>260,539</b>	<b>-</b>	<b>1,655,196</b>	<b>1,915,735</b>
Non-current Liabilities:								
Other liabilities	225,932	-	-	225,932	128,246	-	-	128,246
Revenue bonds payable	-	-	20,320,000	20,320,000	-	-	27,970,000	27,970,000
Bond premium	-	-	2,923,453	2,923,453	-	-	525,811	525,811
<b>Total Non-current Liabilities</b>	<b>225,932</b>	<b>-</b>	<b>23,243,453</b>	<b>23,469,385</b>	<b>128,246</b>	<b>-</b>	<b>28,495,811</b>	<b>28,624,057</b>
<b>Total Liabilities</b>	<b>555,371</b>	<b>-</b>	<b>27,752,223</b>	<b>28,307,594</b>	<b>388,785</b>	<b>-</b>	<b>30,151,007</b>	<b>30,539,792</b>
<b>NET POSITION</b>								
Net investment in capital assets	36,303	-	-	36,303	51,739	-	-	51,739
Restricted for debt service	-	-	224,639,560	224,639,560	-	-	283,143,340	283,143,340
Unrestricted	4,644,800	1,078,039,861	-	1,082,684,661	5,481,938	970,218,431	-	975,700,369
<b>Total Net Position</b>	<b>\$ 4,681,103</b>	<b>\$ 1,078,039,861</b>	<b>\$ 224,639,560</b>	<b>\$ 1,307,360,524</b>	<b>\$ 5,533,677</b>	<b>\$ 970,218,431</b>	<b>\$ 283,143,340</b>	<b>\$ 1,258,895,448</b>

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## CLEAN WATER STATE REVOLVING LOAN FUND

### Combining Statements of Revenue, Expenses and Changes in Net Position – Schedule 5 For the Years Ended June 30, 2017 and 2016

	2017				2016				
	Funds held by Administration				Funds held by Administration				
	General Accounts	Capital Reserve Account	Bond Funds 2008 Indenture	Total	General Accounts	Capital Reserve Account	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Total
Operating Revenues:									
Interest on loans	\$ -	\$ 8,064,580	\$ 3,085,717	\$ 11,150,297	\$ -	\$ 6,362,715	\$ 3,882,374	\$ -	\$ 10,245,089
Loan administration fees	4,866,915	-	-	4,866,915	4,805,565	-	-	-	4,805,565
Grant revenue	-	-	-	-	-	-	-	-	-
Miscellaneous income	-	14,425	-	14,425	-	14,607	-	-	14,607
<b>Total Operating Revenue</b>	<b>4,866,915</b>	<b>8,079,005</b>	<b>3,085,717</b>	<b>16,031,637</b>	<b>4,805,565</b>	<b>6,377,322</b>	<b>3,882,374</b>	<b>-</b>	<b>15,065,261</b>
Operating Expenses:									
Salaries and related benefits	4,405,560	-	-	4,405,560	3,140,378	-	-	-	3,140,378
General	1,313,929	-	-	1,313,929	1,106,967	-	-	-	1,106,967
Capital grant disbursements	-	4,834,031	-	4,834,031	-	3,349,593	-	-	3,349,593
<b>Total Operating Expenses</b>	<b>5,719,489</b>	<b>4,834,031</b>	<b>-</b>	<b>10,553,520</b>	<b>4,247,345</b>	<b>3,349,593</b>	<b>-</b>	<b>-</b>	<b>7,596,938</b>
<b>Operating Income (Loss)</b>	<b>(852,574)</b>	<b>3,244,974</b>	<b>3,085,717</b>	<b>5,478,117</b>	<b>558,220</b>	<b>3,027,729</b>	<b>3,882,374</b>	<b>-</b>	<b>7,468,323</b>
Non-operating Revenue (Expenses)									
Investment income	933	4,109,205	6,594	4,116,732	2,505	3,370,105	3,530	671	3,376,811
Cost of issuance expense	-	-	(201,463)	(201,463)	-	-	-	-	-
Arbitrage rebate expense	-	-	-	-	-	-	-	20,050	20,050
Interest expense on bonds	-	-	(1,298,220)	(1,298,220)	-	-	(1,285,066)	(18,720)	(1,303,786)
Net change in fair value of investments	-	(159,090)	-	(159,090)	-	(27,950)	-	-	(27,950)
<b>Total Non-operating Revenue (Expenses)</b>	<b>933</b>	<b>3,950,115</b>	<b>(1,493,089)</b>	<b>2,457,959</b>	<b>2,505</b>	<b>3,342,155</b>	<b>(1,281,536)</b>	<b>2,001</b>	<b>2,065,125</b>
<b>Income (Loss) Before Contributions</b>	<b>(851,641)</b>	<b>7,195,089</b>	<b>1,592,628</b>	<b>7,936,076</b>	<b>560,725</b>	<b>6,369,884</b>	<b>2,600,838</b>	<b>2,001</b>	<b>9,533,448</b>
Contributions received from:									
Federal government	-	33,737,000	-	33,737,000	-	34,152,427	-	-	34,152,427
State of MD-required match to federal grant	-	6,792,000	-	6,792,000	-	6,782,000	-	-	6,782,000
<b>Interfund transfers</b>	<b>(933)</b>	<b>60,097,341</b>	<b>(60,096,408)</b>	<b>-</b>	<b>(2,505)</b>	<b>50,463,889</b>	<b>(42,458,152)</b>	<b>(8,003,232)</b>	<b>-</b>
<b>Change in Net Position</b>	<b>(852,574)</b>	<b>107,821,430</b>	<b>(58,503,780)</b>	<b>48,465,076</b>	<b>558,220</b>	<b>97,768,200</b>	<b>(39,857,314)</b>	<b>(8,001,231)</b>	<b>50,467,875</b>
Net Position, Beginning 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
<b>Net Position, End of Year</b>	<b>\$ 4,681,103</b>	<b>\$ 1,078,039,861</b>	<b>\$ 224,639,560</b>	<b>\$ 1,307,360,524</b>	<b>\$ 5,533,677</b>	<b>\$ 970,218,431</b>	<b>\$ 283,143,340</b>	<b>\$ -</b>	<b>\$ 1,258,895,448</b>

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## CLEAN WATER STATE REVOLVING LOAN FUND Combining Statements of Cash Flow – Schedule 6 For the Years Ended June 30, 2017 and 2016

	2017				2016				
	Funds held by Administration				Funds held by Administration				
	General Account	Capital Reserve Account	Bond Funds 2008 Indenture	Totals	General Account	Capital Reserve Account	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Totals
Cash Flows from Operating Activities:									
Other receipts	\$ -	\$ 14,425	\$ -	\$ 14,425	\$ -	\$ 14,607	\$ -	\$ -	\$ 14,607
Capital grant disbursements	-	(4,834,031)	-	(4,834,031)	-	(3,349,593)	-	-	(3,349,593)
Salaries and benefits paid	(4,236,204)	-	-	(4,236,204)	(3,140,378)	-	-	-	(3,140,378)
General expenses paid	(1,301,263)	-	-	(1,301,263)	(1,328,759)	-	-	-	(1,328,759)
<b>Net Cash from Operating Activities</b>	<b>(5,537,467)</b>	<b>(4,819,606)</b>	<b>-</b>	<b>(10,357,073)</b>	<b>(4,469,137)</b>	<b>(3,334,986)</b>	<b>-</b>	<b>-</b>	<b>(7,804,123)</b>
Cash Flows from Non-capital Financing Activities:									
Contributions received from:									
Federal government	-	33,737,000	-	33,737,000	-	34,152,427	-	-	34,152,427
State of MD-required match to Federal grant	-	6,792,000	-	6,792,000	-	6,782,000	-	-	6,782,000
Interfund transfers	(933)	35,730,834	(35,729,901)	-	(2,505)	46,840,936	(42,458,152)	(4,380,279)	-
Proceeds from sale of bonds	-	-	24,485,679	24,485,679	-	-	-	-	-
Repayment of bonds	-	-	(25,580,000)	(25,580,000)	-	-	(1,050,000)	(2,930,000)	(3,980,000)
Cost of issuance/underwriters' discount	-	-	(201,463)	(201,463)	-	-	-	-	-
Interest on bonds	-	-	(2,602,684)	(2,602,684)	-	-	(1,427,428)	(73,250)	(1,500,678)
Arbitrage liability paid	-	-	-	-	-	-	-	(29,531)	(29,531)
<b>Net Cash from Non-capital Financing Activities</b>	<b>(933)</b>	<b>76,259,834</b>	<b>(39,628,369)</b>	<b>36,630,532</b>	<b>(2,505)</b>	<b>87,775,363</b>	<b>(44,935,580)</b>	<b>(7,413,060)</b>	<b>35,424,218</b>
Cash Flows from Capital and Related Financing Activities:									
Purchase of equipment	-	-	-	-	(19,906)	-	-	-	(19,906)
<b>Net Cash from Capital and Related Financing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19,906)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19,906)</b>
Cash Flows from Investing Activities:									
Loan repayments	-	47,036,462	35,140,152	82,176,614	-	40,421,932	40,990,318	-	81,412,250
Loan disbursements	-	(164,480,253)	-	(164,480,253)	-	(146,571,397)	-	-	(146,571,397)
Interest and fees received from borrowers	4,805,253	7,184,798	3,459,272	15,449,323	4,489,916	5,813,838	4,170,515	51,807	14,526,076
Purchase of investments	-	(3,000,000)	-	(3,000,000)	-	-	(226,966)	-	(226,966)
Interest on investment securities	933	4,083,956	9,599	4,094,488	2,505	3,488,767	8,739	1,963	3,501,974
Proceeds from sale of investments	-	221,695	1,012,307	1,234,002	-	4,222,922	-	7,359,282	11,582,204
<b>Net Cash from Investing Activities</b>	<b>4,806,186</b>	<b>(108,953,342)</b>	<b>39,621,330</b>	<b>(64,525,826)</b>	<b>4,492,421</b>	<b>(92,623,938)</b>	<b>44,942,606</b>	<b>7,413,052</b>	<b>(35,775,859)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(732,214)</b>	<b>(37,513,114)</b>	<b>(7,039)</b>	<b>(38,252,367)</b>	<b>873</b>	<b>(8,183,561)</b>	<b>7,026</b>	<b>(8)</b>	<b>(8,175,670)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>1,066,301</b>	<b>285,094,492</b>	<b>7,039</b>	<b>286,167,832</b>	<b>1,065,428</b>	<b>293,278,053</b>	<b>13</b>	<b>8</b>	<b>294,343,502</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 334,087</b>	<b>\$ 247,581,378</b>	<b>\$ -</b>	<b>\$ 247,915,465</b>	<b>\$ 1,066,301</b>	<b>\$ 285,094,492</b>	<b>\$ 7,039</b>	<b>\$ -</b>	<b>\$ 286,167,832</b>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**CLEAN WATER STATE REVOLVING LOAN FUND**  
**Combining Statements of Cash Flow – Schedule 6 (continued)**  
**For the Years Ended June 30, 2017 and 2016**

	2017				2016				
	Funds held by Administration				Funds held by Administration				
	General Account	Capital Reserve Account	Bond Funds 2008 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)	\$ (852,574)	\$ 3,244,974	\$ 3,085,717	\$ 5,478,117	\$ 558,220	\$ 3,027,729	\$ 3,882,374	\$ -	\$ 7,468,323
Depreciation of fixed assets	15,436	-	-	15,436	14,109	-	-	-	14,109
Adjustments to reconcile operating income to net cash from operating activities:									
Interest/admin fees received from loans	(4,805,253)	(7,184,798)	(3,459,272)	(15,449,323)	(4,489,916)	(5,813,838)	(4,170,515)	(51,807)	(14,526,076)
Decrease (Increase) in loan interest receivable		(879,782)	373,555	(506,227)	-	(548,877)	288,141	51,807	(208,929)
Decrease/(Increase) in administrative fee receivable	(61,662)	-	-	(61,662)	(315,649)	-	-	-	(315,649)
Increase/(Decrease) in accounts payable and other liabilities	166,586	-	-	166,586	(235,901)	-	-	-	(235,901)
<b>Net Cash from Operating Activities</b>	<b>\$ (5,537,467)</b>	<b>\$ (4,819,606)</b>	<b>\$ -</b>	<b>\$ (10,357,073)</b>	<b>\$ (4,469,137)</b>	<b>\$ (3,334,986)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (7,804,123)</b>

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

DRINKING WATER STATE REVOLVING LOAN FUND

Combining Statements of Net Position – Schedule 7

As of June 30, 2017 and 2016

	2017			2016		
	Funds held by Administration			Funds held by Administration		
	General Accounts	Capital Reserve Accounts	Total	General Accounts	Capital Reserve Accounts	Total
<b>ASSETS</b>						
Current Assets:						
Cash and cash equivalents	\$ 402,288	\$ 62,007,600	\$ 62,409,888	\$ 283,370	\$ 51,156,214	\$ 51,439,584
Investments	-	-	-	-	-	-
Receivables:						
Investment interest	-	-	-	-	-	-
Loans	-	10,615,471	10,615,471	-	10,561,557	10,561,557
Loan interest	-	741,156	741,156	-	751,233	751,233
Administrative fee	669,753	-	669,753	519,928	-	519,928
<b>Total Current Assets</b>	<b>1,072,041</b>	<b>73,364,227</b>	<b>74,436,268</b>	<b>803,298</b>	<b>62,469,004</b>	<b>63,272,302</b>
Non-current Assets:						
Receivables:						
Loans	-	150,280,389	150,280,389	-	149,564,545	149,564,545
<b>Total Non-current Assets</b>	<b>-</b>	<b>150,280,389</b>	<b>150,280,389</b>	<b>-</b>	<b>149,564,545</b>	<b>149,564,545</b>
<b>Total Assets</b>	<b>1,072,041</b>	<b>223,644,616</b>	<b>224,716,657</b>	<b>803,298</b>	<b>212,033,549</b>	<b>212,836,847</b>
<b>LIABILITIES AND NET POSITION</b>						
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts payable	46,410	-	46,410	33,468	-	33,468
<b>Total Current Liabilities</b>	<b>46,410</b>	<b>-</b>	<b>46,410</b>	<b>33,468</b>	<b>-</b>	<b>33,468</b>
Non-current Liabilities:						
Other liabilities	16,570	-	16,570	5,632	-	5,632
<b>Total Non-current Liabilities</b>	<b>16,570</b>	<b>-</b>	<b>16,570</b>	<b>5,632</b>	<b>-</b>	<b>5,632</b>
<b>Total Liabilities</b>	<b>62,980</b>	<b>-</b>	<b>62,980</b>	<b>39,100</b>	<b>-</b>	<b>39,100</b>
<b>NET POSITION</b>						
Unrestricted	1,009,061	223,644,616	224,653,677	764,198	212,033,549	212,797,747
<b>Total Net Position</b>	<b>\$ 1,009,061</b>	<b>\$ 223,644,616</b>	<b>\$ 224,653,677</b>	<b>\$ 764,198</b>	<b>\$ 212,033,549</b>	<b>\$ 212,797,747</b>



**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**DRINKING WATER STATE REVOLVING LOAN FUND**

**Combining Statements of Revenue, Expenses and Changes in Net Position – Schedule 8  
For the Years Ended June 30, 2017 and 2016**

	2017			2016		
	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	\$ -	\$ 1,533,107	\$ 1,533,107	\$ -	\$ 1,518,623	1,518,623
Loan administration fees	671,586	-	671,586	521,868	-	521,868
Grant revenue	356,089	-	356,089	226,137	-	226,137
Grant revenue (Set-Asides 2%,10%, 15%)	3,913,832	-	3,913,832	4,481,637	-	4,481,637
Miscellaneous income	-	15,500	15,500	-	15,500	15,500
<b>Total Operating Revenue</b>	<b>4,941,507</b>	<b>1,548,607</b>	<b>6,490,114</b>	<b>5,229,642</b>	<b>1,534,123</b>	<b>6,763,765</b>
Operating Expenses:						
Salaries and related benefits	624,528	-	624,528	519,326	-	519,326
General	166,255	-	166,255	142,539	-	142,539
Capital grant disbursements	-	4,053,209	4,053,209	-	2,041,911	2,041,911
Transfers-out (Set-Asides 2%,10%,15%)	3,913,832	-	3,913,832	4,481,637	-	4,481,637
<b>Total Operating Expenses</b>	<b>4,704,615</b>	<b>4,053,209</b>	<b>8,757,824</b>	<b>5,143,502</b>	<b>2,041,911</b>	<b>7,185,413</b>
<b>Operating Income (Loss)</b>	<b>236,892</b>	<b>(2,504,602)</b>	<b>(2,267,710)</b>	<b>86,140</b>	<b>(507,788)</b>	<b>(421,648)</b>
Non-operating Revenue (Expenses)						
Investment income	7,971	822,699	830,670	4,244	483,292	487,536
Net change in fair value of investments	-	-	-	-	-	-
Total Non-operating Revenue (Expenses)	7,971	822,699	830,670	4,244	483,292	487,536
<b>Income (Loss) Before Contributions</b>	<b>244,863</b>	<b>(1,681,903)</b>	<b>(1,437,040)</b>	<b>90,384</b>	<b>(24,496)</b>	<b>65,888</b>
Contributions received from:						
Federal government	-	10,289,970	10,289,970	-	10,958,760	10,958,760
State of MD-required match for federal grant	-	3,003,000	3,003,000	-	3,003,000	3,003,000
<b>Change in Net Position</b>	<b>244,863</b>	<b>11,611,067</b>	<b>11,855,930</b>	<b>90,384</b>	<b>13,937,264</b>	<b>14,027,648</b>
Net Position, Beginning of Year	764,198	212,033,549	212,797,747	673,814	198,096,285	198,770,099
<b>Net Position, End of Year</b>	<b>\$ 1,009,061</b>	<b>\$ 223,644,616</b>	<b>\$ 224,653,677</b>	<b>\$ 764,198</b>	<b>\$ 212,033,549</b>	<b>\$ 212,797,747</b>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**DRINKING WATER STATE REVOLVING LOAN FUND**

**Combining Statements of Cash Flows – Schedule 9**

**For the Years Ended June 30, 2017 and 2016**

	2017			2016		
	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:						
Other receipts	\$ 4,269,921	\$ 15,500	\$ 4,285,421	\$ 4,707,774	\$ 15,500	\$ 4,723,274
Capital grant disbursements	-	(4,053,209)	(4,053,209)	-	(2,041,911)	(2,041,911)
Salaries and benefits paid	(599,728)	-	(599,728)	(519,326)	-	(519,326)
General expenses paid	(4,081,007)	-	(4,081,007)	(4,663,077)	-	(4,663,077)
<b>Net Cash from Operating Activities</b>	<b>(410,814)</b>	<b>(4,037,709)</b>	<b>(4,448,523)</b>	<b>(474,629)</b>	<b>(2,026,411)</b>	<b>(2,501,040)</b>
Cash Flows from Non-capital Financing Activities:						
Contributions received from:						
Federal government	-	10,289,970	10,289,970	-	10,958,760	10,958,760
State of MD-required match to federal grant	-	3,003,000	3,003,000	-	3,003,000	3,003,000
<b>Net Cash from Non-capital Financing Activities</b>	<b>-</b>	<b>13,292,970</b>	<b>13,292,970</b>	<b>-</b>	<b>13,961,760</b>	<b>13,961,760</b>
Cash Flows from Investing Activities:						
Loan repayments	-	10,566,557	10,566,557	-	9,354,116	9,354,116
Loan disbursements	-	(11,336,315)	(11,336,315)	-	(14,837,757)	(14,837,757)
Interest and fees received from borrowers	521,761	1,543,184	2,064,945	511,706	1,512,620	2,024,326
Purchase of investment securities	-	-	-	-	-	-
Interest on investments securities	7,971	822,699	830,670	4,244	483,291	487,535
Proceeds from sale of investments	-	-	-	-	-	-
<b>Net Cash from Investing Activities</b>	<b>529,732</b>	<b>1,596,125</b>	<b>2,125,857</b>	<b>515,950</b>	<b>(3,487,730)</b>	<b>(2,971,780)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>118,918</b>	<b>10,851,386</b>	<b>10,970,304</b>	<b>41,321</b>	<b>8,447,619</b>	<b>8,488,940</b>
Cash and Cash Equivalents, Beginning of Year	283,370	51,156,214	51,439,584	242,049	42,708,595	42,950,644
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 402,288</b>	<b>\$ 62,007,600</b>	<b>\$ 62,409,888</b>	<b>\$ 283,370</b>	<b>\$ 51,156,214</b>	<b>\$ 51,439,584</b>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**DRINKING WATER STATE REVOLVING LOAN FUND**  
**Combining Statements of Cash Flows – Schedule 9 (continued)**  
**For the Years Ended June 30, 2017 and 2016**

	2017			2016		
	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)	\$ 236,892	\$ (2,504,602)	\$ (2,267,710)	\$ 86,140	\$ (507,788)	\$ (421,648)
Depreciation of fixed assets	-	-	-	-	-	-
Adjustments to reconcile operating income to net cash from operating activities:						
Interest/fees rec'd from loans	(521,761)	(1,543,184)	(2,064,945)	(511,706)	(1,512,620)	(2,024,326)
Decrease/(Increase) in loan interest receivable	-	10,077	10,077	-	(6,003)	(6,003)
Decrease/(Increase) in administrative fee receivable	(149,825)	-	(149,825)	(10,162)	-	(10,162)
Increase/(Decrease) in accounts payable and other liabilities	23,880	-	23,880	(38,901)	-	(38,901)
<b>Net Cash from Operating Activities</b>	<b>\$ (410,814)</b>	<b>\$ (4,037,709)</b>	<b>\$ (4,448,523)</b>	<b>\$ (474,629)</b>	<b>\$ (2,026,411)</b>	<b>\$ (2,501,040)</b>

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND

Combining Statement of Net Position – Schedule 10

As of June 30, 2017

		2017					
		Funds held by Administration					
		BAY RESTORATION FUND-WASTEWATER			BAY RESTORATION FUND-SEPTICS		
		Admin	Capital	Bond Funds	Admin	Capital	Total
		Accounts	Accounts	2008 Indenture	Accounts	Accounts	
<b>ASSETS</b>							
Current Assets:							
Cash and cash equivalents	\$	52,693	\$ 98,786,979	\$ -	\$ 3,332,348	\$ 5,829,918	\$ 108,001,938
Receivables:							
Investment interest		-	-	-	-	-	-
BRF fee		400,005	-	-	107,465	1,235,846	1,743,316
Current Restricted Assets:							
Cash and cash equivalents		-	22,219,939	114	-	-	22,220,053
Receivables:							
Investment interest		-	-	-	-	-	-
BRF fee		-	26,266,968	-	-	-	26,266,968
<b>Total Current Assets</b>		<b>452,698</b>	<b>147,273,886</b>	<b>114</b>	<b>3,439,813</b>	<b>7,065,764</b>	<b>158,232,275</b>
Non-current Assets:							
Fixed assets, net		-	-	-	17,398	-	17,398
<b>Total Non-current Assets</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>17,398</b>	<b>-</b>	<b>17,398</b>
<b>Total Assets</b>	<b>\$</b>	<b>452,698</b>	<b>\$ 147,273,886</b>	<b>\$ 114</b>	<b>\$ 3,457,211</b>	<b>\$ 7,065,764</b>	<b>\$ 158,249,673</b>
<b>LIABILITIES AND NET POSITION</b>							
<b>LIABILITIES</b>							
Current Liabilities:							
Accounts payable	\$	68,991	\$ -	\$ -	\$ 37,016	\$ -	\$ 106,007
Revenue bonds		-	-	19,290,000	-	-	19,290,000
Accrued bond interest		-	-	2,479,504	-	-	2,479,504
<b>Total Current Liabilities</b>		<b>68,991</b>	<b>-</b>	<b>21,769,504</b>	<b>37,016</b>	<b>-</b>	<b>21,875,511</b>
Non-current Liabilities:							
Other liabilities		80,630	-	-	24,874	-	105,504
Revenue bonds		-	-	273,590,000	-	-	273,590,000
Bond premium		-	-	22,149,265	-	-	22,149,265
<b>Total Non-current Liabilities</b>		<b>80,630</b>	<b>-</b>	<b>295,739,265</b>	<b>24,874</b>	<b>-</b>	<b>295,844,769</b>
<b>Total Liabilities</b>		<b>149,621</b>	<b>-</b>	<b>317,508,769</b>	<b>61,890</b>	<b>-</b>	<b>317,720,280</b>
<b>NET POSITION</b>							
Net investment in capital assets		-	-	-	17,398	-	17,398
Restricted for debt service		-	48,486,907	-	-	-	48,486,907
Unrestricted		303,077	98,786,979	(317,508,655)	3,377,923	7,065,764	(207,974,912)
<b>Total Net Position</b>	<b>\$</b>	<b>303,077</b>	<b>\$ 147,273,886</b>	<b>\$ (317,508,655)</b>	<b>\$ 3,395,321</b>	<b>\$ 7,065,764</b>	<b>\$ (159,470,607)</b>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

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

**Combining Statement of Net Position – Schedule 10 (continued)**

**As of June 30, 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	
<b>ASSETS</b>						
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
<b>Total Current Assets</b>	<u>970,530</u>	<u>135,167,201</u>	<u>41,716,081</u>	<u>2,904,115</u>	<u>5,506,250</u>	<u>186,264,177</u>
Non-current Assets:						
Fixed assets, net	-	-	-	25,354	-	25,354
<b>Total Non-current Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,354</u>	<u>-</u>	<u>25,354</u>
<b>Total Assets</b>	<u>\$ 970,530</u>	<u>\$ 135,167,201</u>	<u>\$ 41,716,081</u>	<u>\$ 2,929,469</u>	<u>\$ 5,506,250</u>	<u>\$ 186,289,531</u>
<b>LIABILITIES AND NET POSITION</b>						
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts payable	\$ 114,625	\$ -	\$ -	\$ 46,142	\$ -	\$ 160,767
Revenue bonds payable	-	-	8,735,000	-	-	8,735,000
Accrued bond interest	-	-	3,910,482	-	-	3,910,482
<b>Total Current Liabilities</b>	<u>114,625</u>	<u>-</u>	<u>12,645,482</u>	<u>46,142</u>	<u>-</u>	<u>12,806,249</u>
Non-current Liabilities:						
Other liabilities	47,215	-	-	18,101	-	65,316
Revenue bonds payable	-	-	292,880,000	-	-	292,880,000
Bond premium	-	-	27,429,450	-	-	27,429,450
<b>Total Non-current Liabilities</b>	<u>47,215</u>	<u>-</u>	<u>320,309,450</u>	<u>18,101</u>	<u>-</u>	<u>320,374,766</u>
<b>Total Liabilities</b>	<u>161,840</u>	<u>-</u>	<u>332,954,932</u>	<u>64,243</u>	<u>-</u>	<u>333,181,015</u>
<b>NET POSITION</b>						
Net investment in capital assets	-	-	-	25,354	-	25,354
Restricted for debt service	-	45,032,455	-	-	-	45,032,455
Unrestricted	808,690	90,134,746	(291,238,851)	2,839,872	5,506,250	(191,949,293)
<b>Total Net Position</b>	<u>\$ 808,690</u>	<u>\$ 135,167,201</u>	<u>\$ (291,238,851)</u>	<u>\$ 2,865,226</u>	<u>\$ 5,506,250</u>	<u>\$ (146,891,484)</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, 2017**

	2017					Total
	Funds held by Administration					
	Bay Restoration Fund-Wastewater			Bay Restoration Fund-Septics		
	Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	
Operating Revenues:						
BRF fee	\$ 1,739,836	\$ 114,249,216	\$ -	\$ 1,369,107	\$ 15,744,733	\$ 133,102,892
Miscellaneous income	-	-	-	-	25,625	25,625
<b>Total Operating Revenue</b>	<b>1,739,836</b>	<b>114,249,216</b>	<b>-</b>	<b>1,369,107</b>	<b>15,770,358</b>	<b>133,128,517</b>
Operating Expenses:						
Salaries and related benefits	1,415,455	-	-	545,510	-	1,960,965
General admin expenses	829,994	-	-	293,502	-	1,123,496
Capital grant disbursements	-	80,685,664	41,721,015	-	14,344,337	136,751,016
<b>Total Operating Expenses</b>	<b>2,245,449</b>	<b>80,685,664</b>	<b>41,721,015</b>	<b>839,012</b>	<b>14,344,337</b>	<b>139,835,477</b>
<b>Operating Income (Loss)</b>	<b>(505,613)</b>	<b>33,563,552</b>	<b>(41,721,015)</b>	<b>530,095</b>	<b>1,426,021</b>	<b>(6,706,960)</b>
Non-operating Revenue (Expenses):						
Investment income	-	1,972,768	6,410	-	133,493	2,112,671
Cost of issuance expense	-	-	-	-	-	-
Interest on bonds	-	-	(7,984,834)	-	-	(7,984,834)
Net change in fair value of investments	-	-	-	-	-	-
<b>Total Non-operating Revenue (Expenses)</b>	<b>-</b>	<b>1,972,768</b>	<b>(7,978,424)</b>	<b>-</b>	<b>133,493</b>	<b>(5,872,163)</b>
<b>Income (Loss) Before Contributions</b>	<b>(505,613)</b>	<b>35,536,320</b>	<b>(49,699,439)</b>	<b>530,095</b>	<b>1,559,514</b>	<b>(12,579,123)</b>
Contributions:						
Interfund equity transfer	-	(23,429,635)	23,429,635	-	-	-
<b>Change in Net Position</b>	<b>(505,613)</b>	<b>12,106,685</b>	<b>(26,269,804)</b>	<b>530,095</b>	<b>1,559,514</b>	<b>(12,579,123)</b>
Net Position, Beginning of Year	808,690	135,167,201	(291,238,851)	2,865,226	5,506,250	(146,891,484)
<b>Net Position, End of Year</b>	<b>\$ 303,077</b>	<b>\$ 147,273,886</b>	<b>\$ (317,508,655)</b>	<b>\$ 3,395,321</b>	<b>\$ 7,065,764</b>	<b>\$ (159,470,607)</b>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

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

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

**For the Year Ended June 30, 2016**

	<b>2016</b>					
	<b>Funds held by Administration</b>					
	<b>Bay Restoration Fund-Wastewater</b>			<b>Bay Restoration Fund-Septics</b>		<b>TOTAL</b>
	<b>Admin Accounts</b>	<b>Capital Accounts</b>	<b>Bond Funds 2008 Indenture</b>	<b>Admin Accounts</b>	<b>Capital Accounts</b>	
<b>Operating Revenues:</b>						
BRF fee	\$ 1,864,517	\$ 122,436,618	\$ -	\$ 1,384,949	\$ 15,926,917	\$ 141,613,001
Miscellaneous income				-	7,190	7,190
<b>Total Operating Revenue</b>	<u>1,864,517</u>	<u>122,436,618</u>	<u>-</u>	<u>1,384,949</u>	<u>15,934,107</u>	<u>141,620,191</u>
<b>Operating Expenses:</b>						
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
<b>Total Operating Expenses</b>	<u>2,319,636</u>	<u>23,918,920</u>	<u>154,428,722</u>	<u>980,630</u>	<u>16,215,153</u>	<u>197,863,061</u>
<b>Operating Income (Loss)</b>	(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						-
<b>Total Non-operating Revenue (Expenses)</b>	<u>-</u>	<u>734,845</u>	<u>(7,152,174)</u>	<u>-</u>	<u>78,031</u>	<u>(6,339,298)</u>
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	-	-	-
<b>Change in Net Position</b>	(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)
<b>Net Position, End of Year</b>	<u>\$ 808,690</u>	<u>\$ 135,167,201</u>	<u>\$ (291,238,851)</u>	<u>\$ 2,865,226</u>	<u>\$ 5,506,250</u>	<u>\$ (146,891,484)</u>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND**  
**Combining Statement of Cash Flows – Schedule 12**  
**For the Year Ended June 30, 2017**

	2017					
	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	\$ 1,690,175	\$ 110,988,152	\$ -	\$ 1,364,861	\$ 15,721,533	\$ 129,764,721
Capital grant disbursements	-	(80,685,664)	(41,721,015)	-	(14,344,337)	(136,751,016)
Salaries and benefits paid	(1,425,690)	-	-	(547,249)	-	(1,972,939)
General expenses paid	(831,978)	-	-	(286,160)	-	(1,118,138)
<b>Net Cash from Operating Activities</b>	<b>(567,493)</b>	<b>30,302,488</b>	<b>(41,721,015)</b>	<b>531,452</b>	<b>1,377,196</b>	<b>(10,077,372)</b>
Cash Flows from Non-capital Financing Activities:						
Interfund equity transfers	-	(23,429,635)	23,429,635	-	-	-
Proceeds from sale of bonds	-	-	-	-	-	-
Repayment of bonds	-	-	(8,735,000)	-	-	(8,735,000)
Cost of issuance/underwriters' discount	-	-	-	-	-	-
Interest on bonds	-	-	(14,695,997)	-	-	(14,695,997)
<b>Net Cash from Non-capital Financing Activities</b>	<b>-</b>	<b>(23,429,635)</b>	<b>(1,362)</b>	<b>-</b>	<b>-</b>	<b>(23,430,997)</b>
Cash Flows from Investing Activities:						
Purchase of investment securities	-	-	-	-	-	-
Interest on investment securities	-	1,972,768	8,573	-	133,493	2,114,834
Proceeds from sale of investments	-	-	-	-	-	-
<b>Net Cash from Investing Activities</b>	<b>-</b>	<b>1,972,768</b>	<b>8,573</b>	<b>-</b>	<b>133,493</b>	<b>2,114,834</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(567,493)</b>	<b>8,845,621</b>	<b>(41,713,804)</b>	<b>531,452</b>	<b>1,510,689</b>	<b>(31,393,535)</b>
Cash and Cash Equivalents, Beginning of Year	620,186	112,161,297	41,713,918	2,800,896	4,319,229	161,615,526
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 52,693</b>	<b>\$ 121,006,918</b>	<b>\$ 114</b>	<b>\$ 3,332,348</b>	<b>\$ 5,829,918</b>	<b>\$ 130,221,991</b>



**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

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

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

**For the Year Ended June 30, 2017**

	2017					Total
	Funds held by Administration					
	Bay Restoration Fund-Wastewater			Bay Restoration Fund-Septics		
	Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	
Reconciliation of operating income (loss) to Net cash from operating activities:						
Operating income (loss)	\$ (505,613)	\$ 33,563,552	\$ (41,721,015)	\$ 530,095	\$ 1,426,021	\$ (6,706,960)
Depreciation of fixed assets	-	-	-	7,956	-	7,956
Adjustments to reconcile operating income to Net cash from operating activities:						
Decrease/(Increase) in BRF fee receivable	(49,661)	(3,261,064)	-	(4,246)	(48,825)	(3,363,796)
Increase (Decrease) in accounts payable and other liabilities	(12,219)	-	-	(2,353)	-	(14,572)
<b>Net Cash from Operating Activities</b>	<b>\$ (567,493)</b>	<b>\$ 30,302,488</b>	<b>\$ (41,721,015)</b>	<b>\$ 531,452</b>	<b>\$ 1,377,196</b>	<b>\$ (10,077,372)</b>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

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

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

**For the Year Ended June 30, 2016**

	<b>2016</b>					
	<b>Funds held by Administration</b>					
	<b>Bay Restoration Fund-Wastewater</b>			<b>Bay Restoration Fund-Septics</b>		<b>Total</b>
	<b>Admin Accounts</b>	<b>Capital Accounts</b>	<b>Bond Funds 2008 Indenture</b>	<b>Admin Accounts</b>	<b>Capital Accounts</b>	
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)
<b>Net Cash from Operating Activities</b>	<b>(439,671)</b>	<b>97,933,598</b>	<b>(154,428,722)</b>	<b>403,653</b>	<b>(117,936)</b>	<b>(56,649,078)</b>
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/underwriter's discount	-	-	(799,043)	-	-	(799,043)
Interest on bonds	-	-	(5,964,956)	-	-	(5,964,956)
<b>Net Cash from Non-capital Financing Activities</b>	<b>-</b>	<b>(14,329,301)</b>	<b>196,124,366</b>	<b>-</b>	<b>-</b>	<b>181,795,065</b>
Cash Flows from Capital and Related Financing Activities:						
Purchase of equipment	-	-	-	(23,921)	-	(23,921)
<b>Net Cash from Capital and Related Financing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(23,921)</b>	<b>-</b>	<b>(23,921)</b>
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	-	-	-	-	-	-
<b>Net Cash from Investing Activities</b>	<b>-</b>	<b>734,845</b>	<b>18,235</b>	<b>-</b>	<b>78,031</b>	<b>831,111</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(439,671)</b>	<b>84,339,142</b>	<b>41,713,879</b>	<b>379,732</b>	<b>(39,905)</b>	<b>125,953,177</b>
Cash and Cash Equivalents, Beginning of Year	1,059,857	27,822,155	39	2,421,164	4,359,134	35,662,349
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 620,186</b>	<b>\$ 112,161,297</b>	<b>\$ 41,713,918</b>	<b>\$ 2,800,896</b>	<b>\$ 4,319,229</b>	<b>\$ 161,615,526</b>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

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

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

**For the Year Ended June 30, 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/(Increase) in BRF fee receivable	(8,895)	(584,100)	-	14,184	163,110	(415,701)
Increase (Decrease) in accounts payable and other liabilities	24,343	-	-	(21,609)	-	2,734
<b>Net Cash from Operating Activities</b>	<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>



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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 years ended June 30, 2017 and 2016, and have issued our report thereon dated September 25, 2017. 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.

**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 25, 2017

A handwritten signature in black ink that reads "SB &amp; Company, LLC". The signature is written in a cursive, flowing style.