

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2020 AND 2019**

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
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## INDEPENDENT AUDITORS' REPORT

To the Director of  
Maryland Water Quality Financing Administration  
Baltimore, Maryland

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

We have audited the accompanying financial statements of the business-type activities of the Maryland Water Quality Financing Administration (the Administration), an enterprise fund of the State of Maryland, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 opinion.

To the Director of  
Maryland Water Quality Financing Administration

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Administration as of June 30, 2020, and the changes in its financial position and its cash flows for the year 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 4-13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Prior Year Information*

The fiscal year ending June 30, 2019 financial statements of the Administration were audited by other auditors whose report dated September 20, 2019, expressed an unmodified opinion on those statements.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Administration's basic financial statements. The combining statements included as supplemental information (the supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The fiscal year ending June 30, 2019 combining statements included as supplementary information was subjected to the auditing procedures applied in the June 30, 2019 audit of the basic financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the June 30, 2019 basic financial statements as a whole.

To the Director of  
Maryland Water Quality Financing Administration

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Administration's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Administration's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
September 25, 2020

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020 AND 2019**

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 fund is also referred to as the Clean Water Revolving Loan Fund (CWRLF). 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 (CONTINUED)  
JUNE 30, 2020 AND 2019**

The WQRLF, DWRLF, and BRF 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, 2020 and 2019, with the year ended June 30, 2018, 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 statement of net position greater than \$3,000,000 and greater than five percent of any individual statement of net position 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, 2020:**

The unrestricted current asset of cash and cash equivalents decreased by \$111.7 million. This decrease was primarily a result of a \$72.0 million increase in WQRLF capital loan disbursements from FY19.

The current asset of loans receivable increased by \$6.5 million. This was primarily due to several large loans that will begin principal payments starting within one year. The WQRLF and DWRLF had increases in current loan receivables totaling \$4.2 million and \$2.3 million, respectively.

The restricted current asset of cash and cash equivalents decreased by \$13.1 million. This decrease was due to a decrease in 3<sup>rd</sup> quarter BRF fee revenue collected due to the COVID19 pandemic and the extended due date for this fee.

The restricted current asset of BRF fee receivable increased by \$13.3 million. This increase is attributable to the 4<sup>th</sup> quarter fee revenue receivable which included 3<sup>rd</sup> quarter fees which were not remitted in the 3<sup>rd</sup> quarter due to the COVID-19 filing extension.

The noncurrent unrestricted loans receivable increased by \$224.8 million from new WQRLF and DWRLF direct loans. The non-current restricted loans receivable decreased by \$32.1 million as a result of principal payments on older pledged loans becoming fully paid off and offset by no new pledged loans.

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2020 AND 2019**

**Statements of Net Position (Continued)**

The noncurrent revenue bonds payable decreased by \$25.1 million. This decrease is due to the current year payments on debt.

The noncurrent bond premium liability decreased by \$3.5 million. This decrease is the result of annual amortization of the bond premium.

Restricted net position increased \$90.5 million. The net position restricted for grants, new loans, and debt service increased \$54.9 million, \$18.5 million, and \$17.1 million for the WQRLF and DWRLF and BRF, respectively.

The total unrestricted net position increased by \$25.8 million. \$0.8 million of the increase related to fees earned in administrative funds. The remaining increase was within the BRF wastewater 2008 indenture as a result of current year debt service

**As of June 30, 2019:**

The unrestricted current asset of cash and cash equivalents decreased by \$77.1 million. This decrease was primarily a result of a \$139.6 million increase in capital loan disbursements from FY18. The WQRLF and DWRLF had increases in capital loan disbursements totaling \$102.0 million and \$37.6 million, respectively.

The current restricted asset of BRF fee receivable decreased by \$6.5 million. This was primarily due to the Baltimore City ransomware attack which resulted in delayed billing of the 4<sup>th</sup> quarter BRF fee.

The noncurrent unrestricted loans receivable increased by \$183.7 million from new large WQRLF and DWRLF direct loans. The non-current restricted loans receivable decreased by \$33.1 million as a result of principal payments on older pledged loans becoming fully paid off and no new pledged loans.

The noncurrent revenue bonds payable decreased by \$24.0 million. This decrease is the result of the reclassification of current principal payments into the current liability account.



**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2020 AND 2019**

**Statements of Net Position (Continued)**

The noncurrent bond premium liability decreased by \$4.1 million. This decrease is the result of annual amortization of the bond premium.

Restricted net position increased \$71.1 million. The net position restricted for grants, new loans, and debt service increased \$49.4 million, \$12.3 million, and \$9.4 million for the WQRLF and DWRLF and BRF, respectively.

The total unrestricted net position increased by \$26.1 million. \$1.5 million of the increase related to fees earned in administrative funds. The remaining increase was within the BRF wastewater 2008 indenture as a result of current year debt service.

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

**Comparative Condensed Statements of Net Position  
June 30, 2020, 2019, and 2018  
(Millions of Dollars)**

	2020	2019	2018	Increase (Decrease) Difference	
				FY 20-19	FY 19-18
<b>Current Assets</b>					
Cash and Cash Equivalents	264.00	\$ 375.7	\$ 452.8	\$ (111.7)	\$ (77.1)
Investments	-	-	-	-	-
Receivables:					
Loans	75.60	69.1	66.7	6.5	2.4
BRF Fees	2.9	1.7	1.8	1.2	(0.1)
Other	12.8	12.0	10.6	0.8	1.4
<b>Current Restricted Assets</b>					
Cash and Cash Equivalents	9.3	22.4	23.5	(13.1)	(1.1)
Receivables:					
BRF Fees	34.80	21.5	28.0	13.3	(6.5)
Loans	32.10	33.2	34.8	(1.1)	(1.6)
Other	0.7	1.0	1.2	(0.3)	(0.2)
Total Current Assets	432.2	536.6	619.4	(104.4)	(82.8)
<b>Noncurrent Assets</b>					
Investments	7.0	7.1	5.5	(0.1)	1.6
Loans Receivable	1,367.3	1,142.5	958.8	224.8	183.7
Other	0.1	0.1	0.1	-	-
<b>Noncurrent Restricted Assets</b>					
Loans Receivable	116.3	148.4	181.5	(32.1)	(33.1)
Total Noncurrent Assets	1,490.7	1,298.1	1,145.9	192.6	152.2
<b>Total Assets</b>	<b>\$ 1,922.9</b>	<b>\$ 1,834.7</b>	<b>\$ 1,765.3</b>	<b>\$ 88.2</b>	<b>\$ 69.4</b>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2020 AND 2019**

**Statements of Net Position (Continued)**

**Comparative Condensed Statements of Net Position (Continued)  
June 30, 2020, 2019, and 2018  
(Millions of Dollars)**

	2020	2019	2018	Increase (Decrease) Difference	
				FY 20-19	FY 19-18
<b>Current Liabilities</b>					
Accounts Payable and Accrued	\$ 0.5	\$ 0.5	\$ 0.5	\$ -	\$ -
Revenue Bonds	25.1	23.9	22.7	1.2	1.2
Bond Premium - Current	3.4	4.1	4.9	(0.7)	(0.8)
Accrued Interest on Bonds	2.3	2.4	2.5	(0.1)	(0.1)
Total Current Liabilities	<u>31.3</u>	<u>30.9</u>	<u>30.6</u>	<u>0.4</u>	<u>0.3</u>
<b>Noncurrent Liabilities</b>					
Accrued Expenses	0.3	0.2	0.2	0.1	-
Revenue Bonds	222.1	247.2	271.2	(25.1)	(24.0)
Bond Premium - Noncurrent	7.0	10.5	14.6	(3.5)	(4.1)
Total Noncurrent Liabilities	<u>229.4</u>	<u>257.9</u>	<u>286.0</u>	<u>(28.5)</u>	<u>(28.1)</u>
Total Liabilities	<u>260.7</u>	<u>288.8</u>	<u>316.6</u>	<u>(28.1)</u>	<u>(27.8)</u>
<b>Net Position</b>					
Net Investment in Capital Assets	0.1	0.1	0.1	-	-
Restricted	1,892.0	1,801.5	1,730.4	90.5	71.1
Unrestricted	<u>(229.9)</u>	<u>(255.7)</u>	<u>(281.8)</u>	<u>25.8</u>	<u>26.1</u>
Total Net Position	<u>\$ 1,662.2</u>	<u>\$ 1,545.9</u>	<u>\$ 1,448.7</u>	<u>\$ 116.3</u>	<u>\$ 97.2</u>

**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.

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2020 AND 2019**

**Statements of Revenue, Expenses and Changes in Net Position (Continued)**

**For fiscal year ended June 30, 2020:**

There was an increase of \$14.2 million in fee revenue. This increase was a result of an \$8.7 million transfer to the Administration from Baltimore City. A ransomware attack on Baltimore City resulted in delayed BRF billings and, as a result, transfers to the Administration. Additionally there was a \$6.5 million cumulative adjustment of additional revenue from WSSC.

There was an increase of \$5.5 million in capital grant disbursements primarily due to BRF grant disbursements increasing by \$5.7 million. This increase is attributed to the increased construction activity on minor WWTP and sewer projects as well as normal fluctuations in construction project draws.

There was an increase of \$13.2 million in contributions from Federal and State governments due to increased EPA capital grants and the associated required 20% state match. The WQRLF and DWRLF had increases in contributions from Federal and State governments totaling \$8.1 million and \$5.1 million, respectively.

**For fiscal year ended June 30, 2019:**

There was a decrease of \$8.7 million in fee revenue due to the Baltimore City ransomware attack which resulted in delayed billing of the 4<sup>th</sup> quarter BRF fee.

There was a decrease of \$27.8 million in capital grant disbursements due to BRF grant disbursements decreasing by \$27.8 million. This decrease is attributed to the completion of the majority of BRF ENR Major WWTP projects as well as normal fluctuations in construction project draws.

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2020 AND 2019**

**Statements of Revenue, Expenses and Changes in Net Position (Continued)**

The following condensed Statements of Revenue, Expenses and Changes in Net Position show a summary of changes between fiscal years:

**Comparative Condensed Statements of Revenue, Expenses, and Changes in Net Position  
Years Ended June 30, 2020, 2019, and 2018  
(Millions of Dollars)**

	2020	2019	2018	Increase (Decrease) Difference	
				FY 20-19	FY 19-18
<b>Operating Revenue</b>					
Interest on Loans	\$ 14.4	\$ 13.8	\$ 13.0	\$ 0.6	\$ 0.8
Loan Administrative Fee	6.2	6.1	5.6	0.1	0.5
Fee Revenue	138.6	124.4	133.1	14.2	(8.7)
Grant Revenue (Set-Asides Only)	3.5	3.6	3.8	(0.1)	(0.2)
Other Grant Revenue and Other	0.2	0.1	0.1	0.1	-
Total Operating Revenue	<u>162.9</u>	<u>148.0</u>	<u>155.6</u>	<u>14.9</u>	<u>(7.6)</u>
<b>Operating Expenses</b>					
Salaries and Related Benefits	8.9	7.8	7.0	1.1	0.8
Transfers Out (Set-Asides)	3.5	3.6	3.8	(0.1)	(0.2)
Capital Grant Disbursements	95.1	89.6	117.4	5.5	(27.8)
General and Other Costs	2.7	2.3	2.3	0.4	-
Total Operating Expenses	<u>110.2</u>	<u>103.3</u>	<u>130.5</u>	<u>6.9</u>	<u>(27.2)</u>
Operating Income (Loss)	52.7	44.7	25.1	8.0	19.6
<b>Nonoperating Revenue and Expenses</b>					
Investment Income	5.7	8.2	7.5	(2.5)	0.7
Interest on Bonds	(7.0)	(7.4)	(7.8)	0.4	0.4
FMV Investment Adjustment	0.2	0.2	(0.5)	-	0.7
Contributions from Federal and State Governments	64.7	51.5	51.9	13.2	(0.4)
Total Nonoperating Revenue and Expenses	<u>63.6</u>	<u>52.5</u>	<u>51.1</u>	<u>11.1</u>	<u>1.4</u>
<b>Changes in Net Position</b>	116.3	97.2	76.2	19.1	21.0
Net Position - Beginning of Year	<u>1,545.9</u>	<u>1,448.7</u>	<u>1,372.5</u>	<u>97.2</u>	<u>76.2</u>
<b>Net Position - End of Year</b>	<u>\$ 1,662.2</u>	<u>\$ 1,545.9</u>	<u>\$ 1,448.7</u>	<u>\$ 116.3</u>	<u>\$ 97.2</u>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2020 AND 2019**

**Statements of Cash Flows**

Another way to assess MWQFA's financial health is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps users access:

- An entity's ability to generate future net cash flows,
- An entity's ability to meet its obligations as they come due,
- An entity's need for external financing.

A summary of MWQFA's cash flows for the years ended June 30, 2020, 2019, and 2018, were presented in the following table:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cash from:			
Operating Activities	\$(160,312,531)	\$(101,347,211)	\$ 9,783,934
Noncapital Financing Activities	29,429,069	16,326,659	14,684,789
Capital and Related Financing Activities	-	(42,574)	(42,488)
Investment Activities	<u>6,088,007</u>	<u>6,838,888</u>	<u>11,339,136</u>
<b>Net Change in Cash</b>	(124,795,455)	(78,224,238)	35,765,371
Cash - Beginning of Year	<u>398,088,477</u>	<u>476,312,715</u>	<u>440,547,344</u>
<b>Cash - End of Year</b>	<u><u>\$ 273,293,022</u></u>	<u><u>\$ 398,088,477</u></u>	<u><u>\$ 476,312,715</u></u>

During fiscal year 2020, cash used by operating activities totaled (\$160,312,531), cash provided by noncapital financing activities totaled \$29,429,069, and cash provided by investing activities totaled \$6,088,007 for an overall decrease in cash of \$124,795,455 compared to a decrease of \$78,224,238 in fiscal year 2019. The cash decrease in operating activities was primarily due to loan disbursements exceeding loan repayments. The increase in cash from noncapital financing was due to bond principal repayment and interest being less than cash received from federal grants and state match contributions. The investing activities increase was due to investment proceeds.

During fiscal year 2019, cash used by operating activities totaled (\$101,347,211), cash provided by noncapital financing activities totaled \$16,326,659, cash used by capital and related financing activities totaled (\$42,574), and cash provided by investing activities totaled \$6,838,888 for an overall decrease in cash of \$78,224,238 compared to an increase of \$35,765,371 in fiscal year 2018. The cash decrease in operating activities was primarily due to loan disbursements exceeding loan repayments. The increase in cash from noncapital financing was due to bond principal repayment and interest being less than cash received from federal grants and state match contributions. The investing activities increase was due to investment proceeds.

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2020 AND 2019**

**Capital Assets**

The table below shows capital assets as of the fiscal year ended June, 30:

<b>Capital Assets</b>			
<b>Years Ended June 30,</b>			
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Vehicles	\$ 202,016	\$ 202,016	\$ 159,442
Accumulated Depreciation	<u>(156,244)</u>	<u>(129,927)</u>	<u>(93,819)</u>
Net Capital Assets	<u>\$ 45,772</u>	<u>\$ 72,089</u>	<u>\$ 65,623</u>

During fiscal year ending June 30, 2020, capital asset activity was limited to current year depreciation expense of \$26,317. During fiscal year ending June 30, 2019, capital assets increased by \$6,466 due to vehicle purchases of \$42,574 net depreciation expense of \$36,108.

**Debt Administration**

As of June 30, 2020 the Administration had \$247.2 million of bonds payable outstanding. The decrease of \$23.9 million from June 30, 2019 was due to the retirement of debt in accordance with the underlying amortization schedule.

As of June 30, 2019 the Administration had \$271.1 million of bonds payable outstanding. The decrease of \$22.7 million from June 30, 2018 was due to the retirement of debt in accordance with the underlying amortization schedule.

**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 (EPA). 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 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.

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2020 AND 2019**

**Economic Environment (Continued)**

In March of 2020, the World Health Organization declared the spread of COVID-19 a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. The full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing; however, the MWQFA is not expecting a material impact on its operations.

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

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2020 AND 2019**

	2020	2019
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 264,020,553	\$ 375,673,429
Receivables:		
Investment Interest	34,349	34,317
Loans	75,577,180	69,147,050
Loan Interest	6,567,189	5,876,853
BRF Fee	2,855,575	1,681,089
Administrative Fee	6,226,665	6,130,001
Current Restricted Assets:		
Cash and Cash Equivalents	9,272,469	22,415,048
Receivables:		
BRF Fee	34,834,641	21,462,019
Loans	32,082,570	33,167,130
Loan Interest	759,191	969,710
Total Current Assets	432,230,382	536,556,646
Noncurrent Assets:		
Investments	6,978,903	7,135,144
Loans Receivable	1,367,322,368	1,142,531,868
Capital Assets, Net	45,772	72,089
Noncurrent Restricted Assets:		
Loans Receivable	116,302,225	148,384,796
Total Noncurrent Assets	1,490,649,268	1,298,123,897
Total Assets	\$ 1,922,879,650	\$ 1,834,680,543
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 26,000	\$ 11,228
Compensated Absences - Current	475,931	418,429
Revenue Bonds Payable	25,130,000	23,935,000
Bond Premium - Current	3,401,435	4,140,227
Accrued Interest on Bonds Payable	2,246,255	2,396,475
Total Current Liabilities	31,279,621	30,901,359
Noncurrent Liabilities:		
Compensated Absences - Noncurrent	296,067	198,986
Revenue Bonds Payable	222,115,000	247,245,000
Bond Premium - Noncurrent	7,034,795	10,436,230
Total Noncurrent Liabilities	229,445,862	257,880,216
Total Liabilities	260,725,483	288,781,575
<b>NET POSITION</b>		
Net Investment in Capital Assets	45,772	72,089
Restricted	1,891,979,517	1,801,582,264
Unrestricted	(229,871,122)	(255,755,385)
Total Net Position	\$ 1,662,154,167	\$ 1,545,898,968

See accompanying Notes to Financial Statements.



**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
<b>OPERATING REVENUE</b>		
Interest on Loans	\$ 14,399,851	\$ 13,781,121
Loan Administration Fees	6,234,706	6,138,054
Fee Revenue	138,583,160	124,429,220
Grant Revenue	3,668,702	3,649,896
Total Operating Revenue	162,886,419	147,998,291
<b>OPERATING EXPENSES</b>		
Salaries and Related Benefits	8,954,123	7,739,638
General	2,713,097	2,332,388
Capital Grant Disbursements	95,078,953	89,611,523
Other	3,471,359	3,634,396
Total Operating Expenses	110,217,532	103,317,945
<b>OPERATING INCOME</b>	52,668,887	44,680,346
<b>NONOPERATING REVENUE (EXPENSES)</b>		
Investment Income	5,664,107	8,280,405
Interest Expense on Bonds	(7,039,205)	(7,432,089)
Net Unrealized Loss on Investments	267,690	197,520
Federal Government Contributions	52,860,120	42,276,510
State of MD Required Match to Federal Grant	11,833,600	9,210,600
Total Nonoperating Revenues	63,586,312	52,532,946
<b>CHANGE IN NET POSITION</b>	116,255,199	97,213,292
Net Position - Beginning of Year	1,545,898,968	1,448,685,676
<b>NET POSITION - END OF YEAR</b>	\$ 1,662,154,167	\$ 1,545,898,968

See accompanying Notes to Financial Statements.

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
BRF Fee and Other Receipts	\$ 127,704,754	\$ 134,744,131
Grant Disbursements	(95,078,953)	(89,611,523)
Salaries and Benefits Paid	(8,799,540)	(7,834,731)
General and Other Expenses Paid	(6,143,367)	(5,935,793)
Loan Repayments	102,329,179	101,440,781
Loan Disbursements	(300,382,680)	(252,932,066)
Interest and Fees Received from Borrowers	20,058,076	18,781,990
Net Cash Used by Operating Activities	(160,312,531)	(101,347,211)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Federal Government	52,860,120	42,276,510
State of MD Required Match to Federal Grant	11,833,600	9,210,600
Repayment of Bonds	(23,935,000)	(22,730,000)
Interest on Bonds	(11,329,651)	(12,430,451)
Net Cash Provided by Noncapital Financing Activities	29,429,069	16,326,659
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of Equipment	-	(42,574)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	-	(1,646,000)
Interest on Investment Securities	5,664,075	8,271,337
Proceeds from Sale of Investments and Maturities of Investments	423,932	213,551
Net Cash Provided by Investing Activities	6,088,007	6,838,888
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(124,795,455)	(78,224,238)
Cash and Cash Equivalents - Beginning of Year	398,088,477	476,312,715
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 273,293,022	\$ 398,088,477
<b>RECONCILIATION OF CASH FLOWS TO STATEMENT OF NET POSITION</b>		
Cash and Cash Equivalents, Unrestricted	\$ 264,020,553	\$ 375,673,429
Cash and Cash Equivalents, Restricted	9,272,469	22,415,048
Total	\$ 273,293,022	\$ 398,088,477
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Income	\$ 52,668,887	\$ 44,680,346
Depreciation of Capital Assets	26,317	36,108
Changes in Operating Assets and Liabilities:		
Loans Receivable	(198,053,501)	(151,491,285)
Loan Interest Receivable	(479,817)	(553,018)
Administrative Fee and BRF Fee Receivables	(14,643,772)	6,080,848
Accounts Payable and Other Liabilities	169,355	(100,210)
Net Cash Used by Operating Activities	\$ (160,312,531)	\$ (101,347,211)

See accompanying Notes to Financial Statements.

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity / Organization**

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, and the State of Maryland Bay Restoration Fund Act of 2004. 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.

The Administration does not have any component units as defined by the Governmental Accounting Standards Board.

**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 Administration's financial statements include the activity/reportable segments of the Clean Water (Water Quality) Revolving Loan Fund (CWRLF or WQRLF), Drinking Water Revolving Loan Fund (DWRLF) and Bay Restoration Fund (BRF).

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, 2020, there have been no bonds issued in the DWRLF.

Disclosure reporting requirements for these segments have been included as supplemental information.

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates**

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

**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.

The amounts shown in the financial statements of the Administration as “cash and cash equivalents” represent petty cash, demand deposits and cash on hand with the State Treasurer. State agencies, including the Administration, participate in the State’s internal cash management pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool.

**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 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.

**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, 2020 and 2019.

**Capital Assets**

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

Expenses are capitalized when they have a cost of \$5,000 or more and have a useful life of more than one year.

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 1 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 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 Benefits**

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 FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 1 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 information, contact the Maryland State Retirement and Pension System at 120 East Baltimore Street, Baltimore, Maryland, 21202.

**Other Post-Employment Benefits**

The Administration's employees participate in the State of Maryland's Post Employment Health Benefit Plan. The State subsidizes a portion of the covered medical, dental, prescription, and hospitalization costs, depending on the type of insurance. Costs for postretirement benefits are for State retirees and are primarily funded by the State. The State does not distinguish employees by employer/State agency. For the years ended June 30, 2020 and 2019, the State did not allocate postemployment health care costs to participating employers and as a result did not require a contribution from the Administration. As such, the State has elected to maintain the entire Net OPEB Liability as a liability of the general fund of the State and has not allocated any balances to State entities including the Administration. For post-employment benefit information, contact Maryland Department of Budget and Management at 300 W Preston Street, Baltimore, Maryland 21201.

**Compensated Absences**

Compensated absences are absences for which employees will be paid, such as annual leave, sick leave and personal leave.

*Annual Leave:* New employees must complete 6 months of State service before using annual leave; this leave is accrued based on years of service starting at 10 days per year and up to 25 days per year with 20 years of service; employees may carry up to 75 days or 600 hours over from one year to the next.

*Sick Leave:* Employees earn sick leave at the rate of 15 days per year. There is no limit to the number of sick leave days an employee may accrue or carry over into a new calendar year.

*Personal Leave:* Each employee is entitled to 6 personal leave days, not to exceed 48 hours, accruing at the beginning of the first full pay period of the calendar year. Personal leave may be pro-rated for new employees based on the month the employee begins employment. Personal leave may not be carried over from one year to the next.

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Position**

Accounting principles generally accepted in the United States of America for state and local governments require that resources be classified for accounting and reporting purposes into the following three net position categories:

*Net investment in Capital Assets* – Capital assets, net of accumulated depreciation and outstanding principal balances of debt that are attributable to the acquisition, construction or improvement of those assets.

*Restricted* – Restricted assets whose use by MWQFA is subject to externally imposed stipulations that can be fulfilled by actions of MWQFA pursuant to those stipulations or that expire by the passage of time. Such assets include assets restricted for capital grants, loans, and debt service. 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, 2020, 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.

*Unrestricted* – Assets that are not subject to externally imposed stipulations. The unrestricted net position may be designated for specific purposes by action of management.

Certain assets including cash and investments may be classified as restricted net position on the Statement of Net Position because their use is restricted for specific purposes. It is the Administration's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**Fund Deficit**

The Bay Restoration Fund had a deficit balance of \$66,722,986 and \$109,228,766 as of June 30, 2020 and June 30, 2019, respectively.

**Expense Allocation**

Expenses are recognized at the time they are incurred. Direct costs are expensed to each fund while indirect expenses are allocated based on level of effort between WQRLF, DWRLF, and BRF.

**Reclassifications**

Certain reclassifications have been made to prior year balances in order to conform to current year presentation. The reclassifications did not affect ending net position or changes therein.

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS**

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

	<u>2020</u>	<u>2019</u>
Cash Held by State Treasury Office	\$ 273,293,022	\$ 398,077,202
Cash in Trust Accounts	-	11,275
Total Cash and Cash Equivalents	<u>\$ 273,293,022</u>	<u>\$ 398,088,477</u>

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

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

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, 2020, 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	\$ 3,247,530	\$ -	\$ -	\$ 3,247,530
Certificates of Deposit - Linked Deposits	3,731,373	-	107,322	3,624,051
Total Investments	<u>\$ 6,978,903</u>	<u>\$ -</u>	<u>\$ 107,322</u>	<u>\$ 6,871,581</u>

In addition, the Administration's investments have the following quality ratings as of June 30, 2020:

<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	\$ 3,247,530	47%	Aaa	Moody
Certificates of Deposit - Linked Deposits	3,731,373	53%		
Total Investments	<u>\$ 6,978,903</u>	<u>100%</u>		



**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 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.

Certificates of deposit are carried at amortized cost, thus are not included in the fair value hierarchy.

The Administration has the following recurring fair value measurements as of June 30, 2020:

	Fair Value Measurements	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Linked Deposits - Farm Credit AG Bonds	\$ 3,247,530	\$ -	\$ 3,247,530	\$ -

As of June 30, 2019, 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	\$ 2,979,840	\$ -	\$ -	\$ 2,979,840
Certificates of Deposit - Linked Deposits	4,155,304	-	179,272	3,976,032
Total Investments	<u>\$ 7,135,144</u>	<u>\$ -</u>	<u>\$ 179,272</u>	<u>\$ 6,955,872</u>

In addition, the Administration's investments had the following quality ratings as of June 30, 2019:

Investment Types	Fair Value	Concentration <sup>1</sup>	Rating	Rating Organization
Linked Deposits - Farm Credit AG Bonds	\$ 2,979,840	42%	Aaa	Moody
Certificates of Deposit - Linked Deposits	4,155,304	58%		
Total Investments	<u>\$ 7,135,144</u>	<u>100%</u>		

1. *Concentration of Credit Risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Administration places no limit on the amount it may invest in any one issuer. For fiscal years 2020 and 2019, the Administration's investments were Linked Deposit CD's and Bonds, as well as U.S. Treasury Bills and Notes.*

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

As of June 30, 2019, the Administration had the following investments by fair value level:

	Fair Value Measurements	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Linked Deposits - Farm Credit AG Bonds	\$ 2,979,840	\$ -	\$ 2,979,840	\$ -

Custodial credit risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Administration will not be able to recover the value of its deposits or investments that are in the possession of an outside party. The deposits held with the State Treasurer's Office were fully collateralized at June 30, 2020.

**NOTE 3 LOANS RECEIVABLE**

The Administration makes low interest rate loans to various local governments and other entities within 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 FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 3 LOANS RECEIVABLE (CONTINUED)**

As of June 30, 2020 and 2019, the Administration's lending commitments and outstanding balances under the WQRLF to specific governmental entities within the State are detailed as follows:

WQRLF Borrower	2020			2019		
	Total Commitment	Commitment Outstanding	Outstanding Balance June 30, 2020	Total Commitment	Commitment Outstanding	Outstanding Balance June 30, 2019
Aberdeen, City of	\$ 9,329,266	\$ -	\$ 5,136,371	\$ 9,329,266	\$ -	\$ 5,553,502
Allegany County	23,679,030	-	8,165,785	23,679,030	-	9,334,580
Annapolis, City of	1,591,479	-	-	1,591,479	-	-
Anne Arundel County	113,446,894	4,921,584	43,157,625	113,446,894	4,921,584	47,457,070
Ashton Park Comm Assoc	408,470	-	214,426	408,470	-	234,714
Baltimore City	592,454,407	24,510,867	359,204,415	573,243,707	93,139,695	290,412,937
Baltimore County	415,903,533	10,603,234	268,371,114	415,903,533	86,727,994	204,168,805
Bel Air, Town of	101,686	-	-	101,686	-	-
Berlin, Town of	3,207,000	-	2,245,507	3,207,000	-	2,408,795
Betteron, Town of	93,559	-	16,975	93,559	-	22,588
Boonsboro, Town of	2,127,984	-	28,991	2,127,984	-	36,059
Bowie, City of	4,154,565	-	1,225,495	4,154,565	-	1,462,052
Brunswick, City of	1,690,570	-	108,689	1,690,570	-	135,592
Calvert County	18,343,759	-	2,829,664	18,343,759	-	3,374,527
Cambridge, City of	12,440,864	-	1,397,652	12,440,864	-	2,079,733
Canton Crossing	3,711,142	-	1,161,142	3,711,142	-	1,361,142
Caroline County	243,572	243,572	-	-	-	-
Carroll County	12,074,030	-	33,400	12,074,030	-	65,954
Cecil County	43,197,704	-	22,282,671	43,197,704	-	24,508,278
Centreville, Town of	3,878,064	-	728,296	3,878,064	-	841,633
Charles County	23,358,722	-	4,805,812	23,358,722	-	5,573,870
Chesapeake Beach, Town of	9,491,864	-	5,312,956	9,491,864	-	5,811,097
Chestertown, Town of	3,955,893	-	1,084,856	3,955,893	-	1,259,149
Clear Spring, Town of	72,705	-	-	72,705	-	-
Crisfield, City	1,169,458	-	517,565	1,169,458	-	580,162
Cumberland, City of	13,459,725	305,514	5,075,464	13,459,725	762,658	5,249,631
Delmar, Town of	276,040	-	-	276,040	-	17,129
Denton, Town of	3,787,084	140,585	1,732,063	3,787,084	601,126	1,434,217
Easton, Town of	21,852,648	-	9,934,534	21,852,648	-	11,140,763
Elkton, Town of	21,395,474	-	8,486,371	21,395,474	-	9,596,241
Emmitsburg, Town of	600,000	-	-	600,000	-	43,426
Federalsburg, Town of	3,479,097	-	1,614,019	3,479,097	-	1,795,272
Frederick, City of	54,044,950	-	39,072,890	54,460,376	1,845,949	40,286,869
Frederick County	113,637,450	-	48,343,605	113,637,450	-	52,446,223
Frostburg, City of	739,788	-	308,612	739,788	-	349,874
Fruitland, City of	4,919,475	-	1,380,065	4,919,475	-	1,526,370
Funkstown, Town of	1,875,221	-	529,615	1,875,221	-	644,142
Galena, Town of	112,219	-	-	112,219	-	-
Garrett County	1,970,000	-	-	1,970,000	-	-
Garrett County San Distr	2,635,641	-	73,027	2,635,641	-	107,345
Grantsville, Town of	16,891	-	-	16,891	-	-
Greenbelt, City of	1,854,360	326,148	1,528,212	-	-	-
Greensboro, Town of	443,345	-	-	443,345	-	-
Hagerstown, City of	22,102,169	-	6,254,300	22,102,169	-	7,486,249
Hancock, Town of	797,062	-	50,602	797,062	-	100,115
Harford County	69,535,228	-	-	69,535,228	-	-
Havre De Grace, City of	28,996,682	-	14,138,666	28,996,682	-	15,726,595
Hebron, Town of	195,729	-	76,679	195,729	-	88,584
Howard County	91,534,729	-	11,115,459	91,534,729	-	14,572,857
Hurlock, Town of	3,626,240	-	1,058,655	3,626,240	-	1,223,961
Indian Head, Town of	4,603,656	-	616,745	4,603,656	-	798,484
Kent County	7,394,107	-	2,261,446	7,394,107	-	2,597,201
La Plata, Town of	12,972,019	-	4,278,840	12,972,019	-	4,986,287
Leonardtown, Town of	9,082,233	-	6,538,284	9,082,233	-	6,864,592
MD Envir Services	6,014,121	-	1,816,914	6,014,121	-	2,504,430
Middletown, Town of	3,970,639	-	-	3,970,639	-	225,530
Millington, Town of	42,000	-	-	42,000	-	-
Montgomery County	50,677,320	47,489,918	3,187,402	-	-	-
Mountain Lake Park, Town of	770,287	-	134,254	770,287	-	156,319
Mount Airy, Town of	3,523,087	-	-	3,523,087	-	-

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 3 LOANS RECEIVABLE (CONTINUED)**

Myersville, Town of	\$ 1,259,983	\$ -	-	\$ 1,259,983	\$ -	\$ -
New Windsor, Town of	3,858,474	-	356,568	3,858,474	-	388,983
North Beach, Town of	3,621,861	-	1,621,394	3,621,861	-	1,782,766
Oakland, Town of	892,046	-	71,058	892,046	-	82,736
Oxford, Town of	45,402	-	-	45,402	-	-
Perryville, Town of	5,923,965	-	2,939,190	5,923,965	-	3,252,470
Pocomoke City, City of	851,579	-	211,050	851,579	-	255,371
Poolesville, Town of	\$5,658,051	-	\$2,002,800	5,658,051	-	2,265,087
Preston, Town of	1,129,870	343,809	786,061	1,129,870	942,891	186,979
Prince George's County	69,738,580	1,500,002	44,999,998	23,238,580	-	-
Queen Anne's County	59,557,969	8,031,700	30,665,369	59,557,969	11,478,376	28,152,755
Ridgely, Town of	1,598,297	-	756,763	1,598,297	-	842,616
Rising Sun, Town of	1,010,437	-	-	1,010,437	-	-
Rockville, Town of	2,300,633	-	857,683	2,300,633	-	979,431
Salisbury, Town of	84,504,043	754,846	51,698,845	84,504,043	1,899,971	53,127,521
Sharpton	170,925	-	113,601	170,925	-	123,176
Snow Hill, Town of	1,358,420	-	515,577	1,358,420	-	554,328
Somerset County	2,151,215	-	134,456	2,151,215	-	266,274
Somerset County San Distr	187,031	-	-	187,031	-	-
St. Mary's County	7,447,625	-	-	7,447,625	-	-
St. Mary's METCOM	49,718,529	1,648,756	29,802,785	49,718,529	5,083,362	28,394,002
Talbot County	9,975,333	-	3,430,007	9,975,333	-	3,945,641
Taneytown, City of	6,477,722	-	1,347	6,477,722	-	32,951
Thurmont, Town of	10,153,303	-	4,785,767	10,153,303	-	5,205,720
Union Bridge, Town of	142,000	-	17,277	142,000	-	25,625
Washington County	41,709,193	-	9,703,280	41,709,193	-	12,116,976
Washington Co San Distr	20,387,427	-	-	20,387,427	-	-
Westernport, Town of	1,030,992	-	58,009	1,030,992	-	86,498
Westminster, City of	29,318,055	20,123,132	7,483,343	29,318,055	27,334,131	272,344
Wicomico County	2,929,876	-	-	2,929,876	-	-
Willards, Town of	433,599	-	177,604	433,599	-	199,409
Williamsport, Town of	684,538	-	279,878	684,538	-	324,840
Wash Suburban San Comm	459,048,210	17,111,248	255,763,398	459,048,210	51,235,345	240,087,075
Worcester County	11,134,755	-	1,081,616	11,134,755	-	1,774,671
Loan Total	<u>2,759,472,874</u>	<u>\$ 138,054,915</u>	<u>\$ 1,347,950,854</u>	<u>2,641,402,348</u>	<u>\$ 285,973,082</u>	<u>\$ 1,173,377,190</u>
Grant/Loan Forgiveness	94,287,915	-	-	89,832,819	-	-
Total Commitment	<u>\$ 2,853,760,789</u>			<u>\$ 2,731,235,167</u>		

The current portion of WQRLF loans receivable as of June 30, 2020 and 2019, was \$94,535,651 and \$91,415,027, respectively. Also, the outstanding balance of loans receivable is made up of \$148,384,795 pledged loans (2008 indenture) and \$1,199,566,059 non-pledged direct loans. During fiscal years 2020 and 2019, there were no defaults or delinquencies.

As of June 30, 2020 and 2019, the Administration's lending commitments under the DWRLF to specific governmental entities within the State are detailed as follows:

DWRLF Borrower	2020			2019		
	Total Commitment	Commitment Outstanding	Outstanding Balance June 30, 2020	Total Commitment	Commitment Outstanding	Outstanding Balance June 30, 2019
Allegany County	\$ 576,082	\$ -	\$ 469,582	\$ 576,082	\$ -	\$ 492,211
Annapolis, City of	28,500,000	-	24,699,362	28,500,000	-	25,662,076
Anne Arundel County	6,816,718	-	4,238,946	6,816,718	-	4,475,926
Baltimore City	114,494,151	29,940,018	74,979,735	114,494,151	44,841,254	61,154,717
Baltimore County	79,851,193	15,386,071	49,624,988	79,851,193	26,524,884	40,246,994
Beaches Water Co.	464,713	-	304,355	464,713	-	326,449
Bettetton, Town of	43,483	-	7,889	43,483	-	10,498
Boonsboro, Town of	1,662,639	-	144,120	1,662,639	-	162,948
Bowie, City of	1,677,500	-	104,982	1,677,500	-	207,404

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 3 LOANS RECEIVABLE (CONTINUED)**

DWRLF Borrower	2020			2019		
	Total Commitment	Commitment Outstanding	Outstanding Balance June 30, 2020	Total Commitment	Commitment Outstanding	Outstanding Balance June 30, 2019
Brunswick, City of	\$ 359,975	\$ -	\$ 116,704	\$ 359,975	\$ -	\$ 138,130
Calvert County	2,568,000	-	2,090,539	2,568,000	-	2,211,513
Cecilton, Town of	968,323	-	530,847	968,323	-	562,912
Centreville, Town of	912,870	-	-	912,870	-	-
Chesapeake City, Town of	125,955	-	83,788	125,955	-	89,956
Chesterton, Town of	1,765,422	-	452,150	1,765,422	-	548,336
Clear Spring, Town of	1,260,531	-	488,152	1,260,531	-	541,095
Cumberland, City of	9,818,975	-	4,831,908	9,818,975	-	5,207,226
Dorchester County	52,778	-	-	52,778	-	-
East New Market	368,150	-	252,907	368,150	-	272,807
Emmitsburg, Town of	1,582,762	-	282,094	1,582,762	-	375,218
Fahney Keedy	500,000	-	-	500,000	-	-
Federalsburg, Town of	1,830,881	-	645,660	1,830,881	-	739,347
Frederick County	10,831,167	-	355,608	10,831,167	-	563,171
Frostburg, City of	337,500	-	254,177	337,500	-	271,141
Fruitland, Town of	1,214,218	1,036,402	177,816	-	-	-
Fundstown, Town of	153,015	101,368	47,114	153,015	153,015	-
Garrett Co Sanitary Distr	388,653	-	158,087	388,653	-	176,124
Grantsville, Town of	224,283	-	15,765	224,283	-	17,018
Hagerstown, City of	28,275,989	67,660	16,814,314	28,275,989	67,661	17,950,270
Hampstead, Town of	722,587	-	47,444	722,587	-	93,685
Independence Village	44,902	-	-	44,902	-	-
La Plata, Town of	499,150	-	324,789	499,150	-	348,280
Lonacoring, Town of	843,046	-	727,095	843,046	-	757,381
Manchester	400,000	-	68,121	400,000	-	90,380
Martingham Utilities Coop	594,700	-	360,446	594,700	-	380,002
Maryland American Water Co	3,826,013	-	3,820,013	3,843,932	135,267	3,706,665
Myersville, Town of	467,842	-	-	467,842	-	-
New Windsor, Tow of	1,927,731	-	584,240	1,927,731	-	908,005
North East, Town of	19,048,711	-	10,256,417	19,048,711	-	10,853,934
Oakland, Town of	\$3,640,938	-	\$2,954,664	3,677,165	410,593	2,705,481
Oxford, Town of	810,770	-	285,979	810,770	-	333,048
Perryville, Town of	11,534,299	-	7,125,006	11,534,299	-	7,533,807
Pittsville, Town of	86,166	-	42,114	86,166	-	61,364
Pocomoke City	17,214	-	11,341	17,214	-	12,200
Port Deposit, Town of	291,760	-	-	291,760	-	-
Queenstown, Town of	489,139	-	331,872	489,139	-	356,188
Rising Sun, Town of	1,698,717	-	740,568	1,698,717	-	802,719
Rock Hall, Town of	1,020,183	-	541,881	1,020,183	-	576,865
Rockville, City of	8,122,000	-	612,543	8,122,000	-	946,509
Salisbury, City of	1,513,160	-	1,170,828	1,513,160	-	1,221,057
Secretary, Town of	149,408	-	40,632	149,408	-	48,713
Sharptown, Town of	122,299	-	82,972	122,299	-	90,979
Smithsburg, Town of	1,005,714	208,617	766,854	1,005,714	945,758	59,956
Somerset county	32,000	-	16,000	32,000	-	17,066
St. Mary's Co-Metcom	16,539,213	1,289,873	11,382,867	16,944,682	4,204,943	9,676,183
St. Michaels, Town of	1,481,752	-	859,099	1,481,752	-	930,517
Taneytown, City of	4,011,000	-	2,227,359	4,011,000	-	2,435,787
Thurmont, Town of	2,243,740	-	-	2,243,740	-	-
Union Bridge, Town of	775,499	-	352,058	775,499	-	379,322
Walkersville, Town of	7,271,545	1,227,569	6,043,976	7,271,545	5,579,073	1,692,472
Westernport, Town of	3,008,026	-	2,660,868	3,008,026	-	2,718,189
Westminister, City of	15,535,902	-	5,813,243	15,535,902	-	6,793,727
Williamsport, Town of	660,695	-	622,028	750,000	123,820	606,846
Worcester County	367,063	-	182,892	367,063	-	202,134
WSSC	135,049	-	105,691	135,049	-	110,706
Loan Total	408,563,859	49,257,578	243,333,489	407,898,561	82,986,268	219,853,654
Grant/Loan Forgiveness	62,732,300	-	-	61,643,611	-	-
Total Commitment	\$ 471,296,159	-	-	\$ 469,542,172	-	-

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 3 LOANS RECEIVABLE (CONTINUED)**

The current portion of DWRLF loans receivable as of June 30, 2020 and 2019 was \$13,124,099 and \$10,899,153, respectively. During fiscal years 2020 and 2019, 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.

**NOTE 4 CAPITAL ASSETS**

Capital assets represent vehicles, net of accumulated depreciation. The activity for the years ended June 30 was as follows:

	2020				
	Balance	Increases	Decreases	Depreciation	Balance
	June 30, 2019				June 30, 2020
Vehicles	\$ 202,016	\$ -	\$ -	\$ -	\$ 202,016
Accumulated Depreciation	129,927	-	-	26,317	156,244
Net	\$ 72,089	\$ -	\$ -	\$ 26,317	\$ 45,772
	2019				
	Balance	Increases	Decreases	Depreciation	Balance
	June 30, 2018				June 30, 2019
	Vehicles	\$ 159,442	\$ 42,574	\$ -	\$ -
Accumulated Depreciation	93,819	-	-	36,108	129,927
Net	\$ 65,623	\$ 42,574	\$ -	\$ 36,108	\$ 72,089

**NOTE 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, 2020, is summarized below:

	ITD			
	Loan Amount	Principal Payments	Principal Balance	Annual Repayment
Town of Boonsboro	\$ 310,000	\$ 248,000	\$ 62,000	\$ 15,500

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

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 6 REVENUE BONDS PAYABLE**

The Administration had the following outstanding debt as of June 30:

	2020	2019
<b>Water Quality RLF</b>		
2016 Series CW-RLF 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.	\$ 15,170,000	\$ 17,805,000
Total Payable for Clean Water RLF	15,170,000	17,805,000
<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.	12,625,000	16,450,000
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.	71,485,000	77,755,000
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.	147,965,000	159,170,000
Total Payable for BRF	232,075,000	253,375,000
Total Payable for all Indentured Series - CWRLF and BRF	247,245,000	271,180,000
Less: Current Portion Payable	25,130,000	23,935,000
Noncurrent Bonds Payable	\$ 222,115,000	\$ 247,245,000

As of June 30, 2020, there were four series of Serial Bonds outstanding as follows:

Series	Current Bonds Payable Due March 1, 2021	Noncurrent Bonds Payable	Years Remaining	Final Payment Due Date
Water Quality RLF:				
2016	\$ 2,770,000	\$ 15,170,000	5	March 1, 2025
Bay Restoration Fund:				
2008	4,010,000	12,625,000	3	March 1, 2023
2014	6,585,000	71,485,000	9	March 1, 2029
2015	11,765,000	147,965,000	10	March 1, 2030
Total BRF	\$ 22,360,000	\$ 232,075,000		

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 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, 2020, were as follows:

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
Water Quality RLF:			
2021	\$ 671,350	\$ 2,770,000	\$ 3,441,350
2022	532,850	2,905,000	3,437,850
2023	474,750	2,965,000	3,439,750
2024	326,500	3,110,000	3,436,500
2025	171,000	3,420,000	3,591,000
Total WQRLF	<u>2,176,450</u>	<u>15,170,000</u>	<u>17,346,450</u>
Bay Restoration Fund			
2021	9,468,851	22,360,000	31,828,851
2022	8,352,907	23,470,000	31,822,907
2023	7,184,408	24,640,000	31,824,408
2024	5,971,420	21,245,000	27,216,420
2025	4,909,170	22,305,000	27,214,170
2026-2030	10,919,245	118,055,000	128,974,245
Total BRF	<u>46,806,001</u>	<u>232,075,000</u>	<u>278,881,001</u>
Total Payable All Series	<u>\$ 48,982,451</u>	<u>\$ 247,245,000</u>	<u>\$ 296,227,451</u>

As of June 30, 2020 and 2019, the Administration's management believes that it is in compliance with all significant requirements of the indentures.



**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 7 SCHEDULES OF CHANGES IN NONCURRENT LIABILITIES**

Changes in noncurrent liabilities for the year ended June 30, 2020, were as follows:

Bond Series and Program	Beginning Balance June 30, 2019	Additions	Reductions	Ending Balance June 30, 2020	Amounts Due Within One Year
<b>2016 Water Quality RLF:</b>					
Unamortized Premium	\$ 1,771,979	\$ -	\$ 482,514	\$ 1,289,465	\$ 397,680
Revenue Bonds Payable	17,805,000	-	2,635,000	15,170,000	2,770,000
Total WQ 2016 Series	<u>19,576,979</u>	<u>-</u>	<u>3,117,514</u>	<u>16,459,465</u>	<u>3,167,680</u>
<b>2008, 2014, 2015 Bay Restoration Fund</b>					
Unamortized Premium	12,804,478	-	3,657,713	9,146,765	3,003,755
Revenue Bonds Payable	253,375,000	-	21,300,000	232,075,000	22,360,000
Total BRF 2008, 2014, and 2015 Series	<u>266,179,478</u>	<u>-</u>	<u>24,957,713</u>	<u>241,221,765</u>	<u>25,363,755</u>
Total All Bond Series and Program	285,756,457	-	28,075,227	257,681,230	28,531,435
<b>Compensated Absences:</b>					
Water Quality	393,705	341,961	205,638	530,028	341,961
Drinking Water	48,977	41,717	33,899	56,795	41,717
BRF - Wastewater	125,320	54,839	51,816	128,343	54,839
BRF - Septic	49,413	37,414	29,995	56,832	37,414
Total Compensated Absences	<u>617,415</u>	<u>475,931</u>	<u>321,348</u>	<u>771,998</u>	<u>475,931</u>
Total	<u>\$ 286,373,872</u>	<u>\$ 475,931</u>	<u>\$ 28,396,575</u>	<u>\$ 258,453,228</u>	<u>\$ 29,007,366</u>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 7 SCHEDULES OF CHANGES IN NONCURRENT LIABILITIES (CONTINUED)**

Changes in noncurrent liabilities for the year ended June 30, 2019, were as follows:

Bond Series and Program	Beginning Balance June 30, 2018	Additions	Reductions	Ending Balance June 30, 2019	Amounts Due Within One Year
<b>2016 Water Quality RLF:</b>					
Unamortized Premium	\$ 2,331,812	\$ -	\$ 559,833	\$ 1,771,979	\$ 482,514
Revenue Bonds Payable	20,320,000	-	2,515,000	17,805,000	2,635,000
Total WQ 2016 Series	<u>22,651,812</u>	<u>-</u>	<u>3,074,833</u>	<u>19,576,979</u>	<u>3,117,514</u>
<b>2008, 2014, 2015</b>					
<b>Bay Restoration Fund</b>					
Unamortized Premium	17,121,675	-	4,317,197	12,804,478	3,657,713
Revenue Bonds Payable	273,590,000	-	20,215,000	253,375,000	21,300,000
Total BRF 2008, 2014, and 2015 Series	<u>290,711,675</u>	<u>-</u>	<u>24,532,197</u>	<u>266,179,478</u>	<u>24,957,713</u>
Total All Bond Series and Program	313,363,487	-	27,607,030	285,756,457	28,075,227
<b>Compensated Absences:</b>					
Water Quality	502,704	286,513	395,512	393,705	286,513
Drinking Water	47,520	38,741	37,284	48,977	38,741
BRF - Wastewater	109,377	59,916	43,973	125,320	59,916
BRF - Septic	52,907	33,259	36,753	49,413	33,259
Total Compensated Absences	<u>712,508</u>	<u>418,429</u>	<u>513,522</u>	<u>617,415</u>	<u>418,429</u>
Total	<u>\$ 314,075,995</u>	<u>\$ 418,429</u>	<u>\$ 28,120,552</u>	<u>\$ 286,373,872</u>	<u>\$ 28,493,656</u>

The Administration had no pending workers' compensation claims as of June 30, 2020 and 2019.

**NOTE 8 GRANTS AND RELATED PARTY TRANSACTIONS**

The Maryland Environmental Services (MES) was awarded grants under the BRF program. MES received BRF grant disbursements totaling \$778,503 and \$325,912, for the fiscal years ended 2020 and 2019, respectively.

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 9 BAY RESTORATION FUND ACTIVITY**

The Bay Restoration Fund (BRF) includes the 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, 2020, the Wastewater Fund received cash deposits from the Maryland Comptroller's Office totaling \$107,609,441, which earned investment interest of \$1,862,887, for capital projects and \$87,927, for the 2008 indenture. Similarly, the Septic Fund (60.0% of septic fees) received cash deposits of \$16,426,611, which earned investment interest of \$210,814. 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 \$70,498,547, for the wastewater treatment plant and sewer upgrades, and \$18,113,906, for septic system projects for fiscal year 2020. Wastewater Fund and Septic Fund fee revenue receivables as of June 30, 2020 and 2019 were \$35,365,118 and \$2,325,098, and \$21,788,852 and \$1,354,256, respectively.

Below is a summary of grant activity for fiscal years June 30:

Grants	2020			2019		
	BRF Grant Award	Cumulative Grant Disbursements	Remaining Grant Balance June 30, 2020	BRF Grant Award	Cumulative Grant Disbursements	Remaining Grant Balance June 30, 2019
<b>BRF Wastewater Fund</b>						
ENR Major WWTP	\$ 1,302,930,111	\$1,190,246,667	\$ 112,683,444	\$ 1,297,978,830	\$ 1,165,084,063	\$ 132,894,767
Sewer (Pre FY10)	19,711,306	19,711,306	-	19,711,306	19,711,306	-
O&M to WWTP	29,580,610	29,580,610	-	23,586,610	23,586,610	-
Nutrient Reduction (CWCA)	14,409,300	403,503	14,005,797	-	-	-
Expanded Uses (Post FY16):						
ENR Minor WWTP	42,153,184	34,645,520	7,507,664	35,207,815	22,236,936	12,970,879
Sewer Rehab/Extensions	137,481,792	87,897,323	49,584,469	125,154,679	61,367,467	63,787,212
Septic Systems	2,940,900	-	2,940,900	-	-	-
Stormwater BMP	347,340	-	347,340	-	-	-
<b>Total BRF WW Grants</b>	<b>\$ 1,549,554,543</b>	<b>\$ 1,362,484,929</b>	<b>\$ 187,069,614</b>	<b>\$ 1,501,639,240</b>	<b>\$ 1,291,986,382</b>	<b>\$ 209,652,858</b>
<b>BRF Septic Fund</b>						
Capital Projects	\$ 167,329,937	\$ 157,402,754	\$ 9,927,183	\$ 152,339,070	\$ 140,743,848	\$ 11,595,222
HB12 Admin	8,260,000	8,260,000	-	6,805,000	6,805,000	-
<b>Total BRF Septic Grants</b>	<b>\$ 175,589,937</b>	<b>\$ 165,662,754</b>	<b>\$ 9,927,183</b>	<b>\$ 159,144,070</b>	<b>\$ 147,548,848</b>	<b>\$ 11,595,222</b>

**NOTE 10 RISK MANAGEMENT**

The Administration is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The State of Maryland carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. The Administration has not had any significant reductions in insurance coverage or any claims not reimbursed for the fiscal years ending 2020, 2019, or 2018.

## **SUPPLEMENTARY INFORMATION**

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**  
**COMBINING STATEMENTS OF NET POSITION**  
**JUNE 30, 2020 AND 2019**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2020				2019			
	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	\$ 112,808,033	\$ 21,371,164	\$ 129,841,356	\$ 264,020,553	\$ 235,257,137	\$ 26,625,632	\$ 113,790,660	\$ 375,673,429
Receivables:								
Investment Interest	34,349	-	-	34,349	34,317	-	-	34,317
Loans	62,453,081	13,124,099	-	75,577,180	58,247,897	10,899,153	-	69,147,050
Loan Interest	5,598,615	968,574	-	6,567,189	4,980,402	896,451	-	5,876,853
BRF Fee	-	-	2,855,575	2,855,575	-	-	1,681,089	1,681,089
Administrative Fee	5,488,629	738,036	-	6,226,665	5,382,847	747,154	-	6,130,001
Current Restricted Assets:								
Cash and Cash Equivalents	-	-	9,272,469	9,272,469	-	-	22,415,048	22,415,048
Receivables:								
BRF Fee	-	-	34,834,641	34,834,641	-	-	21,462,019	21,462,019
Loans	32,082,570	-	-	32,082,570	33,167,130	-	-	33,167,130
Loan Interest	759,191	-	-	759,191	969,710	-	-	969,710
Total Current Assets	<u>219,224,468</u>	<u>36,201,873</u>	<u>176,804,041</u>	<u>432,230,382</u>	<u>338,039,440</u>	<u>39,168,390</u>	<u>159,348,816</u>	<u>536,556,646</u>
Noncurrent Assets:								
Investments	6,978,903	-	-	6,978,903	7,135,144	-	-	7,135,144
Loans Receivable	1,137,112,978	230,209,390	-	1,367,322,368	933,577,367	208,954,501	-	1,142,531,868
Capital Assets, Net	1,327	-	44,445	45,772	5,847	-	66,242	72,089
Noncurrent Restricted Assets:								
Loans Receivable	116,302,225	-	-	116,302,225	148,384,796	-	-	148,384,796
Total Noncurrent Assets	<u>1,260,395,433</u>	<u>230,209,390</u>	<u>44,445</u>	<u>1,490,649,268</u>	<u>1,089,103,154</u>	<u>208,954,501</u>	<u>66,242</u>	<u>1,298,123,897</u>
Total Assets	<u>\$ 1,479,619,901</u>	<u>\$ 266,411,263</u>	<u>\$ 176,848,486</u>	<u>\$ 1,922,879,650</u>	<u>\$ 1,427,142,594</u>	<u>\$ 248,122,891</u>	<u>\$ 159,415,058</u>	<u>\$ 1,834,680,543</u>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**  
**COMBINING STATEMENTS OF NET POSITION (CONTINUED)**  
**JUNE 30, 2020 AND 2019**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2020				2019			
	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</b>								
Current Liabilities:								
Accounts Payable	\$ 12,750	3,750	9,500	\$ 26,000	\$ 11,228	\$ -	\$ -	\$ 11,228
Compensated Absences - Current	341,961	41,717	92,253	475,931	286,513	38,741	93,175	418,429
Revenue Bonds Payable	2,770,000	-	22,360,000	25,130,000	2,635,000	-	21,300,000	23,935,000
Bond Premium - Current	397,680	-	3,003,755	3,401,435	482,514	-	3,657,713	4,140,227
Accrued Interest on								
Bonds Payable	91,223	-	2,155,032	2,246,255	106,862	-	2,289,613	2,396,475
Total Current Liabilities	<u>3,613,614</u>	<u>45,467</u>	<u>27,620,540</u>	<u>31,279,621</u>	<u>3,522,117</u>	<u>38,741</u>	<u>27,340,501</u>	<u>30,901,359</u>
Noncurrent Liabilities:								
Compensated Absences - Noncurrent	188,067	15,078	92,922	296,067	107,192	10,236	81,558	198,986
Revenue Bonds Payable	12,400,000	-	209,715,000	222,115,000	15,170,000	-	232,075,000	247,245,000
Bond Premium - Noncurrent	891,785	-	6,143,010	7,034,795	1,289,465	-	9,146,765	10,436,230
Total Noncurrent Liabilities	<u>13,479,852</u>	<u>15,078</u>	<u>215,950,932</u>	<u>229,445,862</u>	<u>16,566,657</u>	<u>10,236</u>	<u>241,303,323</u>	<u>257,880,216</u>
Total Liabilities	<u>17,093,466</u>	<u>60,545</u>	<u>243,571,472</u>	<u>260,725,483</u>	<u>20,088,774</u>	<u>48,977</u>	<u>268,643,824</u>	<u>288,781,575</u>
<b>NET POSITION</b>								
Net Investment in Capital Assets	1,327	-	44,445	45,772	5,847	-	66,242	72,089
Restricted	1,455,989,035	265,611,504	170,378,978	1,891,979,517	1,401,185,467	247,114,021	153,282,776	1,801,582,264
Unrestricted	6,536,073	739,214	(237,146,409)	(229,871,122)	5,862,506	959,893	(262,577,784)	(255,755,385)
Total Net Position	<u>\$ 1,462,526,435</u>	<u>\$ 266,350,718</u>	<u>\$ (66,722,986)</u>	<u>\$ 1,662,154,167</u>	<u>\$ 1,407,053,820</u>	<u>\$ 248,073,914</u>	<u>\$ (109,228,766)</u>	<u>\$ 1,545,898,968</u>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**  
**COMBINING STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2020 AND 2019**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2020				2019			
	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>OPERATING REVENUE</b>								
Interest on Loans	\$ 12,445,008	\$ 1,954,843	\$ -	\$ 14,399,851	\$ 12,016,254	\$ 1,764,867	\$ -	\$ 13,781,121
Loan Administration Fees	5,489,460	745,246	-	6,234,706	5,383,677	754,377	-	6,138,054
Fee Revenue	-	-	138,583,160	138,583,160	-	-	124,429,220	124,429,220
Grant Revenue	-	181,843	-	181,843	-	-	-	-
Grant Revenue (Set-Asides 2%, 10%, and 15%)	-	3,471,359	-	3,471,359	-	3,634,396	-	3,634,396
Miscellaneous Income	-	15,500	-	15,500	-	15,500	-	15,500
Total Operating Revenue	<u>17,934,468</u>	<u>6,368,791</u>	<u>138,583,160</u>	<u>162,886,419</u>	<u>17,399,931</u>	<u>6,169,140</u>	<u>124,429,220</u>	<u>147,998,291</u>
<b>OPERATING EXPENSES</b>								
Salaries and Related Benefits	6,016,439	916,974	2,020,710	8,954,123	5,635,671	669,095	1,434,872	7,739,638
General	1,603,923	237,586	871,588	2,713,097	1,450,128	153,818	728,442	2,332,388
Capital Grant Disbursements	4,479,474	1,987,026	88,612,453	95,078,953	3,377,499	3,323,703	82,910,321	89,611,523
Transfers Out (Set-Asides 2%, 10%, and 15%)	-	3,471,359	-	3,471,359	-	3,634,396	-	3,634,396
Total Operating Expenses	<u>12,099,836</u>	<u>6,612,945</u>	<u>91,504,751</u>	<u>110,217,532</u>	<u>10,463,298</u>	<u>7,781,012</u>	<u>85,073,635</u>	<u>103,317,945</u>
<b>OPERATING INCOME (LOSS)</b>	5,834,632	(244,154)	47,078,409	52,668,887	6,936,633	(1,611,872)	39,355,585	44,680,346
<b>NONOPERATING REVENUE (EXPENSES)</b>								
Investment Income	3,091,241	411,238	2,161,628	5,664,107	4,864,381	816,467	2,599,557	8,280,405
Interest Expense on Bonds	(304,948)	-	(6,734,257)	(7,039,205)	(352,873)	-	(7,079,216)	(7,432,089)
Net Change in Fair Value of Investments	267,690	-	-	267,690	197,520	-	-	197,520
Federal Government Contributions State of MD Required	38,820,000	14,040,120	-	52,860,120	32,066,000	10,210,510	-	42,276,510
Match to Federal Grant	7,764,000	4,069,600	-	11,833,600	6,413,200	2,797,400	-	9,210,600
Total Nonoperating Revenue (Expenses)	<u>49,637,983</u>	<u>18,520,958</u>	<u>(4,572,629)</u>	<u>63,586,312</u>	<u>43,188,228</u>	<u>13,824,377</u>	<u>(4,479,659)</u>	<u>52,532,946</u>
<b>CHANGE IN NET POSITION</b>	55,472,615	18,276,804	42,505,780	116,255,199	50,124,861	12,212,505	34,875,926	97,213,292
Net Position - Beginning of Year	<u>1,407,053,820</u>	<u>248,073,914</u>	<u>(109,228,766)</u>	<u>1,545,898,968</u>	<u>1,356,928,959</u>	<u>235,861,409</u>	<u>(144,104,692)</u>	<u>1,448,685,676</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 1,462,526,435</u>	<u>\$ 266,350,718</u>	<u>\$ (66,722,986)</u>	<u>\$ 1,662,154,167</u>	<u>\$ 1,407,053,820</u>	<u>\$ 248,073,914</u>	<u>\$ (109,228,766)</u>	<u>\$ 1,545,898,968</u>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**  
**COMBINING STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2020				2019			
	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>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
BRF Fee and Other Receipts	\$ -	\$ 3,668,702	\$ 124,036,052	\$ 127,704,754	\$ -	\$ 3,649,896	\$ 131,094,235	\$ 134,744,131
Capital Grant Disbursements	(4,479,474)	(1,987,026)	(88,612,453)	(95,078,953)	(3,377,499)	(3,323,703)	(82,910,321)	(89,611,523)
Salaries and Benefits Paid	(5,880,116)	(909,156)	(2,010,268)	(8,799,540)	(5,744,670)	(667,638)	(1,422,423)	(7,834,731)
General Expenses Paid	(1,597,881)	(3,705,195)	(840,291)	(6,143,367)	(1,432,027)	(3,790,448)	(713,318)	(5,935,793)
Loan Repayments	91,415,027	10,914,152	-	102,329,179	90,704,591	10,736,190	-	101,440,781
Loan Disbursements	(265,988,693)	(34,393,987)	-	(300,382,680)	(193,971,520)	(58,960,546)	-	(252,932,066)
Interest and Fees Received from Borrowers	17,420,992	2,637,084	-	20,058,076	16,424,077	2,357,913	-	18,781,990
Net Cash Provided (Used) by Operating Activities	(169,110,145)	(23,775,426)	32,573,040	(160,312,531)	(97,397,048)	(49,998,336)	46,048,173	(101,347,211)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>								
Contributions Received:								
Federal Government	38,820,000	14,040,120	-	52,860,120	32,066,000	10,210,510	-	42,276,510
State of MD Required Match to Federal Grant	7,764,000	4,069,600	-	11,833,600	6,413,200	2,797,400	-	9,210,600
Proceeds from Sale of Bonds	-	-	-	-	-	-	-	-
Repayment of Bonds	(2,635,000)	-	(21,300,000)	(23,935,000)	(2,515,000)	-	(20,215,000)	(22,730,000)
Cost of Issuance/Underwriters' Discount	-	-	-	-	-	-	-	-
Interest on Bonds	(803,100)	-	(10,526,551)	(11,329,651)	(928,850)	-	(11,501,601)	(12,430,451)
Net Cash Provided (Used) by Noncapital Financing Activities	43,145,900	18,109,720	(31,826,551)	29,429,069	35,035,350	13,007,910	(31,716,601)	16,326,659
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>								
Purchase of Equipment	-	-	-	-	-	-	(42,574)	(42,574)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Purchase of Investments	-	-	-	-	(1,646,000)	-	-	(1,646,000)
Interest on Investment Securities	3,091,209	411,238	2,161,628	5,664,075	4,855,313	816,467	2,599,557	8,271,337
Proceeds from Sale of Investments	423,932	-	-	423,932	213,551	-	-	213,551
Net Cash Provided by Investing Activities	3,515,141	411,238	2,161,628	6,088,007	3,422,864	816,467	2,599,557	6,838,888
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(122,449,104)	(5,254,468)	2,908,117	(124,795,455)	(58,938,834)	(36,173,959)	16,888,555	(78,224,238)
Cash and Cash Equivalents - Beginning of Year	235,257,137	26,625,632	136,205,708	398,088,477	294,195,971	62,799,591	119,317,153	476,312,715
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 112,808,033</b>	<b>\$ 21,371,164</b>	<b>\$ 139,113,825</b>	<b>\$ 273,293,022</b>	<b>\$ 235,257,137</b>	<b>\$ 26,625,632</b>	<b>\$ 136,205,708</b>	<b>\$ 398,088,477</b>



**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**  
**COMBINING STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2020 AND 2019**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2020				2019			
	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>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>								
Operating Income (Loss)	\$ 5,834,632	\$ (244,154)	\$ 47,078,409	\$ 52,668,887	\$ 6,936,633	\$ (1,611,872)	\$ 39,355,585	\$ 44,680,346
Depreciation of Fixed Assets	4,520	-	21,797	26,317	15,021	-	21,087	36,108
Changes in Noncash Operating Assets and Liabilities:								
Loans Receivable	(174,573,666)	(23,479,835)	-	(198,053,501)	(103,266,929)	(48,224,356)	-	(151,491,285)
Loan Interest Receivable	(407,694)	(72,123)	-	(479,817)	(388,263)	(164,755)	-	(553,018)
Administrative Fee and BRF Fee Receivables	(105,782)	9,118	(14,547,108)	(14,643,772)	(587,591)	3,424	6,665,015	6,080,848
Accounts Payable and Other Liabilities	137,845	11,568	19,942	169,355	(105,919)	(777)	6,486	(100,210)
Net Cash Provided (Used) by Operating Activities	<u>\$ (169,110,145)</u>	<u>\$ (23,775,426)</u>	<u>\$ 32,573,040</u>	<u>\$ (160,312,531)</u>	<u>\$ (97,397,048)</u>	<u>\$ (49,998,336)</u>	<u>\$ 46,048,173</u>	<u>\$ (101,347,211)</u>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
CLEAN WATER STATE REVOLVING LOAN FUND  
COMBINING STATEMENTS OF NET POSITION  
JUNE 30, 2020 AND 2019  
(SEE INDEPENDENT AUDITORS' REPORT)**

	2020				2019			
	Funds Held by Administration				Funds Held by Administration			
	Admin Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Total	Admin Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Total
<b>ASSETS</b>								
Current Assets:								
Cash and Cash Equivalents	\$ 1,590,222	\$ 111,217,811	\$ -	\$ 112,808,033	\$ 884,589	\$ 234,372,548	\$ -	\$ 235,257,137
Receivables:								
Investment Interest	-	34,349	-	34,349	3	34,314	-	34,317
Loans	-	62,453,081	-	62,453,081	-	58,247,897	-	58,247,897
Loan Interest	-	5,598,615	-	5,598,615	-	4,980,402	-	4,980,402
Administrative Fee	5,488,629	-	-	5,488,629	5,382,847	-	-	5,382,847
Current Restricted Assets:								
Cash and Cash Equivalents	-	-	-	-	-	-	-	-
Receivables:								
Loans	-	-	32,082,570	32,082,570	-	-	33,167,130	33,167,130
Loan Interest	-	-	759,191	759,191	-	-	969,710	969,710
Total Current Assets	<u>7,078,851</u>	<u>179,303,856</u>	<u>32,841,761</u>	<u>219,224,468</u>	<u>6,267,439</u>	<u>297,635,161</u>	<u>34,136,840</u>	<u>338,039,440</u>
Noncurrent Assets:								
Investments	-	6,978,903	-	6,978,903	-	7,135,144	-	7,135,144
Loans Receivable	-	1,137,112,978	-	1,137,112,978	-	933,577,367	-	933,577,367
Capital Assets, Net	1,327	-	-	1,327	5,847	-	-	5,847
Noncurrent Restricted Assets:								
Loans Receivable	-	-	116,302,225	116,302,225	-	-	148,384,796	148,384,796
Total Noncurrent Assets	<u>1,327</u>	<u>1,144,091,881</u>	<u>116,302,225</u>	<u>1,260,395,433</u>	<u>5,847</u>	<u>940,712,511</u>	<u>148,384,796</u>	<u>1,089,103,154</u>
Total Assets	<u>\$ 7,080,178</u>	<u>\$ 1,323,395,737</u>	<u>\$ 149,143,986</u>	<u>\$ 1,479,619,901</u>	<u>\$ 6,273,286</u>	<u>\$ 1,238,347,672</u>	<u>\$ 182,521,636</u>	<u>\$ 1,427,142,594</u>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
CLEAN WATER STATE REVOLVING LOAN FUND  
COMBINING STATEMENTS OF NET POSITION (CONTINUED)  
JUNE 30, 2020 AND 2019  
(SEE INDEPENDENT AUDITORS' REPORT)**

	2020				2019			
	Funds Held by Administration				Funds Held by Administration			
	Admin Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Total	Admin Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Total
<b>LIABILITIES</b>								
Current Liabilities:								
Accounts Payable	\$ 12,750	\$ -	\$ -	\$ 12,750	\$ 11,228	\$ -	\$ -	\$ 11,228
Compensated Absences - Current	341,961	-	-	341,961	286,513	-	-	286,513
Revenue Bonds Payable	-	-	2,770,000	2,770,000	-	-	2,635,000	2,635,000
Bond Premium - Current	-	-	397,680	397,680	-	-	482,514	482,514
Accrued Interest on								
Bonds Payable	-	-	91,223	91,223	-	-	106,862	106,862
Total Current Liabilities	<u>354,711</u>	<u>-</u>	<u>3,258,903</u>	<u>3,613,614</u>	<u>297,741</u>	<u>-</u>	<u>3,224,376</u>	<u>3,522,117</u>
Noncurrent Liabilities:								
Compensated Absences - Noncurrent	188,067	-	-	188,067	107,192	-	-	107,192
Revenue Bonds Payable	-	-	12,400,000	12,400,000	-	-	15,170,000	15,170,000
Bond Premium - Noncurrent	-	-	891,785	891,785	-	-	1,289,465	1,289,465
Total Noncurrent Liabilities	<u>188,067</u>	<u>-</u>	<u>13,291,785</u>	<u>13,479,852</u>	<u>107,192</u>	<u>-</u>	<u>16,459,465</u>	<u>16,566,657</u>
Total Liabilities	<u>542,778</u>	<u>-</u>	<u>16,550,688</u>	<u>17,093,466</u>	<u>404,933</u>	<u>-</u>	<u>19,683,841</u>	<u>20,088,774</u>
<b>NET POSITION</b>								
Net Investment in								
Capital Assets	1,327	-	-	1,327	5,847	-	-	5,847
Restricted	-	1,323,395,737	132,593,298	1,455,989,035	-	1,238,347,672	162,837,795	1,401,185,467
Unrestricted	<u>6,536,073</u>	<u>-</u>	<u>-</u>	<u>6,536,073</u>	<u>5,862,506</u>	<u>-</u>	<u>-</u>	<u>5,862,506</u>
Total Net Position	<u>\$ 6,537,400</u>	<u>\$ 1,323,395,737</u>	<u>\$ 132,593,298</u>	<u>\$ 1,462,526,435</u>	<u>\$ 5,868,353</u>	<u>\$ 1,238,347,672</u>	<u>\$ 162,837,795</u>	<u>\$ 1,407,053,820</u>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
 CLEAN WATER STATE REVOLVING LOAN FUND  
 COMBINING STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
 YEARS ENDED JUNE 30, 2020 AND 2019  
 (SEE INDEPENDENT AUDITORS' REPORT)**

	2020				2019			
	Funds Held by Administration				Funds Held by Administration			
	Admin Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Total	Admin Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Total
<b>OPERATING REVENUE</b>								
Interest on Loans	\$ -	\$ 10,716,108	\$ 1,728,900	\$ 12,445,008	\$ -	\$ 9,854,753	\$ 2,161,501	\$ 12,016,254
Loan Administration Fees	5,489,460	-	-	5,489,460	5,383,677	-	-	5,383,677
Miscellaneous Income	-	-	-	-	-	-	-	-
Total Operating Revenue	5,489,460	10,716,108	1,728,900	17,934,468	5,383,677	9,854,753	2,161,501	17,399,931
<b>OPERATING EXPENSES</b>								
Salaries and Related Benefits	6,016,439	-	-	6,016,439	5,635,671	-	-	5,635,671
General	1,603,923	-	-	1,603,923	1,450,128	-	-	1,450,128
Capital Grant Disbursements	-	4,479,474	-	4,479,474	-	3,377,499	-	3,377,499
Total Operating Expenses	7,620,362	4,479,474	-	12,099,836	7,085,799	3,377,499	-	10,463,298
<b>OPERATING INCOME (LOSS)</b>	(2,130,902)	6,236,634	1,728,900	5,834,632	(1,702,122)	6,477,254	2,161,501	6,936,633
<b>NONOPERATING REVENUE (EXPENSES)</b>								
Investment Income	(51)	3,086,821	4,471	3,091,241	48	4,856,413	7,920	4,864,381
Interest Expense on Bonds	-	-	(304,948)	(304,948)	-	-	(352,873)	(352,873)
Net Change in Fair Value of Investments	-	267,690	-	267,690	-	197,520	-	197,520
Federal Government Contributions State of MD Required	-	38,820,000	-	38,820,000	-	32,066,000	-	32,066,000
Match to Federal Grant	-	7,764,000	-	7,764,000	-	6,413,200	-	6,413,200
Total Nonoperating Revenue (Expenses)	(51)	49,938,511	(300,477)	49,637,983	48	43,533,133	(344,953)	43,188,228
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	(2,130,953)	56,175,145	1,428,423	55,472,615	(1,702,074)	50,010,387	1,816,548	50,124,861
<b>INTERFUND TRANSFERS</b>	2,800,000	28,872,920	(31,672,920)	-	2,400,000	31,317,241	(33,717,241)	-
<b>CHANGE IN NET POSITION</b>	669,047	85,048,065	(30,244,497)	55,472,615	697,926	81,327,628	(31,900,693)	50,124,861
Net Position - Beginning of Year	5,868,353	1,238,347,672	162,837,795	1,407,053,820	5,170,427	1,157,020,044	194,738,488	1,356,928,959
<b>NET POSITION - END OF YEAR</b>	<u>\$ 6,537,400</u>	<u>\$ 1,323,395,737</u>	<u>\$ 132,593,298</u>	<u>\$ 1,462,526,435</u>	<u>\$ 5,868,353</u>	<u>\$ 1,238,347,672</u>	<u>\$ 162,837,795</u>	<u>\$ 1,407,053,820</u>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
CLEAN WATER STATE REVOLVING LOAN FUND  
COMBINING STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2020 AND 2019  
(SEE INDEPENDENT AUDITORS' REPORT)**

	2020				2019			
	Funds Held by Administration				Funds Held by Administration			
	Admin Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Total	Admin Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Other Receipts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Grant Disbursements	-	(4,479,474)	-	(4,479,474)	-	(3,377,499)	-	(3,377,499)
Salaries and Benefits Paid	(5,880,116)	-	-	(5,880,116)	(5,744,670)	-	-	(5,744,670)
General Expenses Paid	(1,597,881)	-	-	(1,597,881)	(1,432,027)	-	-	(1,432,027)
Loan Repayments	-	58,247,897	33,167,130	91,415,027	-	55,938,601	34,765,990	90,704,591
Loan Disbursements	-	(265,988,693)	-	(265,988,693)	-	(193,971,520)	-	(193,971,520)
Interest and Fees Received from Borrowers	5,383,678	10,097,895	1,939,419	17,420,992	4,796,086	9,240,810	2,387,181	16,424,077
Net Cash Provided (Used) by Operating Activities	(2,094,319)	(202,122,375)	35,106,549	(169,110,145)	(2,380,611)	(132,169,608)	37,153,171	(97,397,048)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>								
Contributions Received:								
Federal Government	-	38,820,000	-	38,820,000	-	32,066,000	-	32,066,000
State of MD Required Match to Federal Grant	-	7,764,000	-	7,764,000	-	6,413,200	-	6,413,200
Interfund Transfers	2,800,000	28,872,920	(31,672,920)	-	2,400,000	31,317,241	(33,717,241)	-
Repayment of Bonds	-	-	(2,635,000)	(2,635,000)	-	-	(2,515,000)	(2,515,000)
Interest on Bonds	-	-	(803,100)	(803,100)	-	-	(928,850)	(928,850)
Net Cash Provided (Used) by Noncapital Financing Activities	2,800,000	75,456,920	(35,111,020)	43,145,900	2,400,000	69,796,441	(37,161,091)	35,035,350
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Purchase of Investments	-	-	-	-	-	(1,646,000)	-	(1,646,000)
Interest on Investment Securities	(48)	3,086,786	4,471	3,091,209	45	4,847,348	7,920	4,855,313
Proceeds from Sale of Investments	-	423,932	-	423,932	-	213,551	-	213,551
Net Cash Provided (Used) by Investing Activities	(48)	3,510,718	4,471	3,515,141	45	3,414,899	7,920	3,422,864
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	705,633	(123,154,737)	-	(122,449,104)	19,434	(58,958,268)	-	(58,938,834)
Cash and Cash Equivalents - Beginning of Year	884,589	234,372,548	-	235,257,137	865,155	293,330,816	-	294,195,971
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 1,590,222</u>	<u>\$ 111,217,811</u>	<u>\$ -</u>	<u>\$ 112,808,033</u>	<u>\$ 884,589</u>	<u>\$ 234,372,548</u>	<u>\$ -</u>	<u>\$ 235,257,137</u>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
CLEAN WATER STATE REVOLVING LOAN FUND  
COMBINING STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED JUNE 30, 2020 AND 2019  
(SEE INDEPENDENT AUDITORS' REPORT)**

	2020				2019			
	Funds Held by Administration				Funds Held by Administration			
	Admin Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Total	Admin Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>								
Operating Income (Loss)	\$ (2,130,902)	\$ 6,236,634	\$ 1,728,900	\$ 5,834,632	\$ (1,702,122)	\$ 6,477,254	\$ 2,161,501	\$ 6,936,633
Depreciation of Fixed Assets	4,520	-	-	4,520	15,021	-	-	15,021
Changes in Noncash Operating Assets and Liabilities:								
Loans Receivable	-	(207,740,796)	33,167,130	(174,573,666)	-	(138,032,919)	34,765,990	(103,266,929)
Loan Interest Receivable	-	(618,213)	210,519	(407,694)	-	(613,943)	225,680	(388,263)
Administrative Fees	(105,782)	-	-	(105,782)	(587,591)	-	-	(587,591)
Accounts Payable and Other Liabilities	137,845	-	-	137,845	(105,919)	-	-	(105,919)
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,094,319)</u>	<u>\$ (202,122,375)</u>	<u>\$ 35,106,549</u>	<u>\$ (169,110,145)</u>	<u>\$ (2,380,611)</u>	<u>\$ (132,169,608)</u>	<u>\$ 37,153,171</u>	<u>\$ (97,397,048)</u>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
DRINKING WATER STATE REVOLVING LOAN FUND  
COMBINING STATEMENTS OF NET POSITION  
JUNE 30, 2020 AND 2019  
(SEE INDEPENDENT AUDITORS' REPORT)**

	2020			2019		
	Funds Held by Administration			Funds Held by Administration		
	Admin Accounts	Capital Reserve Accounts	Total	Admin Accounts	Capital Reserve Accounts	Total
<b>ASSETS</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 61,723	\$ 21,309,441	\$ 21,371,164	\$ 261,716	\$ 26,363,916	\$ 26,625,632
Receivables:						
Investment Interest	-	-	-	-	-	-
Loans	-	13,124,099	13,124,099	-	10,899,153	10,899,153
Loan Interest	-	968,574	968,574	-	896,451	896,451
Administrative Fee	738,036	-	738,036	747,154	-	747,154
Total Current Assets	<u>799,759</u>	<u>35,402,114</u>	<u>36,201,873</u>	<u>1,008,870</u>	<u>38,159,520</u>	<u>39,168,390</u>
Noncurrent Assets:						
Loans Receivable	-	230,209,390	230,209,390	-	208,954,501	208,954,501
Total Noncurrent Assets	<u>-</u>	<u>230,209,390</u>	<u>230,209,390</u>	<u>-</u>	<u>208,954,501</u>	<u>208,954,501</u>
Total Assets	799,759	265,611,504	266,411,263	1,008,870	247,114,021	248,122,891
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable	3,750	-	3,750	-	-	-
Compensated Absences - Current	41,717	-	41,717	38,741	-	38,741
Total Current Liabilities	<u>45,467</u>	<u>-</u>	<u>45,467</u>	<u>38,741</u>	<u>-</u>	<u>38,741</u>
Noncurrent Liabilities:						
Compensated Absences - Noncurrent	15,078	-	15,078	10,236	-	10,236
Total Noncurrent Liabilities	<u>15,078</u>	<u>-</u>	<u>15,078</u>	<u>10,236</u>	<u>-</u>	<u>10,236</u>
Total Liabilities	<u>60,545</u>	<u>-</u>	<u>60,545</u>	<u>48,977</u>	<u>-</u>	<u>48,977</u>
<b>NET POSITION</b>						
Restricted	-	265,611,504	265,611,504	-	247,114,021	247,114,021
Unrestricted	739,214	-	739,214	959,893	-	959,893
Total Net Position	<u>\$ 739,214</u>	<u>\$ 265,611,504</u>	<u>\$ 266,350,718</u>	<u>\$ 959,893</u>	<u>\$ 247,114,021</u>	<u>\$ 248,073,914</u>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
DRINKING WATER STATE REVOLVING LOAN FUND  
COMBINING STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
YEARS ENDED JUNE 30, 2020 AND 2019  
(SEE INDEPENDENT AUDITORS' REPORT)**

	2020			2019		
	Funds Held by Administration			Funds Held by Administration		
	Admin Accounts	Capital Reserve Accounts	Total	Admin Accounts	Capital Reserve Accounts	Total
<b>OPERATING REVENUE</b>						
Interest on Loans	\$ -	\$ 1,954,843	\$ 1,954,843	\$ -	\$ 1,764,867	\$ 1,764,867
Loan Administration Fees	745,246	-	745,246	754,377	-	754,377
Grant Revenue	181,843	-	181,843	-	-	-
Grant Revenue (Set-Asides 2%, 10%, 15%)	3,471,359	-	3,471,359	3,634,396	-	3,634,396
Miscellaneous Income	-	15,500	15,500	-	15,500	15,500
Total Operating Revenue	<u>4,398,448</u>	<u>1,970,343</u>	<u>6,368,791</u>	<u>4,388,773</u>	<u>1,780,367</u>	<u>6,169,140</u>
<b>OPERATING EXPENSES</b>						
Salaries and Related Benefits	916,974	-	916,974	669,095	-	669,095
General	237,586	-	237,586	153,818	-	153,818
Capital Grant Disbursements	-	1,987,026	1,987,026	-	3,323,703	3,323,703
Transfer Out (Set-Asides 2%, 10%, 15%)	3,471,359	-	3,471,359	3,634,396	-	3,634,396
Total Operating Expenses	<u>4,625,919</u>	<u>1,987,026</u>	<u>6,612,945</u>	<u>4,457,309</u>	<u>3,323,703</u>	<u>7,781,012</u>
<b>OPERATING LOSS</b>	(227,471)	(16,683)	(244,154)	(68,536)	(1,543,336)	(1,611,872)
<b>NONOPERATING REVENUE (EXPENSES)</b>						
Investment Income	6,792	404,446	411,238	10,637	805,830	816,467
Net Change in Fair Value of Investments	-	-	-	-	-	-
Federal Government Contributions State of MD Required	-	14,040,120	14,040,120	-	10,210,510	10,210,510
Match to Federal Grant	-	4,069,600	4,069,600	-	2,797,400	2,797,400
Total Nonoperating Revenue (Expenses)	<u>6,792</u>	<u>18,514,166</u>	<u>18,520,958</u>	<u>10,637</u>	<u>13,813,740</u>	<u>13,824,377</u>
<b>CHANGE IN NET POSITION</b>	(220,679)	18,497,483	18,276,804	(57,899)	12,270,404	12,212,505
Net Position - Beginning of Year	<u>959,893</u>	<u>247,114,021</u>	<u>248,073,914</u>	<u>1,017,792</u>	<u>234,843,617</u>	<u>235,861,409</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 739,214</u>	<u>\$ 265,611,504</u>	<u>\$ 266,350,718</u>	<u>\$ 959,893</u>	<u>\$ 247,114,021</u>	<u>\$ 248,073,914</u>



**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
DRINKING WATER STATE REVOLVING LOAN FUND  
COMBINING STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2020 AND 2019  
(SEE INDEPENDENT AUDITORS' REPORT)**

	2020			2019		
	Funds Held by Administration			Funds Held by Administration		
	Admin Accounts	Capital Reserve Accounts	Total	Admin Accounts	Capital Reserve Accounts	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Other Receipts	\$ 3,653,202	\$ 15,500	\$ 3,668,702	\$ 3,634,396	\$ 15,500	\$ 3,649,896
Capital Grant Disbursements	-	(1,987,026)	(1,987,026)	-	(3,323,703)	(3,323,703)
Salaries and Benefits Paid	(909,156)	-	(909,156)	(667,638)	-	(667,638)
General Expenses Paid	(3,705,195)	-	(3,705,195)	(3,790,448)	-	(3,790,448)
Loan Repayments	-	10,914,152	10,914,152	-	10,736,190	10,736,190
Loan Disbursements	-	(34,393,987)	(34,393,987)	-	(58,960,546)	(58,960,546)
Interest and Fees Received from Borrowers	754,364	1,882,720	2,637,084	757,801	1,600,112	2,357,913
Net Cash Used by Operating Activities	(206,785)	(23,568,641)	(23,775,426)	(65,889)	(49,932,447)	(49,998,336)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Contributions Received:						
Federal Government	-	14,040,120	14,040,120	-	10,210,510	10,210,510
State of MD Required Match to Federal Grant	-	4,069,600	4,069,600	-	2,797,400	2,797,400
Net Cash Provided by Noncapital Financing Activities	-	18,109,720	18,109,720	-	13,007,910	13,007,910
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest on Investment Securities	6,792	404,446	411,238	10,637	805,830	816,467
Net Cash Provided by Investing Activities	6,792	404,446	411,238	10,637	805,830	816,467
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(199,993)	(5,054,475)	(5,254,468)	(55,252)	(36,118,707)	(36,173,959)
Cash and Cash Equivalents - Beginning of Year	261,716	26,363,916	26,625,632	316,968	62,482,623	62,799,591
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 61,723</u>	<u>\$ 21,309,441</u>	<u>\$ 21,371,164</u>	<u>\$ 261,716</u>	<u>\$ 26,363,916</u>	<u>\$ 26,625,632</u>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
DRINKING WATER STATE REVOLVING LOAN FUND  
COMBINING STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED JUNE 30, 2020 AND 2019  
(SEE INDEPENDENT AUDITORS' REPORT)**

	2020			2019		
	Funds Held by Administration			Funds Held by Administration		
	Admin Accounts	Capital Reserve Accounts	Total	Admin Accounts	Capital Reserve Accounts	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
Operating Income (Loss)	\$ (227,471)	\$ (16,683)	\$ (244,154)	\$ (68,536)	\$ (1,543,336)	\$ (1,611,872)
Depreciation of Fixed Assets	-	-	-	-	-	-
Changes in Noncash Operating Assets and Liabilities:						
Loans Receivable	-	(23,479,835)	(23,479,835)	-	(48,224,356)	(48,224,356)
Loan Interest Receivable	-	(72,123)	(72,123)	-	(164,755)	(164,755)
Administrative Fees	9,118	-	9,118	3,424	-	3,424
Accounts Payable and Other Liabilities	11,568	-	11,568	(777)	-	(777)
Net Cash Used by Operating Activities	<u>\$ (206,785)</u>	<u>\$ (23,568,641)</u>	<u>\$ (23,775,426)</u>	<u>\$ (65,889)</u>	<u>\$ (49,932,447)</u>	<u>\$ (49,998,336)</u>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**  
**BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND**  
**COMBINING STATEMENT OF NET POSITION**  
**JUNE 30, 2020**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2020					
	Funds Held by Administration					
	Bay Restoration Fund - Wastewater			Bay Restoration Fund - Septic		Total
Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts		
<b>ASSETS</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 1,138,753	\$ 116,068,218	\$ -	\$ 4,569,825	\$ 8,064,560	\$ 129,841,356
Receivables:						
Investment Interest	-	-	-	-	-	-
BRF Fee	530,477	-	-	186,008	2,139,090	2,855,575
Current Restricted Assets:						
Cash and Cash Equivalents	-	9,272,469	-	-	-	9,272,469
Receivables:						
Investment Interest	-	-	-	-	-	-
BRF Fee	-	34,834,641	-	-	-	34,834,641
Total Current Assets	<u>1,669,230</u>	<u>160,175,328</u>	<u>-</u>	<u>4,755,833</u>	<u>10,203,650</u>	<u>176,804,041</u>
Noncurrent Assets:						
Capital Assets, Net	-	-	-	44,445	-	44,445
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,445</u>	<u>-</u>	<u>44,445</u>
Total Assets	<u>1,669,230</u>	<u>160,175,328</u>	<u>-</u>	<u>4,800,278</u>	<u>10,203,650</u>	<u>176,848,486</u>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable	7,000	-	-	2,500	-	9,500
Compensated Absences - Current	54,839	-	-	37,414	-	92,253
Revenue Bonds	-	-	22,360,000	-	-	22,360,000
Bond Premium - Current	-	-	3,003,755	-	-	3,003,755
Accrued Bond Interest	-	-	2,155,032	-	-	2,155,032
Total Current Liabilities	<u>61,839</u>	<u>-</u>	<u>27,518,787</u>	<u>39,914</u>	<u>-</u>	<u>27,620,540</u>
Noncurrent Liabilities:						
Compensated Absences - Noncurrent	73,504	-	-	19,418	-	92,922
Revenue Bonds	-	-	209,715,000	-	-	209,715,000
Bond Premium - Noncurrent	-	-	6,143,010	-	-	6,143,010
Total Noncurrent Liabilities	<u>73,504</u>	<u>-</u>	<u>215,858,010</u>	<u>19,418</u>	<u>-</u>	<u>215,950,932</u>
Total Liabilities	<u>135,343</u>	<u>-</u>	<u>243,376,797</u>	<u>59,332</u>	<u>-</u>	<u>243,571,472</u>
<b>NET POSITION</b>						
Net Investment in Capital Assets	-	-	-	44,445	-	44,445
Restricted	-	160,175,328	-	-	10,203,650	170,378,978
Unrestricted	<u>1,533,887</u>	<u>-</u>	<u>(243,376,797)</u>	<u>4,696,501</u>	<u>-</u>	<u>(237,146,409)</u>
Total Net Position	<u>\$ 1,533,887</u>	<u>\$ 160,175,328</u>	<u>\$ (243,376,797)</u>	<u>\$ 4,740,946</u>	<u>\$ 10,203,650</u>	<u>\$ (66,722,986)</u>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**  
**BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND**  
**COMBINING STATEMENT OF NET POSITION**  
**JUNE 30, 2019**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2019					
	Funds Held by Administration					
	Bay Restoration Fund - Wastewater			Bay Restoration Fund - Septic		
	Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	Total
<b>ASSETS</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 1,200,540	\$ 97,304,624	\$ -	\$ 4,430,326	\$ 10,855,170	\$ 113,790,660
Receivables:						
Investment Interest	-	-	-	-	-	-
BRF Fee	326,833	-	-	108,341	1,245,915	1,681,089
Current Restricted Assets:						
Cash and Cash Equivalents	-	22,415,048	-	-	-	22,415,048
Receivables:						
Investment Interest	-	-	-	-	-	-
BRF Fee	-	21,462,019	-	-	-	21,462,019
Total Current Assets	<u>1,527,373</u>	<u>141,181,691</u>	<u>-</u>	<u>4,538,667</u>	<u>12,101,085</u>	<u>159,348,816</u>
Noncurrent Assets:						
Capital Assets, Net	-	-	-	66,242	-	66,242
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,242</u>	<u>-</u>	<u>66,242</u>
Total Assets	<u>1,527,373</u>	<u>141,181,691</u>	<u>-</u>	<u>4,604,909</u>	<u>12,101,085</u>	<u>159,415,058</u>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable	-	-	-	-	-	-
Compensated Absences - Current	59,916	-	-	33,259	-	93,175
Revenue Bonds	-	-	21,300,000	-	-	21,300,000
Bond Premium - Current	-	-	3,657,713	-	-	3,657,713
Accrued Bond Interest	-	-	2,289,613	-	-	2,289,613
Total Current Liabilities	<u>59,916</u>	<u>-</u>	<u>27,247,326</u>	<u>33,259</u>	<u>-</u>	<u>27,340,501</u>
Noncurrent Liabilities:						
Compensated Absences - Noncurrent	65,404	-	-	16,154	-	81,558
Revenue Bonds	-	-	232,075,000	-	-	232,075,000
Bond Premium - Noncurrent	-	-	9,146,765	-	-	9,146,765
Total Noncurrent Liabilities	<u>65,404</u>	<u>-</u>	<u>241,221,765</u>	<u>16,154</u>	<u>-</u>	<u>241,303,323</u>
Total Liabilities	<u>125,320</u>	<u>-</u>	<u>268,469,091</u>	<u>49,413</u>	<u>-</u>	<u>268,643,824</u>
<b>NET POSITION</b>						
Net Investment in Capital Assets	-	-	-	66,242	-	66,242
Restricted	-	141,181,691	-	-	12,101,085	153,282,776
Unrestricted	<u>1,402,053</u>	<u>-</u>	<u>(268,469,091)</u>	<u>4,489,254</u>	<u>-</u>	<u>(262,577,784)</u>
Total Net Position	<u>\$ 1,402,053</u>	<u>\$ 141,181,691</u>	<u>\$ (268,469,091)</u>	<u>\$ 4,555,496</u>	<u>\$ 12,101,085</u>	<u>\$ (109,228,766)</u>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**  
**BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND**  
**COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2020**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2020					
	Funds Held by Administration					
	Bay Restoration Fund - Wastewater			Bay Restoration Fund - Septic		
	Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	Total
<b>OPERATING REVENUE</b>						
BRF Fee	\$ 1,817,786	\$ 119,367,921	\$ -	\$ 1,391,796	\$ 16,005,657	\$ 138,583,160
Miscellaneous Income	-	-	-	-	-	-
Total Operating Revenue	<u>1,817,786</u>	<u>119,367,921</u>	<u>-</u>	<u>1,391,796</u>	<u>16,005,657</u>	<u>138,583,160</u>
<b>OPERATING EXPENSES</b>						
Salaries and Related Benefits	1,015,140	-	-	1,005,570	-	2,020,710
General Admin Expenses	670,812	-	-	200,776	-	871,588
Capital Grant Disbursements	-	70,498,547	-	-	18,113,906	88,612,453
Total Operating Expenses	<u>1,685,952</u>	<u>70,498,547</u>	<u>-</u>	<u>1,206,346</u>	<u>18,113,906</u>	<u>91,504,751</u>
<b>OPERATING INCOME (LOSS)</b>	131,834	48,869,374	-	185,450	(2,108,249)	47,078,409
<b>NONOPERATING REVENUE (EXPENSES)</b>						
Investment Income	-	1,862,887	87,927	-	210,814	2,161,628
Interest on Bonds	-	-	(6,734,257)	-	-	(6,734,257)
Total Nonoperating Revenue (Expenses)	<u>-</u>	<u>1,862,887</u>	<u>(6,646,330)</u>	<u>-</u>	<u>210,814</u>	<u>(4,572,629)</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	131,834	50,732,261	(6,646,330)	185,450	(1,897,435)	42,505,780
Interfund Equity Transfer	-	(31,738,624)	31,738,624	-	-	-
<b>CHANGE IN NET POSITION</b>	131,834	18,993,637	25,092,294	185,450	(1,897,435)	42,505,780
Net Position - Beginning of Year	<u>1,402,053</u>	<u>141,181,691</u>	<u>(268,469,091)</u>	<u>4,555,496</u>	<u>12,101,085</u>	<u>(109,228,766)</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 1,533,887</u>	<u>\$ 160,175,328</u>	<u>\$ (243,376,797)</u>	<u>\$ 4,740,946</u>	<u>\$ 10,203,650</u>	<u>\$ (66,722,986)</u>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**  
**BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND**  
**COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2019**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2019					
	Funds Held by Administration					
	Bay Restoration Fund - Wastewater			Bay Restoration Fund - Septic		Total
Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts		
<b>OPERATING REVENUE</b>						
BRF Fee	\$ 1,613,183	\$ 105,932,316	\$ -	\$ 1,350,698	\$ 15,533,023	\$ 124,429,220
Miscellaneous Income	-	-	-	-	-	-
Total Operating Revenue	<u>1,613,183</u>	<u>105,932,316</u>	<u>-</u>	<u>1,350,698</u>	<u>15,533,023</u>	<u>124,429,220</u>
<b>OPERATING EXPENSES</b>						
Salaries and Related Benefits	819,682	-	-	615,190	-	1,434,872
General Admin Expenses	537,585	-	-	190,857	-	728,442
Capital Grant Disbursements	-	69,054,229	-	-	13,856,092	82,910,321
Total Operating Expenses	<u>1,357,267</u>	<u>69,054,229</u>	<u>-</u>	<u>806,047</u>	<u>13,856,092</u>	<u>85,073,635</u>
<b>OPERATING INCOME</b>	255,916	36,878,087	-	544,651	1,676,931	39,355,585
<b>NONOPERATING REVENUE (EXPENSES)</b>						
Investment Income	-	2,205,892	124,427	-	269,238	2,599,557
Interest on Bonds	-	-	(7,079,216)	-	-	(7,079,216)
Total Nonoperating Revenue (Expenses)	<u>-</u>	<u>2,205,892</u>	<u>(6,954,789)</u>	<u>-</u>	<u>269,238</u>	<u>(4,479,659)</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	255,916	39,083,979	(6,954,789)	544,651	1,946,169	34,875,926
Interfund Equity Transfer	-	(31,592,174)	31,592,174	-	-	-
<b>CHANGE IN NET POSITION</b>	255,916	7,491,805	24,637,385	544,651	1,946,169	34,875,926
Net Position - Beginning of Year	<u>1,146,137</u>	<u>133,689,886</u>	<u>(293,106,476)</u>	<u>4,010,845</u>	<u>10,154,916</u>	<u>(144,104,692)</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 1,402,053</u>	<u>\$ 141,181,691</u>	<u>\$ (268,469,091)</u>	<u>\$ 4,555,496</u>	<u>\$ 12,101,085</u>	<u>\$ (109,228,766)</u>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2020  
(SEE INDEPENDENT AUDITORS' REPORT)**

	2020					
	Funds Held by Administration					
	Bay Restoration Fund - Wastewater			Bay Restoration Fund - Septic		
	Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
BRF Fee and Other Receipts	\$ 1,614,142	\$ 105,995,299	\$ -	\$ 1,314,129	\$ 15,112,482	\$ 124,036,052
Capital Grant Disbursements	-	(70,498,547)	-	-	(18,113,906)	(88,612,453)
Salaries and Benefits Paid	(1,012,117)	-	-	(998,151)	-	(2,010,268)
General Expenses Paid	(663,812)	-	-	(176,479)	-	(840,291)
Net Cash Provided (Used) by Operating Activities	(61,787)	35,496,752	-	139,499	(3,001,424)	32,573,040
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Interfund Equity Transfers	-	(31,738,624)	31,738,624	-	-	-
Repayment of Bonds	-	-	(21,300,000)	-	-	(21,300,000)
Interest on Bonds	-	-	(10,526,551)	-	-	(10,526,551)
Net Cash Provided (Used) by Noncapital Financing Activities	-	(31,738,624)	(87,927)	-	-	(31,826,551)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest on Investment Securities	-	1,862,887	87,927	-	210,814	2,161,628
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(61,787)	5,621,015	-	139,499	(2,790,610)	2,908,117
Cash and Cash Equivalents - Beginning of Year	1,200,540	119,719,672	-	4,430,326	10,855,170	136,205,708
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 1,138,753</u>	<u>\$ 125,340,687</u>	<u>\$ -</u>	<u>\$ 4,569,825</u>	<u>\$ 8,064,560</u>	<u>\$ 139,113,825</u>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND  
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)  
YEAR ENDED JUNE 30, 2020  
(SEE INDEPENDENT AUDITORS' REPORT)**

	2020					
	Funds Held by Administration					
	Bay Restoration Fund - Wastewater			Bay Restoration Fund - Septic		Total
Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts		
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
Operating Income (Loss)	\$ 131,834	\$ 48,869,374	\$ -	\$ 185,450	\$ (2,108,249)	\$ 47,078,409
Depreciation of Fixed Assets	-	-	-	21,797	-	21,797
Changes in Noncash Operating Assets and Liabilities:						
Administrative Fees and BRF Fee Receivables	(203,644)	(13,372,622)	-	(77,667)	(893,175)	(14,547,108)
Accounts Payable and Other Liabilities	10,023	-	-	9,919	-	19,942
Net Cash Provided (Used) by Operating Activities	<u>\$ (61,787)</u>	<u>\$ 35,496,752</u>	<u>\$ -</u>	<u>\$ 139,499</u>	<u>\$ (3,001,424)</u>	<u>\$ 32,573,040</u>



**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**  
**BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND**  
**COMBINING STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2019**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2019					
	Funds Held by Administration					
	Bay Restoration Fund - Wastewater			Bay Restoration Fund - Septic		Total
Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
BRF Fee and Other Receipts	\$ 1,713,025	\$ 112,488,645	\$ -	\$ 1,351,405	\$ 15,541,160	\$ 131,094,235
Capital Grant Disbursements	-	(69,054,229)	-	-	(13,856,092)	(82,910,321)
Salaries and Benefits Paid	(803,739)	-	-	(618,684)	-	(1,422,423)
General Expenses Paid	(542,059)	-	-	(171,259)	-	(713,318)
Net Cash Provided by Operating Activities	367,227	43,434,416	-	561,462	1,685,068	46,048,173
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Interfund Equity Transfers	-	(31,592,174)	31,592,174	-	-	-
Repayment of Bonds	-	-	(20,215,000)	-	-	(20,215,000)
Interest on Bonds	-	-	(11,501,601)	-	-	(11,501,601)
Net Cash Provided (Used) by Noncapital Financing Activities	-	(31,592,174)	(124,427)	-	-	(31,716,601)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Purchase of Equipment	-	-	-	(42,574)	-	(42,574)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest on Investment Securities	-	2,205,892	124,427	-	269,238	2,599,557
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	367,227	14,048,134	-	518,888	1,954,306	16,888,555
Cash and Cash Equivalents - Beginning of Year	833,313	105,671,538	-	3,911,438	8,900,864	119,317,153
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 1,200,540</u>	<u>\$ 119,719,672</u>	<u>\$ -</u>	<u>\$ 4,430,326</u>	<u>\$ 10,855,170</u>	<u>\$ 136,205,708</u>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**  
**BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND**  
**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2019					
	Funds Held by Administration					
	Bay Restoration Fund - Wastewater			Bay Restoration Fund - Septic		Total
Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts		
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
Operating Income (Loss)	\$ 255,916	\$ 36,878,087	\$ -	\$ 544,651	\$ 1,676,931	\$ 39,355,585
Depreciation of Fixed Assets	-	-	-	21,087	-	21,087
Changes in Noncash Operating Assets and Liabilities:						
Administrative Fees and BRF Fee Receivables	99,842	6,556,329	-	707	8,137	6,665,015
Accounts Payable and Other Liabilities	11,469	-	-	(4,983)	-	6,486
Net Cash Provided by Operating Activities	<u>\$ 367,227</u>	<u>\$ 43,434,416</u>	<u>\$ -</u>	<u>\$ 561,462</u>	<u>\$ 1,685,068</u>	<u>\$ 46,048,173</u>