MARYLAND WATER QUALITY FINANCING ADMINISTRATION

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2021
INDEPENDENT AUDITORS’ REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS 1

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INDEPENDENT AUDITORS’ REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Director
Maryland Water Quality Financing Administration
Annapolis Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of
America and the standards applicable to financial audits contained in Government Auditing Standards
issued by the Comptroller General of the United States, the financial statements of the 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, 2021, and the related notes to the
financial statements, which collectively comprise the Administration’s basic financial statements, and
have issued our report thereon dated September 24, 2021.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Administration’s
internal control over financial reporting (internal control) as a basis for designing audit procedures that
are appropriate in the circumstances for the purpose of expressing our opinions on the financial
statements, but not for the purpose of expressing an opinion on the effectiveness of the
Administration’s internal control. Accordingly, we do not express an opinion on the effectiveness of the
Administration’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this
section and was not designed to identify all deficiencies in internal control that might be material
weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any
deficiencies in internal control that we consider to be material weaknesses. However, material
weaknesses may exist that have not been identified.
Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Administration’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Administration’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Baltimore, Maryland
September 24, 2021
INDEPENDENT AUDITORS’ REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROLS OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Director
Maryland Water Quality Financing Administration
Baltimore, Maryland

Report on Compliance for Each Major Federal Program
We have audited the Maryland Water Quality Financing Administration’s (the Administration) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Administration’s major federal programs for the year ended June 30, 2021. The Administration’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors’ Responsibility
Our responsibility is to express an opinion on compliance for each of the Administration’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Administration’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Administration’s compliance.
Opinion on Each Major Federal Program

In our opinion, the Administration complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Administration is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Administration's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Administration's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities of the Administration, an enterprise fund of the State of Maryland, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Administration’s basic financial statements. We issued our report thereon dated September 24, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information
is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

Baltimore, Maryland
September 24, 2021
<table>
<thead>
<tr>
<th>Federal Grantor/Pass through Grantor/ Program or Cluster Title</th>
<th>Federal CFDA Number</th>
<th>Grant Number</th>
<th>Award Amount</th>
<th>Amount Remaining</th>
<th>Passed Through to Subrecipients</th>
<th>Current Year Loan Disbursements</th>
<th>Current Year Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Environmental Protection Agency</td>
<td>66.458</td>
<td>CS-240001-19</td>
<td>$38,429,000</td>
<td>$</td>
<td>$38,429,000</td>
<td>$36,536,036</td>
<td>$38,429,000</td>
</tr>
<tr>
<td>Capitalization Grants for Clean Water</td>
<td>66.458</td>
<td>CS-240001-20</td>
<td>38,435,000</td>
<td>-</td>
<td>38,435,000</td>
<td>35,933,232</td>
<td>38,435,000</td>
</tr>
<tr>
<td>State Revolving Fund (CWSRF)</td>
<td>66.458</td>
<td>CS-240001-20</td>
<td>38,464,000</td>
<td>-</td>
<td>76,864,000</td>
<td>72,469,268</td>
<td>76,864,000</td>
</tr>
<tr>
<td>Total CWSRF Cluster</td>
<td>66.458</td>
<td>CS-240001-20</td>
<td>38,464,000</td>
<td>-</td>
<td>76,864,000</td>
<td>72,469,268</td>
<td>76,864,000</td>
</tr>
<tr>
<td>Capitalization Grants for Drinking Water</td>
<td>66.468</td>
<td>FS-993648-18</td>
<td>20,348,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,974,319</td>
</tr>
<tr>
<td>State Revolving Fund (DWSRF)</td>
<td>66.468</td>
<td>FS-993648-19</td>
<td>20,158,000</td>
<td>5,073,857</td>
<td>14,715,340</td>
<td>11,630,629</td>
<td>15,084,143</td>
</tr>
<tr>
<td></td>
<td>66.468</td>
<td>FS-993648-19</td>
<td>20,170,000</td>
<td>5,445,900</td>
<td>14,724,100</td>
<td>14,610,135</td>
<td>14,724,100</td>
</tr>
<tr>
<td></td>
<td>66.468</td>
<td>FS-993648-20</td>
<td>60,676,000</td>
<td>10,519,757</td>
<td>29,439,440</td>
<td>26,240,764</td>
<td>33,782,562</td>
</tr>
<tr>
<td>Total DWSRF Cluster</td>
<td>66.468</td>
<td>FS-993648-19</td>
<td>60,676,000</td>
<td>10,519,757</td>
<td>29,439,440</td>
<td>26,240,764</td>
<td>33,782,562</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>$137,540,000</td>
<td>$10,519,757</td>
<td>$106,303,440</td>
<td>$98,710,032</td>
<td>$110,646,562</td>
</tr>
</tbody>
</table>

See accompanying Notes to Schedule of Expenditures of Federal Awards
NOTE 1  SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
All federal grant operations of Maryland Water Quality Financing Administration (the Administration) are included in the scope of Title 2 U.S. Code of Federal Regulations part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Single Audit).

Expenditures reported on the schedule of expenditures of federal awards are reported in accordance with cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Administration has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 2  BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Administration under programs of the federal government for the year ended June 30, 2021 and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Because the Schedule presents only a selected portion of the operations of the Administration, it is not intended to and does not present the net position, changes in net position, or cash flows of the Administration.

NOTE 3  LOANS

The Administration has loans outstanding of $1,386,013,927 and $277,322,836 as of June 30, 2021, in the Clean Water Revolving Funds and Drinking Water Fund, respectively, which were made with federal funds and the 20% state match and other sources of funding. Loans made with federal funds during the fiscal year ended June 30, 2021 are listed below.

<table>
<thead>
<tr>
<th>Federal Grantor/Pass through Grantor/ Program or Cluster Title</th>
<th>CFDA Number</th>
<th>Fiscal Year 2021 Disbursements</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Revolving Funds:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capitalization Grants for Clean Water</td>
<td>66.458</td>
<td>$72,469,268</td>
</tr>
<tr>
<td>Capitalization Grants for Drinking Water</td>
<td>66.468</td>
<td>26,240,764</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$98,710,032</strong></td>
</tr>
</tbody>
</table>
### NOTE 4 FEDERAL EXPENDITURES

Listed below are the federal programs for the year ended June 30, 2021:

<table>
<thead>
<tr>
<th>Federal Grantor/Pass through Grantor/ Program or Cluster Title</th>
<th>Federal CFDA Number</th>
<th>Grant Number</th>
<th>Cost</th>
<th>Current Year Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. Environmental Protection Agency</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capitalization Grants for Clean Water</td>
<td>66.458</td>
<td>CS-240001-19</td>
<td>$</td>
<td>38,429,000</td>
</tr>
<tr>
<td>State Revolving Fund</td>
<td></td>
<td>CS-240001-20</td>
<td>-</td>
<td>76,864,000</td>
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<tr>
<td>Capitalization Grants for Drinking Water</td>
<td>66.468</td>
<td>FS-993648-18</td>
<td></td>
<td>3,974,319</td>
</tr>
<tr>
<td>State Revolving Fund</td>
<td>FS-993648-19</td>
<td>368,803</td>
<td></td>
<td>15,084,143</td>
</tr>
<tr>
<td></td>
<td>FS-993648-20</td>
<td>-</td>
<td></td>
<td>14,724,100</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4,343,122</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>$</td>
<td>33,782,562</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
   - Material weakness(es) identified? yes x no
   - Significant deficiency(ies) identified? yes x none reported
3. Noncompliance material to financial statements noted? yes x no

Federal Awards

1. Internal control over major federal programs:
   - Material weakness(es) identified? yes x no
   - Significant deficiency(ies) identified? yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes x no

Identification of Major Federal Programs

<table>
<thead>
<tr>
<th>CFDA Number(s)</th>
<th>Name of Federal Program or Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td>66.468</td>
<td>Capitalization Grants for Drinking Water State Revolving Fund</td>
</tr>
</tbody>
</table>

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

Auditee qualified as low-risk auditee? yes x no
Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with Government Auditing Standards.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).