

**MARYLAND WATER QUALITY
FINANCING ADMINISTRATION**

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

For the Years Ended June 30, 2018 and 2017



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JUNE 30, 2018 AND 2017

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Director of
Maryland Water Quality Financing Administration

Report on the Financial Statements

We have audited the accompanying statements of net position of the Maryland Water Quality Financing Administration (the Administration), an enterprise fund of the State of Maryland, as of June 30, 2018 and 2017, and the related statements of revenue, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Administration's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 controls. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Administration as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 3 through 12, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Administration's basic financial statements. The supplemental information, as listed in the table of contents on pages 35-56, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2018 on our consideration of the Administration's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Administration's internal controls over financial reporting and compliance.

Hunt Valley, Maryland
September 21, 2018

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

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2018 and 2017

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

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

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

A legislative amendment to the MWQFA Act in 2004 established the Bay Restoration Fund (BRF). The BRF is financed by two sources. First, a monthly flat fee of \$2.50 (\$30 per year) effective January 1, 2005 through June 30, 2012, from each household and business (\$2.50 per month per equivalent dwelling unit) served by a wastewater treatment plant (Wastewater Fund). The Wastewater funds are managed by the Maryland Department of the Environment (MDE) for the key purpose of providing grants for the upgrade of major wastewater treatment plants in Maryland with enhanced nutrient removal technologies. Second, an annual fee of \$30 from each user/household served by an onsite well and septic system (Septic Fund) effective October 1, 2005 through June 30, 2012, of which 60% is allocated to MDE for the purpose of providing grants for the upgrade of onsite septic disposal systems with nitrogen removal technology. Forty percent of the BRF septic funds are allocated to the Maryland Department of Agriculture (MDA) for the purpose of implementing the cover crop program. The MWQFA is responsible for the financial management of the fees transferred to MDE by the State Comptroller's office under the BRF. During the 2012 legislative session, the State Legislature amended the BRF statute (HB 446) that doubled the BRF fee to \$5.00 per month (\$60 per year) for most users, effective July 1, 2012 (FY 2013). The fee remained unchanged for users that do not discharge wastewater into the Chesapeake or Atlantic Bays Watershed. Amendments to the BRF statute expanded the use of the funds to also allow grants for sewer rehabilitation, stormwater best management practices (SB 133/2015) and to provide additional funding to local health departments to manage septic system regulations (HB12/2014). During the 2017 legislative session, the BRF statute was further amended to allow the BRF wastewater fund to also provide grants for biological nutrient removal (HB-384/2017) and to allow for the purchase of nutrients not to exceed \$10 million per year in expenditures (SB-314/2017).

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2018 and 2017

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

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

The WQRLF, DWRLF, 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, 2018 and 2017, with the year ended June 30, 2016, presented for comparative purposes. Please read it in conjunction with the MWQFA's financial statements, which follow this section.

Financial Highlights

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

Statements of Net Position

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

As of June 30, 2018:

The unrestricted current asset of cash and cash equivalents increased by \$34.5 million. This increase was primarily a result of a \$28.2 million decrease in capital grant disbursements from FY17.

Current unrestricted investments decreased by \$4.0 million. This decrease is due to the maturity of a Farm Credit/Ag First Bond from the linked deposit program.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2018 and 2017

Statements of Net Position (continued)

As of June 30, 2018 (continued):

The non-current unrestricted loans receivable increased by \$45.3 million from new WQRLF and DWRLF direct loans. The non-current restricted loans receivable decreased by \$34.8 million as a result of principal payments on older pledged loans becoming fully paid off and no new pledged loans.

The non-current liability revenue bonds payable decreased by \$22.7 million. This decrease is the result of the reclassification of current principal payments into the current liability account.

The non-current liability bond premium decreased by \$5.6 million. This decrease is the result of annual amortization of the bond premium.

The net position restricted for debt service decreased by \$26.8 million. This decrease is primarily due to the liquidation of WQRLF loans receivable for loans pledged to the bond indenture.

The total unrestricted net position increased by \$103.0 million. This change is a result of increased loan receivables. The WQRLF and DWRLF had increases in unrestricted net position of \$79.5 million and \$11.2 million, respectively. The BRF program also had an increase of \$12.3 million due to increased cash resulting from the decreased operating expenditures.

As of June 30, 2017:

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

The current unrestricted loans receivable increased by \$10.7 million due to recent direct loans which are now scheduled to begin their principal repayments as well as increased direct new loan activity in both the WQRLF and DWRLF programs.

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

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

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

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

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2018 and 2017

Statements of Net Position (continued)

As of June 30, 2017 (continued):

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

The non-current liability revenue bonds payable decreased by \$26.9 million. This decrease is the result of the reclassification of current principal payments into the current liability account.

The net position restricted for debt service decreased by \$55.1 million. This decrease is primarily due to the liquidation of WQRLF loans receivable for loans pledged to the bond indenture.

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

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2018 and 2017

Statements of Net Position (continued)

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

Comparative Condensed Statements of Net Position June 30, 2018, 2017, and 2016 (Millions of Dollars)

	6/30/2018	6/30/2017	6/30/2016	<u>\$ Increase/(Decrease)</u>	
				Difference FY 18 - 17	Difference FY 17 - 16
Current Assets					
Cash and cash equivalents	\$ 452.8	\$ 418.3	\$ 435.5	\$ 34.5	\$ (17.2)
Investments	-	4.0	-	(4.0)	4.0
Receivables:					
Loans	66.7	63.8	53.1	2.9	10.7
BRF fees	1.8	1.7	1.6	0.1	0.1
Other	10.6	10.5	9.4	0.1	1.1
Current Restricted Assets					
Cash and cash equivalents	23.5	22.2	63.8	1.3	(41.6)
Investments	-	-	-	-	-
Receivables:					
BRF fees	28.0	26.3	23.0	1.7	3.3
Loans	34.8	34.7	39.6	0.1	(4.9)
Other	1.2	1.4	1.8	(0.2)	(0.4)
Total Current Assets	<u>619.4</u>	<u>582.9</u>	<u>627.8</u>	<u>36.5</u>	<u>(44.9)</u>
Non-current Assets					
Investments	5.5	5.8	7.1	(0.3)	(1.3)
Loans receivable	958.8	913.5	781.7	45.3	131.8
Other	0.1	0.1	0.1	-	-
Non-current Restricted Assets					
Investments	-	-	1	-	(1.0)
Loans receivable	181.5	216.3	270.9	(34.8)	(54.6)
Total Non-current Assets	<u>1,145.9</u>	<u>1,135.7</u>	<u>1,060.8</u>	<u>10.2</u>	<u>74.9</u>
Total Assets	<u>\$ 1,765.3</u>	<u>\$ 1,718.6</u>	<u>\$ 1,688.6</u>	<u>\$ 46.7</u>	<u>\$ 30.0</u>

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2018 and 2017

Statements of Net Position (continued)

Comparative Condensed Statements of Net Position June 30, 2018, 2017, and 2016 (Millions of Dollars)

	6/30/2018	6/30/2017	6/30/2016	\$ Increase/(Decrease)	
				Difference FY 18 - 17	Difference FY 17 - 16
Current Liabilities					
Accounts payable	\$ 0.5	\$ 0.5	\$ 0.5	\$ -	\$ -
Revenue bonds	22.7	23.6	10.0	(0.9)	13.6
Accrued interest on bonds	2.5	2.7	4.3	(0.2)	(1.6)
Total Current Liabilities	25.7	26.8	14.8	(1.1)	12.0
Non-current Liabilities					
Other accrued expenses	0.2	0.3	0.2	(0.1)	0.1
Revenue bonds	271.2	293.9	320.8	(22.7)	(26.9)
Bond premium	19.5	25.1	28.0	(5.6)	(2.9)
Total Non-current Liabilities	290.9	319.3	349.0	(28.4)	(29.7)
Total Liabilities	316.6	346.1	363.8	(29.5)	(17.7)
Net Position					
Net investment in capital assets	0.1	0.1	0.1	-	-
Restricted for debt service	246.3	273.1	328.2	(26.8)	(55.1)
Unrestricted	1,202.3	1,099.3	996.5	103.0	102.8
Total Net Position	\$ 1,448.7	\$ 1,372.5	\$ 1,324.8	\$ 76.2	\$ 47.7

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2018 and 2017

Statements of Revenue, Expenses and Changes in Net Position

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

For fiscal year ended June 30, 2018:

There was a decrease of \$28.2 million in capital grant disbursements primarily due to BRF grant disbursements decreasing by \$26.0 million. This decrease is due to large construction reimbursements that occurred in FY17 for BRF ENR Major WWTP projects as well as normal fluctuations in construction project draws.

For fiscal year ended June 30, 2017:

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

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

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2018 and 2017

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

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

Comparative Statements of Revenue, Expenses and Changes in Net Position
Years ended June 30, 2018, 2017 and 2016
(Millions of Dollars)

	6/30/2018	6/30/2017	6/30/2016	\$ Increase/(Decrease)	
				Difference FY 18 -17	Difference FY 17 -16
Operating Revenue					
Interest on loans	\$ 13.0	\$ 12.7	\$ 11.8	\$ 0.3	\$ 0.9
Loan administrative fee	5.6	5.5	5.3	0.1	0.2
Fee revenue	133.1	133.1	141.6	-	(8.5)
Grant revenue (set-a-sides only)	3.8	3.9	4.5	(0.1)	(0.6)
Other grant revenue and other	0.1	0.4	0.2	(0.3)	0.2
Total Operating Revenue	155.6	155.6	163.4	-	(7.8)
Operating Expenses					
Salaries and related benefits	7.0	7.0	5.8	-	1.2
Transfers-out (set-a-sides)	3.8	3.9	4.5	(0.1)	(0.6)
Capital grant disbursements	117.4	145.6	200.0	(28.2)	(54.4)
General and other costs	2.3	2.6	2.3	(0.3)	0.3
Total Operating Expenses	130.5	159.1	212.6	(28.6)	(53.5)
Operating Income (Loss)	25.1	(3.5)	(49.2)	28.6	45.7
Non-operating Revenue and Expenses					
Investment income	7.5	7.0	4.7	0.5	2.3
Cost of issuance & arbitrage rebate exp	-	(0.2)	(0.8)	0.2	0.6
Interest on bonds	(7.8)	(9.3)	(7.7)	1.5	(1.6)
FMV investment adjustment	(0.5)	(0.1)	-	(0.4)	(0.1)
Total Non-operating Revenue and Expenses	(0.8)	(2.6)	(3.8)	1.8	1.2
Income (Loss) Before Contributions	24.3	(6.1)	(53.0)	30.4	46.9
Contributions from Federal and State governments	51.9	53.8	54.9	(1.9)	(1.1)
Changes in Net Position	76.2	47.7	1.9	28.5	45.8
Net Position, Beginning of Year	1,372.5	1,324.8	1,322.9	47.7	1.9
Net Position, End of Year	\$ 1,448.7	\$ 1,372.5	\$ 1,324.8	\$ 76.2	\$ 47.7

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2018 and 2017

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, 2018, 2017, and 2016, are presented in the following table:

	2018	2017	2016
Cash from:			
Operating Activities	\$ 4,593,294	\$ (24,882,968)	\$ (66,954,241)
Noncapital financing activities	14,684,789	26,492,505	231,181,043
Capital and related financing activities	(42,488)	-	(43,827)
Investing activities	16,529,776	(60,285,135)	(37,916,528)
Net change in cash	35,765,371	(58,675,598)	126,266,447
Cash, beginning of year	440,547,344	499,222,942	372,956,495
Cash, End of Year	\$ 476,312,715	\$ 440,547,344	\$ 499,222,942

During fiscal year 2018, cash from operating activities increased by \$4,593,294, cash provided by noncapital financing activities increased by \$14,684,789, cash from capital and related financing activities decreased by 42,488, and cash provided by investing activities increased by \$16,529,776, for an overall increase in cash of \$35,765,371 compared to a decrease of \$58,675,598 in fiscal year 2017. The cash increase in operating activity was because the amount of operating revenue exceeded grants provided and operating expenses. The increase in cash from noncapital financing was due to bond repayment and interest being less than cash received from federal grants and state match contributions. The investing activities increase was because of loan repayments and investment proceeds exceeding loan disbursements.

During fiscal year 2017, cash from operating activities decreased by \$24,882,968, cash provided by noncapital financing activities increased by \$26,492,505, and cash provided by investing activities decreased by \$60,285,135, for an overall decrease in cash of \$58,675,598 compared to an increase of \$126,266,447 in fiscal year 2016. The cash decrease in operating activity was because the amount of grants provided and operating expenses in excess of operating revenue. The increase in cash from noncapital financing was due to bond repayment and interest being less than cash received from grants and new debt. The investing activities decrease was because of loan disbursements exceeding loan principal and interest repayments.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2018 and 2017

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 2008A and 2016 bonds are highly over-collateralized with pledged loans.

The BRF is subject to citizens and businesses paying fees for upgrading wastewater treatment plants and septic systems in Maryland. The MWQFA does not have the authority to raise the fees. However, MWQFA continues to have sufficient cash flow from fees to satisfy current debt service requirements related to BRF Series 2008, 2014, and 2015 bonds. Also, MWQFA continues to meet current capital disbursements for those activities. As noted above, a natural disaster in Maryland could result in a reduction of fees related to the BRF that may lead to a temporary suspension or delay of capital disbursements.

Contact Maryland Water Quality Financing Administration Management

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

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Statements of Net Position As of June 30, 2018 and 2017

ASSETS	2018	2017
Current Assets		
Cash and cash equivalents	\$ 452,789,532	\$ 418,327,291
Investments	-	3,968,615
Receivables:		
Investment interest	25,250	94,987
Loans	66,662,296	63,819,115
Loan interest	5,098,155	4,903,596
BRF fee	1,789,775	1,743,316
Administrative fee	5,545,834	5,535,837
Current Restricted Assets		
Cash and cash equivalents	23,523,183	22,220,053
Receivables:		
BRF fee	28,018,348	26,266,968
Loans	34,765,990	34,650,550
Loan interest	1,195,390	1,423,317
Total Current Assets	619,413,753	582,953,645
Non-current Assets		
Investments	5,505,175	5,770,405
Loans receivable	958,759,346	913,538,781
Fixed assets, net	65,623	53,701
Non-current Restricted Assets		
Loans receivable	181,551,926	216,317,916
Total Non-current Assets	1,145,882,070	1,135,680,803
Total Assets	\$ 1,765,295,823	\$ 1,718,634,448

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

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Statements of Net Position (continued) As of June 30, 2018 and 2017

LIABILITIES	2018	2017
Current Liabilities		
Accounts payable and accrued expenses	\$ 482,369	\$ 481,856
Revenue bonds	22,730,000	23,620,000
Accrued interest on bonds payable	2,517,807	2,658,274
Total Current Liabilities	25,730,176	26,760,130
Non-current Liabilities		
Accrued expenses	246,484	348,006
Revenue bonds	271,180,000	293,910,000
Bonds premium	19,453,487	25,072,718
Total Non-current Liabilities	290,879,971	319,330,724
Total Liabilities	316,610,147	346,090,854
NET POSITION		
Net investment in capital assets	65,623	53,701
Restricted for debt service	246,280,019	273,126,467
Unrestricted	1,202,340,034	1,099,363,426
Total Net Position	\$ 1,448,685,676	\$ 1,372,543,594

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

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Statements of Revenue, Expenses, and Changes in Net Position For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenue		
Interest on loans	\$ 13,031,970	\$ 12,683,404
Loan administration fee	5,548,497	5,538,501
Fees	133,119,287	133,102,892
Grants and other	3,877,572	4,325,471
Total Operating Revenue	<u>155,577,326</u>	<u>155,650,268</u>
Operating Expenses		
Salaries and related benefits	6,949,011	6,991,053
General	2,320,662	2,603,680
Capital grants disbursements	117,430,468	145,638,256
Other	3,835,142	3,913,832
Total Operating Expenses	<u>130,535,283</u>	<u>159,146,821</u>
Operating Income (Loss)	25,042,043	(3,496,553)
Non-operating Revenue (Expenses)		
Investment income	7,562,758	7,060,073
Cost of debt issuance	-	(201,463)
Interest on bonds	(7,834,354)	(9,283,054)
Net unrealized loss on investments	(527,205)	(159,090)
Net Non-operating Revenue (Expenses)	<u>(798,801)</u>	<u>(2,583,534)</u>
Income (Loss) Before Contributions	24,243,242	(6,080,087)
Contributions received from:		
Federal government	42,613,840	44,026,970
State of MD-required match for Federal grant	9,285,000	9,795,000
Changes in Net Position	<u>76,142,082</u>	<u>47,741,883</u>
Net Position, Beginning of Year	<u>1,372,543,594</u>	<u>1,324,801,711</u>
Net Position, End of Year	<u>\$ 1,448,685,676</u>	<u>\$ 1,372,543,594</u>

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

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Statements of Cash Flows For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
BRF fee and other receipts	\$ 135,199,020	\$ 134,064,567
Grant disbursements	(117,430,468)	(145,638,256)
Salaries and benefits paid	(7,050,450)	(6,808,871)
General and other expenses paid	(6,124,808)	(6,500,408)
Net Cash from Operating Activities	<u>4,593,294</u>	<u>(24,882,968)</u>
Cash Flows from Non-capital Financing Activities:		
Federal government grants	42,613,840	44,026,970
State of MD-required match to Federal grant	9,285,000	9,795,000
Proceeds from sale of bonds	-	24,485,679
Repayment of bonds	(23,620,000)	(34,315,000)
Cost of issuance/underwriters' discount	-	(201,463)
Interest on bonds	(13,594,051)	(17,298,681)
Net Cash from Non-capital Financing Activities	<u>14,684,789</u>	<u>26,492,505</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of equipment	(42,488)	-
Net Cash from Capital Financing Activities	<u>(42,488)</u>	<u>-</u>
Cash Flows from Investing Activities:		
Loan repayments	99,904,980	92,743,171
Loan disbursements	(113,318,178)	(175,816,568)
Interest and fees received from borrowers	18,603,838	17,514,268
Purchase of investments	-	(3,000,000)
Interest on investments securities	7,632,496	7,039,992
Proceeds from sales and maturities of investments	3,706,640	1,234,002
Net Cash from Investing Activities	<u>16,529,776</u>	<u>(60,285,135)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	35,765,371	(58,675,598)
Cash and Cash Equivalents, Beginning of Year	<u>440,547,344</u>	<u>499,222,942</u>
Cash and Cash Equivalents, End of Year	<u>\$ 476,312,715</u>	<u>\$ 440,547,344</u>

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

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Statements of Cash Flows (continued) For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Reconciliation of operating income (loss) to net cash from operating activities:		
Operating income (loss)	\$ 25,042,043	\$ (3,496,553)
Depreciation	30,566	23,392
Effect of changes in non-cash operating assets and liabilities:		
Interest and fees received from borrowers	(18,603,838)	(17,514,268)
Loan interest receivable	33,368	(496,150)
Administrative fee and BRF fee receivables	(1,807,836)	(3,575,283)
Accounts payable and other liabilities	(101,009)	175,894
Net cash from operating activities	<u>\$ 4,593,294</u>	<u>\$ (24,882,968)</u>

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

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2018 and 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

The Administration utilizes the enterprise fund accounting method, which is the accrual basis of accounting in preparing its financial statements, wherein revenue is recognized when earned and expenses are recognized when incurred. As an enterprise fund, operating revenue and expenses are distinguished from non-operating items. Operating revenues and expenses result from the Administration providing loan and grant financing of capital wastewater and drinking water projects. Operating expenses include administrative expenses and grant or loan forgiveness expenditures in support of these projects. All revenue and expenses not meeting these criteria are reported as non-operating revenues and expenses.

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

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

The capital reserve accounts are used to record transactions of the funds, which are executed by the Administration through the State treasury. The bond funds held by trustee accounts are used to record transactions in trust accounts established in connection with bonds issued by the Administration. As of June 30, 2018, there have been no bonds issued in the DWRLF.

Use of Estimates

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

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2018 and 2017

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

Restricted Assets

The WQRLF, DWRLF, and the BRF are special, continuing, non-lapsing funds that were enacted by separate legislation, and the money in those funds may not be reverted to the General Fund of the State of Maryland. As of June 30, 2018, the Maryland General Assembly did not enact enabling legislation regarding the Administration's restricted use of those funds other than for specific purposes. As such, the restricted assets as reported on the Administration's statements of net position are restricted to payment of debt service on the bonds and are not available for new loans or to pay the general operating expenses of the Administration.

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value. The change in fair value is recognized as an increase or decrease from the original cost of the investment. The investments reported on the accompanying statements of net position are listed as 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, 2018 and 2017.

Fixed Assets

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

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2018 and 2017

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

Revenue Bonds Payable

The Administration issues revenue bonds to fund WQRLF capital projects and BRF construction grants. The bonds payable obligations include indenture series 2008A and 2016 for WQRLF capital project loans and series 2008, 2014, and 2015 for BRF capital project grants.

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

Contributions and Revenue

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

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

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

Fringe

The Administration is allocated a fringe rate as designated by the State of Maryland, which includes various employee benefit items.

Pension Benefits

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

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2018 and 2017

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

Pension Benefits (continued)

The contribution requirements of eligible employees and the Administration are established and may be amended by the System's Board of Trustees. The Administration's only liability for retirement and post-employment benefits is its required contribution, which is funded through the fringe allocation as directed by the State. The Administration is not required to record a net unfunded pension liability as this is recorded at the State level because the State has not allocated a liability to the Administration. For State Retirement, contact the Maryland State Retirement and Pension System at 120 East Baltimore Street, Baltimore, Maryland, 21202. For post-employment benefits, contact Maryland Department of Budget and Management at 300 W Preston Street, Baltimore, Maryland 21201.

Loan Forgiveness/Grant

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

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, 2018 and 2017, 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.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following is a summary of the components of cash and cash equivalents as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Cash held by the State's treasury office	\$ 476,312,713	\$ 440,547,230
Cash in trust accounts	<u>2</u>	<u>114</u>
Total Cash and Cash Equivalents	<u>\$ 476,312,715</u>	<u>\$ 440,547,344</u>

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

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2018 and 2017

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

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

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

As of June 30, 2018, the Administration has the following investments and maturities:

Investment Types	Fair Value	Investment Maturities (In Years)		
		Less than 1	1 to 5	6 to 10
Linked Deposits-Farm Credit AG Bonds	\$ 2,782,320	\$ -	\$ -	\$ 2,782,320
Certificates of Deposit- Linked Deposits	2,722,855	-	215,272	2,507,583
Total Investments	\$ 5,505,175	\$ -	\$ 215,272	\$ 5,289,903

In addition, the Administration's investments have the following quality ratings as of June 30, 2018:

Investment Types	Fair Value	Concentration ¹	Rating	Rating Organization
Linked Deposits-Farm Credit AG Bonds	\$ 2,782,320	51%	Aaa	Moody's
Certificates of Deposit- Linked Deposits	2,722,855	49%		
Total Investments	\$ 5,505,175	100%		

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.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2018 and 2017

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

The Administration has the following recurring fair value measurements as of June 30, 2018:

	Fair Value Measurements as of 6/30/2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Linked Deposits-Farm Credit AG Bonds	\$ 2,782,320	\$ -	\$ 2,782,320	\$ -
Certificates of Deposit- Linked Deposits	2,722,855	-	2,722,855	-
Total Investments by fair value level	\$ 5,505,175	\$ -	\$ 5,505,175	\$ -

As of June 30, 2017, 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	\$ 6,809,525	\$ 3,968,615	\$ -	\$ 2,840,910
Certificates of Deposit- Linked Deposits	2,929,495	-	180,000	2,749,495
Total Investments	\$ 9,739,020	\$ 3,968,615	\$ 180,000	\$ 5,590,405

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

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

1. Concentration of Credit Risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Administration places no limit on the amount it may invest in any one issuer. For fiscal years 2018 and 2017, the Administration's investments were not in obligations of the Federal Home Loan Mortgage Corporation – FHLMC and the Federal National Mortgage Association – FNMA or any other agency funds. The investment portfolio was in Linked Deposit CD's and Bonds, as well as U.S. Treasury Bills and Notes.

As of June 30, 2017, the Administration had the following investments by fair value level:

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

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2018 and 2017

3. LOANS RECEIVABLE

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

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

As of June 30, 2018 and 2017, the Administration's lending commitments and outstanding balances under the WQRLF to specific governmental entities within the State are detailed as follows:

WQRLF Borrower	2018			2017		
	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2018	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2017
Aberdeen , City of	\$ 9,329,266	\$ -	\$ 5,966,881	\$ 9,329,266	\$ -	\$ 6,422,510
Allegany County	23,679,030	-	10,506,570	23,679,030	-	11,681,927
Annapolis, City of	1,591,479	-	-	1,591,479	-	-
Anne Arundel County	113,791,048	8,315,271	48,638,231	113,834,931	10,174,869	50,985,691
Ashton Park Comm. Assoc.	408,470	-	254,800	408,470	-	274,687
Baltimore City	573,243,707	177,492,915	225,336,438	414,764,181	51,401,156	211,393,700
Baltimore County	270,203,533	18,827,142	138,355,159	268,216,127	33,944,146	132,455,323
Bel Air, Town of	101,686	-	-	101,686	-	-
Berlin , Town of	3,207,000	-	2,570,787	3,207,000	-	2,731,493
Betterton, Town of	93,559	-	28,179	93,559	-	33,748
Boonsboro, Town of	2,127,984	-	43,058	2,127,984	-	1,583,661
Bowie, City of	4,154,565	-	1,694,256	4,154,565	-	1,922,198
Brunswick, City of	1,690,570	-	165,624	1,690,570	-	207,963
Calvert County	18,343,759	135,808	3,776,216	18,343,759	135,808	4,306,450
Cambridge, City of	12,440,864	-	2,751,974	12,440,864	-	3,414,519
Canton Crossing	3,711,142	-	1,561,142	3,711,142	-	1,761,142
Carroll County	12,074,030	-	97,682	12,074,030	-	128,607
Cecil County	44,370,811	3,088,277	24,783,219	44,370,811	3,088,277	26,938,453
Centreville, Town of	3,878,064	-	953,848	3,878,064	-	1,064,952
Charles County	23,358,722	-	6,332,820	23,358,722	-	7,082,771
Chesapeake Beach, Town of	9,491,864	-	6,304,033	9,491,864	207,590	6,584,230
Chestertown, Town of	3,955,893	-	1,432,748	3,955,893	-	1,605,655
Clear Spring, Town of	72,705	-	-	72,705	-	-
Crisfield, City of	1,169,458	-	642,175	1,201,338	78,160	657,332
Cumberland, City of	13,459,725	2,518,761	4,028,720	13,459,725	3,069,487	4,005,902

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2018 and 2017

3. LOANS RECEIVABLE (continued)

WQRLF Borrower	2018			2017		
	Total	Commitment	Outstanding	Total	Commitment	Outstanding
	Commitment	Outstanding	Balance * June 30, 2018	Commitment	Outstanding	Balance * June 30, 2017
Delmar, Town of	\$ 276,040	\$ -	\$ 33,857	\$ 276,040	\$ -	\$ 50,193
Denton, Town of	2,386,077	-	755,638	2,386,077	-	876,436
Easton, Town of	21,852,648	-	12,304,575.00	21,852,648.00	-	13,425,995.00
Elkton, Town of	21,395,474	-	10,699,763	21,395,474	-	11,796,983
Emmitsburg, Town of	600,000	-	86,336	600,000	-	128,738
Federalsburg, Town of	3,479,097	-	1,974,603	3,479,097	-	2,152,032
Frederick, City of	52,429,287	5,783,219	36,841,812	52,429,287	11,482,245	33,640,351
Frederick County	114,454,864	2,533,875	55,194,032	114,454,864	2,533,875	59,734,424
Frostburg, City of	739,788	-	390,475	739,788	-	430,424
Fruitland, City of	4,935,438	92,026	2,195,221	4,935,438	92,026	2,455,256
Funkstown, Town of	1,875,221	-	758,213	1,875,221	-	871,829
Galena, Town of	112,219	-	-	112,219	-	-
Garrett County	1,970,000	-	-	1,970,000	-	-
Garrett County San. Distr	2,635,641	-	218,583	2,635,641	-	327,712
Grantsville, Town of	16,891	-	-	16,891	-	-
Greensboro, Town of	443,345	-	-	443,345	-	-
Hagerstown, City of	22,102,169	-	8,707,173	22,102,169	-	9,917,302
Hancock, Town of	797,062	-	148,562	797,062	-	195,967
Harford County	69,535,228	-	-	69,535,228	-	405,000
Havre De Grace, City of	28,996,682	-	17,281,256	28,996,682	-	18,803,351
Hebron, Town of	195,729	-	100,489	195,729	-	112,394
Howard County	91,534,729	-	17,956,269	91,534,729	-	21,267,318
Hurlock, Town of	3,626,240	-	1,388,687	3,626,240	-	1,552,837
Indian Head, Town of	4,603,656	-	979,498	4,603,656	-	1,159,792
Kent County	7,394,107	-	2,953,074	7,394,107	-	3,304,958
La Plata, Town of	12,972,019	-	5,683,712	12,972,019	-	6,371,261
Leonardtown, Town of	9,082,233	-	7,185,129	9,082,233	-	7,601,327
Md. Envir Services	6,014,121	-	3,178,189	6,014,121	-	3,838,480
Middletown, Town of	3,970,639	-	445,881	3,970,639	-	661,172
Millington, Town of	42,000	-	-	42,000	-	-
Mountain Lake Park, Town of	770,287	-	178,296	770,287	-	200,185
Mount Airy, Town of	3,523,087	-	234,495	3,523,087	-	461,631
Myersville, Town of	1,259,983	-	81,407	1,259,983	-	160,899
New Windsor, Town of	3,858,474	-	421,398	3,858,474	-	453,813
North Beach, Town of	3,686,922	65,061	1,941,613	3,686,922	293,162	1,869,882
Oakland, Town of	892,046	-	94,368	892,046	-	105,953
Oxford, Town of	45,402	-	-	45,402	-	2,410
Perryville, Town of	5,923,965	-	3,562,341	5,923,965	-	3,868,840
Pocomoke City, City of	851,579	-	299,482	851,579	-	343,383
Poolesville, Town of	5,658,051	-	2,523,480	5,658,051	-	2,778,045
Prince George's County	23,238,580	-	-	23,238,580	-	-

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements
June 30, 2018 and 2017

3. LOANS RECEIVABLE (continued)

WQRLF Borrower	2018			2017		
	Total	Commitment	Outstanding	Total	Commitment	Outstanding
	Commitment	Outstanding	Balance * June 30, 2018	Commitment	Outstanding	Balance * June 30, 2017
Queen Anne's County	\$ 59,557,969	\$ 16,338,126	\$ 24,217,820	\$ 59,557,969	\$ 26,441,861	\$ 15,029,744
Ridgely, Town of	1,598,297	-	928,470	1,598,297	-	1,014,323
Rising Sun, Town of	1,010,437	-	-	1,010,437	-	-
Rockville, Town of	2,300,633	-	1,100,692	2,300,633	-	1,221,473
Salisbury, Town of	84,504,043	3,435,007	54,157,180	84,504,043	11,696,280	48,451,533
Sharptown	170,925	-	132,676	170,925	-	142,099
Snow Hill, Town of	1,358,420	-	592,748	1,410,565	52,145	630,839
Somerset County	2,151,215	-	395,509	2,151,215	-	522,209
Somerset County San. Distr.	187,031	-	-	187,031	-	-
St. Mary's County	7,447,625	-	221,516	7,447,625	-	549,873
St. Mary's METCOM	48,168,269	5,142,873	28,510,922	42,875,765	152,688	29,903,468
Talbot County	9,975,333	-	4,459,221	9,975,333	-	4,970,755
Taneytown, City of	6,477,722	-	292,922	6,477,722	-	654,681
Thurmont, Town of	10,153,303	-	5,621,097	10,340,540	232,056	5,987,151
Union Bridge, Town of	142,000	-	33,786	142,000	-	41,763
Washington County	41,709,193	-	15,241,368	40,321,948	-	15,839,883
Washington Co Sanitary Dist.	20,387,427	-	-	20,387,427	-	-
Westport, Town of	1,030,992	-	114,650	1,030,992	-	142,467
Westminster, City of	1,711,580	-	-	1,711,580	-	-
Wicomico County	2,929,876	-	-	2,929,876	-	-
Willards, Town of	433,599	-	221,126	433,599	-	242,757
Williamsport, Town of	684,538	-	369,802	684,538	-	414,764
Wash. Suburban San. Comm.	415,088,237	15,213,266	248,011,325	415,088,237	29,043,529	249,948,724
Worcester County	11,134,755	-	2,464,964	11,134,755	-	3,152,508
Loan Totals	2,420,439,373	\$ 258,981,627	\$ 1,070,110,261	2,253,607,837	\$ 184,119,360	\$ 1,067,430,501
Grant/Loan Forgiveness	85,018,057			83,662,669		
Total Commitment	\$ 2,505,457,430			\$ 2,337,270,506		

* Net of repayments

The current portion of WQRLF loans receivable as of June 30, 2018 and 2017, was \$90,704,591 and \$87,854,194, respectively. Also, the outstanding balance of loans receivable is made up of \$216,317,916 pledged loans (2008 indenture) and \$853,792,345 non-pledged direct loans. During fiscal years 2018 and 2017, there were no defaults or delinquencies.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2018 and 2017

3. LOANS RECEIVABLE (continued)

As of June 30, 2018 and 2017, the Administration's lending commitments under the DWRLF to specific governmental entities within the State are detailed as follows:

DWRLF Borrower	2018			2017		
	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2018	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2017
Allegany County	\$ 576,082	\$ -	\$ 514,657	\$ 426,082	\$ -	\$ 382,444
Annapolis, City of	28,500,000	3,158,797	23,457,405	28,500,000	5,317,642	22,244,177
Anne Arundel County	6,816,718	-	4,710,282	6,816,718	-	4,942,047
Baltimore City	114,494,151	73,528,574	33,540,853	114,494,151	83,238,249	24,901,891
Baltimore County	79,851,193	41,617,675	26,884,011	31,899,374	-	22,248,218
Beaches Water Co.	464,713	-	348,110	464,713	-	369,344
Betterton, Town of	43,483	-	13,097	43,483	-	15,685
Boonsboro, Town of	1,662,639	-	181,541	1,662,639	-	199,903
Bowie, City of	1,677,500	-	307,328	1,677,500	-	404,814
Brunswick, City of	359,975	-	159,323	359,975	-	180,285
Calvert County	2,568,000	-	2,331,408	2,568,000	192,025	2,258,209
Cecilton, Town of	968,323	-	594,850	968,323	-	626,661
Centreville, Town of	912,870	-	-	912,870	-	114,984
Chesapeake City, Town of	125,955	-	96,077	125,955	-	102,148
Chestertown, Town of	1,765,422	-	644,138	1,765,422	-	739,558
Clear Spring, Town of	1,260,531	-	593,828	1,260,531	-	646,350
Cumberland, City of	9,256,475	-	5,000,566	9,256,475	-	5,353,390
Dorchester County	52,778	-	-	52,778	-	-
East New Market	368,150	-	292,355	368,150	-	311,557
Emmitsburg, Town of	1,582,762	-	466,696	1,582,762	-	556,560
Fahmey Keedy	500,000	-	-	500,000	-	-
Federalsburg, Town of	1,830,881	-	832,658	1,830,881	-	925,593
Frederick County	10,831,167	-	969,882	10,831,167	-	1,575,917
Frostburg, City of	337,500	-	287,955	337,500	-	304,618
Garrett Co Sanitary District	388,653	-	194,126	388,653	-	212,092
Grantsville, Town of	224,283	-	42,835	224,283	-	56,009
Hagerstown, City of	27,510,029	-	18,429,865	27,510,029	-	19,598,143
Hampstead, Town of	722,587	-	138,755	722,587	-	182,683
Independence Village	44,902	-	-	44,902	-	-
La Plata, Town of	499,150	-	371,265	499,150	-	393,755
Lonaconing, Town of	887,179	44,133	787,430	887,179	256,993	604,384
Manchester	400,000	-	112,418	400,000	-	134,239
Martingham Utilities Coop	594,700	-	399,480	594,700	-	418,880
Maryland American Water Co.	3,843,932	2,739,822	1,104,110	-	-	-
Myersville, Town of	467,842	-	32,170	467,842	-	63,339
New Windsor, Town of	1,927,731	-	994,713	1,927,731	-	1,080,997
North East, Town of	19,048,711	-	11,449,345	19,048,711	-	12,042,658

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2018 and 2017

3. LOANS RECEIVABLE (continued)

DWRLF Borrower	2018			2017		
	Total	Commitment	Outstanding	Total	Commitment	Outstanding
	Commitment	Outstanding	Balance * June 30, 2018	Commitment	Outstanding	Balance * June 30, 2017
Oakland, Town of	\$ 2,759,832	\$ 308,458	\$ 1,986,830	\$ 2,759,832	\$ 910,776	\$ 1,451,192
Oxford, Town of	810,770	-	383,244	810,770	-	433,282
Perryville, Town of	11,534,299	-	7,940,979	11,534,299	-	8,346,529
Pittsville, Town of	86,166	-	65,580	86,166	-	69,763
Pocomoke City	17,214	-	13,052	17,214	-	13,898
Port Deposit, Town of	291,760	-	-	291,760	-	-
Queenstown, Town of	489,139	-	380,182	489,139	-	403,858
Rising Sun, Town of	1,698,717	-	864,560	1,698,717	-	926,093
Rock Hall, Town of	1,020,183	-	611,711	1,020,183	-	646,417
Rockville, City of	8,122,000	-	1,457,473	8,122,000	-	1,954,416
Salisbury, City of	1,513,160	-	1,270,838	1,513,160	-	1,320,175
Secretary, Town of	149,408	-	56,776	149,408	-	64,819
Sharptown, Town of	122,299	-	98,915	122,299	-	106,779
Somerset County	32,000	-	18,133	32,000	-	19,200
St. Mary's METCOM	13,348,427	5,559,044	5,366,362	7,582,096	453,027	5,087,154
St. Michaels, Town of	1,860,639	448,759	931,682	1,860,639	448,759	1,002,340
Taneytown, City of	4,011,000	-	2,639,811	4,011,000	-	2,839,532
Thurmont, Town of	2,243,740	-	-	2,243,740	-	-
Union Bridge, Town of	775,499	-	406,479	775,499	-	433,527
Westempport, Town of	3,008,026	-	2,777,839	3,074,861	233,702	2,670,102
Westminister, City of	15,535,902	-	7,680,752	15,535,902	-	8,554,701
Williamsport, Town of	750,000	692,250	57,750	-	-	-
Worcester County	367,063	-	221,146	367,063	-	239,962
WSSC	135,049	-	115,672	135,049	-	120,589
Loan Totals	394,049,259	\$ 128,097,512	\$ 171,629,298	335,654,012	\$ 91,051,173	\$ 160,895,860
Grant /Loan Forgiveness	58,436,761			56,169,387		
Total Commitment	\$ 452,486,020			\$ 391,823,399		

* Net of repayments

The current portion of DWRLF loans receivable as of June 30, 2018 and 2017, was \$10,723,695 and \$10,615,471, respectively. During fiscal years 2018 and 2017, there were no defaults or delinquencies.

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

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**Notes to the Financial Statements
June 30, 2018 and 2017**

4. FIXED ASSETS

Fixed assets represent vehicles, net of accumulated depreciation. The activity for the years ended June 30, 2018 and 2017 follows:

	For the Year Ended June 30, 2018				Balance June 30, 2018
	Balance June 30, 2017	Increases	Decreases	Depreciation	
Cost	\$ 116,954	\$ 42,488	\$ -	\$ -	\$ 159,442
Accumulated depreciation	63,253	-	-	30,566	93,819
Net	<u>\$ 53,701</u>	<u>\$ 42,488</u>	<u>\$ -</u>	<u>\$ 30,566</u>	<u>\$ 65,623</u>

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

Note: Depreciation is charged to business activities.

5. DRINKING WATER STATE REVOLVING SOURCE WATER PROTECTION

The transaction below is part of the DWRLF 15% set-aside grant and the loan information below is not included in the DWRLF capital program financial statements. The DWRLF 15% set-aside work plans approved by EPA allow use of Federal funds to make loans to purchase land for source water and wellhead protection. One loan is outstanding with an original principal balance of \$310,000, with the Town of Boonsboro. This loan is at a 0% interest rate and has a 20-year term. Information on this loan as of June 30, 2018, is summarized below:

	Loan Amount	ITD Principal Payments	Principal Balance	Annual Repayment
Town of Boonsboro	\$ 310,000	\$ 217,000	\$ 93,000	\$ 15,500

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

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**Notes to the Financial Statements
June 30, 2018 and 2017**

6. REVENUE BONDS PAYABLE

During fiscal year 2017, the Administration sold \$21.025 million in Water Quality RLF Series 2016 bonds to advance refund \$23.640 million of Series 2008A bonds. The Series 2008A bonds defeased were removed as an Administration liability on the statement of net position. This transaction resulted in a net present value savings of \$2.73 million. The Administration had the following outstanding debt as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Water Quality RLF		
2008 Series A, Revenue Bonds, dated April 29, 2008 with an all-in true interest rate of 4.10% due serially from March 1, 2009 to March 1, 2018. On November 10, 2016, an advanced refunding transaction occurred for callable Series 2008A Bonds that had a maturity date of March 1, 2019 and forward.	\$ -	\$ 4,330,000
2016 Series, Advanced Refunding Revenue Bonds, dated November 10, 2016 with an all-in true interest rate of 1.53% due serially from March 1, 2017 to March 1, 2025.	<u>20,320,000</u>	<u>20,320,000</u>
Total amount payable for Clean Water RLF	20,320,000	24,650,000
Bay Restoration Fund		
2008 Series BRF Revenue Bonds, dated June 25, 2008 with an all-in true interest rate of 4.09% due serially from March 1, 2009 to March 1, 2023.	20,020,000	23,460,000
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.	83,730,000	89,420,000
2015 Series BRF Revenue Bonds, dated December 3, 2015 with an all-in true interest rate of 2.60% due serially from March 1, 2018 to March 1, 2030.	<u>169,840,000</u>	<u>180,000,000</u>
Total amount payable for BRF	<u>273,590,000</u>	<u>292,880,000</u>
Total amount payable for all indentured series	<u>293,910,000</u>	317,530,000
Less: Current portion payable	<u>22,730,000</u>	23,620,000
Non-current bonds payable	<u>\$ 271,180,000</u>	<u>\$ 293,910,000</u>

As of June 30, 2018, there are four series of Serial Bonds outstanding as follows:

Water Quality RLF Series	Current Bonds Payable due March 1, 2019	Non-Current Bonds Payable	Years Remaining	Final Payment Due Date
2016	\$ 2,515,000	\$ 17,805,000	7	March 1, 2025
Total WQRLF	<u>\$ 2,515,000</u>	<u>\$ 17,805,000</u>		
Bay Restoration Fund Series	Current Bonds Payable due March 1, 2019	Non-Current Bonds Payable	Years Remaining	Final Payment Due Date
2008	\$ 3,570,000	\$ 16,450,000	5	March 1, 2023
2014	5,975,000	77,755,000	11	March 1, 2029
2015	<u>10,670,000</u>	<u>159,170,000</u>	12	March 1, 2030
Total BRF	<u>\$ 20,215,000</u>	<u>\$ 253,375,000</u>		

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2018 and 2017

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, 2018, were as follows:

Water Quality RLF			
Years Ended June 30,	Interest	Principal	Total
2019	\$ 928,850	\$ 2,515,000	\$ 3,443,850
2020	803,100	2,635,000	3,438,100
2021	671,350	2,770,000	3,441,350
2022	532,850	2,905,000	3,437,850
2023	474,750	2,965,000	3,439,750
2024-2025	497,500	6,530,000	7,027,500
Total WQRLF	\$ 3,908,400	\$ 20,320,000	\$ 24,228,400
Bay Restoration Fund			
Years Ended June 30,	Interest	Principal	Total
2019	\$ 11,501,601	\$ 20,215,000	\$ 31,716,601
2020	10,526,552	21,300,000	31,826,552
2021	9,468,851	22,360,000	31,828,851
2022	8,352,907	23,470,000	31,822,907
2023	7,184,408	24,640,000	31,824,408
2024-2028	19,858,810	116,700,000	136,558,810
2029-2030	1,941,025	44,905,000	46,846,025
Total BRF	68,834,154	273,590,000	342,424,154
Total Interest & Bonds Payable for all series	\$ 72,742,554	\$ 293,910,000	\$ 366,652,554

As of June 30, 2018 and 2017, the Administration's management believes that it is in compliance with all significant requirements of the indentures.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2018 and 2017

7. SCHEDULES OF CHANGES IN BONDS PAYABLE AND COMPENSATED ABSENCES

Changes in business-type activities, long-term debt for the year ended June 30, 2018, were as follows:

Bond Series & Program	Beginning Balance 6/30/2017	Additions	Reductions	Ending Balance 6/30/2018	Amounts Due Within One Year
2008A & 2016 Water Quality RLF					
Unamortized Premium	\$ 2,923,453	\$ -	\$ 591,641	\$ 2,331,812	\$ -
Revenue Bonds Payable	24,650,000	-	4,330,000	20,320,000	2,515,000
Total WQ: 2008A & 2016 Series	27,573,453	-	4,921,641	22,651,812	2,515,000
2008, 2014 & 2015 Bay Rest. Fund					
Unamortized Premium	22,149,265	-	5,027,590	17,121,675	-
Revenue Bonds Payable	292,880,000	-	19,290,000	273,590,000	20,215,000
Total BRF: 2008, 2014 & 2015 Series	315,029,265	-	24,317,590	290,711,675	20,215,000
Total All Bond Series & Programs	342,602,718	-	29,239,231	313,363,487	22,730,000
Compensated Absences					
Water Quality	547,538	340,838	385,672	502,704	340,838
Drinking Water	60,841	38,316	51,637	47,520	38,316
BRF - Wastewater	145,104	51,123	86,850	109,377	51,123
BRF - Septics	60,464	35,747	43,304	52,907	35,747
Total Compensated Absences	813,947	466,024	567,463	712,508	466,024
Total	\$ 343,416,665	\$ 466,024	\$ 29,806,694	\$ 314,075,995	\$ 23,196,024

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

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

The Administration had no pending workers' compensation claims as of June 30, 2018 and 2017.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2018 and 2017

8. GRANTS AND RELATED PARTY TRANSACTIONS

Maryland Environmental Services (MES) was awarded grants under the BRF program. MES received BRF grant disbursements totaling \$1,755,904 and \$5,960,378, for the fiscal years ended 2018 and 2017, respectively.

9. BAY RESTORATION FUND ACTIVITY

Bay Restoration Fund (BRF) includes Wastewater Fund and Septic Fund. BRF fee revenue is collected by the State Comptroller's office and transferred to MWQFA for the purpose of providing grants for upgrade of major wastewater treatment plants in Maryland with enhanced nutrient removal technologies (Wastewater Fund) and for the purpose of providing grants for the upgrade of on-site septic disposal systems with nitrogen removal technology (Septic Fund). The revenue is recorded as earned. During the fiscal year ending June 30, 2018, the Wastewater Fund received cash deposits from the Maryland Comptroller's Office totaling \$113,529,966, which earned investment interest of \$1,783,371, for capital projects and \$45,260, for the 2008 indenture. Similarly, the Septic Fund (60.0% of septic fees) received cash deposits of \$17,791,482, which earned investment interest of \$177,838. 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 \$97,235,039, for the wastewater treatment plant and sewer upgrades, and \$13,475,055, for septic system projects for fiscal year 2018. Wastewater Fund and Septic Fund fee revenue receivables as of June 30, 2018 and 2017, were \$28,445,023 and \$1,363,100, and \$26,666,973 and \$1,343,311, respectively.

Below is a summary of grant activity for fiscal years June 30, 2018 and 2017:

	2018			2017		
	BRF Grant Award	Cumulative Grant Disbursements	Remaining Grant Balance as of 6/30/18	BRF Grant Award	Cumulative Grant Disbursements	Remaining Grant Balance as of 6/30/17
BRF Wastewater Fund						
BRF WW Grants:						
ENR Major WWTP	\$ 1,249,507,663	\$ 1,137,512,122	\$ 111,995,541	\$ 1,200,447,985	\$ 1,077,418,264	\$ 123,029,721
Sewer -pre FY10	19,711,306	19,711,306	-	19,711,306	19,711,306	-
O&M to WWTP	18,259,360	18,259,360	-	13,482,460	13,482,460	-
Expanded Uses(post FY16):						
ENR Minor WWTP	20,738,032	15,621,871	5,116,161	12,895,692	8,056,193	4,839,499
Sewer Rehab/Extensions	70,194,094	31,827,494	38,366,600	48,573,937	7,028,891	41,545,046
Septic Systems	-	-	-	-	-	-
Stormwater BMP	-	-	-	-	-	-
Total BRF WW Grants	\$ 1,378,410,455	\$ 1,222,932,153	\$ 155,478,302	\$ 1,295,111,380	\$ 1,125,697,114	\$ 169,414,266

	2018			2017		
	BRF Grant Award	Cumulative Grant Disbursements	Remaining Grant Balance as of 6/30/18	BRF Grant Award	Cumulative Grant Disbursements	Remaining Grant Balance as of 6/30/17
BRF Septic Fund						
BRF SEPTIC Grants:						
Capital BAT/Sewer Connection	\$ 137,168,365	\$ 128,332,756	\$ 8,835,609	\$ 122,309,220	\$ 116,282,700	\$ 6,026,520
HB12 Admin	5,360,000	5,360,000	-	3,935,000	3,935,000	-
Total BRF Septic Grants	\$ 142,528,365	\$ 133,692,756	\$ 8,835,609	\$ 126,244,220	\$ 120,217,700	\$ 6,026,520

SUPPLEMENTAL INFORMATION

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**Combining Statements of Net Position – Schedule 1
As of June 30, 2018 and 2017**

	2018				2017			
	Funds held by Administration				Funds held by Administration			
	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	Total	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	Total
ASSETS								
Current Assets:								
Cash and cash equivalents	\$ 294,195,971	\$ 62,799,591	\$ 95,793,970	\$ 452,789,532	\$ 247,915,465	\$ 62,409,888	\$ 108,001,938	\$ 418,327,291
Investments	-	-	-	-	3,968,615	-	-	3,968,615
Receivables:								
Investment interest	25,250	-	-	25,250	94,987	-	-	94,987
Loans	55,938,601	10,723,695	-	66,662,296	53,203,644	10,615,471	-	63,819,115
Loan interest	4,366,459	731,696	-	5,098,155	4,162,440	741,156	-	4,903,596
BRF fee	-	-	1,789,775	1,789,775	-	-	1,743,316	1,743,316
Administrative fee	4,795,256	750,578	-	5,545,834	4,866,084	669,753	-	5,535,837
Current Restricted Assets:								
Cash and cash equivalents	-	-	23,523,183	23,523,183	-	-	22,220,053	22,220,053
Receivables:								
BRF fee	-	-	28,018,348	28,018,348	-	-	26,266,968	26,266,968
Loans	34,765,990	-	-	34,765,990	34,650,550	-	-	34,650,550
Loan interest	1,195,390	-	-	1,195,390	1,423,317	-	-	1,423,317
Total Current Assets	395,282,917	75,005,560	149,125,276	619,413,753	350,285,102	74,436,268	158,232,275	582,953,645
Non-current Assets:								
Investments	5,505,175	-	-	5,505,175	5,770,405	-	-	5,770,405
Loans receivable	797,853,743	160,905,603	-	958,759,346	763,258,392	150,280,389	-	913,538,781
Fixed assets, net	20,868	-	44,755	65,623	36,303	-	17,398	53,701
Non-current Restricted Assets:								
Investments	-	-	-	-	-	-	-	-
Loans receivable	181,551,926	-	-	181,551,926	216,317,916	-	-	216,317,916
Total Non-current Assets	984,931,712	160,905,603	44,755	1,145,882,070	985,383,016	150,280,389	17,398	1,135,680,803
Total Assets	\$ 1,380,214,629	\$ 235,911,163	\$ 149,170,031	\$ 1,765,295,823	\$ 1,335,668,118	\$ 224,716,657	\$ 158,249,673	\$ 1,718,634,448

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**Combining Statements of Net Position – Schedule 1 (continued)
As of June 30, 2018 and 2017**

	Funds held by Administration				Funds held by Administration			
	Clean Water	Drinking Water	Bay Restoration	Total	Clean Water	Drinking Water	Bay Restoration	Total
	RLF	RLF	Fund		RLF	RLF	Fund	
LIABILITIES								
Current Liabilities:								
Accounts payable	\$ 348,986	\$ 40,550	\$ 92,833	\$ 482,369	\$ 329,439	\$ 46,410	\$ 106,007	\$ 481,856
Revenue bonds	2,515,000	-	20,215,000	22,730,000	4,330,000	-	19,290,000	23,620,000
Accrued interest on bonds payable	123,006	-	2,394,801	2,517,807	178,770	-	2,479,504	2,658,274
Total Current Liabilities	2,986,992	40,550	22,702,634	25,730,176	4,838,209	46,410	21,875,511	26,760,130
Non-current Liabilities:								
Other liabilities	161,866	9,204	75,414	246,484	225,932	16,570	105,504	348,006
Revenue bonds	17,805,000	-	253,375,000	271,180,000	20,320,000	-	273,590,000	293,910,000
Bond premium	2,331,812	-	17,121,675	19,453,487	2,923,453	-	22,149,265	25,072,718
Total Non-current Liabilities	20,298,678	9,204	270,572,089	290,879,971	23,469,385	16,570	295,844,769	319,330,724
Total Liabilities	23,285,670	49,754	293,274,723	316,610,147	28,307,594	62,980	317,720,280	346,090,854
NET POSITION								
Net investment in capital assets	20,868	-	44,755	65,623	36,303	-	17,398	53,701
Restricted for debt service	194,738,488	-	51,541,531	246,280,019	224,639,560	-	48,486,907	273,126,467
Unrestricted	1,162,169,603	235,861,409	(195,690,978)	1,202,340,034	1,082,684,661	224,653,677	(207,974,912)	1,099,363,426
Total Net Position	\$ 1,356,928,959	\$ 235,861,409	\$ (144,104,692)	\$ 1,448,685,676	\$ 1,307,360,524	\$ 224,653,677	\$ (159,470,607)	\$ 1,372,543,594

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**Combining Statements of Revenue, Expenses and Changes in Net Position – Schedule 2
For the Years Ended June 30, 2018 and 2017**

	2018				2017			
	Funds held by Administration				Funds held by Administration			
	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	Total	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	Total
Operating Revenue:								
Interest on loans	\$ 11,542,535	\$ 1,489,435	\$ -	\$ 13,031,970	\$ 11,150,297	\$ 1,533,107	\$ -	\$ 12,683,404
Loan administration fees	4,796,086	752,411	-	5,548,497	4,866,915	671,586	-	5,538,501
Fee revenue	-	-	133,119,287	133,119,287	-	-	133,102,892	133,102,892
Grant revenue	-	14,294	-	14,294	-	356,089	-	356,089
Grant revenue (Set-Asides 2%,10%, & 15%)	-	3,835,142	-	3,835,142	-	3,913,832	-	3,913,832
Miscellaneous	12,636	15,500	-	28,136	14,425	15,500	25,625	55,550
Total Operating Revenue	16,351,257	6,106,782	133,119,287	155,577,326	16,031,637	6,490,114	133,128,517	155,650,268
Operating Expenses:								
Salaries and related benefits	5,401,212	608,585	939,214	6,949,011	4,405,560	624,528	1,960,965	6,991,053
General	1,405,553	158,385	756,724	2,320,662	1,313,929	166,255	1,123,496	2,603,680
Capital grant disbursements	2,286,376	4,433,998	110,710,094	117,430,468	4,834,031	4,053,209	136,751,016	145,638,256
Transfers-out (Set-Asides 2%,10%, & 15%)	-	3,835,142	-	3,835,142	-	3,913,832	-	3,913,832
Total Operating Expenses	9,093,141	9,036,110	112,406,032	130,535,283	10,553,520	8,757,824	139,835,477	159,146,821
Operating Income (Loss)	7,258,116	(2,929,328)	20,713,255	25,042,043	5,478,117	(2,267,710)	(6,706,960)	(3,496,553)
Non-operating Revenue (Expenses):								
Investment income	4,540,069	1,016,220	2,006,469	7,562,758	4,116,732	830,670	2,112,671	7,060,073
Cost of issuance expense	-	-	-	-	(201,463)	-	-	(201,463)
Interest expense on bonds	(480,545)	-	(7,353,809)	(7,834,354)	(1,298,220)	-	(7,984,834)	(9,283,054)
Net change in fair value of investments	(527,205)	-	-	(527,205)	(159,090)	-	-	(159,090)
Total Non-operating Revenue (Expenses)	3,532,319	1,016,220	(5,347,340)	(798,801)	2,457,959	830,670	(5,872,163)	(2,583,534)
Income (Loss) Before Contributions	10,790,435	(1,913,108)	15,365,915	24,243,242	7,936,076	(1,437,040)	(12,579,123)	(6,080,087)
Contributions received from:								
Federal government	32,315,000	10,298,840	-	42,613,840	33,737,000	10,289,970	-	44,026,970
State of MD-required match to Federal grant	6,463,000	2,822,000	-	9,285,000	6,792,000	3,003,000	-	9,795,000
Changes in Net Position	49,568,435	11,207,732	15,365,915	76,142,082	48,465,076	11,855,930	(12,579,123)	47,741,883
Net Position, Beginning of Year	1,307,360,524	224,653,677	(159,470,607)	1,372,543,594	1,258,895,448	212,797,747	(146,891,484)	1,324,801,711
Net Position, End of Year	\$ 1,356,928,959	\$ 235,861,409	\$ (144,104,692)	\$ 1,448,685,676	\$ 1,307,360,524	\$ 224,653,677	\$ (159,470,607)	\$ 1,372,543,594

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Combining Statements of Cash Flows – Schedule 3 For the Years Ended June 30, 2018 and 2017

	2018				2017			
	Funds held by Administration				Funds held by Administration			
	Clean Water	Drinking Water	Bay		Clean Water	Drinking Water	Bay	
			Restoration	Total			Restoration	Total
RLF	RLF	Fund	Total	RLF	RLF	Fund	Total	
Cash Flows from Operating Activities:								
BRF Fee and other receipts	\$ 12,636	\$ 3,864,936	\$ 131,321,448	\$ 135,199,020	\$ 14,425	\$ 4,285,421	\$ 129,764,721	\$ 134,064,567
Capital grant disbursements	(2,286,376)	(4,433,998)	(110,710,094)	(117,430,468)	(4,834,031)	(4,053,209)	(136,751,016)	(145,638,256)
Salaries and benefits paid	(5,446,046)	(621,906)	(982,498)	(7,050,450)	(4,236,204)	(599,728)	(1,972,939)	(6,808,871)
General expenses paid	(1,389,803)	(3,993,432)	(741,573)	(6,124,808)	(1,301,263)	(4,081,007)	(1,118,138)	(6,500,408)
Net Cash from Operating Activities	(9,109,589)	(5,184,400)	18,887,283	4,593,294	(10,357,073)	(4,448,523)	(10,077,372)	(24,882,968)
Cash Flows from Non-capital Financing Activities:								
Contributions received from:								
Federal government	32,315,000	10,298,840	-	42,613,840	33,737,000	10,289,970	-	44,026,970
State of MD-required match to Federal grant	6,463,000	2,822,000	-	9,285,000	6,792,000	3,003,000	-	9,795,000
Proceeds from sale of bonds	-	-	-	-	24,485,679	-	-	24,485,679
Repayment of bonds	(4,330,000)	-	(19,290,000)	(23,620,000)	(25,580,000)	-	(8,735,000)	(34,315,000)
Cost of issuance/underwriters' discount	-	-	-	-	(201,463)	-	-	(201,463)
Interest on bonds	(1,127,950)	-	(12,466,101)	(13,594,051)	(2,602,684)	-	(14,695,997)	(17,298,681)
Arbitrage liability-bonds	-	-	-	-	-	-	-	-
Net Cash from Non-capital Financing Activities	33,320,050	13,120,840	(31,756,101)	14,684,789	36,630,532	13,292,970	(23,430,997)	26,492,505
Cash Flows from Capital and Related Financing Activities:								
Purchase of equipment	-	-	(42,488)	(42,488)	-	-	-	-
Net Cash from Capital and Related Financing Activities	-	-	(42,488)	(42,488)	-	-	-	-
Cash Flows from Investing Activities:								
Loan repayments	89,289,509	10,615,471	-	99,904,980	82,176,614	10,566,557	-	92,743,171
Loan disbursements	(91,969,269)	(21,348,909)	-	(113,318,178)	(164,480,253)	(11,336,315)	-	(175,816,568)
Interest and fees received from borrowers	16,433,357	2,170,481	-	18,603,838	15,449,323	2,064,945	-	17,514,268
Purchase of investments	-	-	-	-	(3,000,000)	-	-	(3,000,000)
Interest on investment securities	4,609,808	1,016,220	2,006,468	7,632,496	4,094,488	830,670	2,114,834	7,039,992
Proceeds from sale of investments	3,706,640	-	-	3,706,640	1,234,002	-	-	1,234,002
Net Cash from Investing Activities	22,070,045	(7,546,737)	2,006,468	16,529,776	(64,525,826)	2,125,857	2,114,834	(60,285,135)
Net Increase/(Decrease) in Cash and Cash Equivalents	46,280,506	389,703	(10,904,838)	35,765,371	(38,252,367)	10,970,304	(31,393,535)	(58,675,598)
Cash and Cash Equivalents, Beginning of Year	247,915,465	62,409,888	130,221,991	440,547,344	286,167,832	51,439,584	161,615,526	499,222,942
Cash and Cash Equivalents, End of Year	\$ 294,195,971	\$ 62,799,591	\$ 119,317,153	\$ 476,312,715	\$ 247,915,465	\$ 62,409,888	\$ 130,221,991	\$ 440,547,344

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**Combining Statements of Cash Flows – Schedule 3 (continued)
For the Years Ended June 30, 2018 and 2017**

	2018				2017			
	Funds held by Administration				Funds held by Administration			
	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	Total	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	Total
Reconciliation of operating income (loss) to net cash from operating activities:								
Operating income (loss)	\$ 7,258,116	\$ (2,929,328)	\$ 20,713,255	\$ 25,042,043	\$ 5,478,117	\$ (2,267,710)	\$ (6,706,960)	\$ (3,496,553)
Depreciation of fixed assets	15,435	-	15,131	30,566	15,436	-	7,956	23,392
Adjustments to reconcile operating income to net cash from operating activities:								
Interest and fees received from borrowers	(16,433,357)	(2,170,481)	-	(18,603,838)	(15,449,323)	(2,064,945)	-	(17,514,268)
Increase (decrease) in loan interest receivable	23,908	9,460	-	33,368	(506,227)	10,077	-	(496,150)
Increase(decrease) in administrative fee and BRF fee receivable	70,828	(80,825)	(1,797,839)	(1,807,836)	(61,662)	(149,825)	(3,363,796)	(3,575,283)
Decrease(Increase) in accounts payable and other liabilities	(44,519)	(13,226)	(43,264)	(101,009)	166,586	23,880	(14,572)	175,894
Net Cash from Operating Activities	\$ (9,109,589)	\$ (5,184,400)	\$ 18,887,283	\$ 4,593,294	\$ (10,357,073)	\$ (4,448,523)	\$ (10,077,372)	\$ (24,882,968)

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

CLEAN WATER STATE REVOLVING LOAN FUND

Combining Statements of Net Position – Schedule 4

As of June 30, 2018 and 2017

	2018				2017			
	Funds held by Administration				Funds held by Administration			
	General Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Total	General Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Total
ASSETS								
Current Assets:								
Cash and cash equivalents	\$ 865,155	\$ 293,330,816	\$ -	\$ 294,195,971	\$ 334,087	\$ 247,581,378	\$ -	\$ 247,915,465
Investments	-	-	-	-	-	3,968,615	-	3,968,615
Receivables:								
Investment interest	-	25,250	-	25,250	-	94,987	-	94,987
Loans	-	55,938,601	-	55,938,601	-	53,203,644	-	53,203,644
Loan interest	-	4,366,459	-	4,366,459	-	4,162,440	-	4,162,440
Administrative fee	4,795,256	-	-	4,795,256	4,866,084	-	-	4,866,084
Current Restricted Assets:								
Receivables:								
Loans	-	-	34,765,990	34,765,990	-	-	34,650,550	34,650,550
Loan interest	-	-	1,195,390	1,195,390	-	-	1,423,317	1,423,317
Total Current Assets	5,660,411	353,661,126	35,961,380	395,282,917	5,200,171	309,011,064	36,073,867	350,285,102
Non-current Assets:								
Investments	-	5,505,175	-	5,505,175	-	5,770,405	-	5,770,405
Loans receivable	-	797,853,743	-	797,853,743	-	763,258,392	-	763,258,392
Fixed assets, net	20,868	-	-	20,868	36,303	-	-	36,303
Non-current Restricted Assets:								
Loans receivable	-	-	181,551,926	181,551,926	-	-	216,317,916	216,317,916
Total Non-current Assets	20,868	803,358,918	181,551,926	984,931,712	36,303	769,028,797	216,317,916	985,383,016
Total Assets	\$ 5,681,279	\$ 1,157,020,044	\$ 217,513,306	\$ 1,380,214,629	\$ 5,236,474	\$ 1,078,039,861	\$ 252,391,783	\$ 1,335,668,118

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

CLEAN WATER STATE REVOLVING LOAN FUND

Combining Statements of Net Position – Schedule 4 (continued)

As of June 30, 2018 and 2017

	2018				2017			
	Funds held by Administration				Funds held by Administration			
	General Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Total	General Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Total
LIABILITIES								
Current Liabilities:								
Accounts payable	\$ 348,986	\$ -	\$ -	\$ 348,986	\$ 329,439	\$ -	\$ -	\$ 329,439
Revenue bonds payable	-	-	2,515,000	2,515,000	-	-	4,330,000	4,330,000
Accrued interest on bonds payable	-	-	123,006	123,006	-	-	178,770	178,770
Total Current Liabilities	348,986	-	2,638,006	2,986,992	329,439	-	4,508,770	4,838,209
Non-current Liabilities:								
Other liabilities	161,866	-	-	161,866	225,932	-	-	225,932
Revenue bonds payable	-	-	17,805,000	17,805,000	-	-	20,320,000	20,320,000
Bond premium	-	-	2,331,812	2,331,812	-	-	2,923,453	2,923,453
Total Non-current Liabilities	161,866	-	20,136,812	20,298,678	225,932	-	23,243,453	23,469,385
Total Liabilities	510,852	-	22,774,818	23,285,670	555,371	-	27,752,223	28,307,594
NET POSITION								
Net investment in capital assets	20,868	-	-	20,868	36,303	-	-	36,303
Restricted for debt service	-	-	194,738,488	194,738,488	-	-	224,639,560	224,639,560
Unrestricted	5,149,559	1,157,020,044	-	1,162,169,603	4,644,800	1,078,039,861	-	1,082,684,661
Total Net Position	\$ 5,170,427	\$ 1,157,020,044	\$ 194,738,488	\$ 1,356,928,959	\$ 4,681,103	\$ 1,078,039,861	\$ 224,639,560	\$ 1,307,360,524

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

CLEAN WATER STATE REVOLVING LOAN FUND

**Combining Statements of Revenue, Expenses and Changes in Net Position – Schedule 5
For the Years Ended June 30, 2018 and 2017**

	2018				2017			
	Funds held by Administration				Funds held by Administration			
	General Accounts	Capital Reserve Account	Bond Funds 2008 Indenture	Total	General Accounts	Capital Reserve Account	Bond Funds 2008 Indenture	Total
Operating Revenues:								
Interest on loans	\$ -	\$ 8,923,829	\$ 2,618,706	\$ 11,542,535	\$ -	\$ 8,064,580	\$ 3,085,717	\$ 11,150,297
Loan administration fees	4,796,086	-	-	4,796,086	4,866,915	-	-	4,866,915
Grant revenue	-	-	-	-	-	-	-	-
Miscellaneous income	-	12,636	-	12,636	-	14,425	-	14,425
Total Operating Revenue	4,796,086	8,936,465	2,618,706	16,351,257	4,866,915	8,079,005	3,085,717	16,031,637
Operating Expenses:								
Salaries and related benefits	5,401,212	-	-	5,401,212	4,405,560	-	-	4,405,560
General	1,405,553	-	-	1,405,553	1,313,929	-	-	1,313,929
Capital grant disbursements	-	2,286,376	-	2,286,376	-	4,834,031	-	4,834,031
Total Operating Expenses	6,806,765	2,286,376	-	9,093,141	5,719,489	4,834,031	-	10,553,520
Operating Income (Loss)	(2,010,679)	6,650,089	2,618,706	7,258,116	(852,574)	3,244,974	3,085,717	5,478,117
Non-operating Revenue (Expenses):								
Investment income	3	4,536,818	3,248	4,540,069	933	4,109,205	6,594	4,116,732
Cost of issuance expense	-	-	-	-	-	-	(201,463)	(201,463)
Arbitrage rebate expense	-	-	-	-	-	-	-	-
Interest expense on bonds	-	-	(480,545)	(480,545)	-	-	(1,298,220)	(1,298,220)
Net change in fair value of investments	-	(527,205)	-	(527,205)	-	(159,090)	-	(159,090)
Total Non-operating Revenue (Expenses)	3	4,009,613	(477,297)	3,532,319	933	3,950,115	(1,493,089)	2,457,959
Income (Loss) Before Contributions	(2,010,676)	10,659,702	2,141,409	10,790,435	(851,641)	7,195,089	1,592,628	7,936,076
Contributions received from:								
Federal government	-	32,315,000	-	32,315,000	-	33,737,000	-	33,737,000
State of MD-required match to federal grant	-	6,463,000	-	6,463,000	-	6,792,000	-	6,792,000
Interfund transfers	2,500,000	29,542,481	(32,042,481)	-	(933)	60,097,341	(60,096,408)	-
Change in Net Position	489,324	78,980,183	(29,901,072)	49,568,435	(852,574)	107,821,430	(58,503,780)	48,465,076
Net Position, Beginning of Year	4,681,103	1,078,039,861	224,639,560	1,307,360,524	5,533,677	970,218,431	283,143,340	1,258,895,448
Net Position, End of Year	\$ 5,170,427	\$ 1,157,020,044	\$ 194,738,488	\$ 1,356,928,959	\$ 4,681,103	\$ 1,078,039,861	\$ 224,639,560	\$ 1,307,360,524

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

CLEAN WATER STATE REVOLVING LOAN FUND
Combining Statements of Cash Flow – Schedule 6
For the Years Ended June 30, 2018 and 2017

	2018				2017			
	Funds held by Administration				Funds held by Administration			
	General Account	Capital Reserve Account	Bond Funds 2008 Indenture	Totals	General Account	Capital Reserve Account	Bond Funds 2008 Indenture	Totals
Cash Flows from Operating Activities:								
Other receipts	\$ -	\$ 12,636	\$ -	\$ 12,636	\$ -	\$ 14,425	\$ -	\$ 14,425
Capital grant disbursements	-	(2,286,376)	-	(2,286,376)	-	(4,834,031)	-	(4,834,031)
Salaries and benefits paid	(5,446,046)	-	-	(5,446,046)	(4,236,204)	-	-	(4,236,204)
General expenses paid	(1,389,803)	-	-	(1,389,803)	(1,301,263)	-	-	(1,301,263)
Net Cash from Operating Activities	(6,835,849)	(2,273,740)	-	(9,109,589)	(5,537,467)	(4,819,606)	-	(10,357,073)
Cash Flows from Non-capital Financing Activities:								
Contributions received from:								
Federal government	-	32,315,000	-	32,315,000	-	33,737,000	-	33,737,000
State of MD-required match to Federal grant	-	6,463,000	-	6,463,000	-	6,792,000	-	6,792,000
Interfund transfers	2,500,000	29,542,481	(32,042,481)	-	(933)	35,730,834	(35,729,901)	-
Proceeds from sale of bonds	-	-	-	-	-	-	24,485,679	24,485,679
Repayment of bonds	-	-	(4,330,000)	(4,330,000)	-	-	(25,580,000)	(25,580,000)
Cost of issuance/underwriters' discount	-	-	-	-	-	-	(201,463)	(201,463)
Interest on bonds	-	-	(1,127,950)	(1,127,950)	-	-	(2,602,684)	(2,602,684)
Arbitrage liability paid	-	-	-	-	-	-	-	-
Net Cash from Non-capital Financing Activities	2,500,000	68,320,481	(37,500,431)	33,320,050	(933)	76,259,834	(39,628,369)	36,630,532
Cash Flows from Capital and Related Financing Activities:								
Purchase of equipment	-	-	-	-	-	-	-	-
Net Cash from Capital and Related Financing Activities	-	-	-	-	-	-	-	-
Cash Flows from Investing Activities:								
Loan repayments	-	54,638,960	34,650,549	89,289,509	-	47,036,462	35,140,152	82,176,614
Loan disbursements	-	(91,969,269)	-	(91,969,269)	-	(164,480,253)	-	(164,480,253)
Interest and fees received from borrowers	4,866,914	8,719,810	2,846,633	16,433,357	4,805,253	7,184,798	3,459,272	15,449,323
Purchase of investments	-	-	-	-	-	(3,000,000)	-	(3,000,000)
Interest on investment securities	3	4,606,556	3,249	4,609,808	933	4,083,956	9,599	4,094,488
Proceeds from sale of investments	-	3,706,640	-	3,706,640	-	221,695	1,012,307	1,234,002
Net Cash from Investing Activities	4,866,917	(20,297,303)	37,500,431	22,070,045	4,806,186	(108,953,342)	39,621,330	(64,525,826)
Net Increase/(Decrease) in Cash and Cash Equivalents	531,068	45,749,438	-	46,280,506	(732,214)	(37,513,114)	(7,039)	(38,252,367)
Cash and Cash Equivalents, Beginning of Year	334,087	247,581,378	-	247,915,465	1,066,301	285,094,492	7,039	286,167,832
Cash and Cash Equivalents, End of Year	\$ 865,155	\$ 293,330,816	\$ -	\$ 294,195,971	\$ 334,087	\$ 247,581,378	\$ -	\$ 247,915,465

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

CLEAN WATER STATE REVOLVING LOAN FUND
Combining Statements of Cash Flow – Schedule 6 (continued)
For the Years Ended June 30, 2018 and 2017

	2018				2017			
	Funds held by Administration				Funds held by Administration			
	General Account	Capital Reserve Account	Bond Funds 2008 Indenture	Totals	General Account	Capital Reserve Account	Bond Funds 2008 Indenture	Totals
Reconciliation of operating income (loss) to net cash from operating activities:								
Operating income (loss)	\$ (2,010,679)	\$ 6,650,089	\$ 2,618,706	\$ 7,258,116	\$ (852,574)	\$ 3,244,974	\$ 3,085,717	\$ 5,478,117
Depreciation of fixed assets	15,435	-	-	15,435	15,436	-	-	15,436
Adjustments to reconcile operating income to net cash from operating activities:								
Interest and fees received from borrowers	(4,866,914)	(8,719,810)	(2,846,633)	(16,433,357)	(4,805,253)	(7,184,798)	(3,459,272)	(15,449,323)
Increase (decrease) in loan interest receivable	-	(204,019)	227,927	23,908	-	(879,782)	373,555	(506,227)
Increase (decrease) in administrative fee receivable	70,828	-	-	70,828	(61,662)	-	-	(61,662)
Decrease (Increase) in accounts payable and other liabilities	(44,519)	-	-	(44,519)	166,586	-	-	166,586
Net Cash from Operating Activities	\$ (6,835,849)	\$ (2,273,740)	\$ -	\$ (9,109,589)	\$ (5,537,467)	\$ (4,819,606)	\$ -	\$ (10,357,073)

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

DRINKING WATER STATE REVOLVING LOAN FUND

Combining Statements of Net Position – Schedule 7

As of June 30, 2018 and 2017

	2018			2017		
	Funds held by Administration			Funds held by Administration		
	General Accounts	Capital Reserve Accounts	Total	General Accounts	Capital Reserve Accounts	Total
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 316,968	\$ 62,482,623	\$ 62,799,591	\$ 402,288	\$ 62,007,600	\$ 62,409,888
Receivables:						
Loans	-	10,723,695	10,723,695	-	10,615,471	10,615,471
Loan interest		731,696	731,696		741,156	741,156
Administrative fee	750,578	-	750,578	669,753	-	669,753
Total Current Assets	1,067,546	73,938,014	75,005,560	1,072,041	73,364,227	74,436,268
Non-current Assets:						
Receivables:						
Loans	-	160,905,603	160,905,603	-	150,280,389	150,280,389
Total Non-current Assets	-	160,905,603	160,905,603	-	150,280,389	150,280,389
Total Assets	1,067,546	234,843,617	235,911,163	1,072,041	223,644,616	224,716,657
LIABILITIES						
Current Liabilities:						
Accounts payable	40,550	-	40,550	46,410	-	46,410
Total Current Liabilities	40,550	-	40,550	46,410	-	46,410
Non-current Liabilities:						
Other liabilities	9,204	-	9,204	16,570	-	16,570
Total Non-current Liabilities	9,204	-	9,204	16,570	-	16,570
Total Liabilities	49,754	-	49,754	62,980	-	62,980
NET POSITION						
Net investment in capital assets	-	-	-	-	-	-
Unrestricted	1,017,792	234,843,617	235,861,409	1,009,061	223,644,616	224,653,677
Total Net Position	\$ 1,017,792	\$ 234,843,617	\$ 235,861,409	\$ 1,009,061	\$ 223,644,616	\$ 224,653,677

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

DRINKING WATER STATE REVOLVING LOAN FUND

Combining Statements of Revenue, Expenses and Changes in Net Position – Schedule 8

For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Funds held by Administration			Funds held by Administration		
	General Accounts	Capital Reserve Accounts	Total	General Accounts	Capital Reserve Accounts	Total
Operating Revenues:						
Interest on loans	\$ -	\$ 1,489,435	\$ 1,489,435	\$ -	\$ 1,533,107	\$ 1,533,107
Loan administration fees	752,411	-	752,411	671,586	-	671,586
Grant revenue	14,294	-	14,294	356,089	-	356,089
Grant revenue (Set-Asides 2%,10%, 15%)	3,835,142	-	3,835,142	3,913,832	-	3,913,832
Miscellaneous income	-	15,500	15,500	-	15,500	15,500
Total Operating Revenue	4,601,847	1,504,935	6,106,782	4,941,507	1,548,607	6,490,114
Operating Expenses:						
Salaries and related benefits	608,585	-	608,585	624,528	-	624,528
General	158,385	-	158,385	166,255	-	166,255
Capital grant disbursements	-	4,433,998	4,433,998	-	4,053,209	4,053,209
Transfers-out (Set-Asides 2%,10%,15%)	3,835,142	-	3,835,142	3,913,832	-	3,913,832
Total Operating Expenses	4,602,112	4,433,998	9,036,110	4,704,615	4,053,209	8,757,824
Operating Income (Loss)	(265)	(2,929,063)	(2,929,328)	236,892	(2,504,602)	(2,267,710)
Non-operating Revenue (Expenses):						
Investment income	8,996	1,007,224	1,016,220	7,971	822,699	830,670
Net change in fair value of investments	-	-	-	-	-	-
Total Non-operating Revenue (Expenses)	8,996	1,007,224	1,016,220	7,971	822,699	830,670
Income (Loss) Before Contributions	8,731	(1,921,839)	(1,913,108)	244,863	(1,681,903)	(1,437,040)
Contributions received from:						
Federal government	-	10,298,840	10,298,840	-	10,289,970	10,289,970
State of MD-required match for federal grant	-	2,822,000	2,822,000	-	3,003,000	3,003,000
Change in Net Position	8,731	11,199,001	11,207,732	244,863	11,611,067	11,855,930
Net Position, Beginning of Year	1,009,061	223,644,616	224,653,677	764,198	212,033,549	212,797,747
Net Position, End of Year	\$ 1,017,792	\$ 234,843,617	\$ 235,861,409	\$ 1,009,061	\$ 223,644,616	\$ 224,653,677

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

DRINKING WATER STATE REVOLVING LOAN FUND
Combining Statements of Cash Flows – Schedule 9
For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Funds held by Administration			Funds held by Administration		
	General Accounts	Capital Reserve Accounts	Total	General Accounts	Capital Reserve Accounts	Total
Cash Flows from Operating Activities:						
Other receipts	\$ 3,849,436	\$ 15,500	\$ 3,864,936	\$ 4,269,921	\$ 15,500	\$ 4,285,421
Capital grant disbursements	-	(4,433,998)	(4,433,998)	-	(4,053,209)	(4,053,209)
Salaries and benefits paid	(621,906)	-	(621,906)	(599,728)	-	(599,728)
General expenses paid	(3,993,432)	-	(3,993,432)	(4,081,007)	-	(4,081,007)
Net Cash from Operating Activities	(765,902)	(4,418,498)	(5,184,400)	(410,814)	(4,037,709)	(4,448,523)
Cash Flows from Non-capital Financing Activities:						
Contributions received from:						
Federal government	-	10,298,840	10,298,840	-	10,289,970	10,289,970
State of MD-required match to federal grant	-	2,822,000	2,822,000	-	3,003,000	3,003,000
Net Cash from Non-capital Financing Activities	-	13,120,840	13,120,840	-	13,292,970	13,292,970
Cash Flows from Capital and Related Financing Activities:						
Purchase of equipment	-	-	-	-	-	-
Net Cash from Capital and Related Financing Activities	-	-	-	-	-	-
Cash Flows from Investing Activities:						
Loan repayments	-	10,615,471	10,615,471	-	10,566,557	10,566,557
Loan disbursements	-	(21,348,909)	(21,348,909)	-	(11,336,315)	(11,336,315)
Interest and fees received from borrowers	671,586	1,498,895	2,170,481	521,761	1,543,184	2,064,945
Purchase of investments securities	-	-	-	-	-	-
Interest on investments securities	8,996	1,007,224	1,016,220	7,971	822,699	830,670
Proceeds from sale of investments	-	-	-	-	-	-
Net Cash from Investing Activities	680,582	(8,227,319)	(7,546,737)	529,732	1,596,125	2,125,857
Net Increase/(Decrease) in Cash and Cash Equivalents	(85,320)	475,023	389,703	118,918	10,851,386	10,970,304
Cash and Cash Equivalents, Beginning of Year	402,288	62,007,600	62,409,888	283,370	51,156,214	51,439,584
Cash and Cash Equivalents, End of Year	\$ 316,968	\$ 62,482,623	\$ 62,799,591	\$ 402,288	\$ 62,007,600	\$ 62,409,888

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

DRINKING WATER STATE REVOLVING LOAN FUND

Combining Statements of Cash Flows – Schedule 9 (continued)

For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Funds held by Administration			Funds held by Administration		
	General Accounts	Capital Reserve Accounts	Total	General Accounts	Capital Reserve Accounts	Total
Reconciliation of operating income (loss) to net cash from operating activities:						
Operating income (loss)	\$ (265)	\$ (2,929,063)	\$ (2,929,328)	\$ 236,892	\$ (2,504,602)	\$ (2,267,710)
Adjustments to reconcile operating income to net cash from operating activities:						
Interest and fees received from borrowers	(671,586)	(1,498,895)	(2,170,481)	(521,761)	(1,543,184)	(2,064,945)
Decrease (Increase) in loan interest receivable	-	9,460	9,460	-	10,077	10,077
Decrease (Increase) in administrative fee receivable	(80,825)	-	(80,825)	(149,825)	-	(149,825)
Increase (Decrease) in accounts payable and other liabilities	(13,226)	-	(13,226)	23,880	-	23,880
Net Cash from Operating Activities	\$ (765,902)	\$ (4,418,498)	\$ (5,184,400)	\$ (410,814)	\$ (4,037,709)	\$ (4,448,523)

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND

Combining Statement of Net Position – Schedule 10

As of June 30, 2018

	2018					
	Funds held by Administration					
	BAY RESTORATION FUND-WASTEWATER			BAY RESTORATION FUND-SEPTICS		
	Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	Total
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 833,313	\$ 82,148,355	\$ -	\$ 3,911,438	\$ 8,900,864	\$ 95,793,970
Receivables:						
BRF fee	426,675	-	-	109,048	1,254,052	1,789,775
Current Restricted Assets:						
Cash and cash equivalents	-	23,523,183	-	-	-	23,523,183
Receivables:						
BRF fee	-	28,018,348	-	-	-	28,018,348
Total Current Assets	1,259,988	133,689,886	-	4,020,486	10,154,916	149,125,276
Non-current Assets:						
Fixed assets, net	-	-	-	44,755	-	44,755
Total Non-current Assets	-	-	-	44,755	-	44,755
Total Assets	\$ 1,259,988	\$ 133,689,886	\$ -	\$ 4,065,241	\$ 10,154,916	\$ 149,170,031
LIABILITIES						
Current Liabilities:						
Accounts payable	\$ 55,597	\$ -	\$ -	\$ 37,236	\$ -	\$ 92,833
Revenue bonds	-	-	20,215,000	-	-	20,215,000
Accrued bond interest	-	-	2,394,801	-	-	2,394,801
Total Current Liabilities	55,597	-	22,609,801	37,236	-	22,702,634
Non-current Liabilities:						
Other liabilities	58,254	-	-	17,160	-	75,414
Revenue bonds	-	-	253,375,000	-	-	253,375,000
Bond premium	-	-	17,121,675	-	-	17,121,675
Total Non-current Liabilities	58,254	-	270,496,675	17,160	-	270,572,089
Total Liabilities	113,851	-	293,106,476	54,396	-	293,274,723
NET POSITION						
Net investment in capital assets	-	-	-	44,755	-	44,755
Restricted for debt service	-	51,541,531	-	-	-	51,541,531
Unrestricted	1,146,137	82,148,355	(293,106,476)	3,966,090	10,154,916	(195,690,978)
Total Net Position	\$ 1,146,137	\$ 133,689,886	\$ (293,106,476)	\$ 4,010,845	\$ 10,154,916	\$ (144,104,692)

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND

Combining Statement of Net Position – Schedule 10 (continued)

As of June 30, 2017

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

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND
Combining Statements of Revenue, Expenses and Changes in Net Position – Schedule 11
For the Year Ended June 30, 2018

	2018					
	Funds held by Administration					
	Bay Restoration Fund-Wastewater			Bay Restoration Fund-Septics		TOTAL
Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts		
Operating Revenues:						
BRF fee	\$ 1,729,620	\$ 113,578,396	\$ -	\$ 1,424,902	\$ 16,386,369	\$ 133,119,287
Miscellaneous income	-	-	-	-	-	-
Total Operating Revenue	1,729,620	113,578,396	-	1,424,902	16,386,369	133,119,287
Operating Expenses:						
Salaries and related benefits	401,202	-	-	538,012	-	939,214
General admin expenses	485,358	-	-	271,366	-	756,724
Capital grant disbursements	-	97,235,039	-	-	13,475,055	110,710,094
Total Operating Expenses	886,560	97,235,039	-	809,378	13,475,055	112,406,032
Operating Income (Loss)	843,060	16,343,357	-	615,524	2,911,314	20,713,255
Non-operating Revenue (Expenses):						
Investment income	-	1,783,371	45,260	-	177,838	2,006,469
Cost of issuance expense	-	-	-	-	-	-
Interest on bonds	-	-	(7,353,809)	-	-	(7,353,809)
Net change in fair value of investments	-	-	-	-	-	-
Total Non-operating Revenue (Expenses)	-	1,783,371	(7,308,549)	-	177,838	(5,347,340)
Income (Loss) Before Contributions	843,060	18,126,728	(7,308,549)	615,524	3,089,152	15,365,915
Contributions:						
Interfund equity transfer	-	(31,710,728)	31,710,728	-	-	-
Change in Net Position	843,060	(13,584,000)	24,402,179	615,524	3,089,152	15,365,915
Net Position, Beginning of Year	303,077	147,273,886	(317,508,655)	3,395,321	7,065,764	(159,470,607)
Net Position, End of Year	\$ 1,146,137	\$ 133,689,886	\$ (293,106,476)	\$ 4,010,845	\$ 10,154,916	\$ (144,104,692)

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND

Combining Statements of Revenue, Expenses and Changes in Net Position – Schedule 11 (continued)
For the Year Ended June 30, 2017

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

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND
Combining Statement of Cash Flows – Schedule 12
For the Year Ended June 30, 2018

	2018					
	Funds held by Administration					
	Bay Restoration Fund-Wastewater			Bay Restoration Fund-Septics		Total
	Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	
Cash Flows from Operating Activities:						
BRF fee and other receipts	\$ 1,702,950	\$ 111,827,016	\$ -	\$ 1,423,319	\$ 16,368,163	\$ 131,321,448
Capital grant disbursements	-	(97,235,039)	-	-	(13,475,055)	(110,710,094)
Salaries and benefits paid	(436,929)	-	-	(545,569)	-	(982,498)
General expenses paid	(485,401)	-	-	(256,172)	-	(741,573)
Net Cash from Operating Activities	780,620	14,591,977	-	621,578	2,893,108	18,887,283
Cash Flows from Non-capital Financing Activities:						
Interfund equity transfers	-	(31,710,728)	31,710,728	-	-	-
Proceeds from sale of bonds	-	-	-	-	-	-
Repayment of bonds	-	-	(19,290,000)	-	-	(19,290,000)
Cost of issuance/underwriters' discount	-	-	-	-	-	-
Interest on bonds	-	-	(12,466,101)	-	-	(12,466,101)
Net Cash from Non-capital Financing Activities	-	(31,710,728)	(45,373)	-	-	(31,756,101)
Cash Flows from Capital and Related Financing Activities:						
Purchase of equipment	-	-	-	(42,488)	-	(42,488)
Net Cash from Capital and Related Financing Activities	-	-	-	(42,488)	-	(42,488)
Cash Flows from Investing Activities:						
Purchase of investment securities	-	-	-	-	-	-
Interest on investment securities	-	1,783,371	45,259	-	177,838	2,006,468
Proceeds from sale of investments	-	-	-	-	-	-
Net Cash from Investing Activities	-	1,783,371	45,259	-	177,838	2,006,468
Net Increase/(Decrease) in Cash and Cash Equivalents	780,620	(15,335,380)	(114)	579,090	3,070,946	(10,904,838)
Cash and Cash Equivalents, Beginning of Year	52,693	121,006,918	114	3,332,348	5,829,918	130,221,991
Cash and Cash Equivalents, End of Year	\$ 833,313	\$ 105,671,538	\$ -	\$ 3,911,438	\$ 8,900,864	\$ 119,317,153

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND

Combining Statement of Cash Flows – Schedule 12 (continued)

For the Year Ended June 30, 2018

	2018					
	Funds held by Administration					
	Bay Restoration Fund-Wastewater			Bay Restoration Fund-Septics		Total
	Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	
Reconciliation of operating income (loss) to net cash from operating activities:						
Operating income (loss)	\$ 843,060	\$ 16,343,357	\$ -	\$ 615,524	\$ 2,911,314	\$ 20,713,255
Depreciation of fixed assets	-	-	-	15,131	-	15,131
Adjustments to reconcile operating income to net cash from operating activities:						
Decrease (Increase) in BRF fee receivable	(26,670)	(1,751,380)	-	(1,583)	(18,206)	(1,797,839)
Increase (Decrease) in accounts payable and other liabilities	(35,770)	-	-	(7,494)	-	(43,264)
Net Cash from Operating Activities	\$ 780,620	\$ 14,591,977	\$ -	\$ 621,578	\$ 2,893,108	\$ 18,887,283

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND

Combining Statement of Cash Flows – Schedule 12 (continued)

For the Year Ended June 30, 2017

	2017					
	Funds held by Administration					
	Bay Restoration Fund-Wastewater			Bay Restoration Fund-Septics		Total
	Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	
Cash Flows from Operating Activities:						
BRF fee and other receipts	\$ 1,690,175	\$ 110,988,152	\$ -	\$ 1,364,861	\$ 15,721,533	\$ 129,764,721
Capital grant disbursements	-	(80,685,664)	(41,721,015)	-	(14,344,337)	(136,751,016)
Salaries and benefits paid	(1,425,690)	-	-	(547,249)	-	(1,972,939)
General expenses paid	(831,978)	-	-	(286,160)	-	(1,118,138)
Net Cash from Operating Activities	(567,493)	30,302,488	(41,721,015)	531,452	1,377,196	(10,077,372)
Cash Flows from Non-capital Financing Activities:						
Interfund equity transfers	-	(23,429,635)	23,429,635	-	-	-
Proceeds from sale of bonds	-	-	-	-	-	-
Repayment of bonds	-	-	(8,735,000)	-	-	(8,735,000)
Cost of issuance/underwriters' discount	-	-	-	-	-	-
Interest on bonds	-	-	(14,695,997)	-	-	(14,695,997)
Net Cash from Non-capital Financing Activities	-	(23,429,635)	(1,362)	-	-	(23,430,997)
Cash Flows from Capital and Related Financing Activities:						
Purchase of equipment	-	-	-	-	-	-
Net Cash from Capital and Related Financing Activities	-	-	-	-	-	-
Cash Flows from Investing Activities:						
Purchase of investment securities	-	-	-	-	-	-
Interest on investment securities	-	1,972,768	8,573	-	133,493	2,114,834
Proceeds from sale of investments	-	-	-	-	-	-
Net Cash from Investing Activities	-	1,972,768	8,573	-	133,493	2,114,834
Net Increase/(Decrease) in Cash and Cash Equivalents	(567,493)	8,845,621	(41,713,804)	531,452	1,510,689	(31,393,535)
Cash and Cash Equivalents, Beginning of Year	620,186	112,161,297	41,713,918	2,800,896	4,319,229	161,615,526
Cash and Cash Equivalents, End of Year	\$ 52,693	\$ 121,006,918	\$ 114	\$ 3,332,348	\$ 5,829,918	\$ 130,221,991

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND

Combining Statement of Cash Flows – Schedule 12 (continued)

For the Year Ended June 30, 2017

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



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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL
CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

To the Director of
Maryland Water Quality Financing Administration

We have audited the basic financial statements of the Maryland Water Quality Financing Administration (the Administration), an enterprise fund of the State of Maryland, as of and for the years ended June 30, 2018 and 2017, and have issued our report thereon dated September 21, 2018. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Administration's internal controls over financial reporting (internal controls) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Administration's internal controls. Accordingly, we do not express an opinion on the effectiveness of the Administration's internal controls.

A *deficiency in internal controls* 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 controls, 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 controls that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal controls that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Administration's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Administration's internal controls 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 controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Hunt Valley, Maryland
September 21, 2018