

**MARYLAND WATER QUALITY
FINANCING ADMINISTRATION**

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

For the Years Ended June 30, 2011 and 2010



SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Director of
Maryland Water Quality Financing Administration

We have audited the accompanying statements of net assets of the Maryland Water Quality Financing Administration (the Administration) as of June 30, 2011 and 2010, and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Administration's management. 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of the Administration as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2011, on our consideration of the Administration's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2011 and 2010

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements or to the financial statements themselves of the Administration taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing principles applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, 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 financial statements as a whole.

Hunt Valley, Maryland
September 23, 2011

SB + Company, LLC

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2011 and 2010

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

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

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

A Legislative amendment to the MWQFA Act in 2004 established the Bay Restoration Fund (BRF). The BRF is financed by (1) monthly fee of \$2.50 (\$30 per year) effective January 1, 2005, from each household served by a wastewater treatment plant (wastewater fund). The wastewater funds are managed by the Maryland Department of the Environment (MDE) for the key purpose of providing grants for upgrade of major wastewater treatment plants in Maryland with enhanced nutrient removal technologies, and (2) annual fee of \$30 from each user/household served by an onsite well and septic system (septics fund) effective October 1, 2005. The Budget Reconciliation and Financing Act of 2009 reduced MDE's 60% grant revenue share to 22.4% in fiscal year 2010. A corresponding increase was made to the 40% grant revenue share to 77.6% to the Maryland Department of Agriculture (MDA). The prior levels of funding for both agencies (MDE 60%, MDA 40%) were restored in fiscal year 2011. The septic funds are managed by MDE for the purpose of providing grant/loans for the upgrade of onsite septic systems with nitrogen removal technology. The funds are managed by MDA for the purpose of providing grants to implement 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.

A Legislative amendment to the MWQFA was made through the Budget and Reconciliation and Financing Acts of 2010 and 2011. The unexpended balance in the BRF was reduced by \$155,000,000 in fiscal year 2010, \$45,000,000 in fiscal year 2011, and there is a planned decrease in fiscal year 2012 of \$90,000,000 for a total of \$290,000,000. Those funds were not needed to pay for current debt service obligations on Revenue Bonds issued by MWQFA. These \$290,000,000 of BRF funds transferred will be replenished with \$125,000,000 of State General Obligation (GO) bond proceeds in fiscal year 2010, \$146,825,000 in fiscal year 2011, and \$18,175,000 planned for fiscal year 2012. MWQFA will draw against the State GO bonds as capital project expenditures are paid.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2011 and 2010

A Legislative amendment to the MWQFA Act in 2008 established the Chesapeake and Atlantic Coastal Bays (2010 Trust Fund). This amendment provides financial assistance for the implementation of non-point source pollution control projects to achieve the State's tributary strategy. Multiple State agencies receive moneys from the 2010 Trust Fund – the Maryland Department of the Environment (MDE), Department of Natural Resources (DNR), Maryland Department of the Agriculture (MDA), and the Maryland Department of Planning (MDP). The MWQFA is responsible for the financial management of fees transferred to MDE for the 2010 Trust Fund.

The WQRLF, DWRLF, BRF, and 2010 Trust 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 assets of these programs represent the accumulated earnings since their inception and 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, 2011 and 2010. 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 Assets

The statement of net assets is a financial statement that reports the assets, liabilities, and net assets at a given point in time. The following condensed statements of net assets show a summary of changes between fiscal years.

As of June 30, 2011:

The current assets for cash and cash equivalents increased by \$60.0 million and the total current assets increased by \$62.5 million. This increase was primarily due to WQRLF and DWRLF loan repayments and investment earnings offset by the use of Federal and state match funds for WQRLF and DWRLF payment disbursements.

The non-current unrestricted loans receivable increased by \$52.7 million from new WQRLF and DWRLF loans. The non-current restricted loans receivable decreased by \$50.6 million as a result of principal payments on older loans.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2011 and 2010

Statements of Net Assets (continued)

The non-current liabilities revenue bonds payable decreased by \$15.5 million. This decrease is the result of net debt service payments becoming due and payable in the current period for the WQRLF indentured series 2005A and 2008A of \$12.7 million. Those amounts have been adjusted for deferred interest for the 2005A indentured series. Additionally, the BRF indentured series 2008 includes \$2.7 million that became due in the current period. The decrease in non-current bonds payable, along with a decrease of \$0.8 million for Bond Premium primarily accounts for the decrease in total non-current liabilities of \$16.1 million.

The total net assets, restricted for debt service decreased by \$35.8 million. This decrease is because of loan disbursement transfers and grant disbursements from indentured project accounts. There was a net decrease of \$35.7 million and \$6.0 million for the WQRLF 2008A and 2005A indentures. Additionally, there was an increase of \$5.9 million for the BRF program related to increased fee revenue.

The total unrestricted net assets increased by \$114.9 million. This increase is the result of interest income, investment income, fee revenue, and federal and state contributions offset by loan disbursement transfers. The WQRLF and DWRLF had increases in net assets of \$93.0 million and \$20.8 million respectively. The BRF had a decrease in net assets of \$1.0 million. Also, the 2010 Trust Fund increased net assets by \$2.1 million.

As of June 30, 2010:

The current assets, cash and cash equivalents decreased by \$96.7 million. This decrease was due to a \$155 million cash reduction in the BRF Enhanced Nutrient Removal (ENR) program related to the Budget Reconciliation Act of 2010. Those funds will be recaptured through the general obligation bond sales. Those bond proceeds will be used to make capital disbursements for the ENR program. The Administration recaptured \$10 million of general obligation proceeds in fiscal year 2010. The WQRLF cash and cash equivalents increased by \$28.9 million. This increase was due to \$14.4 million in net cash from operation activities, \$7.9 million in net cash from non-capital financing activities, and \$6.5 million from interest on investments and other activities.

The DWRLF cash and cash equivalents increased by \$5.3 million. This increase was due to a reduction in operating expenditures of \$7.2 million related to loan disbursements. This was offset by a reduction of non-capital and investment activities of \$1.9 million. The 2010 Trust fund cash and cash equivalents increased \$1.6 million due to additional fund transfers.

The current restricted assets, cash and cash equivalents decreased by \$19.2 million. This decrease was a result of \$18.5 million in disbursements from the 2008 BRF bond project account for ENR grants. The remaining decrease of \$.7 million was from a net increase of ENR and Septics grant disbursements.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2011 and 2010

Statements of Net Assets (continued)

The non-current unrestricted loans receivable increased by \$25.1 million. This increase was due to increased loan activity related to the American Recovery and Reinvestment Act (ARRA). The WQRLF and DWRLF increased loans of \$21.7 million and \$3.4 million respectively.

The restricted non-current assets loans receivable shows a decrease of \$45 million. This decrease is the result of a \$14.2 million 2005A and \$37.8 million 2008A indentured bond series that became due in the current period.

The non-current liabilities, revenue bonds payable decreased by \$14.3 million. This decrease is the result of net debt service payments becoming due and payable in the current period for the WQRLF indentured series 2005A and 2008A of \$11.6 million. Those amounts have been adjusted for deferred interest for the 2005A indentured series. Additionally, the BRF indentured series 2008 includes \$2.7 million that became due in the current period.

The total net assets restricted for debt service decreased by \$48.2 million. This decrease is the result of loan interest income increases that were offset against loan disbursement transfers, and grant disbursements from indentured project accounts. There was a net decrease of \$27 million and \$3 million for the WQRLF 2005A and 2008A indentures. Additionally, there was a decrease of \$27.4 million for the BRF 2008 indenture related to grant disbursements and fee revenue.

The total unrestricted net assets decreased by \$71.3 million. This decrease is the result of a net transfer of Bay Restoration Funds to the State General Fund in the amount of \$144.9 million. This net transfer was due to the 2010 Budget Reconciliation Act. The WQRLF and DWRLF had increases in net assets of \$50.8 million and \$9.4 million, respectively. The BRF had an increase in net assets of \$11.9 million. Also, the 2010 Trust Fund program received additional funding and increased net assets by \$1.6 million.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2011 and 2010

Comparative Condensed Statements of Net Assets June 30, 2011, 2010, and 2009 (Millions of Dollars)

	June 30,			Increase/(Decrease)	
	6/30/2011	6/30/2010	6/30/2009	Fiscal Year 2011 - 2010	Fiscal Year 2010 - 2009
Current Assets					
Cash and cash equivalents	\$ 349.0	\$ 289.0	\$ 385.7	\$ 60.0	\$ (96.7)
Receivables:					
Loans	15.1	13.6	11.4	1.5	2.2
BRF fees	0.6	0.4	0.8	0.2	(0.40)
Other	5.3	5.3	5.0	-	0.3
Current restricted assets:					
Cash and cash equivalents	13.2	11.0	30.2	2.2	(19.2)
Investments	14.8	15.4	15.3	(0.6)	0.1
Receivables:					
BRF fees	11.5	10.7	11.1	0.8	(0.4)
Loans	58.9	60.1	58.5	(1.2)	1.6
Other	4.2	4.6	5.1	(0.4)	(0.5)
Total Current Assets	<u>472.6</u>	<u>410.1</u>	<u>523.1</u>	<u>62.5</u>	<u>(113.0)</u>
Noncurrent Assets					
Investments	14.5	14.2	15.9	0.3	(1.7)
Receivables:					
Loans	250.6	197.9	172.8	52.7	25.1
Other	-	0.1	0.1	(0.1)	-
Restricted-noncurrent assets					
Investments	11.0	11.7	11.9	(0.7)	(0.2)
Receivables:					
Loans	525.4	576.0	621.0	(50.6)	(45.0)
Other	0.9	1.0	1.0	(0.1)	-
Total Noncurrent Assets	<u>802.4</u>	<u>800.9</u>	<u>822.7</u>	<u>1.5</u>	<u>(21.8)</u>
Total Assets	<u>\$ 1,275.0</u>	<u>\$ 1,211.0</u>	<u>\$ 1,345.8</u>	<u>\$ 64.0</u>	<u>\$ (134.8)</u>

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2011 and 2010

Comparative Condensed Statements of Net Assets June 30, 2011, 2010 and 2009 (Millions of Dollars)

	June 30,			Increase/(Decrease)	
	6/30/2011	6/30/2010	6/30/2009	Fiscal Year 2011 - 2010	Fiscal Year 2010 - 2009
Current Liabilities					
Accounts payable	\$ 0.3	\$ 0.3	\$ 0.3	-	-
Current liabilities payable from restricted assets:					
Revenue bonds payable	15.7	14.5	13.9	1.2	0.6
Accrued interest on bonds	1.4	1.6	1.7	(0.2)	(0.1)
Accrued arbitrage liab.	-	-	0.9	-	(0.9)
Total Current Liabilities	17.4	16.4	16.8	1.0	(0.4)
Non-current liabilities					
Other	0.2	0.3	0.2	(0.1)	0.1
Non-current liabilities payable from restricted assets:					
Revenue bonds payable	96.3	111.8	126.1	(15.5)	(14.3)
Bonds premium	3.3	4.1	5.2	(0.8)	(1.1)
Arbitrage rebate	0.7	0.4	-	0.3	0.4
Total Non-current liabilities	100.5	116.6	131.5	(16.1)	(14.9)
Total Liabilities	117.9	133.0	148.3	(15.1)	(15.3)
Net Assets					
Invested In capital assets- net of related debt	-	0.1	0.1	(0.1)	-
Restricted for debt service	522.4	558.2	606.4	(35.8)	(48.2)
Unrestricted	634.6	519.7	591.0	114.9	(71.3)
Total Net Assets	\$ 1,157.0	\$ 1,078.0	\$ 1,197.5	\$ 79.0	\$ (119.5)

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2011 and 2010

Statement of Revenue, Expenses and Changes in Net Assets

The following Statements of Revenue, Expenses and Changes in Net Assets show a summary of changes between fiscal years.

For fiscal year ended June 30, 2011:

There was an increase of \$6.5 million in fee revenue. This increase is primarily due to the BRF Septic fee revenue being reinstated to 60% from 22.4% during fiscal year 2011, which was a temporary one-year reduction per the Budget Reconciliation act of 2009.

There was an increase of \$55.2 million in capital grant disbursements. This included an increase of \$36.2 in BRF grants, \$15.0 million in WQRLF, \$4.0 million in DWRLF grants, including additional funding made available through the ARRA grants.

The contributions received from Federal grant and the State match of WQRLF and DWRLF increased by \$60.8 million. This is primarily due to increased contributions of ARRA funds. The WQRLF program had a net increase of contributions of \$45.4 million. The DWRLF program had a net increase of contributions of \$15.4 million.

The contribution to State General fund from the BRF decreased \$110 million, while contributions from the fund State GO bonds back to the BRF increased by \$77.4 million for payment of ENR capital expenditures. These transactions are all part of the overall \$290 million BRFA transfer to the State's general fund for State GO bond proceeds as previously discussed.

For fiscal year ended June 30, 2010:

There was a decrease of \$5.4 million in Bay Restoration fee revenue. This decrease was due to the Budget Reconciliation act of 2009, which reduced the MWQFA share of fee revenue from 60% to 22.4%. There was a corresponding increase of fee revenue to the MDA. The share of 60% fee revenue will be restored in fiscal year 2011.

There was an increase of \$53.2 million in capital grant disbursements. This included an increase of \$15.6 million in WQRLF grants and \$2.9 million in DWRLF grants. Those increases were due to additional funding made available through ARRA Federal funding. The Bay Restoration ENR program increased capital grant disbursements by \$34.5 million. This increase was due to new and continuing volume of ENR grant activity. The Bay Restoration Septic program increased capital disbursements by \$6.2 million. This increase was due to a high volume of citizens state-wide participating in this grant program.

There was a decrease of \$3.8 million in investment income. This included decreases of \$1.5 million in the WQRLF and DWRLF programs. There was a decrease of \$2.1 million in the BRF program. Those decreases are the result of low interest rates in the State Treasury Office money market accounts.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2011 and 2010

Statement of Revenue, Expenses and Changes in Net Assets (continued)

The contributions received from Federal and state governments increased by \$11.7 million or 49% in fiscal year 2010. This increase is primarily due to increased contributions of ARRA funds. The WQRLF program had a net increase of contributions of \$12.5 million. The DWRLF program had a net decrease of contributions of \$.8 million. The BRF transferred \$155 million to the State General Fund as part of the 2010 Budget Reconciliation Act. During fiscal year 2010 \$10 million was received back as State General Obligation Bonds proceeds.

Comparative Statement of Revenue, Expenses and Changes in Net Assets
Years ended June 30, 2011, 2010 and 2009
(Millions of Dollars)

	June 30,			Increase/(Decrease)	
	6/30/2011	6/30/2010	6/30/2009	Fiscal Year 2011 - 2010	Fiscal Year 2010 - 2009
Operating Revenue					
Interest on loans	\$ 10.7	\$ 11.5	\$ 12.0	\$ (0.8)	\$ (0.5)
Loan fees	4.0	4.1	3.9	(0.1)	0.2
Fee revenue	65.7	59.2	64.7	6.5	(5.5)
Grant revenue (set-a-sides)	3.6	3.7	2.2	(0.1)	1.5
Other grant revenue and other	1.2	1.7	0.4	(0.5)	1.3
Total operating revenue	85.2	80.2	83.2	5.0	(3.0)
Operating Expense					
Salaries and related benefits	4.4	4.9	4.1	(0.5)	0.8
Transfers-out (Set-a-sides)	3.6	3.7	2.2	(0.1)	1.5
Capital grant disbursements	138.2	83.0	29.1	55.2	53.9
General and other costs	2.0	2.8	2.4	(0.8)	0.4
Total operating expenses	148.2	94.4	37.8	53.8	56.6
Operating Income	(63.0)	(14.2)	45.4	(48.8)	(59.6)
Non-operating Revenue & Expenses					
Investment income	8.0	9.6	13.4	(1.6)	(3.8)
Cost of issuance & arbitrage rebate	(0.4)	(0.4)	(0.4)	-	-
Interest on bonds	(4.7)	(5.1)	(5.4)	0.4	0.3
FMV investment adjustment	0.4	0.1	0.1	0.3	-
Total nonoperating revenue (expenses)	3.3	4.2	7.7	(0.9)	(3.5)
Income before contributions	(59.7)	(10.0)	53.1	(49.7)	(63.1)
Contributions from Federal and state governments	96.3	35.5	23.8	60.8	11.7
Transfer to State general fund	(45.0)	(155.0)	-	110.0	(155.0)
Contributions from State	87.4	10.0	-	77.4	10.0
Change in Net Assets	79.0	(119.5)	76.9	198.5	(196.4)
Net assets, beginning of year	1,078.0	1,197.5	1,120.6	(119.5)	76.9
Net assets, end of year	\$ 1,157.0	\$ 1,078.0	\$ 1,197.5	\$ 79.0	\$ (119.5)

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2011 and 2010

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 Environmental Protection Agency. Those funds are subject to economic factors which may result in increase or decrease of Federal funding for these programs. MWQFA has a steady stream of special fund revenues resulting from revolving loan fund repayments.

Those 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 national disaster in Maryland could result in delayed loan repayments or loan defaults by local jurisdictions. MWQFA has a debt service reserve equal to one-year debt service on the series 2005A WQRLF bonds that could be used during severe economic conditions, while the WQRLF Series 2008A bonds are highly over-collateralized with pledged loans.

The BRF is subject to citizens and businesses paying fees for upgrading Waste Water 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 flows from fees to satisfy current debt service requirements related to the BRF Series 2008 bonds. Also, MWQFA continues to meet current capital disbursements for those activities. As noted above a national 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.

American Recovery and Reinvestment Act (ARRA)

The U.S. Environmental Protection Agency (EPA) awarded \$121.6 million in Federal ARRA funds through the WQRLF and DWRLF programs for infrastructure projects to create jobs, protect public health, improve the environment, and help clean the waterways. MWQFA began drawing those funds during fiscal year 2010.

The WQRLF was awarded \$92.8 million for water pollution reduction projects, including wastewater treatment improvements, sewer upgrades, storm water runoff controls, and green non-point source controls as well as \$2 million for administrative expenses. In fiscal year 2010, MWQFA approved \$36,049,115 in direct loans, awarded loan forgiveness and non-green grants of \$34,847,060, and awarded \$21,888,425 in green grants. During fiscal year 2011, the WQRLF disbursed \$56,390,538 for ARRA projects and related administrative expenses. Cumulative WQRLF ARRA disbursements through June 30, 2011 total \$75,243,008.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2011 and 2010

American Recovery and Reinvestment Act (ARRA) (continued)

The DWRLF was awarded \$26.4 million for improvements to drinking water treatment, water storage, wells, and green water efficiency projects as well as \$0.4 million for administrative expenses. In fiscal year 2010, MWQFA approved \$11,309,825 in direct loans, awarded loan forgiveness and non-green grants of \$7,674,375, and awarded \$7,447,800 in green grants. During fiscal year 2011, the DWRLF disbursed \$17,447,732 for ARRA projects and related administrative expenses. Cumulative DWRLF ARRA disbursements through June 30, 2011 total \$22,269,422. The list and a map of ARRA projects to be funded through the WQRLF and DWRLF can be found at: <http://www.mde.state.md>.

Contact Maryland Water Quality Financing Administration Management

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

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Statements of Net Assets As of June 30, 2011 and 2010

ASSETS	<u>2011</u>	<u>2010</u>
Current Assets		
Cash and cash equivalents	\$ 348,977,529	\$ 288,982,702
Receivables:		
Investment interest	215,842	215,842
Loans	15,158,698	13,534,638
Loan interest	1,104,351	1,050,085
BRF fee	561,193	387,893
Administrative fee	4,006,082	4,106,309
Current Restricted Assets		
Cash and cash equivalents	13,164,492	11,027,996
Investments	14,788,562	15,416,198
Receivables:		
Investment interest	237,899	236,852
BRF fee	11,555,143	10,704,019
Loans	58,870,988	60,098,536
Loan interest	3,979,193	4,446,871
Total Current Assets	<u>472,619,972</u>	<u>410,207,941</u>
Noncurrent Assets		
Investments	14,463,195	14,257,147
Loans receivables, net of current portion	250,630,562	197,848,777
Fixed assets, net	8,013	23,236
Noncurrent Restricted Assets		
Investments	10,960,594	11,747,594
Loans receivables, net of current portion	525,456,565	576,002,223
Unamortized discount	433,375	482,840
Unamortized cost of issuance	439,131	484,873
Total Noncurrent Assets	<u>802,391,435</u>	<u>800,846,690</u>
Total Assets	<u>\$ 1,275,011,407</u>	<u>\$ 1,211,054,631</u>

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

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Statements of Net Assets As of June 30, 2011 and 2010

LIABILITIES	<u>2011</u>	<u>2010</u>
Current Liabilities		
Accounts payable	\$ 284,096	\$ 306,287
Current liabilities payable from restricted assets:		
Revenue bonds payable	15,660,000	14,465,000
Accrued interest on bonds payable	1,443,180	1,592,655
Total Current Liabilities	<u>17,387,276</u>	<u>16,363,942</u>
Noncurrent Liabilities		
Other liabilities	209,954	302,700
Noncurrent liabilities payable from restricted assets:		
Revenue bonds payable	96,361,705	111,801,356
Bonds premium, non-current portion	3,267,685	4,150,210
Arbitrage liability	715,614	382,330
Total Noncurrent Liabilities	<u>100,554,958</u>	<u>116,636,596</u>
Total Liabilities	<u>117,942,234</u>	<u>133,000,538</u>
NET ASSETS		
Invested in capital assets	8,013	23,236
Restricted for debt service	522,437,758	558,256,451
Unrestricted	634,623,402	519,774,406
Total Net Assets	<u>\$ 1,157,069,173</u>	<u>\$ 1,078,054,093</u>

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

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**Statements of Revenue, Expenses and Changes in Net Assets
For the Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Operating Revenue		
Interest on loans	\$ 10,655,093	\$ 11,457,888
Loan administration fees	4,017,344	4,112,358
Fees	65,735,443	59,166,507
Grants and other	4,753,754	5,487,394
Total Operating Revenue	<u>85,161,634</u>	<u>80,224,147</u>
Operating Expenses		
Salaries and related benefits	4,439,247	4,848,463
General	1,971,187	2,813,740
Capital grants disbursements	138,235,732	82,983,112
Other	3,568,543	3,723,845
Total Operating Expenses	<u>148,214,709</u>	<u>94,369,160</u>
Operating loss	(63,053,075)	(14,145,013)
Non-operating Revenue (Expenses)		
Investment income	7,981,294	9,609,813
Cost of issuance amortization	(95,208)	(95,208)
Interest on bonds	(4,687,661)	(5,116,262)
Arbitrage	(333,284)	(330,877)
Net unrealized gain on investments	467,055	51,770
Net Non-Operating Revenue	<u>3,332,196</u>	<u>4,119,236</u>
Loss Before Contributions	(59,720,879)	(10,025,777)
Contribution received from:		
Federal government	91,887,703	32,841,952
State of Maryland	4,447,301	2,677,666
Transfer to State General Fund	(45,000,000)	(155,000,000)
Contribution from State	87,400,955	10,078,273
Change in Net Assets	<u>79,015,080</u>	<u>(119,427,886)</u>
Net Assets, Beginning of Year	<u>1,078,054,093</u>	<u>1,197,481,979</u>
Net Assets, End of Year	<u>\$ 1,157,069,173</u>	<u>\$ 1,078,054,093</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, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities:		
Loan repayments	\$ 73,824,010	\$ 70,427,033
Interest and fees received from borrowers	15,186,077	15,653,402
Other receipts	69,464,773	65,456,571
Loan disbursements	(76,456,650)	(54,193,484)
Grant disbursements	(138,235,732)	(82,983,112)
Salaries and benefits paid	(4,439,247)	(4,848,463)
General expenses paid	(5,639,444)	(6,395,546)
Net Cash From Operating Activities	(66,296,213)	3,116,401
Cash Flows from Non-Capital Financing Activities:		
Federal government grants	91,887,703	32,841,952
State of Maryland transfers	4,447,301	2,677,666
Contribution from State	87,400,955	10,078,273
Transfer to State General Fund	(45,000,000)	(155,000,000)
Repayment of bonds	(14,465,000)	(13,915,000)
Interest on bonds	(5,499,312)	(6,076,325)
Arbitrage Liability payments	-	(888,539)
Net Cash from Non-Capital Financing Activities	118,771,647	(130,281,973)
Cash Flows from Investing Activities:		
Purchase of investments	(14,788,562)	(15,543,028)
Interest on investments securities	7,980,246	9,618,229
Proceeds from sales and maturities of investments	16,464,205	17,222,553
Net Cash from Investing Activities	9,655,889	11,297,754
Net Increase (Decrease) in Cash and Cash Equivalents	62,131,323	(115,867,818)
Cash and Cash Equivalents, Beginning of Year	300,010,698	415,878,516
Cash and Cash Equivalents, End of Year	\$ 362,142,021	\$ 300,010,698

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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	\$ (63,053,075)	\$ (14,145,013)
Depreciation	15,223	19,374
 Effect of changes in non-cash operating assets and liabilities:		
Loan disbursements	(76,456,650)	(54,193,484)
Loan repayments	73,824,010	70,427,033
Loan interest receivable	413,413	316,364
Administrative fees, Federal costs and other	(924,196)	569,461
Accounts payable and other liabilities	(114,938)	122,666
Net Cash Used in Operating Activities	<u><u>\$ (66,296,213)</u></u>	<u><u>\$ 3,116,401</u></u>

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

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements

June 30, 2011 and 2010

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 investment 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 (Department). 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. Also, in preparing its financial statements, the Administration has adopted paragraph 6 of Governmental Accounting Standards Board (GASB) No. 20 "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*" under which the Administration has applied only the applicable non-GASB pronouncements issued on or before November 30, 1989.

The Governmental Accounting Standards Board has issued statement No. 62 "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*", which will supersede GASB statement No. 20, which is effective for fiscal year beginning after December 15, 2011. The Administration is reviewing this pronouncement and does not believe it will have a material effect on its financial statements and will adopt it by its effective date.

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 bond 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 Funds. As of June 30, 2011, there have been no bonds issued in the DWRLF.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2011 and 2010

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

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include bank deposits and highly liquid investments readily convertible to cash, which have original maturities of three months or less when acquired. The cash reported on the statements of net assets 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 statements of net assets are listed as restricted and non-restricted amounts. The non-restricted investments are used primarily for future disbursements related to direct loans and administrative operations. They are the result of surplus funds that are invested to earn additional revenue until such time they are needed. The restricted investments are used primarily for pledged loan disbursements or repayment of debt service requirements.

Allowance for Loan Losses

Management periodically reviews loans receivable for possible uncollectible amounts. In the event management determines a specific need for an allowance, a provision for loss will be provided. No allowance for loan losses was provided as of June 30, 2011 and 2010.

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, 2011 and 2010

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Unamortized Cost of Issuance

Unamortized cost of issuance is being amortized over the life of the outstanding bonds for each respective bond series using the straight-line method

Revenue Bonds Payable

The Administration issues revenue bonds to fund WQRLF capital projects and BRF construction grants. The bonds payable obligations include indenture series 2005A and 2008A for WQRLF capital projects and series 2008A for BRF construction grants. The indenture series 2005A includes adjustments for deferred interest expense.

Contributions and Revenue

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

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

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

Fringe

The Administration is allocated a fringe rate as designated by the State of Maryland which includes various employee benefit items, including but not limited to pension related liabilities.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2011 and 2010

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

Pension Benefits

Eligible employees of the Administration and support staff, as employees of the State, are covered under the retirement plans of the State Retirement and Pension System of Maryland (the System) and are also entitled to certain pension and healthcare benefits upon retirement. This system is a cost sharing multiple-employer defined benefit pension plan administered by the System Board of Trustees in accordance with Article 73 B of the Code. Eligible employees are required to contribute to the System a fixed percentage of their regular salaries and wages that exceed the Social Security wage base. The Administration is required to make contributions to the System based on actuarial valuations.

The contribution requirements of eligible employees and the Administration are established and may be amended by the System Board of Trustees. The Administration's only liability for retirement and post employment benefits is its required contribution, which is fully funded through the fringe allocation as directed by the State. If you need more information, please contact them by writing to the State Retirement and Pension System of Maryland, 200 North Charles Street, Baltimore, Maryland.

Loan Forgiveness

Starting in fiscal year 2010 with ARRA and the subsequent Federal Appropriation Acts, the Administration may provide WQLRF and DWRLF loans, 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 dispersed. This is an expansion of the loan forgiveness provision that previously was only permitted under DWRLF.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following is a summary of the components of cash and cash equivalents as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Cash held by the State's treasury office	\$ 362,141,426	\$ 300,009,846
Cash in trust accounts	595	852
Total Cash	<u>\$ 362,142,021</u>	<u>\$ 300,010,698</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, 2011 and 2010

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.

Investments as of June 30, 2011 and 2010, include investments in the amount of \$40,212,351 and \$41,420,939, respectively. The amounts relating to GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, are certificates of deposits for linked deposit investments of \$3,263,590 and \$3,524,598 as of June 30, 2011 and 2010, respectively.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Administration relies on the State Treasurer's Office to invest its funds in securities as allowed by Maryland State law 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, 2011, the Administration had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (In Years)			
			Less than 1	1 to 5	6 to 10
Guaranteed Investment Contracts					
Debt Service Reserve	\$ 9,944,332	25%	\$ -	\$ 9,944,332	\$ -
Linked Deposits-Farm Credit AG Bonds	11,199,605	28%	-	7,230,990	3,968,615
Treasury Bills	14,788,562	37%	14,788,562	-	-
Money Market	1,016,262	2%	1,016,262	-	-
Total	36,948,761		15,804,824	17,175,322	3,968,615
Certificate of Deposits- Linked Deposits	3,263,590	8%	-	952,252	2,311,338
	-		-	-	-
Total Investments	\$ 40,212,351	100%	\$ 15,804,824	\$ 18,127,574	\$ 6,279,953

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2011 and 2010

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

In addition, the Administration's investments had the following quality ratings as of June 30, 2011:

<u>Investment Type</u>	<u>Fair Value</u>		<u>Rating</u>	<u>Rating Organization</u>
Guaranteed Investment Contracts				
Debt Service Reserve	\$ 9,944,332	25%	Aa3	Moody's
Linked Deposits-Farm Credit AG Bonds	11,199,605	28%	Aaa	Moody's
Treasury Bills	14,788,562	37%	Aaa	Moody's
Money Market	1,016,262	2%	P-1	Moody's
Total	36,948,761			
Certificate of Deposits- Linked Deposits	3,263,590	8%		
Total Investments	\$ 40,212,351	100%		

As of June 30, 2010, the Administration had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>		<u>Investment Maturities (In Years)</u>		
			<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>
Guaranteed Investment Contracts					
Debt Service Reserve	\$ 9,944,331	24%	\$ -	\$ -	\$ 9,944,331
Linked Deposits-Farm Credit AG Bonds	10,732,550	26%	-	-	10,732,550
Treasury Bills	17,219,460	42%	15,416,198	-	1,803,262
Total	37,896,341		15,416,198	-	22,480,143
Certificate of Deposits- Linked Deposits	3,524,598	8%	-	-	3,524,598
Total Investments	\$ 41,420,939	100%	\$ 15,416,198	\$ -	\$ 26,004,741

In addition, the Administration's investments had the following quality ratings as of June 30, 2010:

<u>Investment Type</u>	<u>Fair Value</u>		<u>Rating</u>	<u>Rating Organization</u>
Guaranteed Investment Contracts				
Debt Service Reserve	\$ 9,944,331	24%	Not Rated	N/A
Linked Deposits-Farm Credit AG Bonds	10,732,550	26%	Not Rated	N/A
Treasury Bills	17,219,460	42%	Not Rated	N/A
Total	37,896,341			
Certificate of Deposits- Linked Deposits	3,524,598	8%		
Total Investments	\$ 41,420,939	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 2011 and 2010, of 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 Guaranteed Investment Contracts, Linked Deposits, and U.S. Treasury Bills.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2011 and 2010

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, 2011 and 2010, the Administration's lending commitments and outstanding balances under the WQRLF to specific governmental entities within the State are detailed as follows:

Borrower	2011			2010		
	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2011	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2010
Aberdeen, City of	\$ 9,429,347	\$ 6,602,098	\$ 1,899,532	\$ 1,927,347	\$ 640,490	\$ 439,319
Allegany County	22,846,637	1,186,381	16,216,332	22,846,637	2,610,177	15,812,996
Annapolis, City of	1,591,479	-	404,825	1,591,479	-	498,194
Anne Arundel County	75,202,572	22,104,314	20,772,501	57,366,571	5,482,898	22,140,533
Ashton Park Comm. Assoc.	408,470	89,559	300,367	408,470	371,003	37,467
Baltimore City	220,767,351	12,409,877	131,420,561	220,767,351	16,281,888	139,048,949
Baltimore County	134,022,773	13,715,935	66,857,475	137,150,947	22,409,161	67,977,624
Bel Air, Town of	101,686	-	8,182	101,686	-	19,420
Betterton, Town of	93,559	-	66,698	93,559	-	72,113
Boonsboro, Town of	2,127,984	-	1,907,580	2,127,984	-	2,005,784
Bowie, City of	4,014,466	106,053	2,925,555	4,014,466	599,737	2,541,432
Brunswick, City of	1,690,570	-	456,262	1,690,570	-	496,711
Calvert County	16,451,759	-	6,156,907	16,451,759	-	7,164,945
Cambridge, City of	12,468,077	1,136,983	6,160,378	11,254,077	-	6,675,417
Canton Crossing	3,711,142	-	2,961,142	3,711,142	-	3,161,142
Carroll County	12,074,030	-	1,202,258	12,074,031	-	2,090,052
Cecil County	23,491,811	27,320	17,303,052	23,491,811	1,206,726	17,246,688
Centreville, Town of	4,347,383	821,131	1,973,261	4,347,383	2,281,800	805,045
Charles County	23,358,722	-	11,946,244	23,358,722	-	13,292,966
Chesapeake Beach, Town of	5,541,864	-	4,793,721	5,857,770	600,993	4,760,411
Chestertown, Town of	3,955,893	-	2,686,532	3,955,893	-	2,881,740
Clear Spring, Town of	72,705	-	32,903	72,705	-	36,551
Crisfield, City of	748,573	-	555,027	748,573	74,907	516,811
Cumberland, City of	10,350,792	549,187	6,394,549	10,350,792	3,556,829	3,723,760
Delmar, Town of	276,040	-	140,474	276,040	-	154,310
Denton, Town of	2,386,077	17,870	1,572,902	2,332,577	-	1,652,252
Easton, Town of	20,523,191	547,242	17,184,795	20,523,191	1,684,584	16,806,811

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2011 and 2010

3. LOANS RECEIVABLE (continued)

Borrower	2011			2010		
	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2011	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2010
Elkton, Town of	\$ 21,395,474	\$ -	\$ 18,250,380	\$ 22,022,000	\$ 1,965,291	\$ 17,965,927
Emmitsburg, Town of	600,000	-	372,798	600,000	-	411,803
Federalburg, Town of	2,843,252	-	2,565,765	3,068,038	463,784	2,466,269
Frederick, City of	5,300,000	-	3,209,772	5,300,000	-	3,463,697
Frederick County	114,454,864	50,145,789	37,276,563	114,454,864	65,642,709	24,405,597
Frostburg, City of	288,900	-	153,203	288,900	-	168,218
Fruitland, City of	3,570,438	-	2,375,863	3,570,438	-	2,558,231
Funkstown, Town of	1,875,221	-	1,544,084	1,875,221	-	1,654,569
Galena, Town of	112,219	-	63,720	112,219	-	69,426
Garrett County	4,605,641	-	2,030,139	4,605,641	242,138	2,057,309
Grantsville, Town of	16,891	-	-	16,891	-	-
Greensboro, Town of	443,345	-	138,389	443,345	-	163,524
Hagerstown, City of	22,209,263	1,181,385	15,848,580	22,209,263	2,968,625	15,119,968
Hancock, Town of	797,062	-	459,716	797,062	-	500,422
Harford County	69,535,228	-	7,933,549	69,535,228	-	10,739,503
Havre De Grace, City of	28,996,682	-	25,289,280	30,788,299	3,503,981	24,890,391
Hebron, Town of	238,100	42,371	183,824	238,100	126,999	111,101
Howard County	91,591,019	601,133	46,007,633	91,591,019	3,205,925	49,015,050
Hurlock, Town of	3,646,224	85,122	2,461,590	3,646,224	376,000	2,348,475
Indian Head, Town of	4,603,656	-	2,270,690	5,467,235	863,579	2,583,037
Kent County	7,394,107	-	5,401,534	7,394,107	-	5,661,000
La Plata, Town of	13,037,322	1,325,326	8,921,651	12,075,322	3,243,809	6,409,643
Leonardtown, Town of	1,582,233	-	684,548	1,582,233	-	777,757
Md. Envir Services	7,841,000	6,986,000	855,000	-	-	-
Middletown, Town of	3,970,639	-	1,925,358	3,970,639	-	2,142,722
Millington, Town of	42,000	-	-	42,000	-	-
Mountain Lake Park, Town of	770,287	-	437,960	770,287	-	478,936
Mount Airy, Town of	3,523,087	-	1,682,339	3,523,087	-	1,864,037
Myersville, Town of	1,259,983	-	600,070	1,259,983	-	667,356
New Windsor, Town of	4,530,000	671,526	3,858,474	4,530,000	4,078,652	451,348
North Beach, Town of	1,836,922	-	911,912	2,287,178	450,256	1,044,081
Oakland, Town of	892,046	-	174,504	892,046	-	185,770
Oxford, Town of	45,402	-	17,807	45,402	-	20,184
Perryville, Town of	5,923,965	-	5,639,061	5,964,000	650,665	5,313,335
Pocomoke City, City of	858,774	102,078	507,564	756,696	-	545,488
Poolesville, Town of	3,360,073	-	1,708,970	3,360,073	-	1,917,607
Prince George's County	23,238,580	-	12,332,425	23,238,580	-	14,493,800
Queen Anne's County	27,651,411	-	16,458,905	27,651,411	-	17,837,276
Ridgely, Town of	1,598,297	-	1,532,770	1,614,214	107,674	1,482,770
Rising Sun, Town of	1,010,437	-	98,571	1,010,437	-	186,549
Rockville, Town of	2,379,700	154,172	1,861,212	2,379,700	770,474	1,317,574
Salisbury, Town of	50,888,190	1,353,194	39,629,944	50,888,190	3,207,804	40,181,059
Snow Hill, Town of	606,123	-	-	606,123	-	41,893
Somerset County	2,338,246	-	1,280,215	2,338,246	-	1,401,603
St. Mary's County	7,447,625	-	3,580,310	7,447,625	-	4,116,609

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2011 and 2010

3. LOANS RECEIVABLE (continued)

Borrower	2011			2010		
	Total	Commitment	Outstanding	Total	Commitment	Outstanding
	Commitment	Outstanding	Balance * June 30, 2011	Commitment	Outstanding	Balance * June 30, 2010
St. Mary's METCOM	\$ 13,708,474	\$ 74,776	\$ 7,511,591	\$ 13,708,474	\$ 305,660	\$ 8,011,690
Talbot County	9,975,333	-	7,997,442	10,195,795	240,036	8,475,307
Taneytown, City of	6,477,722	-	2,838,278	6,477,722	-	3,196,789
Thurmont, Town of	5,455,174	1,642,865	1,658,729	3,755,174	-	1,846,147
Union Bridge, Town of	142,000	-	85,998	142,000	-	92,801
Washington County	37,768,948	-	24,986,635	37,768,948	-	27,371,443
Washington Co Sanitary Dist.	20,387,427	-	225,976	20,387,427	-	703,414
Westernport, Town of	1,030,992	-	302,583	1,030,992	-	328,172
Westminster, City of	1,711,580	-	-	1,711,580	-	133,892
Wicomico County	2,929,876	-	64,637	2,929,876	-	126,258
Willards, Town of	433,599	-	370,745	433,599	42,173	349,607
Williamsport, Town of	684,538	-	684,538	899,245	556,815	342,430
Wash. Suburban San. Comm.	148,389,592	-	70,969,237	148,389,592	32,471	78,560,135
Worcester County	11,134,755	-	7,220,624	11,134,755	-	7,889,220
Loan Totals	1,423,434,891	\$ 123,679,687	\$ 727,753,670	\$ 1,394,116,278	150,846,713	\$ 738,717,662
Grant /Loan Forgiveness	61,494,447			56,735,485		
Total Commitment	\$1,484,929,338			\$ 1,450,851,763		

* Net of repayments

The current portion of WQRLF loans receivable as of June 30, 2011 and 2010, was \$67,426,009 and \$67,449,631, respectively. Also, the outstanding balance of loans receivables is made up of \$37,784,835 pledged loans (2005 indenture), \$546,542,717 pledged loans (2008 indenture), and \$143,426,118 non-pledged loans (direct). During fiscal years 2011 and 2010, there were no defaults or delinquencies.

As of June 30, 2011 and 2010, the Administration's lending commitments under the DWRLF to specific governmental entities within the State are detailed as follows:

Borrower	2011			2010		
	Total	Commitment	Outstanding	Total	Commitment	Outstanding
	Commitment	Outstanding	Balance * June 30, 2011	Commitment	Outstanding	Balance * June 30, 2010
Anne Arundel County	\$ 3,033,718	\$ -	\$ 2,228,125	\$ 3,033,718	\$ -	\$ 2,323,058
Baltimore City	26,859,842	8,300,964	16,433,176	26,859,842	17,286,687	7,788,200
Baltimore County	9,608,557	195,013	6,254,573	9,608,557	921,912	6,034,024
Beaches Water Co.	85,000	-	48,403	85,000	-	52,544
Betterton, Town of	43,483	-	30,999	43,483	-	33,516
Boonsboro, Town of	1,662,639	-	756,502	1,694,085	126,333	750,541
Bowie, City of	1,677,500	-	941,782	1,677,500	-	1,023,794
Brunswick, City of	359,975	-	301,356	359,975	-	320,773
Cecilton, Town of	968,323	-	814,881	968,323	-	845,815

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2011 and 2010

3. LOANS RECEIVABLE (continued)

Borrower	2011			2010		
	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2011	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2010
Centreville, Town of	\$ 912,870	\$ -	\$ 801,399	\$ 2,300,000	\$ 2,250,000	\$ 50,000
Chestertown, Town of	1,765,422	-	1,304,150	1,765,422	-	1,396,941
Clear Spring, Town of	1,260,531	-	957,118	1,260,531	-	1,008,193
Cumberland, City of	9,256,475	-	7,409,443	9,256,475	-	7,743,364
Dorchester County	52,777	-	8,421	52,777	-	12,678
Emmitsburg, Town of	1,582,762	-	1,063,577	1,582,762	-	1,142,996
Fahrney Keedy	500,000	-	477,301	500,000	500,000	-
Federsburg, Town of	1,819,298	-	1,462,181	1,819,298	-	1,551,996
Frederick County	10,628,713	-	5,245,985	10,628,713	-	5,822,180
Garrett County	388,653	-	319,148	432,455	162,455	227,292
Grantsville, Town of	200,000	-	103,657	200,000	-	114,127
Hagerstown, City of	19,219,177	2,098,789	14,952,954	19,219,177	9,201,424	8,347,338
Hampstead, Town of	722,587	-	423,834	722,587	-	460,537
Independence Village	44,902	-	18,322	44,902	-	21,734
La Plata, Town of	500,000	500,000	-	-	-	-
Manchester	400,000	-	260,697	400,000	-	281,050
Martingham Utilities Coop	594,700	-	533,665	594,700	-	552,529
Myersville, Town of	467,842	-	231,018	467,842	-	256,003
New Windsor, Town of	1,553,587	-	1,179,160	1,553,587	-	1,243,952
North East, Town of	19,048,711	-	17,141,079	19,298,869	844,175	17,254,354
Oakland, Town of	719,415	-	544,223	719,415	-	566,917
Oxford, Town of	810,770	-	732,215	948,410	151,030	769,444
Perryville, Town of	11,534,299	-	10,746,122	11,534,299	-	11,140,497
Port Deposit, Town of	291,760	-	-	291,760	-	205,428
Rising Sun, Town of	1,698,717	-	1,288,918	1,698,717	-	1,348,340
Rock Hall, Town of	1,020,183	-	851,772	1,020,183	-	885,522
Rockville, City of	8,122,000	-	4,663,728	8,122,000	-	5,073,324
Secretary, Town of	149,408	-	112,676	149,408	-	121,586
Somerset County	32,000	-	25,600	32,000	-	26,666
St. Mary's Co Metcom	2,707,894	53,188	1,947,992	2,263,967	-	1,682,508
St. Michaels, Town of	1,179,912	-	1,030,634	1,179,912	-	1,068,177
Taneytown, City of	3,206,000	-	3,071,157	3,206,000	490,477	2,715,523
Thurmont, Town of	2,243,740	-	1,142,357	2,243,740	-	1,254,824
Union Bridge, Town of	775,499	-	593,567	775,499	-	619,869
Westernport, Town of	45,460	-	24,168	45,460	-	26,883
Westminister, City of	15,535,902	-	13,536,473	15,535,902	-	14,325,132
Worcester County	367,063	-	348,634	367,063	90,720	276,343
Loan Total	165,658,066	\$ 11,147,954	\$ 122,363,142	\$ 166,564,315	32,025,213	\$ 108,766,512
Grant /Loan Forgiveness	24,716,951			24,572,211		
Total Commitment	\$ 190,375,017			\$ 191,136,526		

* Net of repayments

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2011 and 2010

3. LOANS RECEIVABLE (continued)

The current portion of DWRLF loans receivable as of June 30, 2011 and 2010, was \$6,603,677 and \$6,183,543, respectively. During fiscal years 2011 and 2010, there have been 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.

4. FIXED ASSETS

Fixed assets represent vehicles, net of accumulated depreciation. The activity for the years ended June 30, 2011 and 2010 follows:

	Balance June 30, 2010	For the Year Ended June 30, 2011				Balance June 30, 2011
		Increases	Decreases	Transfers	Depreciation	
Cost	\$ 175,202	\$ -	\$ -	\$ -	\$ -	\$ 175,202
Accumulated depreciation	151,966	-	-	-	15,223	167,189
Net	<u>\$ 23,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,223</u>	<u>\$ 8,013</u>

	Balance June 30, 2009	For the Year Ended June 30, 2010				Balance June 30, 2010
		Increases	Decreases	Transfers	Depreciation	
Cost	\$ 175,202	\$ -	\$ -	\$ -	\$ -	\$ 175,202
Accumulated depreciation	132,592	-	-	-	19,374	151,966
Net	<u>\$ 42,610</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,374</u>	<u>\$ 23,236</u>

Note: Depreciation is charged to business activities.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2011 and 2010

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, 2011 is summarized below:

	<u>Loan Amount</u>	<u>Principal Payments</u>	<u>Principal Balance</u>	<u>Annual Repayment</u>
Town of Boonsboro	\$ 310,000	\$ 108,500	\$ 201,500	\$ 15,500

The cash balance for this sub-loan program was \$36.23 as of June 30, 2011. Accumulated interest and principal payments have been transferred to the Drinking Water Capital Reserve Account.

6. REVENUE BONDS PAYABLE

The Administration has the following Water Quality outstanding debt as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Clean Water RLF		
2005 Series A, Current Refunding Revenue Bonds, dated July 28, 2005 with a true interest rates 3.309% due serially from September 1, 2006 to September 1, 2015. Total amount payable is net of the unamortized portion of the deferred amount on the bonds refunded of \$233,295 for 2011.	\$ 28,226,705	\$ 38,046,356
2008 Series A, Revenue Bonds, dated April 29, 2008 with an all true interest rate of 4.1007% due serially from March 1, 2009 to March 1, 2025.	<u>42,235,000</u>	<u>44,035,000</u>
Total amount payable for Clean Water RLF	70,461,705	82,081,356
BRF		
2008 Series BRF Revenue Bonds, dated June 25, 2008 with an all true interest rate of 4.0913% due serially from March 1, 2009 to March 1, 2023.	<u>41,560,000</u>	<u>44,185,000</u>
Total amount payable for all indentured series	112,021,705	126,266,356
Less: Current portion payable	<u>15,660,000</u>	<u>14,465,000</u>
Non-Current Bonds Payable	<u>\$ 96,361,705</u>	<u>\$ 111,801,356</u>

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2011 and 2010

6. REVENUE BONDS PAYABLE (continued)

As of June 30, 2011, there are three series of Serial Bonds as follow:

Water Quality RLF

<u>Series</u>	<u>Current Bonds Payable</u>	<u>Non-Current Payable</u>	<u>Years Remaining</u>	<u>Final Payment Date Due</u>
2008A	\$ 3,215,000	\$ 39,020,000	14	March 1, 2025
2005A	9,705,000	18,755,000	4	September 1, 2015
Total	12,920,000	57,775,000		
Less: Deferred Interest	-	(233,295)		
Total WQRLF	<u>\$ 12,920,000</u>	<u>\$ 57,541,705</u>		

The WQRLF bonds are payable solely from, and secured by, a pledge of the loan principal and interest payments required to be made by the local and other governmental entity borrowers and a pledge of all bond funds to the Administration identified by the two Indentures (March 1, 1990 & April 1, 2008). Similarly, the BRF bonds are payable solely from the revenues derived from collections from the Bay Restoration wastewater fees.

The principal and interest payment obligations related to WQRLF as of June 30, 2011 were as follows:

<u>Water Quality RLF Years Ended June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2012	\$ 3,015,687	\$ 12,920,000	\$ 15,935,687
2013	2,447,827	10,575,000	13,022,827
2014	2,086,252	10,530,000	12,616,252
2015	1,650,753	3,485,000	5,135,753
2016	1,500,677	3,980,000	5,480,677
2017-2021	5,711,338	14,685,000	20,396,338
2022-2025	1,767,573	14,520,000	16,287,573
Totals WQRLF	18,180,107	70,695,000	88,875,107
Less: Deferred interest	-	(233,295)	(233,295)
Total	<u>\$ 18,180,107</u>	<u>\$ 70,461,705</u>	<u>\$ 88,641,812</u>

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2011 and 2010

6. REVENUE BONDS PAYABLE (continued)

The Administration has the following Bay Restoration outstanding debt as of June 30, 2011:

Bay Restoration Fund Years Ended June 30	Interest	Principal	Total
2012	\$ 1,873,904	\$ 2,740,000	\$ 4,613,904
2013	1,791,704	2,825,000	4,616,704
2014	1,674,109	2,940,000	4,614,109
2015	1,541,371	3,075,000	4,616,371
2016	1,409,381	3,205,000	4,614,381
2017-2021	4,699,856	18,160,000	22,859,856
2022-2023	608,225	8,615,000	9,223,225
Total BRF	13,598,550	41,560,000	55,158,550
Total Net Bonds Payable and Interest for all series	\$ 31,778,657	\$ 112,021,705	\$ 143,800,362

As of June 30, 2011 and 2010, the Administration's management believes that it is in compliance with all significant requirements of the Indenture.

7. SCHEDULES OF CHANGES IN BONDS PAYABLE AND COMPENSATED ABSENCES

Changes in business-type activities long-term debt for the year ended June 30, 2011, were as follows:

Bond Series & Program	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due Within One Year
1990 - 2005 & 2008A Water Quality RLF					
Arbitrage Rebate Liability	\$ 382,330	\$ 333,284	\$ -	\$ 715,614	\$ -
Unamortized Premium	2,614,728	-	635,964	1,978,764	-
Revenue bonds payable	82,081,356	220,349	11,840,000	70,461,705	12,920,000
Sub-total - 1990-2005 & 2008A Series	85,078,414	553,633	12,475,964	73,156,083	12,920,000
2008 Bay Restoration Fund					
Unamortized Premium	1,535,482	-	246,561	1,288,921	-
Revenue bonds payable	44,185,000	-	2,625,000	41,560,000	2,740,000
Sub-total - 2008 Series	45,720,482	-	2,871,561	42,848,921	2,740,000
Total all Bond Series & Program	130,798,896	553,633	15,347,525	116,005,004	15,660,000
Compensated absences:					
Water Quality	384,616	134,121	273,845	244,892	134,121
Drinking Water	59,967	28,078	39,252	48,793	28,078
BRF - Wastewater	115,770	48,813	80,365	84,218	48,813
BRF - Septics	30,597	74,933	3,534	101,996	58,933
Sub-total	590,950	285,945	396,996	479,899	269,945
Total	\$ 131,389,846	\$ 839,578	\$ 15,744,521	\$ 116,484,903	\$ 15,929,945

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2011 and 2010

7. SCHEDULES OF CHANGES IN BONDS PAYABLE AND COMPENSATED ABSENCES (continued)

The Administration had no pending workers' compensation claims as of June 30, 2011.

Note: The reduction of revenue bonds payable includes \$220,349, of deferred bond interest expense.

Changes in business-type activities long-term debt for the year ended June 30, 2010, are as follows:

Bond Series & Program	Beginning	Additions	Reductions	Ending	Amounts due
	Balance			Balance	Within One Year
1990 - 2005 & 2008A Water Quality RLF					
Arbitrage Rebate Liability	\$ 939,992	\$ 330,877	\$ 888,539	\$ 382,330	\$ -
Unamortized Premium	3,402,050	-	787,322	2,614,728	-
Revenue bonds payable	93,136,007	220,349	11,275,000	82,081,356	11,840,000
Sub-total - 1990-2005 & 2008A Series	<u>97,478,049</u>	<u>551,226</u>	<u>12,950,861</u>	<u>85,078,414</u>	<u>11,840,000</u>
2008 Bay Restoration Fund					
Unamortized Premium	1,794,781	-	259,299	1,535,482	-
Revenue bonds payable	46,825,000	-	2,640,000	44,185,000	2,625,000
Sub-total - 2008 Series	<u>48,619,781</u>	<u>-</u>	<u>2,899,299</u>	<u>45,720,482</u>	<u>2,625,000</u>
Total all Bond Series & Program	<u>146,097,830</u>	<u>551,226</u>	<u>15,850,160</u>	<u>130,798,896</u>	<u>14,465,000</u>
Compensated absences:					
Water Quality	256,191	185,145	56,720	384,616	185,145
Drinking Water	69,794	31,624	41,451	59,967	31,424
BRF - Wastewater	86,504	58,424	29,158	115,770	58,424
BRF - Septics	36,432	13,257	19,092	30,597	13,257
Sub-total	<u>448,921</u>	<u>288,450</u>	<u>146,421</u>	<u>590,950</u>	<u>288,250</u>
Total	<u>\$ 146,546,751</u>	<u>\$ 839,676</u>	<u>\$ 15,996,581</u>	<u>\$ 131,389,846</u>	<u>\$ 14,753,250</u>

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2011 and 2010

8. RESTRICTED ASSETS - BUSINESS-TYPE ACTIVITIES

In December 2004, GASB issued Statement No. 46; *Net Assets Restricted by Enabling Legislation an amendment* of GASB Statement No. 34. 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, 2011, the Maryland General Assembly did not enact enabling legislation regarding the Administration's restricted use of those funds other than for specific proposes. As such, the restricted assets as reported on the Administration's statements of net assets 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.

9. CHESAPEAKE AND ATLANTIC COASTAL BAYS 2010 TRUST FUND

MDE received \$2,100,000 from DNR in June 2011, to make grants. There were grant disbursements of \$27,789 in fiscal year 2011. All final funding decisions will be made by the BayStat Program.

10. BAY RESTORATION FUND ACTIVITY

During the fiscal year ending June 30, 2011, the Wastewater Fund received cash deposits from the Maryland Comptroller's Office totaling \$54,597,725, which earned investment interest of \$1,894,839 for capital projects and \$95 for the 2008 indenture. Similarly, the Septics Fund (60.0% of septic fees) received cash deposits of \$8,013,294, which earned investment interest of \$114,135. 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 \$92,747,772 for the wastewater treatment plant and sewer upgrades and \$7,101,369 for septic system projects. Wastewater Fund and Septics Fund fee revenue receivable as of June 30, 2011 and 2010 was \$11,731,110 and \$385,226 and \$10,867,024 and \$224,888, respectively.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**Notes to the Financial Statements
June 30, 2011 and 2010**

10. BAY RESTORATION FUND ACTIVITY (continued)

Below is a summary of grant activity through June 30, 2011:

WASTEWATER FUND:

	<u>GRANT AWARD</u>	<u>CUMULATIVE GRANT DISBURSEMENTS</u>	<u>REMAINING GRANT BALANCE</u>
ENHANCED NUTRIENT REMOVAL PROJECTS			
Aberdeen, Town of	\$ 14,982,000	\$ 3,441,493	\$ 11,540,507
Allegany County	12,921,382	12,133,523	787,859
Anne Arundel County	39,701,000	9,018,652	30,682,348
Baltimore City	88,707,000	29,704,485	59,002,515
Bowie, City of	8,867,000	8,012,594	854,406
Brunswick, City of	8,263,000	8,263,000	-
Cambridge, City of	8,944,000	573,685	8,370,315
Chestertown, Town of	1,490,854	1,490,854	-
Crisfield, City of	4,230,766	4,230,766	-
Cumberland, City of	26,779,000	25,507,120	1,271,880
Delmar, Town of	2,544,000	2,113,479	430,521
Denton, Town of	4,609,000	2,659,259	1,949,741
Easton, Town of	8,660,000	7,577,320	1,082,680
Elkton, Town of	7,403,154	7,403,154	-
Emmitsburg, Town of	50,000	50,000	-
Federalsburg, Town of	3,360,000	2,900,000	460,000
Frederick County	31,000,000	10,088,502	20,911,498
Hagerstown, City of	10,857,000	9,838,826	1,018,174
Harford County	5,171,000	2,301,004	2,869,996
Havre de Grace, City of	10,474,820	10,474,820	-
Howard County	35,494,000	18,520,525	16,973,475
Hurlock, Town of	941,148	941,148	-
Indian Head, Town of	5,822,098	5,822,098	-
La Plata, Town of	9,378,000	518,429	8,859,571
Leonardtown, Town of	510,000	-	510,000
MD Environmental Services	100,000	98,579	1,421
Mount Airy, Town of	3,354,144	3,354,144	-
Perryville, Town of	3,888,168	3,888,168	-
Pocomoke, City of	3,224,000	2,914,523	309,477
Poolesville, Town of	223,132	223,132	-
Queen Anne's County	6,380,645	6,380,645	-
Salisbury, City of	3,000,000	2,553,877	446,123
Snow Hill, Town of	400,000	-	400,000
St. Mary's County	1,600,000	-	1,600,000
Talbot County	1,978,699	1,978,699	-
Taneytown, City of	310,000	-	310,000
Thurmont, Town of	6,889,000	960,461	5,928,539

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**Notes to the Financial Statements
June 30, 2011 and 2010**

10. BAY RESTORATION FUND ACTIVITY (continued)

WASTEWATER FUND (continued)

	GRANT AWARD	CUMULATIVE GRANT DISBURSEMENTS	REMAINING GRANT BALANCE
	GRANT AWARD	CUMULATIVE GRANT DISBURSEMENTS	REMAINING GRANT BALANCE
ENHANCED NUTRIENT REMOVAL PROJECTS			
Washington County	\$ 100,000	\$ -	\$ 100,000
Westminister, City of	20,000	18,719	1,281
WSSC	14,559,000	923,074	13,635,926
ENR SUBTOTAL	\$ 397,187,010	\$ 206,878,757	\$ 190,308,253
	GRANT AWARD	CUMULATIVE GRANT DISBURSEMENTS	REMAINING GRANT BALANCE
SEWER PROJECTS			
Allegany County	\$ 500,000	\$ 230,821	\$ 269,179
Baltimore City	4,875,000	4,875,000	-
Cumberland, City of	1,539,000	1,302,381	236,619
Denton, Town of	100,000	100,000	-
Emmitsburg, Town of	600,000	600,000	-
Federalsburg, Town of	600,000	567,803	32,197
Frostburg, City of	2,900,000	1,813,995	1,086,005
Fruitland, City of	800,000	800,000	-
Hagerstown, City of	800,000	-	800,000
Havre de Grace, City of	166,500	166,500	-
Mountain Lake Park, Town of	750,000	731,884	18,116
Port Deposit, Town of	178,199	178,199	-
Secretary, Town of	322,068	322,068	-
St. Mary's County	669,273	669,273	-
Talbot County	1,450,000	1,450,000	-
Taneytown, City of	200,000	200,000	-
Thurmont, Town of	947,000	889,508	57,492
Washington County	200,000	200,000	-
Westernport, Town of	1,968,519	1,245,275	723,244
Williamsport, Town of	383,226	383,226	-
SEWER SUBTOTAL	19,948,785	16,725,933	3,222,852
TOTAL A0111 (ENR & SEWER)	\$ 417,135,795	\$ 223,604,690	\$ 193,531,105

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**Notes to the Financial Statements
June 30, 2011 and 2010**

10. BAY RESTORATION FUND ACTIVITY (continued)

Wastewater Fund (continued)

	GRANT AWARD	CUMULATIVE GRANT DISBURSEMENTS	REMAINING GRANT BALANCE
O&M PROJECTS			
Allegany County	\$ 36,000	\$ 36,000	\$ -
Brunswick, City of	8,400	8,400	-
Chestertown, Town of	9,450	9,450	-
Easton, Town of	72,000	72,000	-
Hurlock, Town of	29,700	29,700	-
Queen Anne's County	54,000	54,000	-
Talbot County	2,970	2,970	-
O&M SUBTOTAL	<u>212,520</u>	<u>212,520</u>	<u>-</u>
TOTAL A0111 (ENR, SEWER & O&M)	<u>\$ 417,348,315</u>	<u>\$ 223,817,210</u>	<u>\$ 193,531,105</u>

SEPTICS FUND:

	GRANT AWARD	CUMULATIVE GRANT DISBURSEMENTS	REMAINING GRANT BALANCE
SEPTIC PROJECTS			
Allegany Co. Health Dept.	\$ 50,000	\$ 10,000	\$ 40,000
Anne Arundel Co. Health Dept.	4,215,864	3,249,325	966,539
Baltimore Co. Health Dept.	249,000	125,843	123,157
Calvert Co. Dept of Planning/Zoning	3,148,699	2,907,398	241,301
Calvert Co. Health Dept./Prince Georges Co.	95,000	-	95,000
Canaan Valley Institute/Frederick Co.	831,907	721,927	109,980
Canaan Valley Institute/Howard Co.	94,500	21,758	72,742
Canaan Valley Institute/Montgomery Co.	157,000	9,800	147,200
Canaan Valley Institute/Washington Co.	872,885	789,825	83,060
Caroline Co. Health Dept.	665,072	535,265	129,807
Carroll Co. Health Dept.	128,500	34,686	93,814
Cecil Co. Health Dept.	1,087,665	637,815	449,850
Charles Co. Health Dept.	1,479,654	1,233,654	246,000
Dorchester Co. Health Dept.	1,176,500	825,942	350,558
Garrett Co. Health Dept.	100,000	20,170	79,830
Harford Co Health Dept.	680,980	547,480	133,500
Kent Co Dept. of Water/WW	1,067,000	659,535	407,465
Queen Anne's Co. Health Dept.	846,000	451,233	394,767
St. Mary's Co. Health Dept.	843,000	526,833	316,167
Talbot Co Dept. of Natural Resources	1,731,500	1,476,815	254,685

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**Notes to the Financial Statements
June 30, 2011 and 2010**

10. BAY RESTORATION FUND ACTIVITY (continued)

SEPTICS FUND:

	GRANT AWARD	CUMULATIVE GRANT DISBURSEMENTS	REMAINING GRANT BALANCE
SEPTIC PROJECTS			
Wicomico Co Health Dept.	\$ 2,496,964	\$ 2,252,039	\$ 244,925
Worcester Co. Health dept./Somerset Co.	358,000	200,749	157,251
Worcester Co Dept. of Environ. Programs	1,436,412	1,124,912	311,500
Individual Septic Grants (1344)	17,725,267	17,725,267	-
TOTAL SEPTIC (A0112)	\$ 41,537,369	\$ 36,088,271	\$ 5,449,098

Below is a summary of grant activity through June 30, 2010:

WASTEWATER FUND:

	GRANT AWARD	CUMULATIVE GRANT DISBURSEMENTS	REMAINING GRANT BALANCE
ENHANCED NUTRIENT REMOVAL PROJECTS			
Aberdeen, Town of	\$ 14,982,000	\$ 895,332	\$ 14,086,668
Allegany County	12,921,382	11,239,068	1,682,314
Anne Arundel County	19,190,000	3,143,966	16,046,034
Baltimore City	84,547,000	10,779,092	73,767,908
Bowie, City of	8,867,000	5,974,207	2,892,793
Brunswick, City of	8,263,000	8,263,000	-
Cambridge, City of	500,000	43,748	456,252
Chestertown, Town of	1,490,854	1,490,854	-
Crisfield, City of	4,231,000	4,125,896	105,104
Cumberland, City of	26,779,000	12,601,167	14,177,833
Delmar, Town of	2,544,000	454,352	2,089,648
Denton, Town of	200,000	193,774	6,226
Easton, Town of	8,660,000	7,477,872	1,182,128
Elkton, Town of	7,960,000	6,771,875	1,188,125
Emmitsburg, Town of	50,000	50,000	-
Federsburg, Town of	3,360,000	2,900,000	460,000
Frederick County	31,000,000	2,374,270	28,625,730
Hagerstown, City of	10,857,000	7,894,421	2,962,579
Harford County	5,171,000	31,580	5,139,420
Havre de Grace, City of	11,289,000	9,763,529	1,525,471
Howard County	530,000	-	530,000

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**Notes to the Financial Statements
June 30, 2011 and 2010**

10. BAY RESTORATION FUND ACTIVITY (continued)

WASTEWATER FUND (continued)

	GRANT AWARD	CUMULATIVE GRANT DISBURSEMENTS	REMAINING GRANT BALANCE
ENHANCED NUTRIENT REMOVAL PROJECTS			
Hurlock, Town of	\$ 941,148	\$ 941,148	\$ -
Indian Head, Town of	6,484,000	5,822,098	661,902
La Plata, Town of	610,000	232,772	377,228
Leonardtown, Town of	510,000	-	510,000
MD Environmental Services	100,000	98,579	1,421
Mount Airy, Town of	3,500,000	749,022	2,750,978
Perryville, Town of	4,000,000	3,501,602	498,398
Pocomoke, City of	3,224,000	447,547	2,776,453
Poolesville, Town of	235,000	100,136	134,864
Queen Anne's County	6,380,645	6,380,645	-
Salisbury, City of	3,000,000	2,553,877	446,123
Snow Hill, Town of	400,000	-	400,000
St. Mary's County	1,600,000	-	1,600,000
Talbot County	1,978,699	1,978,699	-
Taneytown, City of	310,000	-	310,000
Thurmont, Town of	300,000	-	300,000
Washington County	100,000	-	100,000
Westminister, City of	20,000	18,719	1,281
WSSC	3,325,000	184,954	3,140,046
ENR SUBTOTAL	\$ 300,410,728	\$ 119,477,801	\$ 180,932,927

	GRANT AWARD	CUMULATIVE GRANT DISBURSEMENTS	REMAINING GRANT BALANCE
SEWER PROJECTS			
Allegany County	\$ 500,000	\$ -	\$ 500,000
Baltimore City	4,875,000	4,875,000	-
Cumberland, City of	1,539,000	-	1,539,000
Denton, Town of	100,000	100,000	-
Emmitsburg, Town of	600,000	600,000	-
Federalsburg, Town of	600,000	-	600,000
Frostburg, City of	1,800,000	1,800,000	-
Fruitland, City of	800,000	267,172	532,828
Hagerstown, City of	800,000	-	800,000
Havre de Grace, City of	166,500	55,601	110,899
Mountain Lake Park, Town of	750,000	731,884	18,116
Port Deposit, Town of	178,199	178,199	-

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**Notes to the Financial Statements
June 30, 2011 and 2010**

10. BAY RESTORATION FUND ACTIVITY (continued)

WASTEWATER FUND (continued)

	GRANT AWARD	CUMULATIVE GRANT DISBURSEMENTS	REMAINING GRANT BALANCE
SEWER PROJECTS			
Secretary, Town of	\$ 322,068	\$ 322,068	\$ -
St. Mary's County	703,714	203,714	500,000
Talbot County	1,450,000	1,446,214	3,786
Taneytown, City of	200,000	200,000	-
Thurmont, Town of	947,000	106,867	840,133
Washington County	200,000	200,000	-
Westernport, Town of	936,000	24,817	911,183
Williamsport, Town of	400,000	267,580	132,420
SEWER SUBTOTAL	<u>17,867,481</u>	<u>11,379,116</u>	<u>6,488,365</u>
TOTAL A0111 (ENR & SEWER)	<u>\$ 318,278,209</u>	<u>\$ 130,856,917</u>	<u>\$ 187,421,292</u>

	GRANT AWARD	CUMULATIVE GRANT DISBURSEMENTS	REMAINING GRANT BALANCE
O&M PROJECTS			
Allegany County	\$ 36,000	\$ 36,000	\$ -
Brunswick, City of	8,400	8,400	-
Chestertown, Town of	9,450	9,450	-
Easton, Town of	72,000	72,000	-
Hurlock, Town of	29,700	29,700	-
Queen Anne's County	54,000	54,000	-
Talbot County	2,970	2,970	-
O&M SUBTOTAL	<u>212,520</u>	<u>212,520</u>	<u>-</u>
TOTAL A0111 (ENR, SEWER & O&M)	<u>\$ 318,490,729</u>	<u>\$ 131,069,437</u>	<u>\$ 187,421,292</u>

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**Notes to the Financial Statements
June 30, 2011 and 2010**

10. BAY RESTORATION FUND ACTIVITY (continued)

SEPTICS FUND:

	<u>GRANT AWARD</u>	<u>CUMULATIVE GRANT DISBURSEMENTS</u>	<u>REMAINING GRANT BALANCE</u>
SEPTIC PROJECTS			
Anne Arundel Co Health Dept.	\$ 2,448,864	\$ 2,448,864	\$ -
Calvert Co Dept of Planning/Zoning	2,514,401	1,429,865	1,084,536
Canaan Valley Institute/Frederick Co	631,907	631,907	-
Canaan Valley Institute/Washington Co	750,000	601,575	148,425
Caroline Co Health Dept.	418,072	418,072	-
Cecil Co Health Dept.	650,000	357,529	292,471
Charles Co Health Dept.	1,501,817	689,510	812,307
Dorchester Co Health Dept.	409,000	338,916	70,084
Harford Co Health Dept.	1,038,000	348,961	689,039
Kent Co Dept. of Water/WW	597,000	597,000	-
Talbot Co Dept. of Natural Resources	1,168,000	1,168,000	-
Wicomico Co Health Dept.	2,718,601	1,627,486	1,091,115
Worcester Co Dept. of Environ. Programs	1,142,000	938,996	203,004
Individual Septic Grants (1324)	17,394,725	17,390,221	4,504
TOTAL SEPTIC (A0112)	<u>\$ 33,382,387</u>	<u>\$ 28,986,902</u>	<u>\$ 4,395,485</u>

11. LOAN FORGIVENESS RELATED PARTY TRANSACTIONS

In accordance with the provisions of the WQRLF and DWRLF Capitalization Grants awarded by the Environmental Protection Agency to the Administration, loan principal forgiveness is allowed under certain circumstances. Related party loan forgiveness was granted to Maryland Environmental Services (MES). In fiscal year 2010, MES was awarded an ARRA Grant under the DWRLF. In fiscal year 2011, MES was awarded two WQRLF loans with partial loan forgiveness. MES loan forgiveness expenditures totaled \$2,652,617 and \$188,255 for the fiscal years 2011 and 2010, respectively.

SUPPLEMENTAL INFORMATION

Maryland Water Quality Financing Administration
Combining Statements of Net Assets - Schedule 1
June 30, 2011 and 2010

	2011					2010				
	Funds Held By Administration					Funds Held By Administration				
	Maryland Water Quality Revolving loan fund					Maryland Water Quality Revolving loan fund				
ASSETS	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	2010 NPS Trust Fund	Total	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	2010 NPS Trust Fund	Total
Current Assets										
Cash and cash equivalents	\$ 251,537,367	\$ 29,465,447	\$ 62,472,066	\$ 5,502,649	\$ 348,977,529	\$ 199,677,291	\$ 22,199,767	\$ 63,675,206	\$ 3,430,438	\$ 288,982,702
Investments					-					-
Receivables:										
Investment interest	215,842	-	-	-	215,842	215,842	-	-	-	215,842
Loans	8,555,021	6,603,677	-	-	15,158,698	7,351,095	6,183,543	-	-	13,534,638
Loan interest	500,010	604,341	-	-	1,104,351	401,167	648,918	-	-	1,050,085
BRF Fee Receivable	-	-	561,193	-	561,193	-	-	387,893	-	387,893
Administrative fee	3,666,151	339,931	-	-	4,006,082	3,765,101	341,208	-	-	4,106,309
Current restricted assets:										
Cash and cash equivalents	567	-	13,163,925	-	13,164,492	828	-	11,027,168	-	11,027,996
Investments	14,788,562	-	-	-	14,788,562	15,416,198	-	-	-	15,416,198
Receivables:										
Investment interest	237,899	-	-	-	237,899	236,852	-	-	-	236,852
BRF Fee Receivable	-	-	11,555,143	-	11,555,143	-	-	10,704,019	-	10,704,019
Loans	58,870,988	-	-	-	58,870,988	60,098,536	-	-	-	60,098,536
Loan interest	3,979,193	-	-	-	3,979,193	4,446,871	-	-	-	4,446,871
Total Current Assets	342,351,600	37,013,396	87,752,327	5,502,649	472,619,972	291,609,781	29,373,436	85,794,286	3,430,438	410,207,941
Noncurrent Assets										
Investments	14,463,195	-	-	-	14,463,195	14,257,147	-	-	-	14,257,147
Receivables:										
Loans, net of current portion	134,871,097	115,759,465	-	-	250,630,562	95,265,808	102,582,969	-	-	197,848,777
Fixed Assets-Less Depreciation	-	-	8,013	-	8,013	2,876	-	20,360	-	23,236
Non-current restricted assets:										
Investments	10,960,594	-	-	-	10,960,594	11,747,594	-	-	-	11,747,594
Receivables:										
Loans, net of current portion	525,456,565	-	-	-	525,456,565	576,002,223	-	-	-	576,002,223
Unamortized Underwriters Discount	253,266	-	180,109	-	433,375	287,293	-	195,547	-	482,840
Unamortized Cost of issuance	274,616	-	164,515	-	439,131	306,257	-	178,616	-	484,873
Total Noncurrent Assets	686,279,333	115,759,465	352,637	-	802,391,435	697,869,198	102,582,969	394,523	-	800,846,690
Total Assets	\$ 1,028,630,933	\$ 152,772,861	\$ 88,104,964	\$ 5,502,649	\$ 1,275,011,407	\$ 989,478,979	\$ 131,956,405	\$ 86,188,809	\$ 3,430,438	\$ 1,211,054,631

Maryland Water Quality Financing Administration
Combining Statements of Net Assets - Schedule 1
June 30, 2011 and 2010

	2011					2010				
	Funds Held By Administration					Funds Held By Administration				
	Maryland Water Quality Revolving loan fund					Maryland Water Quality Revolving loan fund				
	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	2010 NPS Trust Fund	Total	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	2010 NPS Trust Fund	Total
LIABILITIES AND NET ASSETS										
LIABILITIES										
Current liabilities										
Accounts payable	\$ 141,596	\$ 29,991	\$ 112,509	\$ -	\$ 284,096	\$ 198,647	\$ 32,669	\$ 74,971	-	\$ 306,287
Current liabilities payable from restricted assets:										
Revenue bonds payable	12,920,000	-	2,740,000	-	15,660,000	11,840,000	-	2,625,000	-	14,465,000
Accrued interest on bonds payable	888,320	-	554,860	-	1,443,180	1,011,191	-	581,464	-	1,592,655
Arbitrage Current Liability	-	-	-	-	-	-	-	-	-	-
Total current liabilities	13,949,916	29,991	3,407,369	-	17,387,276	13,049,838	32,669	3,281,435	-	16,363,942
Noncurrent liabilities										
Other Liabilities	110,771	20,715	78,468	-	209,954	199,471	28,543	74,686	-	302,700
Non-current liabilities payable from restricted assets:										
Revenue bonds payable	57,541,705	-	38,820,000	-	96,361,705	70,241,356	-	41,560,000	-	111,801,356
Bonds Premium, Non Current	1,978,764	-	1,288,921	-	3,267,685	2,614,728	-	1,535,482	-	4,150,210
Arbitrage Rebate Liability	715,614	-	-	-	715,614	382,330	-	-	-	382,330
Total noncurrent liabilities	60,346,854	20,715	40,187,389	-	100,554,958	73,437,885	28,543	43,170,168	-	116,636,596
Total Liabilities	74,296,770	50,706	43,594,758	-	117,942,234	86,487,723	61,212	46,451,603	-	133,000,538
NET ASSETS										
Invested In Capital Assets, Net of Related Debt	-	-	8,013	-	8,013	2,876	-	20,360	-	23,236
Restricted for Debt Service	540,777,847	-	(18,340,089)	-	522,437,758	582,453,047	-	(24,196,596)	-	558,256,451
Unrestricted	413,556,316	152,722,155	62,842,282	5,502,649	634,623,402	320,535,333	131,895,193	63,913,442	3,430,438	519,774,406
Total net assets	954,334,163	152,722,155	44,510,206	5,502,649	1,157,069,173	902,991,256	131,895,193	39,737,206	3,430,438	1,078,054,093
TOTAL LIABILITIES AND NET ASSETS	\$ 1,028,630,933	\$ 152,772,861	\$ 88,104,964	\$ 5,502,649	\$ 1,275,011,407	\$ 989,478,979	\$ 131,956,405	\$ 86,188,809	\$ 3,430,438	\$ 1,211,054,631

Maryland Water Quality Financing Administration
Combining Statements of Revenue, Expenses and Changes in Net Assets - Schedule 2
Years ended June 30, 2011 and 2010

	Business-Type Activities 2011					Business-Type Activities 2010				
	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	2010 NPS Trust Fund	Total	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	2010 NPS Trust Fund	Total
Operating revenue										
Interest on loans	\$ 9,414,075	\$ 1,241,018	\$ -	\$ -	\$ 10,655,093	\$ 10,175,378	\$ 1,282,510	\$ -	\$ -	\$ 11,457,888
Loan administration fees	3,675,083	342,261	-	-	4,017,344	3,770,059	342,299	-	-	4,112,358
Fee Revenue	-	-	63,635,443	2,100,000	65,735,443	-	-	57,516,507	1,650,000	59,166,507
Grant revenue	869,711	288,725	-	-	1,158,436	1,213,105	443,686	-	-	1,656,791
Grant revenue(2%,10%, & 15% Set-Asides)	-	3,568,543	-	-	3,568,543	-	3,723,845	-	-	3,723,845
Miscellaneous	11,268	15,507	-	-	26,775	4,556	102,202	-	-	106,758
Total operating revenue	13,970,137	5,456,054	63,635,443	2,100,000	85,161,634	15,163,098	5,894,542	57,516,507	1,650,000	80,224,147
Operating expenses										
Salaries and related benefits	2,558,301	470,990	1,409,956	-	4,439,247	3,284,569	571,213	992,681	-	4,848,463
General	1,528,401	176,743	266,043	-	1,971,187	2,257,236	265,296	291,208	-	2,813,740
Capital Grant Disbursements	30,605,425	7,753,377	99,849,141	27,789	138,235,732	15,617,902	3,763,205	63,555,737	46,268	82,983,112
Transfers-Out (Set-Asides 2%,10%, & 15%)	-	3,568,543	-	-	3,568,543	-	3,723,845	-	-	3,723,845
Total operating expenses	34,692,127	11,969,653	101,525,140	27,789	148,214,709	21,159,707	8,323,559	64,839,626	46,268	94,369,160
Operating income	(20,721,990)	(6,513,599)	(37,889,697)	2,072,211	(63,053,075)	(5,996,609)	(2,429,017)	(7,323,119)	1,603,732	(14,145,013)
Nonoperating revenues (expenses)										
Investment income	5,466,769	505,456	2,009,069	-	7,981,294	4,822,403	411,817	4,375,593	-	9,609,813
Cost of Issuance Amortization Expense	(65,669)	-	(29,539)	-	(95,208)	(65,669)	-	(29,539)	-	(95,208)
Arbitrage Rebate Expense	(333,284)	-	-	-	(333,284)	(330,877)	-	-	-	(330,877)
Interest expense on bonds	(2,969,873)	-	(1,717,788)	-	(4,687,661)	(3,327,561)	-	(1,788,701)	-	(5,116,262)
Net change fair value of investments	467,055	-	-	-	467,055	51,770	-	-	-	51,770
Total nonoperating revenue (expenses)	2,564,998	505,456	261,742	-	3,332,196	1,150,066	411,817	2,557,353	-	4,119,236
Income before contributions	(18,156,992)	(6,008,143)	(37,627,955)	2,072,211	(59,720,879)	(4,846,543)	(2,017,200)	(4,765,766)	1,603,732	(10,025,777)
Contributions received from:										
Federal government	67,197,031	24,690,672	-	-	91,887,703	22,978,555	9,863,397	-	-	32,841,952
State of Maryland	2,302,868	2,144,433	-	-	4,447,301	1,127,402	1,550,264	-	-	2,677,666
Transfer to State General Fund	-	-	(45,000,000)	-	(45,000,000)	-	-	(155,000,000)	-	(155,000,000)
Contributions from State	-	-	87,400,955	-	87,400,955	-	-	10,078,273	-	10,078,273
CHANGE IN NET ASSETS	51,342,907	20,826,962	4,773,000	2,072,211	79,015,080	19,259,414	9,396,461	(149,687,493)	1,603,732	(119,427,886)
Net assets, beginning of year	902,991,256	131,895,193	39,737,206	3,430,438	1,078,054,093	883,731,842	122,498,732	189,424,699	1,826,706	1,197,481,979
Net assets, end of year	\$ 954,334,163	\$ 152,722,155	\$ 44,510,206	\$ 5,502,649	\$ 1,157,069,173	\$ 902,991,256	\$ 131,895,193	\$ 39,737,206	\$ 3,430,438	\$ 1,078,054,093

Maryland Water Quality Financing Administration
Combining Statements of Cash Flows - Schedule 3
Years Ended June 30, 2011 and 2010

	Business-type Activities 2011					Business-type Activities 2010				
	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	2010 NPS Trust Fund	Totals	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	2010 NPS Trust Fund	Totals
Cash flows from operating activities										
Loan repayments	\$ 67,449,630	\$ 6,374,380	\$ -	\$ -	\$ 73,824,010	\$ 64,811,569	\$ 5,615,464	\$ -	\$ -	\$ 70,427,033
Interest and fees received from borrowers	13,556,944	1,629,133	-	-	15,186,077	14,074,971	1,578,431	-	-	15,653,402
Other receipts	880,979	3,872,775	62,611,019	2,100,000	69,464,773	1,217,661	4,269,733	58,319,177	1,650,000	65,456,571
Loan disbursements	(56,485,640)	(19,971,010)	-	-	(76,456,650)	(44,587,378)	(9,606,106)	-	-	(54,193,484)
Grant Disbursements	(30,605,425)	(7,753,377)	(99,849,141)	(27,789)	(138,235,732)	(15,617,902)	(3,763,205)	(63,555,737)	(46,268)	(82,983,112)
Salaries and benefits paid	(2,558,301)	(470,990)	(1,409,956)	-	(4,439,247)	(3,284,569)	(571,213)	(992,681)	-	(4,848,463)
General expenses paid	(1,671,276)	(3,755,792)	(212,376)	-	(5,639,444)	(2,135,996)	(4,001,223)	(258,327)	-	(6,395,546)
Net cash provided by operating activities	(9,433,089)	(20,074,881)	(38,860,454)	2,072,211	(66,296,213)	14,478,356	(6,478,119)	(6,487,568)	1,603,732	3,116,401
Cash flows from NonCapital financing activities:										
Contributions rec'd from:										
Federal government	67,197,031	24,690,672	-	-	91,887,703	22,978,555	9,863,397	-	-	32,841,952
State of Maryland	2,302,868	2,144,433	-	-	4,447,301	1,127,402	1,550,264	-	-	2,677,666
Proceeds from sale of Bonds	-	-	-	-	-	-	-	-	-	-
Transfer to State General Fund	-	-	(45,000,000)	-	(45,000,000)	-	-	(155,000,000)	-	(155,000,000)
Contribution from State	-	-	87,400,955	-	87,400,955	-	-	10,078,273	-	10,078,273
Repayment of bonds	(11,840,000)	-	(2,625,000)	-	(14,465,000)	(11,275,000)	-	(2,640,000)	-	(13,915,000)
Cost of Issuance/Underwriters Discount	-	-	-	-	-	-	-	-	-	-
Interest on Bonds	(3,508,359)	-	(1,990,953)	-	(5,499,312)	(4,006,172)	-	(2,070,153)	-	(6,076,325)
Arbitrage Liability payments	-	-	-	-	-	(888,539)	-	-	-	(888,539)
Net cash provided by NonCapital financing activities	54,151,540	26,835,105	37,785,002	-	118,771,647	7,936,246	11,413,661	(149,631,880)	-	(130,281,973)
Cash flows from Capital and related financing activities										
Purchase of Equipment	-	-	-	-	-	-	-	-	-	-
Net cash provide by capital and related financing activities	-	-	-	-	-	-	-	-	-	-
Cash flows from investing activities										
Purchase of Investments	(14,788,562)	-	-	-	(14,788,562)	(15,543,028)	-	-	-	(15,543,028)
Interest on Investments Securities	5,465,721	505,456	2,009,069	-	7,980,246	4,830,664	411,816	4,375,749	-	9,618,229
Proceeds from sales & maturities of investmnts.	16,464,205	-	-	-	16,464,205	17,222,553	-	-	-	17,222,553
Net cash used in investing activities	7,141,364	505,456	2,009,069	-	9,655,889	6,510,189	411,816	4,375,749	-	11,297,754
Net Incr/ (Decr) in cash & cash equivalents	51,859,815	7,265,680	933,617	2,072,211	62,131,323	28,924,791	5,347,358	(151,743,699)	1,603,732	(115,867,818)
Cash & cash equivalents, beginning of year	199,678,119	22,199,767	74,702,374	3,430,438	300,010,698	170,753,328	16,852,409	226,446,073	1,826,706	415,878,516
Cash & cash equivalents, end of year	\$ 251,537,934	\$ 29,465,447	\$ 75,635,991	\$ 5,502,649	\$ 362,142,021	\$ 199,678,119	\$ 22,199,767	\$ 74,702,374	\$ 3,430,438	\$ 300,010,698

Maryland Water Quality Financing Administration
Combining Statements of Cash Flows - Schedule 3
Years Ended June 30, 2011 and 2010

	Business-type Activities 2011					Business-type Activities 2010				
	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	2010 NPS Trust Fund	Totals	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	2010 NPS Trust Fund	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:										
Operating Income (loss)	\$ (20,721,990)	\$ (6,513,599)	\$ (37,889,697)	\$ 2,072,211	\$ (63,053,075)	\$ (5,996,609)	\$ (2,429,017)	\$ (7,323,119)	\$ 1,603,732	\$ (14,145,013)
Depreciation of fixed assets	2,876	-	12,347	-	15,223	5,413	-	13,961	-	19,374
Adjustments to reconcile operating income to net cash used in operating activities										
Loan disbursements	(56,485,640)	(19,971,010)	-	-	(76,456,650)	(44,587,378)	(9,606,106)	-	-	(54,193,484)
Loan repayments	67,449,630	6,374,380	-	-	73,824,010	64,811,569	5,615,464	-	-	70,427,033
Decrease/ (Incr) in loan interest receivable	368,836	44,577	-	-	413,413	357,671	(41,307)	-	-	316,364
Decrease in prepaid expenses	-	-	-	-	-	-	-	-	-	-
(Increase) decrease in administrative fees, federal costs and other receivables	98,950	1,277	(1,024,423)	-	(924,196)	(228,137)	(5,071)	802,669	-	569,461
Increase (decrease) in accounts payable and other liabilities	(145,751)	(10,506)	41,319	-	(114,938)	115,827	(12,082)	18,921	-	122,666
Net cash used in operating activities	\$ (9,433,089)	\$ (20,074,881)	\$ (38,860,454)	\$ 2,072,211	\$ (66,296,213)	\$ 14,478,356	\$ (6,478,119)	\$ (6,487,568)	\$ 1,603,732	\$ 3,116,401

Maryland Water Quality Financing Administration
Clean Water State Revolving Loan Fund - Combining Statements of Net Assets - Schedule 4
June 30, 2011

ASSETS	2011				
	Funds Held By Administration				
	Maryland Water Quality Revolving loan fund				
	General Accounts	Capital reserve Accounts	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Total
Current Assets					
Cash and cash equivalents	\$ 493,052	\$ 251,044,315	\$ -	\$ -	\$ 251,537,367
Investments	-	-	-	-	-
Receivables:					
Investment interest	-	215,842	-	-	215,842
Loans	-	8,555,021	-	-	8,555,021
Loan interest	-	500,010	-	-	500,010
Administrative fee	3,666,151	-	-	-	3,666,151
Miscellaneous	-	-	-	-	-
Current restricted assets:					
Cash and cash equivalents	-	-	-	567	567
Investments	-	-	-	14,788,562	14,788,562
Receivables:					
Investment interest	-	-	-	237,899	237,899
Loans	-	-	45,782,411	13,088,577	58,870,988
Loan interest	-	-	3,388,600	590,593	3,979,193
Total Current Assets	4,159,203	260,315,188	49,171,011	28,706,198	342,351,600
Noncurrent Assets					
Investments	-	14,463,195	-	-	14,463,195
Receivables:					
Loans, net of current portion	-	134,871,097	-	-	134,871,097
Fixed Assets-Less Depreciation-Equipment	-	-	-	-	-
Restricted-non current assets:					
Investments	-	-	-	10,960,594	10,960,594
Receivables:					
Loans, net of current portion	-	-	500,760,307	24,696,258	525,456,565
Unamortized Underwriters Discount	-	-	160,380	92,886	253,266
Unamortized Cost of issuance	-	-	205,399	69,217	274,616
Deferred interest	-	-	-	-	-
Total Noncurrent Assets	-	149,334,292	501,126,086	35,818,955	686,279,333
Total Assets	\$ 4,159,203	\$ 409,649,480	\$ 550,297,097	\$ 64,525,153	\$ 1,028,630,933

Maryland Water Quality Financing Administration
Clean Water State Revolving Loan Fund - Combining Statements of Net Assets - Schedule 4
June 30, 2011

LIABILITIES AND NET ASSETS	2011				
	Funds Held By Administration				
	Maryland Water Quality Revolving loan fund				
General Account	Capital reserve Account	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Total	
LIABILITIES					
Current liabilities					
Accounts payable	\$ 141,596	\$ -	\$ -	\$ -	\$ 141,596
Current liabilities payable from restricted assets:					
Revenue bonds payable	-	-	3,215,000	9,705,000	12,920,000
Accrued interest on bonds payable	-	-	558,259	330,061	888,320
Total current liabilities	141,596	-	3,773,259	10,035,061	13,949,916
Noncurrent liabilities					
Other Liabilities	110,771	-	-	-	110,771
Non-current liabilities payable from restricted assets:					
Arbitrage Rebate NC Liability	-	-	-	715,614	715,614
Revenue bonds payable	-	-	39,020,000	18,521,705	57,541,705
Bonds Premium, Non-Current	-	-	1,545,551	433,213	1,978,764
Total noncurrent liabilities	110,771	-	40,565,551	19,670,532	60,346,854
Total Liabilities	252,367	-	44,338,810	29,705,593	74,296,770
NET ASSETS					
Invested in Capital Assets, Net of related debt	-	-	-	-	-
Restricted for Debt Service	-	-	505,958,287	34,819,560	540,777,847
Unrestricted	3,906,836	409,649,480	-	-	413,556,316
Total net assets	3,906,836	409,649,480	505,958,287	34,819,560	954,334,163
TOTAL LIABILITIES AND NET ASSETS	\$ 4,159,203	\$ 409,649,480	\$ 550,297,097	\$ 64,525,153	\$ 1,028,630,933

Maryland Water Quality Financing Administration
Clean Water State Revolving Loan Fund - Combining Statements of Net Assets - Schedule 4
June 30, 2010

ASSETS	2010				
	Funds Held By Administration				
	Maryland Water Quality Revolving Loan Fund				
	General Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Total
Current Assets					
Cash and cash equivalents	\$ 78,887	\$ 199,598,404	\$ -	\$ -	\$ 199,677,291
Investments	-	-	-	-	-
Receivables:					
Investment interest	-	215,842	-	-	215,842
Loans	-	7,351,095	-	-	7,351,095
Loan interest	-	401,167	-	-	401,167
Administrative fee	3,765,101	-	-	-	3,765,101
Miscellaneous	-	-	-	-	-
Current restricted assets:					
Cash and cash equivalents	-	-	344	484	828
Investments	-	-	-	15,416,198	15,416,198
Receivables:					
Investment interest	-	-	-	236,852	236,852
Loans	-	-	45,837,195	14,261,341	60,098,536
Loan interest	-	-	3,621,641	825,230	4,446,871
Total Current Assets	3,843,988	207,566,508	49,459,180	30,740,105	291,609,781
Noncurrent Assets					
Investments	-	14,257,147	-	-	14,257,147
Receivables:					
Loans, net of current portion	-	95,265,808	-	-	95,265,808
Fixed Assets-Less Depreciation-Equipment					
Restricted non current assets:					
Investments	2,876	-	-	-	2,876
Receivables:					
Loans, net of current portion	-	-	538,217,388	37,784,835	576,002,223
Unamortized Underwriters Discount	-	-	172,115	115,178	287,293
Unamortized Cost of issuance	-	-	220,428	85,829	306,257
Total Noncurrent Assets	2,876	109,522,955	538,609,931	49,733,436	697,869,198
Total Assets	\$ 3,846,864	\$ 317,089,463	\$ 588,069,111	\$ 80,473,541	\$ 989,478,979

Maryland Water Quality Financing Administration
 Clean Water State Revolving Loan Fund - Combining Statements of Net Assets - Schedule 4
 June 30, 2010

LIABILITIES AND NET ASSETS	2010				
	Funds Held By Administration				
	Maryland Water Quality Revolving Loan Fund				
General Account	Capital reserve Account	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Total	
LIABILITIES					
Current liabilities					
Accounts payable	\$ 198,647	\$ -	\$ -	\$ -	\$ 198,647
Current liabilities payable from restricted assets:					
Revenue bonds payable	-	-	1,800,000	10,040,000	11,840,000
Accrued interest on bonds payable	-	-	573,679	437,512	1,011,191
Arbitrage liability	-	-	-	-	-
Total current liabilities	198,647	-	2,373,679	10,477,512	13,049,838
Noncurrent liabilities					
Other Liabilities	199,471	-	-	-	199,471
Noncurrent liabilities payable from restricted assets:					
Arbitrage rebate NC liability	-	-	-	382,330	382,330
Revenue bonds payable	-	-	42,235,000	28,006,356	70,241,356
Bonds premium, noncurrent	-	-	1,851,280	763,448	2,614,728
Total noncurrent liabilities	199,471	-	44,086,280	29,152,134	73,437,885
Total Liabilities	398,118	-	46,459,959	39,629,646	86,487,723
NET ASSETS					
Invested in capital assets, net of related debt	2,876	-	-	-	2,876
Restricted for debt service	-	-	541,609,152	40,843,895	582,453,047
Unrestricted	3,445,870	317,089,463	-	-	320,535,333
Total net assets	3,448,746	317,089,463	541,609,152	40,843,895	902,991,256
TOTAL LIABILITIES AND NET ASSETS	\$ 3,846,864	\$ 317,089,463	\$ 588,069,111	\$ 80,473,541	\$ 989,478,979

Maryland Water Quality Financing Administration
 Clean Water State Revolving Loan Fund-Combining Statements of Revenue, Expenses, and Changes in Net Assets - Schedule 5
 Year Ended June 30, 2011

	2011				
	Funds held by Administration				
	Maryland Water Quality Revolving Loan Fund				
	General Account	Capital Reserve Account	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Total
Operating revenue					
Interest on loans	\$ -	\$ 963,922	\$ 7,034,329	\$ 1,415,824	\$ 9,414,075
Loan administration fees	3,675,083	-	-	-	3,675,083
Grant revenue	869,711	-	-	-	869,711
Miscellaneous	-	11,268	-	-	11,268
Total operating revenue	4,544,794	975,190	7,034,329	1,415,824	13,970,137
Operating expenses					
Salaries and related benefits	2,558,301	-	-	-	2,558,301
General	1,528,401	-	-	-	1,528,401
Grant Disbursements	-	30,605,425	-	-	30,605,425
	-	-	-	-	-
Total operating expenses	4,086,702	30,605,425	-	-	34,692,127
Operating income	458,092	(29,630,235)	7,034,329	1,415,824	(20,721,990)
Nonoperating revenues (expenses)					
Investment income, net	-	4,793,604	434	672,731	5,466,769
Cost of Issuance Amortization Expense	-	-	(26,764)	(38,905)	(65,669)
Arbitrage Rebate Expense	-	-	-	(333,284)	(333,284)
Interest Expense on bonds	-	-	(1,705,616)	(1,264,257)	(2,969,873)
Net change in fair value of investments	-	467,055	-	-	467,055
Total nonoperating revenue (expenses)	-	5,260,659	(1,731,946)	(963,715)	2,564,998
Income before contributions	458,092	(24,369,576)	5,302,383	452,109	(18,156,992)
Contributions received from:					
Federal government	-	67,197,031	-	-	67,197,031
State of Maryland	-	2,302,868	-	-	2,302,868
Transfer from (to) other accounts	(2)	47,429,694	(40,953,248)	(6,476,444)	-
CHANGE IN NET ASSETS	458,090	92,560,017	(35,650,865)	(6,024,335)	51,342,907
Net assets, beginning of year	3,448,746	317,089,463	541,609,152	40,843,895	902,991,256
Net assets, end of year	<u>\$ 3,906,836</u>	<u>\$ 409,649,480</u>	<u>\$ 505,958,287</u>	<u>\$ 34,819,560</u>	<u>\$ 954,334,163</u>

Maryland Water Quality Financing Administration
Clean Water State Revolving Loan Fund-Combining Statements of Revenue, Expenses, and Changes in Net Assets - Schedule 5
Year Ended June 30, 2010

	2010				
	Funds held by Administration				
	Maryland Water Quality Revolving Loan Fund				
	General Account	Capital Reserve Account	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Total
Operating revenue					
Interest on loans	\$ -	\$ 785,163	\$ 7,494,038	\$ 1,896,177	\$ 10,175,378
Loan administration fees	3,770,059	-	-	-	3,770,059
Grant revenue	1,213,105	-	-	-	1,213,105
Grant revenue (2, 10, and 15% Set-a-sides)	-	-	-	-	-
Miscellaneous	-	4,556	-	-	4,556
Total operating revenue	<u>4,983,164</u>	<u>789,719</u>	<u>7,494,038</u>	<u>1,896,177</u>	<u>15,163,098</u>
Operating expenses					
Salaries and related benefits	3,284,569	-	-	-	3,284,569
General	2,257,236	-	-	-	2,257,236
Grant disbursements	-	15,617,902	-	-	15,617,902
Total operating expenses	<u>5,541,805</u>	<u>15,617,902</u>	<u>-</u>	<u>-</u>	<u>21,159,707</u>
Operating income	(558,641)	(14,828,183)	7,494,038	1,896,177	(5,996,609)
Nonoperating revenues (expenses)					
Investment income, net	56	4,147,256	424	674,667	4,822,403
Cost of issuance amortization expense	-	-	(26,764)	(38,905)	(65,669)
Arbitrage rebate expense	-	-	-	(330,877)	(330,877)
Interest Expense on bonds	-	-	(1,744,801)	(1,582,760)	(3,327,561)
Net change in fair value of investments	-	51,770	-	-	51,770
Total nonoperating revenue (expenses)	<u>56</u>	<u>4,199,026</u>	<u>(1,771,141)</u>	<u>(1,277,875)</u>	<u>1,150,066</u>
Income before contributions	(558,585)	(10,629,157)	5,722,897	618,302	(4,846,543)
Contributions received from:					
Federal government	-	22,978,555	-	-	22,978,555
State of Maryland	-	1,127,402	-	-	1,127,402
Transfer from (to) other accounts	(1,032)	37,824,089	(32,697,399)	(5,125,658)	-
CHANGE IN NET ASSETS	(559,617)	51,300,889	(26,974,502)	(4,507,356)	19,259,414
Net assets, beginning of year	<u>4,008,363</u>	<u>265,788,574</u>	<u>568,583,654</u>	<u>45,351,251</u>	<u>883,731,842</u>
Net assets, end of year	<u>\$ 3,448,746</u>	<u>\$ 317,089,463</u>	<u>\$ 541,609,152</u>	<u>\$ 40,843,895</u>	<u>\$ 902,991,256</u>

Maryland Water Quality Financing Administration
Clean Water State Revolving Loan Fund-Combining Statements of Cash Flows - Schedule 6
Year ended June 30, 2011

	Business-type Activities 2011				
	General Account	Capital Reserve Account	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Totals
Cash flows from operating activities					
Loan repayments	\$ -	\$ 7,351,095	\$ 45,837,194	\$ 14,261,341	\$ 67,449,630
Interest and fees received from borrowers	3,774,033	865,079	7,267,371	1,650,461	13,556,944
Other receipts and adjustments	869,711	11,268	-	-	880,979
Net loan disbursements	-	(56,485,640)	-	-	(56,485,640)
Grant Disbursements	-	(30,605,425)	-	-	(30,605,425)
Salaries and benefits paid	(2,558,301)	-	-	-	(2,558,301)
General expenses paid	(1,671,276)	-	-	-	(1,671,276)
Net cash provided by (used in) operating activities	414,167	(78,863,623)	53,104,565	15,911,802	(9,433,089)
Cash flows from Non-Capital financing activities:					
Contributions rec'd from :					
Federal government	-	67,197,031	-	-	67,197,031
State of Maryland	-	2,302,868	-	-	2,302,868
Transfer to other accounts	(2)	55,755,024	(49,278,578)	(6,476,444)	-
Proceeds from sale of bonds	-	-	-	-	-
Repayment of bonds	-	-	(1,800,000)	(10,040,000)	(11,840,000)
Cost of Issuance/Underwriters discount	-	-	-	-	-
Interest on Bonds	-	-	(2,026,765)	(1,481,594)	(3,508,359)
Arbitrage Liability Paid	-	-	-	-	-
Net cash (used in) provided by Non Capital financing activities	(2)	125,254,923	(53,105,343)	(17,998,038)	54,151,540
Cash flows from Capital and related financing activities:					
Purchase of Equipment	-	-	-	-	-
Net cash provided by capital and related financing activities	-	-	-	-	-
Cash flows from investing activities:					
Purchase of investments	-	-	-	(14,788,562)	(14,788,562)
Interest on investment securities	-	4,793,604	434	671,683	5,465,721
Proceeds from sales & maturities of investmnts.	-	261,007	-	16,203,198	16,464,205
Net cash (used in) provided by investing activities	-	5,054,611	434	2,086,319	7,141,364
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	414,165	51,445,911	(344)	83	51,859,815
Cash & cash equivalents, beginning of year	78,887	199,598,404	344	484	199,678,119
Cash & cash equivalents, end of year	\$ 493,052	\$ 251,044,315	\$ -	\$ 567	\$ 251,537,934

Maryland Water Quality Financing Administration
 Clean Water State Revolving Loan Fund-Combining Statements of Cash Flows - Schedule 6
 Year ended June 30, 2011

	Business-type Activities 2011				
	General Account	Capital Reserve Account	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 458,092	\$ (29,630,235)	\$ 7,034,329	\$ 1,415,824	\$ (20,721,990)
Depreciation of fixed assets	2,876	-	-	-	2,876
Adjustments to reconcile income before contributions to net cash provided by (used in) operating activities					
Net loan disbursements	-	(56,485,640)	-	-	(56,485,640)
Loan repayments	-	7,351,095	45,837,194	14,261,341	67,449,630
Decrease (increase) in loan interest receivable	-	(98,843)	233,042	234,637	368,836
Decrease in prepaid expenses	-	-	-	-	-
(Increase) decrease in administrative fees, federal costs and other receivables	98,950	-	-	-	98,950
Increase (decrease) in accounts payable and other liabilities	(145,751)	-	-	-	(145,751)
Net cash provided by (used in) operating activities	\$ 414,167	\$ (78,863,623)	\$ 53,104,565	\$ 15,911,802	\$ (9,433,089)

Maryland Water Quality Financing Administration
Clean Water State Revolving Loan Fund-Combining Statements of Cash Flows - Schedule 6
Year ended June 30, 2010

	Business-type Activities 2010				
	General Account	Capital Reserve Account	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Totals
Cash flows from operating activities					
Loan repayments	\$ -	\$ 5,882,765	\$ 44,059,151	\$ 14,869,653	\$ 64,811,569
Interest and fees received from borrowers	3,541,922	697,700	7,693,456	2,141,893	14,074,971
Other receipts and adjustments	1,213,105	4,556	-	-	1,217,661
Net loan disbursements	-	(44,587,378)	-	-	(44,587,378)
Grant disbursements	-	(15,617,902)	-	-	(15,617,902)
Salaries and benefits paid	(3,284,569)	-	-	-	(3,284,569)
General expenses paid	(2,135,996)	-	-	-	(2,135,996)
Net cash provided by (used in) operating activities	<u>(665,538)</u>	<u>(53,620,259)</u>	<u>51,752,607</u>	<u>17,011,546</u>	<u>14,478,356</u>
Cash flows from Non-Capital financing activities:					
Contributions received from :					
Federal government	-	22,978,555	-	-	22,978,555
State of Maryland	-	1,127,402	-	-	1,127,402
Transfer to other accounts	(1,032)	53,286,296	(48,159,606)	(5,125,658)	-
Proceeds from sale of bonds	-	-	-	-	-
Repayment of bonds	-	-	(1,525,000)	(9,750,000)	(11,275,000)
Cost of issuance/underwriters discount	-	-	-	-	-
Interest on bonds	-	-	(2,076,328)	(1,929,844)	(4,006,172)
Arbitrage liability paid	-	-	-	(888,539)	(888,539)
Net cash (used in) provided by Non Capital financing activities	<u>(1,032)</u>	<u>77,392,253</u>	<u>(51,760,934)</u>	<u>(17,694,041)</u>	<u>7,936,246</u>
Cash flows from investing activities:					
Purchase of investments	-	(126,830)	-	(15,416,198)	(15,543,028)
Interest on investment securities	56	4,147,261	424	682,923	4,830,664
Proceeds from sales & maturities of investmnts.	-	1,811,121	-	15,411,432	17,222,553
Net cash (used in) provided by investing activities	<u>56</u>	<u>5,831,552</u>	<u>424</u>	<u>678,157</u>	<u>6,510,189</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(666,514)</u>	<u>29,603,546</u>	<u>(7,903)</u>	<u>(4,338)</u>	<u>28,924,791</u>
Cash & cash equivalents, beginning of year	<u>745,401</u>	<u>169,994,858</u>	<u>8,247</u>	<u>4,822</u>	<u>170,753,328</u>
Cash & cash equivalents, end of year	<u>\$ 78,887</u>	<u>\$ 199,598,404</u>	<u>\$ 344</u>	<u>\$ 484</u>	<u>\$ 199,678,119</u>

Maryland Water Quality Financing Administration
Clean Water State Revolving Loan Fund-Combining Statements of Cash Flows - Schedule 6
Year ended June 30, 2010

	Business-type Activities 2010				
	General Account	Capital Reserve Account	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Totals
Reconciliation of operating income (loss) to net cash provided (used in) by operating activities:					
Operating income (loss)	\$ (558,641)	\$ (14,828,183)	\$ 7,494,038	\$ 1,896,177	\$ (5,996,609)
Depreciation of fixed assets	5,413	-	-	-	5,413
Adjustments to reconcile income before contributions to net cash provided by (used in) operating activities					
Net loan disbursements	-	(44,587,378)	-	-	(44,587,378)
Loan repayments	-	5,882,765	44,059,151	14,869,653	64,811,569
Decrease (increase) in loan interest receivable	-	(87,463)	199,418	245,716	357,671
Decrease in prepaid expenses	-	-	-	-	-
(Increase) decrease in administrative fees, federal costs and other receivables	(228,137)	-	-	-	(228,137)
Increase (decrease) in accounts payable and other liabilities	115,827	-	-	-	115,827
Net cash provided by (used in) operating activities	<u>\$ (665,538)</u>	<u>\$ (53,620,259)</u>	<u>\$ 51,752,607</u>	<u>\$ 17,011,546</u>	<u>\$ 14,478,356</u>

Maryland Water Quality Financing Administration
Drinking Water State Revolving Loan Fund-Combining Statements of Net Assets - Schedule 7
June 30, 2011 and 2010

	Business-Type Activities- 2011			Business-Type Activities- 2010		
	Funds held by Administration			Funds held by Administration		
	Maryland Water Quality DW-RLF			Maryland Water Quality DW-RLF		
	General Accounts	Capital Reserve Accounts	Total	General Accounts	Capital Reserve Accounts	Total
ASSETS						
Current Unrestricted Assets:						
Cash and cash equivalents	\$ 29,485	\$ 29,435,962	\$ 29,465,447	\$ 51,718	\$ 22,148,049	\$ 22,199,767
Investments	-	-	-	-	-	-
Receivables:						
Investment Interest	-	-	-	-	-	-
Loans	-	6,603,677	6,603,677	-	6,183,543	6,183,543
Loan Interest	-	604,341	604,341	-	648,918	648,918
Administrative Fee	339,931	-	339,931	341,208	-	341,208
Miscellaneous	-	-	-	-	-	-
Total Current Assets	369,416	36,643,980	37,013,396	392,926	28,980,510	29,373,436
Noncurrent Unrestricted Assets:						
Receivables:	-	-	-	-	-	-
Loans, Net of current portion	-	115,759,465	115,759,465	-	102,582,969	102,582,969
Total NonCurrent Assets	-	115,759,465	115,759,465	-	102,582,969	102,582,969
Total Assets	\$ 369,416	\$ 152,403,445	\$ 152,772,861	\$ 392,926	\$ 131,563,479	\$ 131,956,405
LIABILITIES AND NET ASSETS						
LIABILITIES						
Current Liabilities payable from Unrestricted Assets:						
Accounts Payable	\$ 29,991	\$ -	\$ 29,991	\$ 32,669	\$ -	\$ 32,669
Total Current Liabilities	29,991	-	29,991	32,669	-	32,669
Noncurrent Liabilities payable from Unrestricted Assets:						
Other Liabilities	20,715	-	20,715	28,543	-	28,543
Total Noncurrent Liabilities	20,715	-	20,715	28,543	-	28,543
Total Liabilities	50,706	-	50,706	61,212	-	61,212
NET ASSETS						
Invested in Capital Assets, Net of Related Debt Unrestricted	- 318,710	- 152,403,445	- 152,722,155	- 331,714	- 131,563,479	- 131,895,193
Total Net Assets	318,710	152,403,445	152,722,155	331,714	131,563,479	131,895,193
Total Liabilities and Net Assets	\$ 369,416	\$ 152,403,445	\$ 152,772,861	\$ 392,926	\$ 131,563,479	\$ 131,956,405

Maryland Water Quality Financing Administration
Drinking Water State Revolving Loan Fund-Combining Statements of Revenues, Expenses and Changes in Net Assets - Schedule 8
Years ended June 30, 2011 and 2010

	Business-Type Activities- 2011			Business-Type Activities- 2010		
	Funds held by Administration			Funds held by Administration		
	Maryland Water Quality Drinking Water Revolving Loan Fund			Maryland Water Quality Drinking Water Revolving Loan Fund		
	General Accounts	Capital Reserve Accounts	Total	General Accounts	Capital Reserve Accounts	Total
Operating Revenues						
Interest on loans	\$ -	\$ 1,241,018	\$ 1,241,018	\$ -	\$ 1,282,510	\$ 1,282,510
Loan administration fees	342,261	-	342,261	342,299	-	342,299
Grant Revenue	288,725	-	288,725	443,686	-	443,686
Grant Revenue (2%,10%, 15%)	3,568,543	-	3,568,543	3,723,845	-	3,723,845
Miscellaneous Income		15,507	15,507		102,202	102,202
Total Operating Revenue	4,199,529	1,256,525	5,456,054	4,509,830	1,384,712	5,894,542
Operating Expenses						
Salaries and related benefits	470,990	-	470,990	571,213	-	571,213
General	176,743	-	176,743	265,296	-	265,296
Transfers-out(2,10,15% Set Asides)	3,568,543	-	3,568,543	3,723,845	-	3,723,845
Grant Disbursements	-	7,753,377	7,753,377	-	3,763,205	3,763,205
Total Operating Expenses	4,216,276	7,753,377	11,969,653	4,560,354	3,763,205	8,323,559
Operating Income(loss)	(16,747)	(6,496,852)	(6,513,599)	(50,524)	(2,378,493)	(2,429,017)
Nonoperating revenues (expenses)						
Investment Income	3,743	501,713	505,456	4,934	406,883	411,817
Cost of Issuance Amortization expense	-	-	-	-	-	-
Arbitrage Rebate Expense	-	-	-	-	-	-
Interest expense-Bonds	-	-	-	-	-	-
Net change in fair value of investments	-	-	-	-	-	-
Total nonoperating revenue(expenses)	3,743	501,713	505,456	4,934	406,883	411,817
Income before contributions	(13,004)	(5,995,139)	(6,008,143)	(45,590)	(1,971,610)	(2,017,200)
Contributions received from:						
Federal government	-	24,690,672	24,690,672	-	9,863,397	9,863,397
State of Maryland	-	2,144,433	2,144,433	-	1,550,264	1,550,264
CHANGE IN NET ASSETS	(13,004)	20,839,966	20,826,962	(45,590)	9,442,051	9,396,461
Net assets, beginning of year	331,714	131,563,479	131,895,193	377,304	122,121,428	122,498,732
Net assets, end of year	\$ 318,710	\$ 152,403,445	\$ 152,722,155	\$ 331,714	\$ 131,563,479	\$ 131,895,193

Maryland Water Quality Financing Administration
Drinking Water State Revolving Loan Fund-Combining Statements of Cash Flows - Schedule 9
Years ended June 30, 2011 and 2010

	Business-Type Activities 2011			Business-Type Activities 2010		
	Funds held by Administration			Funds held by Administration		
	Maryland Water Quality DW-RLF			Maryland Water Quality DW-RLF		
	General Accounts	Capital Reserve Accounts	Total	General Accounts	Capital Reserve Accounts	Total
Cash flows from operating activities:						
Loan repayments	\$ -	\$ 6,374,380	\$ 6,374,380	\$ -	\$ 5,615,464	\$ 5,615,464
Interest and fees received from borrowers	343,538	1,285,595	1,629,133	337,228	1,241,203	1,578,431
Other receipts	3,857,268	15,507	3,872,775	4,167,531	102,202	4,269,733
Loan disbursements	-	(19,971,010)	(19,971,010)	-	(9,606,106)	(9,606,106)
Grant Disbursements	-	(7,753,377)	(7,753,377)	-	(3,763,205)	(3,763,205)
Salaries and benefits paid	(470,990)	-	(470,990)	(571,213)	-	(571,213)
General expenses paid	(3,755,792)	-	(3,755,792)	(4,001,223)	-	(4,001,223)
Net cash used in operating activities	(25,976)	(20,048,905)	(20,074,881)	(67,677)	(6,410,442)	(6,478,119)
Cash flows from Non-Capital financing activities:						
Contributions received from:						
Federal government	-	24,690,672	24,690,672	-	9,863,397	9,863,397
State of Maryland	-	2,144,433	2,144,433	-	1,550,264	1,550,264
Repayment of bonds	-	-	-	-	-	-
Net cash provided by Non-Capital financing activities	-	26,835,105	26,835,105	-	11,413,661	11,413,661
Cash flows from Capital and related financing activities						
Purchase of Equipment	-	-	-	-	-	-
Net cash provide by capital and related financing activities	-	-	-	-	-	-
Cash flows from investing activities						
Purchase of investment securities	-	-	-	-	-	-
Interest on Investments Securities	3,743	501,713	505,456	4,934	406,882	411,816
Proceeds from sales of Investments	-	-	-	-	-	-
Net cash used in investing activities	3,743	501,713	505,456	4,934	406,882	411,816
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(22,233)	7,287,913	7,265,680	(62,743)	5,410,101	5,347,358
Cash and cash equivalents, beginning of year	51,718	22,148,049	22,199,767	114,461	16,737,948	16,852,409
Cash and cash equivalents, end of year	\$ 29,485	\$ 29,435,962	\$ 29,465,447	\$ 51,718	\$ 22,148,049	\$ 22,199,767

(continued)

(continued)

Maryland Water Quality Financing Administration
Drinking Water State Revolving Loan Fund-Combining Statements of Cash Flows - Schedule 9
Years ended June 30, 2011 and 2010

	<u>Business-Type Activities- 2011</u>			<u>Business-Type Activities- 2010</u>		
	<u>Funds held</u>			<u>Funds held</u>		
	<u>by Administration</u>			<u>by Administration</u>		
	<u>Maryland Water Quality</u>			<u>Maryland Water Quality</u>		
<u>Revolving Loan Fund</u>			<u>Revolving Loan Fund</u>			
<u>General</u>	<u>Capital Reserve</u>	<u>Total</u>	<u>General</u>	<u>Capital Reserve</u>	<u>Total</u>	
<u>Accounts</u>	<u>Accounts</u>		<u>Accounts</u>	<u>Accounts</u>		
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating Income(loss)	\$ (16,747)	\$ (6,496,852)	\$ (6,513,599)	\$ (50,524)	\$ (2,378,493)	\$ (2,429,017)
Depreciation of Fixed Assets	-	-	-	-	-	-
Adjustments to reconcile operating income to net cash used in operating activities						
Loan disbursements	-	(19,971,010)	(19,971,010)	-	(9,606,106)	(9,606,106)
Loan repayments	-	6,374,380	6,374,380	-	5,615,464	5,615,464
Decr/(Incr) in loan interest receivable	-	44,577	44,577	-	(41,307)	(41,307)
Decrease in prepaid expenses	-	-	-	-	-	-
(Increase) decrease in administrative fees, and other Receivables	1,277	-	1,277	(5,071)	-	(5,071)
Depreciation of Fixed Assets	-	-	-	-	-	-
Increase (decrease) in accounts payable and other liabilities	(10,506)	-	(10,506)	(12,082)	-	(12,082)
Net Cash used in Operating Activities	\$ (25,976)	\$ (20,048,905)	\$ (20,074,881)	\$ (67,677)	\$ (6,410,442)	\$ (6,478,119)

Maryland Water Quality Financing Administration
 Bay Restoration Fund-Wastewater & Septics Fund-Combining Statements of Net Assets - Schedule 10
 June 30, 2011

	<u>Business-Type Activities-2011</u>			<u>Business-Type Activities-2011</u>		
	<u>Funds held by Administration</u>			<u>Funds held by Administration</u>		
	<u>BAY RESTORATION FUND-WASTEWATER</u>			<u>BAY RESTORATION FUND-SEPTICS</u>		
	<u>Admin</u>	<u>Capital</u>	<u>Bond Funds</u>	<u>Admin</u>	<u>Capital</u>	<u>Total</u>
	<u>Accounts</u>	<u>Accounts</u>	<u>2008 Indenture</u>	<u>Accounts</u>	<u>Accounts</u>	
ASSETS						
Current Unrestricted Assets:						
Cash and cash equivalents	\$ 1,083,574	\$ 55,958,974	\$ -	\$ 619,209	\$ 4,810,309	\$ 62,472,066
Investments	-	-	-	-	-	-
Receivables:						
Investment Interest Receivable	-	-	-	-	-	-
BRF Fee Receivable	175,967	-	-	30,818	354,408	561,193
Current Restricted Assets:						
Cash and cash equivalents	-	13,163,897	28	-	-	13,163,925
Investments	-	-	-	-	-	-
Receivables:						
Investment Interest Receivable	-	-	-	-	-	-
BRF Fee Receivable	-	11,555,143	-	-	-	11,555,143
Total Current Assets	1,259,541	80,678,014	28	650,027	5,164,717	87,752,327
Noncurrent Unrestricted Assets:						
Investments	-	-	-	-	-	-
Receivables:						
Fixed Assets less Depreciation	-	-	-	8,013	-	8,013
Noncurrent Restricted Assets:						
Investments	-	-	-	-	-	-
Unamortized Underwriters discount	-	-	180,109	-	-	180,109
Unamortized Cost of Issuance	-	-	164,515	-	-	164,515
Total NonCurrent Assets	-	-	344,624	8,013	-	352,637
Total Assets	\$ 1,259,541	\$ 80,678,014	\$ 344,652	\$ 658,040	\$ 5,164,717	\$ 88,104,964

Maryland Water Quality Financing Administration
 Bay Restoration Fund-Wastewater & Septics Fund-Combining Statements of Net Assets - Schedule 10
 June 30, 2011

	<u>Business-Type Activities-2011</u>			<u>Business-Type Activities-2011</u>		
	<u>Funds held by Administration</u>			<u>Funds held by Administration</u>		
	<u>BAY RESTORATION FUND-WASTEWATER</u>			<u>BAY RESTORATION FUND-SEPTICS</u>		
	<u>Admin</u>	<u>Capital</u>	<u>Bond Funds</u>	<u>Admin</u>	<u>Capital</u>	<u>Total</u>
	<u>Accounts</u>	<u>Accounts</u>	<u>2008 Indenture</u>	<u>Accounts</u>	<u>Accounts</u>	
LIABILITIES AND NET ASSETS						
LIABILITIES :						
Current Liabilities payable from Unrestricted Assets:						
Accounts Payable	52,301	-	-	60,208	-	112,509
Current Liabilities payable from Restricted Assets:						
Revenue Bonds Payable	-	-	2,740,000	-	-	2,740,000
Accrued Bond Interest	-	-	554,860	-	-	554,860
Accrued Bond Premium	-	-	-	-	-	-
Total Current Liabilities	52,301	-	3,294,860	60,208	-	3,407,369
Noncurrent Liabilities payable from Unrestricted Assets:						
Other Liabilities	35,405	-	-	43,063	-	78,468
Noncurrent Liabilities payable from Restricted Assets:						
Arbitrage Rebate	-	-	-	-	-	-
Revenue Bonds Payable	-	-	38,820,000	-	-	38,820,000
Bond Premium -NC	-	-	1,288,921	-	-	1,288,921
Total Noncurrent Liabilities	35,405	-	40,108,921	43,063	-	40,187,389
Total Liabilities	87,706	-	43,403,781	103,271	-	43,594,758
NET ASSETS						
Invested In Capital Assets, Net of Related Debt	-	-	-	8,013	-	8,013
Restricted for Debt Service	-	24,719,040	(43,059,129)	-	-	(18,340,089)
Unrestricted	1,171,835	55,958,974	-	546,756	5,164,717	62,842,282
Total Net Assets	1,171,835	80,678,014	(43,059,129)	554,769	5,164,717	44,510,206
Total Liabilities and Net Assets	\$ 1,259,541	\$ 80,678,014	\$ 344,652	\$ 658,040	\$ 5,164,717	\$ 88,104,964

Maryland Water Quality Financing Administration
 Bay Restoration Fund-Wastewater and Septics Fund-Combining Statements of Net Assets - Schedule 10
 June 30, 2010

	<u>Business-Type Activities-2010</u>			<u>Business-Type Activities-2010</u>		
	<u>Funds held by Administration</u>			<u>Funds held by Administration</u>		
	<u>BAY RESTORATION FUND-WASTEWATER</u>			<u>BAY RESTORATION FUND-SEPTICS</u>		
	<u>Admin Accounts</u>	<u>Capital Accounts</u>	<u>Bond Funds 2008 Indenture</u>	<u>Admin Accounts</u>	<u>Capital Accounts</u>	<u>Total</u>
ASSETS						
Current Unrestricted Assets:						
Cash and cash equivalents	\$ 1,261,141	\$ 57,384,808	\$ -	\$ 603,945	\$ 4,425,312	\$ 63,675,206
Investments	-	-	-	-	-	-
Receivables:						
Investment Interest Receivable	-	-	-	-	-	-
BRF Fee Receivable	163,005	-	-	17,991	206,897	387,893
Current Restricted Assets:						
Cash and cash equivalents	-	11,027,146	22	-	-	11,027,168
Investments	-	-	-	-	-	-
Receivables:						
Investment Interest Receivable	-	-	-	-	-	-
BRF Fee Receivable	-	10,704,019	-	-	-	10,704,019
Total Current Assets	1,424,146	79,115,973	22	621,936	4,632,209	85,794,286
Noncurrent Unrestricted Assets:						
Investments	-	-	-	-	-	-
Fixed Assets less Depreciation	4,315	-	-	16,045	-	20,360
Noncurrent Restricted Assets:						
Investments	-	-	-	-	-	-
Unamortized Underwriters discount	-	-	195,547	-	-	195,547
Unamortized Cost of Issuance	-	-	178,616	-	-	178,616
Total NonCurrent Assets	4,315	-	374,163	16,045	-	394,523
Total Assets	\$ 1,428,461	\$ 79,115,973	\$ 374,185	\$ 637,981	\$ 4,632,209	\$ 86,188,809

Maryland Water Quality Financing Administration
 Bay Restoration Fund-Wastewater and Septics Fund-Combining Statements of Net Assets - Schedule 10
 June 30, 2010

	<u>Business-Type Activities-2010</u>			<u>Business-Type Activities-2010</u>		
	<u>Funds held by Administration</u>			<u>Funds held by Administration</u>		
	<u>BAY RESTORATION FUND-WASTEWATER</u>			<u>BAY RESTORATION FUND-SEPTICS</u>		
	<u>Admin</u>	<u>Capital</u>	<u>Bond Funds</u>	<u>Admin</u>	<u>Capital</u>	<u>Total</u>
	<u>Accounts</u>	<u>Accounts</u>	<u>2008 Indenture</u>	<u>Accounts</u>	<u>Accounts</u>	
LIABILITIES AND NET ASSETS						
LIABILITIES :						
Current Liabilites payable from unrestricted assets:						
Accounts payable	\$ 61,091	\$ -	\$ -	\$ 13,880	\$ -	\$ 74,971
Current Liabilites payable from restricted assets:						
Revenue bonds payable	-	-	2,625,000	-	-	2,625,000
Accrued bond interest	-	-	581,464	-	-	581,464
Accrued bond premium	-	-	-	-	-	-
Total current liabilities	61,091	-	3,206,464	13,880	-	3,281,435
Noncurrent Liabilities payable from Unrestricted Assets:						
Other liabilities	57,346	-	-	17,340	-	74,686
Noncurrent Liabilities payable from Restricted Assets:						
Arbitrage rebate	-	-	-	-	-	-
Revenue bonds payable	-	-	41,560,000	-	-	41,560,000
Bond premium -NC	-	-	1,535,482	-	-	1,535,482
Total Noncurrent Liabilities	57,346	-	43,095,482	17,340	-	43,170,168
Total Liabilities	118,437	-	46,301,946	31,220	-	46,451,603
NET ASSETS						
Invested In capital assets, net of related debt	4,315	-	-	16,045	-	20,360
Restricted for debt service	-	21,731,165	(45,927,761)	-	-	(24,196,596)
Unrestricted	1,305,709	57,384,808	-	590,716	4,632,209	63,913,442
Total Net Assets	1,310,024	79,115,973	(45,927,761)	606,761	4,632,209	39,737,206
Total Liabilities and Net Assets	\$ 1,428,461	\$ 79,115,973	\$ 374,185	\$ 637,981	\$ 4,632,209	\$ 86,188,809

Maryland Water Quality Financing Administration
 Bay Restoration Fund-Wastewater and Septics Fund-Combining Statements of Revenue, Expenses and Changes in Net Assets - Schedule 11
 Year ended June 30, 2011

	Business-Type Activities- 2011			Business-Type Activities- 2011			TOTAL BRF
	Funds held by Administration			Funds held by Administration			
	Maryland Water Quality Bay Restoration Fund-Wastewater			Maryland Water Quality Bay Restoration Fund-Septics			
	Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts		
Operating Revenues:							
Fee Revenue	\$ 831,927	\$ 54,629,883	\$ -	\$ 653,891	\$ 7,519,742	\$ 63,635,443	
Miscellaneous Income	-	-	-	-	-	-	
Total Operating Revenue	831,927	54,629,883	-	653,891	7,519,742	63,635,443	
Operating Expenses							
Salaries and related benefits	828,842	-	-	581,114	-	1,409,956	
General admin expenses	141,274	-	-	124,769	-	266,043	
Capital Grant Disbursements	-	92,747,772	-	-	7,101,369	99,849,141	
Total Operating Expenses	970,116	92,747,772	-	705,883	7,101,369	101,525,140	
Operating Income	(138,189)	(38,117,889)	-	(51,992)	418,373	(37,889,697)	
Nonoperating revenues (expenses)							
Investment Income	-	1,894,839	95	-	114,135	2,009,069	
Cost of Issuance Expense	-	-	(29,539)	-	-	(29,539)	
Arbitrage Rebate Expense	-	-	-	-	-	-	
Interest on Bonds	-	-	(1,717,788)	-	-	(1,717,788)	
Net change in fair value of investments	-	-	-	-	-	-	
Total nonoperating revenue(expenses)	-	1,894,839	(1,747,232)	-	114,135	261,742	
Income before contributions	(138,189)	(36,223,050)	(1,747,232)	(51,992)	532,508	(37,627,955)	
Contributions received from:							
Federal government	-	-	-	-	-	-	
State of Maryland	-	-	-	-	-	-	
Transfer to State General Fund	-	(45,000,000)	-	-	-	(45,000,000)	
Contribution from State	-	87,400,955	-	-	-	87,400,955	
Interfund Equity Transfer	-	(4,615,864)	4,615,864	-	-	-	
CHANGE IN NET ASSETS	(138,189)	1,562,041	2,868,632	(51,992)	532,508	4,773,000	
Net assets, beginning of year	1,310,024	79,115,973	(45,927,761)	606,761	4,632,209	39,737,206	
Net assets, end of year	\$ 1,171,835	\$ 80,678,014	\$ (43,059,129)	\$ 554,769	\$ 5,164,717	\$ 44,510,206	

Maryland Water Quality Financing Administration
 Bay Restoration Fund-Wastewater and Septics Fund-Combining Statements of Revenue, Expenses and Changes in Net Assets - Schedule 11
 Year ended June 30, 2010

	Business-Type Activities-2010			Business-Type Activities-2010		
	Funds held			Funds held		
	Maryland Water Quality			by Administration		
	Bay Restoration Fund-Wastewater			Maryland Water Quality		
	Admin	Capital	Bond Funds	Admin	Capital	TOTAL
	Accounts	Accounts	2008 Indenture	Accounts	Accounts	
Operating Revenues:						
Fee revenue	\$ 815,971	\$ 53,582,117	\$ -	\$ 249,473	\$ 2,868,946	\$ 57,516,507
Miscellaneous income	-	-	-	-	-	-
Total Operating Revenue	815,971	53,582,117	-	249,473	2,868,946	57,516,507
Operating Expenses						
Salaries and related benefits	793,219	-	-	199,462	-	992,681
General admin expenses	172,218	-	-	118,990	-	291,208
Capital grant disbursements	-	28,881,677	18,485,794	-	16,188,266	63,555,737
Total Operating Expenses	965,437	28,881,677	18,485,794	318,452	16,188,266	64,839,626
Operating Income	(149,466)	24,700,440	(18,485,794)	(68,979)	(13,319,320)	(7,323,119)
Nonoperating revenues (expenses)						
Investment Income	-	4,166,491	1,699	-	207,403	4,375,593
Cost of issuance expense	-	-	(29,539)	-	-	(29,539)
Arbitrage rebate expense	-	-	-	-	-	-
Interest on bonds	-	-	(1,788,701)	-	-	(1,788,701)
Net change in fair value of investments	-	-	-	-	-	-
Total nonoperating revenue(expenses)	-	4,166,491	(1,816,541)	-	207,403	2,557,353
Income before contributions	(149,466)	28,866,931	(20,302,335)	(68,979)	(13,111,917)	(4,765,766)
Contributions received from:						
Federal government	-	-	-	-	-	-
State of Maryland	-	-	-	-	-	-
Transfer to State General Fund	-	(155,000,000)	-	-	-	(155,000,000)
Contribution from State	-	10,078,273	-	-	-	10,078,273
Interfund equity transfer	-	(4,709,547)	4,709,547	-	-	-
CHANGE IN NET ASSETS	(149,466)	(120,764,343)	(15,592,788)	(68,979)	(13,111,917)	(149,687,493)
Net assets, beginning of year	1,459,490	199,880,316	(30,334,973)	675,740	17,744,126	189,424,699
Net assets, end of year	\$ 1,310,024	\$ 79,115,973	\$ (45,927,761)	\$ 606,761	\$ 4,632,209	\$ 39,737,206

Maryland Water Quality Financing Administration
 Bay Restoration Fund-Wastewater and Septics Fund-Combining Statements of Cash Flows - Schedule 12
 Year ended June 30, 2011

	Business-Type Activities- 2011			Business-Type Activities- 2011		
	Funds held			Funds held		
	by Administration			by Administration		
	Maryland Water Quality			Maryland Water Quality		
	Bay Restoration Fund-Wastewater			Bay Restoration Fund-Septics		
Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	Total	
Cash flows from operating activities:						
Loan repayments	\$ -	\$ -	\$ -	\$ -	\$ -	
Interest and fees received from borrowers	-	-	-	-	-	
Other receipts	818,966	53,778,759	-	641,063	62,611,019	
Grant disbursements	-	(92,747,772)	-	-	(99,849,141)	
Salaries and benefits paid	(828,842)	-	-	(581,114)	(1,409,956)	
General expenses paid	(167,691)	-	-	(44,685)	(212,376)	
Net cash used in operating activities	(177,567)	(38,969,013)	-	15,264	(38,860,454)	
Cash flows from Non-Capital financing activities:						
Contributions received from:						
Federal government	-	-	-	-	-	
State of Maryland	-	-	-	-	-	
Transfer to State General Fund	-	(45,000,000)	-	-	(45,000,000)	
Contribution from State	-	87,400,955	-	-	87,400,955	
Interfund Equity Transfers	-	(4,615,864)	4,615,864	-	-	
Proceeds from sale of Bonds	-	-	-	-	-	
Repayment of bonds	-	-	(2,625,000)	-	(2,625,000)	
Cost of Issuance/Underwriters Discount	-	-	-	-	-	
Interest on bonds	-	-	(1,990,953)	-	(1,990,953)	
Net cash provided by Non- Capital financing activities	-	37,785,091	(89)	-	37,785,002	
Cash flows from Capital and related financing activities:						
Purchase of Equipment	-	-	-	-	-	
Net Cash provided (used) by capital and related Financing activities	-	-	-	-	-	
Cash flows from investing activities:						
Purchase of Investment Securities	-	-	-	-	-	
Interest on Investment Securities	-	1,894,839	95	-	2,009,069	
Proceeds from sales & maturities of Investment securities	-	-	-	-	-	
Net cash used in investing activities	-	1,894,839	95	-	2,009,069	
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(177,567)	710,917	6	15,264	933,617	
Cash and cash equivalents, beginning of year	1,261,141	68,411,954	22	603,945	74,702,374	
Cash and cash equivalents, end of year	\$ 1,083,574	\$ 69,122,871	\$ 28	\$ 619,209	\$ 75,635,991	

Maryland Water Quality Financing Administration
 Bay Restoration Fund-Wastewater and Septics Fund-Combining Statements of Cash Flows - Schedule 12
 Year ended June 30, 2011

	Business-Type Activities- 2011			Business-Type Activities- 2011		
	Funds held			Funds held		
	by Administration			by Administration		
	Maryland Water Quality Bay Restoration Fund-Wastewater			Maryland Water Quality Bay Restoration Fund-Septics		
	Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	Total
Reconciliation of operating income(loss) to net cash provided(used) by operating activities:						
Operating Income (Loss)	\$ (138,189)	\$ (38,117,889)	\$ -	\$ (51,992)	\$ 418,373	\$ (37,889,697)
Depreciation of Fixed Assets	4,315	-	-	8,032	-	12,347
Adjustments to reconcile operating income to net cash used in operating activities:						
Loan disbursements	-	-	-	-	-	-
Loan repayments	-	-	-	-	-	-
Decr/(Incr) in loan interest receivable	-	-	-	-	-	-
Decrease in prepaid expenses	-	-	-	-	-	-
(Increase) decrease in administrative fees and other Receivables	(12,961)	(851,124)	-	(12,827)	(147,511)	(1,024,423)
Increase (decrease) in accounts payable and other liabilities	(30,732)	-	-	72,051	-	41,319
Net Cash provided (used) in Oper Activities	\$ (177,567)	\$ (38,969,013)	\$ -	\$ 15,264	\$ 270,862	\$ (38,860,454)

Maryland Water Quality Financing Administration
Bay Restoration Fund-Wastewater and Septics Fund-Combining Statements of Cash Flows - Schedule 12
Year ended June 30, 2010

	Business-Type Activities-2010			Business-Type Activities-2010		
	Funds held by Administration			Funds held by Administration		
	Maryland Water Quality Bay Restoration Fund-Wastewater			Maryland Water Quality Bay Restoration Fund-Septics		
	Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	Total
Cash flows from operating activities:						
Loan repayments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and fees received from borrowers	-	-	-	-	-	-
Other receipts	822,270	53,995,702	-	280,097	3,221,108	58,319,177
Grant disbursements	-	(28,881,677)	(18,485,794)	-	(16,188,266)	(63,555,737)
Salaries and benefits paid	(793,219)	-	-	(199,462)	-	(992,681)
General expenses paid	(141,627)	-	-	(116,700)	-	(258,327)
Net cash used in operating activities	(112,576)	25,114,025	(18,485,794)	(36,065)	(12,967,158)	(6,487,568)
Cash flows from Non-Capital financing activities:						
Contributions received from:						
Federal government	-	-	-	-	-	-
State of Maryland	-	-	-	-	-	-
Transfer to State General Fund	-	(155,000,000)	-	-	-	(155,000,000)
Contribution from State	-	10,078,273	-	-	-	10,078,273
Interfund equity transfers	-	(4,709,547)	4,709,547	-	-	-
Proceeds from sale of bonds	-	-	-	-	-	-
Repayment of bonds	-	-	(2,640,000)	-	-	(2,640,000)
Cost of Issuance/underwriters discount	-	-	-	-	-	-
Interest on bonds	-	-	(2,070,153)	-	-	(2,070,153)
Net cash provided by Non- Capital financing activities	-	(149,631,274)	(606)	-	-	(149,631,880)
Cash flows from investing activities:						
Purchase of investment securities	-	-	-	-	-	-
Interest on investment securities	-	4,166,491	1,855	-	207,403	4,375,749
Proceeds from sales & maturities of investment securities	-	-	-	-	-	-
Net cash used in investing activities	-	4,166,491	1,855	-	207,403	4,375,749
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(112,576)	(120,350,758)	(18,484,545)	(36,065)	(12,759,755)	(151,743,699)
Cash and cash equivalents, beginning of year	1,373,717	188,762,712	18,484,567	640,010	17,185,067	226,446,073
Cash and cash equivalents, end of year	\$ 1,261,141	\$ 68,411,954	\$ 22	\$ 603,945	\$ 4,425,312	\$ 74,702,374

Maryland Water Quality Financing Administration
Bay Restoration Fund-Wastewater and Septics Fund-Combining Statements of Cash Flows - Schedule 12
Year ended June 30, 2010

	<u>Business-Type Activities-2010</u>			<u>Business-Type Activities-2010</u>		
	Funds held			Funds held		
	by Administration			by Administration		
	Maryland Water Quality Bay Restoration Fund-Wastewater			Maryland Water Quality Bay Restoration Fund-Septics		
	<u>Admin Accounts</u>	<u>Capital Accounts</u>	<u>Bond Funds 2008 Indenture</u>	<u>Admin Accounts</u>	<u>Capital Accounts</u>	<u>Total</u>
Reconciliation of operating income(loss) to net cash provided(used) by operating activities:						
Operating income (loss)	\$ (149,466)	\$ 24,700,440	\$ (18,485,794)	\$ (68,979)	\$ (13,319,320)	\$ (7,323,119)
Depreciation of fixed assets	4,708	-	-	9,253	-	13,961
Adjustments to reconcile operating income to net cash used in operating activities:						
Loan disbursements	-	-	-	-	-	-
Loan repayments	-	-	-	-	-	-
Decrease/(Increase) in loan interest receivable	-	-	-	-	-	-
Decrease in prepaid expenses	-	-	-	-	-	-
(Increase) decrease in administrative fees and other receivables	6,299	413,585	-	30,623	352,162	802,669
	-	-	-	-	-	-
Increase (decrease) in accounts payable and other liabilities	25,883	-	-	(6,962)	-	18,921
Net Cash provided (used) in Oper Activites	\$ (112,576)	\$ 25,114,025	\$ (18,485,794)	\$ (36,065)	\$ (12,967,158)	\$ (6,487,568)



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

To the Director of
Maryland Water Quality Financing Administration

We have audited the financial statements of Maryland Water Quality Financing Administration (the Administration) as of and for the year ended June 30, 2011, and have issued our report thereon dated September 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Administration's internal controls over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Administration's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Administration's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Administration's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Administration's financial statements are free of 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*.

This report is intended solely for the information and use of management, the Board of Trustees, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SB & Company, LLC

Hunt Valley, Maryland
September 23, 2011