

**MARYLAND WATER QUALITY  
FINANCING ADMINISTRATION**

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

**For the Years Ended June 30, 2013 and 2012**



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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

To the Director of  
Maryland Water Quality Financing Administration

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

We have audited the accompanying statements of net position of the Maryland Water Quality Financing Administration (the Administration) as of June 30, 2013 and 2012, and the related statements of revenue, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Administration's basic financial statements as listed in the table of contents.

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

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Administration as of June 30, 2013 and 2012, and its changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



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### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2013 on our consideration of the Administration's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Administration's internal control over financial reporting and compliance.

Hunt Valley, Maryland  
September 20, 2013

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Management's Discussion and Analysis June 30, 2013 and 2012

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 two sources. First, a monthly flat fee of \$2.50 (\$30 per year) effective January 1, 2005 through June 30, 2012, from each household and business (\$2.50 per month per equivalent dwelling unit) served by a wastewater treatment plant (wastewater fund). The wastewater funds are managed by the Maryland Department of the Environment (MDE) for the key purpose of providing grants for upgrade of major wastewater treatment plants in Maryland with enhanced nutrient removal technologies. Second, an annual fee of \$30 from each user/household served by an onsite well and septic system (septics fund) effective October 1, 2005 through June 30, 2012, of which 60% is allocated to MDE for the purpose of providing grants/loans for the upgrade of onsite septic disposal systems with nitrogen removal technology. Forty percent of the BRF septic funds are allocated to the Maryland Department of Agriculture (MDA) for the purpose of implementing the cover crop program. The MWQFA is responsible for the financial management of the fees transferred to MDE by the State Comptroller's office under the BRF. During the 2012 legislative session, the State Legislature amended the BRF statute (HB 446) that doubled the BRF fee to \$5.00 per month (\$60 per year) for most users, effective July 1, 2012 (FY 2013). The fee remained unchanged for users that do not discharge wastewater into the Chesapeake or Atlantic Bays Watershed.

A Legislative amendment to the MWQFA was made through the Budget and Reconciliation and Financing Acts (BRFA) of 2010, 2011 and 2012. The unexpended balance in the BRF was reduced by \$155,000,000 in fiscal year 2010, \$45,000,000 in fiscal year 2011, and \$90,000,000 in fiscal year 2012, 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 out were replenished back with \$125,000,000 of State General Obligation (GO) bond authorization

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Management's Discussion and Analysis June 30, 2013 and 2012

in fiscal year 2010, \$146,825,000 in fiscal year 2011, and \$18,175,000 in fiscal year 2012. As of June 30, 2013, MWQFA has fully drawn down the \$290,000,000 of State GO bonds against capital project expenditures.

A Legislative amendment to the MWQFA Act in 2008 established the Chesapeake and Atlantic Coastal Bays Non-point Source (NPS) Fund. This amendment provides financial assistance for the implementation of non-point source pollution control projects to achieve the State's tributary strategy. Source of funding for the NPS Fund are transfers made from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund, which is managed by the State's Department of Natural Resources (DNR). The MWQFA is responsible for the financial management of funds transferred by DNR for the NPS Trust Fund. No new grant funds were transferred from the DNR to MWQFA during FY 2012 and FY 2013.

The WQRLF, DWRLF, BRF, and NPS Fund program activities are considered proprietary activities and are accounted for in a manner similar to a private sector business operation. Sources of funding for these programs include Federal grants, State match to Federal funds (20% requirement), State GO bonds, revenue bonds, special fees and other revolving type revenue. The total net position of these programs represents the accumulated earnings since their inception and 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, 2013 and 2012. Please read it in conjunction with the MWQFA's financial statements, which follow this section.

### Financial Highlights

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

### Statements of Net Position

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

As of June 30, 2013:

The unrestricted and restricted current asset of cash and cash equivalents increased by \$28.8 million and \$11.4 million, respectively. This increase was primarily a result of the doubling of the BRF fee for most users, which went into effect starting in fiscal year 2013. Furthermore, the majority of the BRF grant disbursements during FY 2013 were funded by State GO Bonds, as opposed to BRF special funds. The increase was also due to WQRLF and DWRLF loan repayments while the majority of the capital loan and grant disbursements were funded by Federal and State match funds.

## MARYLAND WATER QUALITY FINANCING ADMINISTRATION

### Management's Discussion and Analysis June 30, 2013 and 2012

#### Statements of Net Position (continued)

The restricted BRF fee receivable increased by \$9.3 million as a result of the doubling of the BRF fee billed and accrued for FY 2013.

The current unrestricted loans receivable increased by \$7.2 million due to large direct loans which are now scheduled to begin their principal repayments. The current restricted loans receivable decreased by \$5.8 million due to many older pledged loans becoming fully paid off.

The non-current unrestricted loans receivable increased by \$136.1 million from new WQRLF and DWRLF direct loans. The non-current restricted loans receivable decreased by \$49.2 million as a result of decreased principal payments on older pledged loans becoming fully paid off.

The non-current restricted investment balance decreased by \$5.1 million. This is primarily due to the downsizing of the Guaranteed Investment Contracts required for debt service reserve.

The non-current liabilities revenue bonds payable decreased by \$13.5 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 \$10.6 million, as well as \$2.9 million for the BRF indentured series 2008.

The total net position, restricted for debt service decreased by \$29.3 million. This decrease is because of liquidation of loans receivable for loans pledged against bond indentures and downsizing of the 2005A Debt Service Reserve. There was a net decrease of \$43.2 million and \$9.4 million, respectively, for the WQRLF 2008A and 2005A indentures. Additionally, there was an increase of \$23.3 million for the BRF program due to the growth in cash and fee receivable as a result of the doubling of the BRF fee in FY 2013.

The total unrestricted net position increased by \$175.4 million. This change is the result of increased Federal and State funding contributions, interest income, investment income, doubling of the BRF fee, as well as increased loan activity. The WQRLF and DWRLF had increases in net position of \$155.2 million and \$9.3 million, respectively. The BRF had an increase in unrestricted net position of \$12.0 million. Also, the NPS Trust Fund net position decreased by \$1.1 million.

As of June 30, 2012:

The current assets for cash and cash equivalents increased by \$14.8 million and the total current assets increased by \$10.2 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.



## MARYLAND WATER QUALITY FINANCING ADMINISTRATION

### Management's Discussion and Analysis June 30, 2013 and 2012

#### Statements of Net Position (continued)

The non-current unrestricted loans receivable increased by \$59.4 million from new WQRLF and DWRLF loans. The non-current restricted loans receivable decreased by \$49.0 million as a result of principal payments on older loans.

The non-current liabilities revenue bonds payable decreased by \$13.1 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 2008 of \$10.3 million. Those amounts have been adjusted for deferred interest for the 2005A indentured series. Additionally, the BRF indentured series 2008 includes \$2.8 million that becomes due in the current period. The decrease in non-current bonds payable, along with a decrease of \$0.8 million for the bond premium primarily accounts for the decrease in total non-current liabilities of \$13.6 million.

The total net position, restricted for debt service decreased by \$39.5 million. This decrease is because of liquidation of loans receivable for loans pledged against bond indentures and downsizing of the 2005A Debt Service Reserve. There was a net decrease of \$35.6 million and \$7.0 million for the WQRLF 2008 and 2005A indentures. Additionally, there was an increase of \$3.1 million for the BRF program due to the decrease in non-current bonds payable.

The total unrestricted net position increased by \$73.5 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 position of \$100.0 million and \$19.5 million respectively. The BRF had a decrease in unrestricted net position of \$42.6 million. Also, the 2010 Trust Fund decreased net position by \$3.4 million.

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

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Management's Discussion and Analysis June 30, 2013 and 2012

### Statements of Net Position (continued)

#### Comparative Condensed Statements of Net Position June 30, 2013, 2012, and 2011 (Millions of Dollars)

	6/30/2013	6/30/2012	6/30/2011	\$ Increase/(Decrease)	
				Difference FY 13 - 12	Difference FY 12 - 11
<b>Current Assets</b>					
Cash and cash equivalents	\$ 392.6	\$ 363.8	\$ 349.0	\$ 28.8	\$ 14.8
Investments	1.0	-	-	1.0	-
Receivables:					
Loans	21.9	14.7	15.1	7.2	(0.4)
BRF fees	1.5	0.5	0.6	1.0	(0.1)
Other	6.6	5.7	5.3	0.9	0.4
<b>Current Restricted Assets</b>					
Cash and cash equivalents	23.3	11.9	13.2	11.4	(1.3)
Investments	11.3	13.6	14.8	(2.3)	(1.2)
Receivables:					
BRF fees	22.2	12.9	11.5	9.3	1.4
Loans	50.2	56.0	58.9	(5.8)	(2.9)
Other	3.1	3.7	4.2	(0.6)	(0.5)
Total Current Assets	<u>533.7</u>	<u>482.8</u>	<u>472.6</u>	<u>50.9</u>	<u>10.2</u>
<b>Non-current Assets</b>					
Investments	14.2	13.9	14.5	0.3	(0.6)
Loans receivable	446.1	310.0	250.6	136.1	59.4
<b>Non-current Restricted Assets</b>					
Investments	4.0	9.1	11.0	(5.1)	(1.9)
Loans receivable	427.2	476.4	525.4	(49.2)	(49.0)
Other	-	0.8	0.9	(0.8)	(0.1)
Total Non-current Assets	<u>891.5</u>	<u>810.2</u>	<u>802.4</u>	<u>81.3</u>	<u>7.8</u>
<b>Total Assets</b>	<u>1,425.2</u>	<u>1,293.0</u>	<u>1,275.0</u>	<u>132.2</u>	<u>18.0</u>

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Management's Discussion and Analysis June 30, 2013 and 2012

### Statements of Net Position (continued)

#### Comparative Condensed Statements of Net Position June 30, 2013, 2012, and 2011 (Millions of Dollars)

	6/30/2013	6/30/2012	6/30/2011	\$ Increase/(Decrease)	
				Difference FY 13 - 12	Difference FY 12 - 11
<b>Current Liabilities</b>					
Accounts payable	\$ 0.4	\$ 0.4	\$ 0.3	\$ -	\$ 0.1
Current liabilities payable from restricted assets:					
Revenue bonds payable	13.5	13.4	15.7	0.1	(2.3)
Accrued interest on bonds	1.1	1.3	1.4	(0.2)	(0.1)
<b>Total Current Liabilities</b>	<b>15.0</b>	<b>15.1</b>	<b>17.4</b>	<b>(0.1)</b>	<b>(2.3)</b>
<b>Non-current Liabilities</b>					
Other	0.2	0.2	0.2	-	-
Non-current liabilities payable from restricted assets:					
Revenue bonds payable	69.7	83.2	96.3	(13.5)	(13.1)
Bonds premium	2.0	2.5	3.3	(0.5)	(0.8)
Arbitrage rebate	1.2	1.0	0.7	0.2	0.3
<b>Total Non-current Liabilities</b>	<b>73.1</b>	<b>86.9</b>	<b>100.5</b>	<b>(13.8)</b>	<b>(13.6)</b>
<b>Total Liabilities</b>	<b>88.1</b>	<b>102.0</b>	<b>117.9</b>	<b>(13.9)</b>	<b>(15.9)</b>
<b>Net Position</b>					
Invested in capital assets	-	-	-	-	-
Restricted for debt service	453.6	482.9	522.4	(29.3)	(39.5)
Unrestricted	883.5	708.1	634.6	175.4	73.5
<b>Total Net Position</b>	<b>\$ 1,337.1</b>	<b>\$ 1,191.0</b>	<b>\$ 1,157.0</b>	<b>\$ 146.1</b>	<b>\$ 34.0</b>

## **MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

### **Management's Discussion and Analysis June 30, 2013 and 2012**

#### **Statement of Revenue, Expenses and Changes in Net Position**

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

For fiscal year ended June 30, 2013:

There was an increase of \$55.7 million in fee revenue, primarily due to the doubling of the BRF fee in fiscal year 2013.

There was an increase of \$67.6 million in capital grant disbursements. This included increases of \$74.2 million in BRF grant disbursements, offset by decreases of \$5.5 million in WQRLF grant disbursements, \$0.8 million in DWRLF grant disbursements, and \$0.3 million in 2010 Trust Fund grant disbursements. The large increase for BRF grant disbursements is a result of many Enhanced Nutrient Removal (ENR) projects which are in the construction phase.

The contributions received from Federal grants and the State match of WQRLF and DWRLF increased by \$27.6 million. This is primarily due to increased capital disbursement activity for the WQRLF directed to Federal and State match funding in order to facilitate expedient use of Federal grants. The WQRLF program had a net increase of contributions of \$38.9 million. The DWRLF program had a net decrease of contributions of \$11.3 million.

The transfer to State General Fund from the BRF decreased \$90.0 million, while transfers from State GO bonds back to the BRF increased by \$6.1 million for payment of ENR capital grant 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, 2012:

There was a decrease of \$3.3 million in fee revenue, primarily due to no fee revenue received in 2012 for the 2010 Trust Fund and the return of \$1.9 million to DNR.

There was a decrease of \$13.0 million in capital grant disbursements. This included increases of \$4.7 million in BRF grants and \$1.5 million in 2010 Trust Fund grants, offset by decreases of \$18.3 million in WQRLF grants and \$0.9 million in DWRLF grants.

The contributions received from Federal grants and the State match of WQRLF and DWRLF decreased by \$11.3 million. This is primarily due to decreased activity on ARRA projects. The WQRLF program had a net decrease of contributions of \$9.3 million. The DWRLF program had a net decrease of contributions of \$2.0 million.

The contribution to State General Fund from the BRF increased \$45.0 million, while contributions from State GO bonds back to the BRF increased by \$5.8 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.

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Management's Discussion and Analysis June 30, 2013 and 2012

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

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

#### Comparative Statement of Revenue, Expenses and Changes in Net Position Years ended June 30, 2013, 2012 and 2011 (Millions of Dollars)

	6/30/2013	6/30/2012	6/30/2011	\$ Increase/(Decrease)	
				Difference FY 13 -12	Difference FY 12 -11
<b>Operating Revenue</b>					
Interest on loans	\$ 9.9	\$ 9.8	\$ 10.7	\$ 0.1	\$ (0.9)
Loan fees	4.5	4.3	4.0	0.2	0.3
Fee revenue	118.1	62.4	65.7	55.7	(3.3)
Grant revenue (set-a-sides only)	4.7	4.4	3.6	0.3	0.8
Other grant revenue and other	1.6	1.6	1.2	-	0.4
<b>Total Operating Revenue</b>	<b>138.8</b>	<b>82.5</b>	<b>85.2</b>	<b>56.3</b>	<b>(2.7)</b>
<b>Operating Expenses</b>					
Salaries and related benefits	4.9	5.8	4.4	(0.9)	1.4
Transfers-out (set-a-sides)	4.7	4.4	3.6	0.3	0.8
Capital grant disbursements	192.8	125.2	138.2	67.6	(13.0)
General and other costs	2.3	2.2	2.0	0.1	0.2
<b>Total Operating Expenses</b>	<b>204.7</b>	<b>137.6</b>	<b>148.2</b>	<b>67.1</b>	<b>(10.6)</b>
<b>Operating Income (Loss)</b>	<b>(65.9)</b>	<b>(55.1)</b>	<b>(63.0)</b>	<b>(10.8)</b>	<b>7.9</b>
<b>Non-operating Revenue &amp; Expenses</b>					
Investment income	4.7	5.5	8.0	(0.8)	(2.5)
Cost of issuance & arbitrage rebate exp	(0.9)	(0.4)	(0.4)	(0.5)	-
Interest on bonds	(3.6)	(4.2)	(4.7)	0.6	0.5
FMV investment adjustment	(0.1)	-	0.4	(0.1)	(0.4)
<b>Total Non-operating Revenue (Expenses)</b>	<b>0.1</b>	<b>0.9</b>	<b>3.3</b>	<b>(0.8)</b>	<b>(2.4)</b>
<b>Income (Loss) Before Contributions</b>	<b>(65.8)</b>	<b>(54.2)</b>	<b>(59.7)</b>	<b>(11.6)</b>	<b>5.5</b>
Contributions from Federal and State governments	112.6	85.0	96.3	27.6	(11.3)
Transfer to State General Fund	-	(90.0)	(45.0)	90.0	(45.0)
Transfers from State GO Bonds	99.3	93.2	87.4	6.1	5.8
<b>Changes in Net Position</b>	<b>146.1</b>	<b>34.0</b>	<b>79.0</b>	<b>112.1</b>	<b>(45.0)</b>
<b>Net Position, Beginning of Year</b>	<b>1,191.0</b>	<b>1,157.0</b>	<b>1,078.0</b>	<b>34.0</b>	<b>79.0</b>
<b>Net Position, End of Year</b>	<b>\$ 1,337.1</b>	<b>\$ 1,191.0</b>	<b>\$ 1,157.0</b>	<b>\$ 146.1</b>	<b>\$ 34.0</b>

## **MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

### **Management's Discussion and Analysis June 30, 2013 and 2012**

#### **Economic Environment**

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

The loans are primarily supported by water and sewer revenue of the borrowers and backed by the general obligation pledge. MWQFA does not foresee economic factors that would significantly impact its operation. However, a natural disaster in Maryland could result in delayed loan repayments or loan defaults by local jurisdictions. 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 wastewater treatment plants and septic systems in Maryland. The MWQFA does not have the authority to raise the fees. However, MWQFA continues to have sufficient cash 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 natural disaster in Maryland could result in a reduction of fees related to the BRF that may lead to a temporary suspension or delay of capital disbursements.

#### **American Recovery and Reinvestment Act (ARRA)**

The U.S. Environmental Protection Agency 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 2013, the WQRLF disbursed \$3,335,628 for ARRA projects. Cumulative WQRLF ARRA disbursements through June 30, 2013 total \$92,784,600. All WQRLF ARRA funds are fully expended.

## **MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

### **Management's Discussion and Analysis June 30, 2013 and 2012**

#### **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 2012, the DWRLF disbursed \$4,562,578 for ARRA projects. Cumulative DWRLF ARRA disbursements through June 30, 2012 total \$26,832,000, and all DWRLF ARRA funds are fully expended.

#### **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 Position As of June 30, 2013 and 2012

ASSETS	2013	2012
	<hr/>	<hr/>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 392,622,074	\$ 363,811,660
Investments	1,025,360	-
Receivables:		
Investment interest	215,842	215,842
Loans	21,941,041	14,730,760
Loan interest	1,904,830	1,262,685
BRF fee	1,494,060	487,019
Administrative fee	4,477,652	4,248,314
<b>Current Restricted Assets</b>		
Cash and cash equivalents	23,284,568	11,873,520
Investments	11,307,735	13,564,950
Receivables:		
Investment interest	83,068	218,083
BRF fee	22,191,299	12,953,342
Loans	50,190,352	56,023,091
Loan interest	2,946,102	3,450,898
<b>Total Current Assets</b>	<hr/> <b>533,683,983</b> <hr/>	<hr/> <b>482,840,164</b> <hr/>
<b>Non-current Assets</b>		
Investments	14,205,473	13,896,841
Loans receivable	446,108,058	309,979,270
Fixed assets, net	14,534	3,642
<b>Non-current Restricted Assets</b>		
Investments	3,937,917	9,094,250
Loans receivable	427,233,148	476,423,500
Unamortized discount	-	383,908
Unamortized cost of issuance	-	393,389
<b>Total Non-current Assets</b>	<hr/> <b>891,499,130</b> <hr/>	<hr/> <b>810,174,800</b> <hr/>
<b>Total Assets</b>	<hr/> <b>1,425,183,113</b> <hr/>	<hr/> <b>1,293,014,964</b> <hr/>

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



# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Statements of Net Position As of June 30, 2013 and 2012

<b>LIABILITIES</b>	<b>2013</b>	<b>2012</b>
<b>Current Liabilities</b>		
Accounts payable	\$ 340,017	\$ 398,729
Current liabilities payable from restricted assets:		
Revenue bonds payable	13,470,000	13,400,000
Accrued interest on bonds payable	1,125,039	1,276,188
<b>Total Current Liabilities</b>	<b>14,935,056</b>	<b>15,074,917</b>
<b>Non-current Liabilities</b>		
Other liabilities	204,319	157,290
Non-current liabilities payable from restricted assets:		
Revenue bonds payable	69,725,000	83,162,238
Bonds premium	1,990,480	2,546,494
Arbitrage rebate	1,217,355	1,048,797
<b>Total Non-current Liabilities</b>	<b>73,137,154</b>	<b>86,914,819</b>
<b>Total Liabilities</b>	<b>88,072,210</b>	<b>101,989,736</b>
<b>NET POSITION</b>		
Invested in capital assets	14,534	3,642
Restricted for debt service	453,646,315	482,945,214
Unrestricted	883,450,054	708,076,372
<b>Total Net Position</b>	<b>\$ 1,337,110,903</b>	<b>\$ 1,191,025,228</b>

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

## MARYLAND WATER QUALITY FINANCING ADMINISTRATION

### Statements of Revenue, Expenses and Changes in Net Position For the Years Ended June 30, 2013 and 2012

	2013	2012
<b>Operating Revenue</b>		
Interest on loans	\$ 9,889,946	\$ 9,836,322
Loan administration fees	4,480,309	4,251,643
Fees	118,138,155	62,364,739
Grants and other	6,309,674	6,053,869
<b>Total Operating Revenue</b>	<b>138,818,084</b>	<b>82,506,573</b>
<b>Operating Expenses</b>		
Salaries and related benefits	4,928,962	5,801,602
General	2,313,606	2,191,313
Capital grants disbursements	192,816,295	125,223,830
Other	4,693,151	4,432,915
<b>Total Operating Expenses</b>	<b>204,752,014</b>	<b>137,649,660</b>
<b>Operating Loss</b>	<b>(65,933,930)</b>	<b>(55,143,087)</b>
<b>Non-operating Revenue (Expenses)</b>		
Investment income	4,664,609	5,550,214
Cost of issuance amortization	(777,297)	(95,208)
Interest on bonds	(3,565,130)	(4,201,943)
Arbitrage rebate	(168,558)	(333,182)
Net unrealized loss on investments	(83,130)	(7,690)
<b>Net Non-operating Revenue</b>	<b>70,494</b>	<b>912,191</b>
<b>Loss Before Contributions</b>	<b>(65,863,436)</b>	<b>(54,230,896)</b>
Contributions received from:		
Federal government	93,328,658	72,821,705
State of MD-required match for Federal grant	19,303,707	12,161,221
Transfer to State General Fund	-	(90,000,000)
Transfer from State GO Bonds	99,316,746	93,204,025
<b>Changes in Net Position</b>	<b>146,085,675</b>	<b>33,956,055</b>
<b>Net Position, Beginning of Year</b>	<b>1,191,025,228</b>	<b>1,157,069,173</b>
<b>Net Position, End of Year</b>	<b>\$ 1,337,110,903</b>	<b>\$ 1,191,025,228</b>

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, 2013 and 2012

	2013	2012
<b>Cash Flows from Operating Activities:</b>		
Loan repayments	\$ 72,568,696	\$ 73,940,245
Interest and fees received from borrowers	14,003,568	14,215,694
BRF fee and other receipts	114,202,831	67,094,583
Loan disbursements	(160,884,675)	(80,980,052)
Grant disbursements	(192,816,295)	(125,223,830)
Salaries and benefits paid	(4,928,962)	(5,801,602)
General expenses paid	(7,013,477)	(6,557,888)
<b>Net Cash from Operating Activities</b>	<b>(164,868,314)</b>	<b>(63,312,850)</b>
<b>Cash Flows from Non-capital Financing Activities:</b>		
Federal government grants	93,328,658	72,821,705
State of MD-required match to Federal grant	19,303,707	12,161,221
Transfer from State GO Bonds	99,316,746	93,204,025
Transfer to State General Fund	-	(90,000,000)
Repayment of bonds	(13,400,000)	(15,660,000)
Interest on bonds	(4,239,531)	(4,889,591)
<b>Net Cash from Non-capital Financing Activities</b>	<b>194,309,580</b>	<b>67,637,360</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Purchase of equipment	(15,855)	-
<b>Net Cash from Capital Financing Activities</b>	<b>(15,855)</b>	<b>-</b>
<b>Cash Flows from Investing Activities:</b>		
Purchase of investments	(11,933,668)	(13,924,950)
Interest on investments securities	4,799,624	5,570,029
Proceeds from sales and maturities of investments	17,930,095	17,573,570
<b>Net Cash from Investing Activities</b>	<b>10,796,051</b>	<b>9,218,649</b>
<b>Net Increase</b>	<b>40,221,462</b>	<b>13,543,159</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>375,685,180</b>	<b>362,142,021</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 415,906,642</b>	<b>\$ 375,685,180</b>

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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Reconciliation of operating income to net cash from operating activities:		
Operating income (loss)	\$ (65,933,930)	\$ (55,143,087)
Depreciation	4,963	4,371
Effect of changes in non-cash operating assets and liabilities:		
Loan disbursements	(160,884,675)	(80,980,052)
Loan repayments	72,568,696	73,940,245
Loan interest receivable	(137,349)	369,961
Administrative fee and BRF fee receivables	(10,474,336)	(1,566,257)
Accounts payable and other liabilities	(11,683)	61,969
<b>Net cash used in operating activities</b>	<b><u><u>\$ (164,868,314)</u></u></b>	<b><u><u>\$ (63,312,850)</u></u></b>

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

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements

June 30, 2013 and 2012

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### **Basis of Accounting**

The Administration utilizes the enterprise fund accounting method, which is the accrual basis of accounting in preparing its financial statements, wherein revenue is recognized when earned and expenses are recognized when incurred. As an enterprise fund, operating revenues and expenses are distinguished from non-operating items. Operating revenues and expenses result from the Administration providing loan and grant financing of capital wastewater and drinking water projects. Operating expenses include administrative expenses and grant or loan forgiveness expenditures in support of these projects. All revenues and expenses not meeting these criteria are reported as non-operating revenues and expenses. Also, in preparing its financial statements, the Administration has adopted Governmental Accounting Standards Board (GASB) Statement No. 62 "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*", and GASB Statement No. 63 "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*", both of which are effective for fiscal years beginning after December 15, 2011, and have no material effect on its financial statements. In addition, in order to implement the requirements of GASB Statement No. 65 "*Items Previously Reported as Assets and Liabilities*", for debt issuance costs, the Administration has written-off the remaining unamortized balance of debt issuance costs carried on the Statement of Net Position as Non-current Restricted Assets at the date of adoption, since these costs are no longer considered either assets or deferred outflows of resources and are required to be expensed in the year of incurrence. This write-off will enable the Administration to implement GASB Statement No. 65, which is effective for fiscal years beginning after December 15, 2012, and had no material effect on its financial statements.

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

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

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2013 and 2012

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

#### **Basis of Accounting** (continued)

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, 2013, there have been no bonds issued in the DWRLF.

#### **Use of Estimates**

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

#### **Cash and Cash Equivalents**

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

#### **Investments**

Investments are stated at fair value. The change in fair value is recognized as an increase or decrease from the original cost of the investment. The investments reported on the accompanying statements of net position are listed as restricted and non-restricted amounts. The non-restricted investments are used primarily for future disbursements related to direct loans and administrative operations. They are the result of surplus funds that are invested to earn additional revenue until such time as they are needed. The restricted investments are used primarily for pledged loan disbursements or repayment of debt service requirements.

#### **Allowance for Loan Losses**

Management periodically reviews loans receivable for possible uncollectible amounts. In the event management determines a specific need for an allowance, a provision for loss is provided. No allowance for loan losses was provided as of June 30, 2013 and 2012.

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2013 and 2012

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

#### 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.

#### Unamortized Cost of Issuance

Unamortized cost of issuance had previously been amortized over the life of the outstanding bonds for each respective bond series using the straight-line method, in accordance with GASB guidance in effect at the date of issuance. However, the adoption of GASB Statement No. 65 required that unamortized cost of issuance be expensed in the year in which incurred since these costs are no longer considered either assets or deferred outflows of resources. Therefore, the remaining balance of \$777,297 was written-off in the current year (FY 2013) to enable the Administration to implement GASB Statement No. 65. The FY 2012 financial statements were not restated since the write-off amounts have no material effect on its financial statements.

#### 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 2008 for BRF construction grants. The indenture series 2005A includes adjustments for deferred interest expense.

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

#### Contributions and Revenue

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

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

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

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2013 and 2012

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

#### **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.

#### **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 a fixed percentage of their regular salaries and wages that exceed the Social Security wage base to the System. The Administration is required to make contributions to the System based on actuarial valuations.

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 Maryland State Retirement and Pension System, 120 East Baltimore Street, Baltimore, Maryland, 21202.

#### **Loan Forgiveness**

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



# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2013 and 2012

### 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following is a summary of the components of cash and cash equivalents as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Cash held by the State's treasury office	\$ 415,890,488	\$ 375,684,691
Cash in trust accounts	<u>16,154</u>	<u>489</u>
<b>Total Cash and Cash Equivalents</b>	<b><u>\$ 415,906,642</u></b>	<b><u>\$ 375,685,180</u></b>

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

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, 2013 and 2012, were \$30,476,485 and \$36,556,041, respectively. The amounts relating to GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, were certificates of deposit for linked deposit investments of \$4,122,048 and \$2,704,926, as of June 30, 2013 and 2012, 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 Code and their policies and procedures. The cash flow needs of the Administration are a factor in determining the length of investment maturities.

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2013 and 2012

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

As of June 30, 2013, the Administration had the following investments and maturities:

<u>Investment Types</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>
Guaranteed Investment Contracts:				
Debt Service Reserve	\$ 4,986,500	\$ 1,048,583	\$ 3,937,917	\$ -
Linked Deposits-Farm Credit AG Bonds	11,108,785	1,025,360	10,083,425	-
Treasury Bills	10,259,152	10,259,152	-	-
Subtotal	<u>26,354,437</u>	<u>12,333,095</u>	<u>14,021,342</u>	<u>-</u>
Certificates of Deposit- Linked Deposits	<u>4,122,048</u>	-	<u>109,656</u>	<u>4,012,392</u>
<b>Total Investments</b>	<b><u>\$ 30,476,485</u></b>	<b><u>\$ 12,333,095</u></b>	<b><u>\$ 14,130,998</u></b>	<b><u>\$ 4,012,392</u></b>

In addition, the Administration's investments had the following quality ratings as of June 30, 2013:

<u>Investment Types</u>	<u>Fair Value</u>	<u>Concentration<sup>1</sup></u>	<u>Rating</u>	<u>Rating Organization</u>
Guaranteed Investment Contracts				
Debt Service Reserve	\$ 4,986,500	16%	A2	Moody's
Linked Deposits-Farm Credit AG Bonds	11,108,785	36%	Aaa	Moody's
Treasury Bills	10,259,152	34%	Aaa	Moody's
Subtotal	<u>26,354,437</u>			
Certificates of Deposit - Linked Deposits	<u>4,122,048</u>	<u>14%</u>		
<b>Total Investments</b>	<b><u>\$ 30,476,485</u></b>	<b><u>100%</u></b>		

As of June 30, 2012, the Administration had the following investments and maturities:

<u>Investment Types</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>
Guaranteed Investment Contracts				
Debt Service Reserve	\$ 9,094,250	\$ -	\$ 9,094,250	\$ -
Linked Deposits-Farm Credit AG Bonds	11,191,915	-	7,223,300	3,968,615
Treasury Bills	13,564,950	13,564,950	-	-
Subtotal	<u>33,851,115</u>	<u>13,564,950</u>	<u>16,317,550</u>	<u>3,968,615</u>
Certificates of Deposit - Linked Deposits	<u>2,704,926</u>	-	<u>173,671</u>	<u>2,531,255</u>
<b>Total Investments</b>	<b><u>\$ 36,556,041</u></b>	<b><u>\$ 13,564,950</u></b>	<b><u>\$ 16,491,221</u></b>	<b><u>\$ 6,499,870</u></b>

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2013 and 2012

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

In addition, the Administration's investments had the following quality ratings as of June 30, 2012:

<b>Investment Types</b>	<b>Fair Value</b>	<b>Concentration<sup>1</sup></b>	<b>Rating</b>	<b>Rating Organization</b>
Guaranteed Investment Contracts				
Debt Service Reserve	\$ 9,094,250	25%	A2	Moody's
Linked Deposits-Farm Credit AG Bonds	11,191,915	31%	Aaa	Moody's
Treasury Bills	13,564,950	37%	Aaa	Moody's
Subtotal	<u>33,851,115</u>			
Certificates of Deposit - Linked Deposits	<u>2,704,926</u>	<u>7%</u>		
<b>Total Investments</b>	<u>\$ 36,556,041</u>	<u>100%</u>		

1. Concentration of Credit Risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Administration places no limit on the amount it may invest in any one issuer. For fiscal years 2013 and 2012, 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, 2013 and 2012

### 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, 2013 and 2012, the Administration's lending commitments and outstanding balances under the WQRLF to specific governmental entities within the State are detailed as follows:

Borrower	2013			2012		
	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2013	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2012
Aberdeen , City of	\$ 9,329,266	\$ 149,494	\$ 8,081,785	\$ 9,329,265	\$ 2,306,787	\$ 6,002,810
Allegany County	22,281,980	-	14,777,629	22,846,637	1,186,381	15,189,725
Annapolis, City of	1,591,479	-	208,884	1,591,479	-	308,421
Anne Arundel County	88,928,931	10,229,983	40,584,346	86,984,932	27,423,615	24,608,143
Ashton Park Comm. Assoc.	408,470	-	352,278	408,470	-	371,196
Baltimore City	249,590,560	32,008,542	117,993,365	217,746,560	4,930,731	124,240,623
Baltimore County	154,587,918	18,395,420	69,695,011	154,587,918	26,775,126	67,504,278
Bel Air, Town of	101,686	-	-	101,686	-	-
Berlin , Town of	3,207,000	640,339	2,566,661	3,207,000	3,071,379	135,621
Betterton, Town of	93,559	-	55,802	93,559	-	61,261
Boonsboro, Town of	2,127,984	-	1,708,219	2,127,984	-	1,808,396
Bowie, City of	4,014,466	-	2,632,008	4,014,466	-	2,833,137
Brunswick, City of	1,690,570	-	374,572	1,690,570	-	415,550
Calvert County	16,451,759	-	4,858,527	16,451,759	-	5,514,422
Cambridge, City of	12,468,077	149,453	5,934,650	12,468,077	421,532	6,274,114
Canton Crossing	3,711,142	-	2,561,142	3,711,142	-	2,761,142
Carroll County	12,074,030	-	244,664	12,074,030	-	271,864
Cecil County	23,491,811	-	14,953,625	23,491,811	-	16,149,425
Centreville, Town of	3,878,064	-	1,730,225	4,347,383	821,131	1,677,506
Charles County	23,358,722	-	9,994,694	23,358,722	-	10,701,223
Chesapeake Beach, Town of	5,541,864	-	4,214,958	5,541,864	-	4,505,404
Chestertown, Town of	3,955,893	-	2,290,421	3,955,893	-	2,489,444
Clear Spring, Town of	72,705	-	-	72,705	-	-
Crisfield, City of	1,201,338	441,875	491,540	748,573	-	518,007
Cumberland, City of	10,198,288	129,847	5,685,005	10,350,792	304,504	6,140,992
Delmar, Town of	276,040	-	111,796	276,040	-	126,305
Denton, Town of	2,386,077	-	1,354,636	2,386,077	1,453	1,471,496

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2013 and 2012

### 3. LOANS RECEIVABLE (continued)

Borrower	2013			2012		
	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2013	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2012
Easton, Town of	\$ 22,112,191	\$ 1,490,443	\$ 16,188,739	\$ 20,523,191	\$ -	\$ 16,931,633
Elkton, Town of	21,395,474	-	16,123,707	21,395,474	-	17,190,066
Emmitsburg, Town of	600,000	-	293,378	600,000	-	333,325
Federalsburg, Town of	3,086,252	188,297	2,336,842	2,843,252	-	2,424,728
Frederick, City of	24,320,000	7,275,384	14,428,883	20,174,000	7,504,969	10,319,037
Frederick County	114,454,864	21,220,661	60,678,939	114,454,864	38,788,938	45,913,067
Frostburg, City of	647,900	191,621	289,417	567,900	279,000	137,813
Fruitland, City of	3,570,438	-	2,006,368	3,570,438	-	2,191,913
Funkstown, Town of	1,875,221	-	1,321,786	1,875,221	-	1,433,157
Galena, Town of	112,219	-	-	112,219	-	-
Garrett County	1,970,000	-	504,314	1,970,000	-	620,458
Garrett County San. Distr	2,635,641	-	831,466	2,635,641	-	1,154,704
Grantsville, Town of	16,891	-	-	16,891	-	-
Greensboro, Town of	443,345	-	85,657	443,345	-	112,442
Hagerstown, City of	22,102,169	-	14,654,191	22,209,263	1,048,926	14,872,719
Hancock, Town of	797,062	-	375,597	797,062	-	418,114
Harford County	69,535,228	-	3,528,143	69,535,228	-	5,391,126
Havre De Grace, City of	28,996,682	-	23,579,505	28,996,682	-	23,948,729
Hebron, Town of	195,729	-	160,014	195,729	-	171,919
Howard County	91,534,729	-	36,949,616	91,534,729	-	41,214,211
Hurlock, Town of	3,626,240	-	2,203,702	3,626,240	-	2,364,997
Indian Head, Town of	4,603,656	-	1,873,811	4,603,656	-	2,050,541
Kent County	7,394,107	-	4,673,555	7,394,107	-	5,006,209
La Plata, Town of	12,972,019	398,708	8,587,516	12,972,019	638,837	8,948,198
Leonardtown, Town of	1,582,233	-	494,760	1,582,233	-	590,220
Md. Envir Services	6,014,121	-	5,833,232	7,773,828	2,592,250	5,091,628
Middletown, Town of	3,970,639	-	1,474,030	3,970,639	-	1,702,184
Millington, Town of	42,000	-	-	42,000	-	-
Mountain Lake Park, Town of	770,287	-	353,851	770,287	-	396,270
Mount Airy, Town of	3,523,087	-	1,301,093	3,523,087	-	1,494,755
Myersville, Town of	1,259,983	-	460,594	1,259,983	-	531,162
New Windsor, Town of	3,858,474	-	1,708,474	3,858,474	-	3,808,474
North Beach, Town of	1,836,922	-	700,193	1,836,922	-	776,397
Oakland, Town of	892,046	-	151,836	892,046	-	163,192
Oxford, Town of	45,402	-	12,897	45,402	-	15,379
Perryville, Town of	5,923,965	-	5,061,850	5,923,965	-	5,352,034
Pocomoke City, City of	851,579	-	516,911	858,774	66,633	500,342
Poolesville, Town of	3,360,073	-	1,359,731	3,360,073	-	1,496,603
Prince George's County	23,238,580	-	6,613,943	23,238,580	-	10,109,277
Queen Anne's County	27,651,411	-	13,640,981	27,651,411	-	15,060,318
Ridgely, Town of	1,598,297	-	1,384,298	1,598,297	-	1,474,798
Rising Sun, Town of	1,010,437	-	-	1,010,437	-	45,718
Rockville, Town of	2,300,633	-	1,699,880	2,300,633	-	1,818,325
Salisbury, Town of	49,899,924	-	35,067,474	50,600,074	831,407	37,292,727

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2013 and 2012

### 3. LOANS RECEIVABLE (continued)

Borrower	2013			2012		
	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2013	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2012
Sharptown	\$ 189,000	\$ 189,000	\$ -	\$ -	\$ -	\$ -
Snow Hill, Town of	1,108,123	4,474	497,526	1,108,123	168,117	333,883
Somerset County	2,151,215	-	1,004,650	2,151,215	-	1,119,406
Somerset County San. Distr.	187,031	-	24,968	187,031	-	36,832
St. Mary's County	7,447,625	-	2,480,790	7,447,625	-	3,035,094
St. Mary's METCOM	14,102,474	358,956	6,206,710	13,708,474	55,676	6,781,386
Talbot County	9,975,333	-	6,996,592	9,975,333	-	7,498,016
Taneytown, City of	6,477,722	-	2,094,288	6,477,722	-	2,470,853
Thurmont, Town of	5,455,174	-	2,722,337	5,455,174	94,931	2,954,361
Union Bridge, Town of	142,000	-	71,918	142,000	-	79,038
Washington County	37,768,948	-	20,250,587	37,768,948	-	22,569,713
Washington Co Sanitary Dist.	20,387,427	-	77,778	20,387,427	-	153,077
Westernport, Town of	1,030,992	-	250,479	1,030,992	-	276,686
Westminster, City of	1,711,580	-	-	1,711,580	-	-
Wicomico County	2,929,876	-	-	2,929,876	-	-
Willards, Town of	433,599	-	328,423	433,599	-	349,627
Williamsport, Town of	684,538	-	594,613	684,538	-	639,576
Wash. Suburban San. Comm.	338,095,592	100,090,310	146,606,257	323,095,592	174,270,815	64,222,139
Worcester County	11,134,755	-	5,875,397	11,134,755	-	6,549,354
<b>Loan Totals</b>	<b>\$ 1,697,060,833</b>	<b>\$ 193,552,807</b>	<b>\$ 799,050,930</b>	<b>\$ 1,644,939,694</b>	<b>\$ 293,583,138</b>	<b>\$ 712,018,455</b>
<b>Grant /Loan Forgiveness</b>	<b>74,027,598</b>			<b>64,673,140</b>		
<b>Total Commitment</b>	<b>\$ 1,771,088,431</b>			<b>\$ 1,709,612,834</b>		

\* Net of repayments

The current portion of WQLRF loans receivable as of June 30, 2013 and 2012, was \$65,186,243 and \$64,039,890, respectively. Also, the outstanding balance of loans receivable is made up of \$14,758,991 pledged loans (2005 indenture), \$462,664,509 pledged loans (2008 indenture), and \$321,627,430 non-pledged loans (direct). During fiscal years 2013 and 2012, there were no defaults or delinquencies.

As of June 30, 2013 and 2012, the Administration's lending commitments under the DWRLF to specific governmental entities within the State are detailed as follows:

Borrower	2013			2012		
	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2013	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2012
Allegany County	\$ 138,582	\$ -	\$ 133,822	\$ 46,602	\$ -	\$ 46,602
Annapolis, City of	28,500,000	28,098,393	401,607	-	-	-
Anne Arundel County	6,985,468	2,471,889	3,513,826	3,033,718	-	2,131,768
Baltimore City	30,984,771	1,237,314	26,936,167	30,984,771	1,581,619	26,935,341
Baltimore County	31,899,374	2,910,573	24,790,090	31,899,374	5,679,808	22,545,288
Beaches Water Co.	85,000	-	39,829	85,000	-	44,165

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2013 and 2012

### 3. LOANS RECEIVABLE (continued)

Borrower	2013			2012		
	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2013	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2012
Betterton, Town of	\$ 43,483	\$ -	\$ 25,935	\$ 43,483	\$ -	\$ 28,472
Boonsboro, Town of	1,662,639	-	271,109	1,662,639	-	666,143
Bowie, City of	1,677,500	-	771,555	1,677,500	-	857,719
Brunswick, City of	359,975	-	261,878	359,975	-	281,725
Cecilton, Town of	968,323	-	752,641	968,323	-	783,823
Centreville, Town of	912,870	-	577,132	912,870	-	689,823
Chesapeake City, Town of	127,000	35,507	91,494	-	-	-
Chestertown, Town of	1,765,422	-	1,117,453	1,765,422	-	1,210,988
Clear Spring, Town of	1,260,531	-	854,355	1,260,531	-	905,839
Cumberland, City of	9,256,475	-	6,735,406	9,256,475	-	7,073,804
Dorchester County	52,777	-	-	52,777	-	4,032
East New Market	409,000	189,659	219,341	-	-	-
Emmitsburg, Town of	1,582,762	-	900,497	1,582,762	-	982,753
Fahrney Keedy	500,000	-	-	500,000	-	454,374
Federsburg, Town of	1,819,298	-	1,281,473	1,819,298	-	1,372,007
Frederick County	10,903,427	274,714	4,040,294	10,628,713	-	4,652,203
Garrett County	388,653	-	283,602	388,653	-	301,393
Grantsville, Town of	200,000	-	82,115	200,000	-	92,987
Hagerstown, City of	18,599,495	-	14,726,731	18,599,495	-	15,582,375
Hampstead, Town of	722,587	-	347,540	722,587	-	386,177
Independence Village	44,902	-	11,269	44,902	-	14,834
La Plata, Town of	500,000	130,629	349,199	500,000	402,313	97,687
Manchester	400,000	-	219,381	400,000	-	240,142
Martingham Utilities Coop	594,700	-	495,709	594,700	-	514,725
Myersville, Town of	467,842	-	178,618	467,842	-	205,232
New Windsor, Town of	1,943,587	69,232	1,369,565	1,553,587	-	1,114,109
North East, Town of	19,048,711	-	15,716,111	19,048,711	-	16,430,333
Oakland, Town of	972,415	28,786	722,229	972,415	253,000	521,257
Oxford, Town of	810,770	-	632,809	810,770	-	682,540
Perryville, Town of	11,534,299	-	9,952,636	11,534,299	-	10,350,171
Pittsville, Town of	87,500	35,461	52,039	-	-	-
Pocomoke City	17,688	14,154	3,534	-	-	-
Port Deposit, Town of	291,760	-	-	291,760	-	-
Queenstown, Town of	312,500	48,445	264,055	312,500	312,500	-
Rising Sun, Town of	1,698,717	-	1,169,181	1,698,717	-	1,229,199
Rock Hall, Town of	1,020,183	-	783,866	1,020,183	-	817,887
Rockville, City of	8,122,000	-	3,809,988	8,122,000	-	4,242,729
Salisbury, City of	1,631,000	109,774	1,521,226	1,631,000	1,579,180	51,820
Secretary, Town of	149,408	-	96,800	149,408	-	104,747
Somerset County	32,000	-	23,467	32,000	-	24,533
St. Mary's Co Metcom	7,582,096	4,757,624	1,826,594	2,707,894	-	1,856,494
St. Michaels, Town of	1,179,912	-	955,097	1,179,912	-	992,941

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2013 and 2012

### 3. LOANS RECEIVABLE (continued)

Borrower	2013			2012		
	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2013	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2012
Taneytown, City of	\$ 4,011,000	\$ 233,584	\$ 3,364,766	\$ 3,206,000	\$ -	\$ 2,933,968
Thurmont, Town of	2,243,740	-	909,225	2,243,740	-	1,027,179
Union Bridge, Town of	775,499	-	540,645	775,499	-	567,159
Westernport, Town of	879,210	792,062	60,260	45,460	-	21,398
Westminister, City of	15,535,902	-	11,924,308	15,535,902	-	12,736,266
Worcester County	367,063	-	313,200	367,063	-	331,014
<b>Loan Total</b>	<b>\$ 234,059,816</b>	<b>\$ 41,437,800</b>	<b>\$ 146,421,669</b>	<b>\$ 193,697,232</b>	<b>\$ 9,808,420</b>	<b>\$ 145,138,165</b>
<b>Grant /Loan Forgiveness</b>	<b>43,734,857</b>			<b>31,828,267</b>		
<b>Total Commitment</b>	<b>\$ 277,794,673</b>			<b>\$ 225,525,499</b>		

\* Net of repayments

The current portion of DWRLF loans receivable as of June 30, 2013 and 2012, was \$6,945,150 and \$6,713,961, respectively. During fiscal years 2013 and 2012, there were no defaults or delinquencies.

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



# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2013 and 2012

### 4. FIXED ASSETS

Fixed assets represent vehicles, net of accumulated depreciation. The activity for the years ended June 30, 2013 and 2012 follows:

	Balance June 30, 2012	For the Year Ended June 30, 2013				Balance June 30, 2013
		Increases	Decreases	Transfers	Depreciation	
Cost	\$ 175,202	\$ 15,855	\$ -	\$ -	\$ -	\$ 191,057
Accumulated depreciation	171,560	-	-	-	4,963	176,523
Net	<u>\$ 3,642</u>	<u>\$ 15,855</u>	<u>-</u>	<u>-</u>	<u>\$ 4,963</u>	<u>\$ 14,534</u>

	Balance June 30, 2011	For the Year Ended June 30, 2012				Balance June 30, 2012
		Increases	Decreases	Transfers	Depreciation	
Cost	\$ 175,202	\$ -	\$ -	\$ -	\$ -	\$ 175,202
Accumulated depreciation	167,189	-	-	-	4,371	171,560
Net	<u>\$ 8,013</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 4,371</u>	<u>\$ 3,642</u>

Note: Depreciation is charged to business activities.

### 5. DRINKING WATER STATE REVOLVING SOURCE WATER PROTECTION

The transaction below is part of the DWRLF 15% set-aside grant and the loan information below is not included in the DWRLF capital program financial statements. The DWRLF 15% set-aside work plans approved by EPA allow use of Federal funds to make loans to purchase land, for source water and wellhead protection. One loan is outstanding with an original principal balance of \$310,000 with the Town of Boonsboro. This loan is at a 0% interest rate and has a 20-year term. Information on this loan as of June 30, 2013 is summarized below:

	Loan Amount	Principal Payments	Principal Balance	Annual Repayment
Town of Boonsboro	\$ 310,000	\$ 139,500	\$ 170,500	\$ 15,500

The cash balance for this sub-loan program was \$1.39 as of June 30, 2013. Accumulated interest and principal payments have been transferred to the Drinking Water Capital Reserve Account.

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2013 and 2012

### 6. REVENUE BONDS PAYABLE

The Administration had the following outstanding debt as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
<b>Clean Water RLF</b>		
2005 Series A, Current Refunding Revenue Bonds, dated July 28, 2005 with a true interest rate of 3.309% due serially from September 1, 2006 to September 1, 2015. Total amount payable is net of the unamortized portion of the deferred interest on the bonds refunded of \$0 and \$32,762 for 2013 and 2012, respectively.	\$ 10,500,000	\$ 18,722,238
2008 Series A, Revenue Bonds, dated April 29, 2008 with an all-in true interest rate of 4.1007% due serially from March 1, 2009 to March 1, 2025.	36,700,000	39,020,000
Total amount payable for Clean Water RLF	<u>47,200,000</u>	<u>57,742,238</u>
<b>BRF</b>		
2008 Series BRF Revenue Bonds, dated June 25, 2008 with an all-in true interest rate of 4.0913% due serially from March 1, 2009 to March 1, 2023.	35,995,000	38,820,000
Total amount payable for BRF	<u>35,995,000</u>	<u>38,820,000</u>
Total amount payable for all indentured series	<u>\$ 83,195,000</u>	<u>\$ 96,562,238</u>
Less: Current portion payable	<u>13,470,000</u>	<u>13,400,000</u>
Non-current bonds payable	<u>\$ 69,725,000</u>	<u>\$ 83,162,238</u>

As of June 30, 2013, there are three series of Serial Bonds as follows:

#### Water Quality RLF

<u>Series</u>	<b>Current Bonds Payable</b>		<b>Years</b>	<b>Final Payment Date Due</b>
	<b>Debt Service Due</b>	<b>Non-Current</b>		
	<b>Sept. 1, 2013 &amp;</b>	<b>Bonds Payable</b>	<b>Remaining</b>	
	<b>March 1, 2014</b>			
2008A	\$ 5,970,000	\$ 30,730,000	12	March 1, 2025
2005A	4,560,000	5,940,000	2	September 1, 2015
<b>Total WQLRF</b>	<u>\$ 10,530,000</u>	<u>\$ 36,670,000</u>		

#### Bay Restoration Fund

<u>Series</u>	<b>Current Bonds Payable</b>		<b>Years</b>	<b>Final Payment Date Due</b>
	<b>Debt Service Due</b>	<b>Non-Current</b>		
	<b>March 1, 2014</b>	<b>Bonds Payable</b>	<b>Remaining</b>	
2008	\$ 2,940,000	\$ 33,055,000	10	March 1, 2023
<b>Total BRF</b>	<u>\$ 2,940,000</u>	<u>\$ 33,055,000</u>		

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements June 30, 2013 and 2012

### 6. REVENUE BONDS PAYABLE (continued)

The WQRLF bonds are payable solely from, and secured by, a pledge of the loan principal and interest payments required to be made by the local and other governmental entity borrowers and a pledge of all bond funds to the Administration identified by the 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, 2013 were as follows:

<u>Years Ended June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
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	1,385,428	1,235,000	2,620,428
2018	1,336,028	4,330,000	5,666,028
2019-2023	4,222,388	15,955,000	20,177,388
2024-2025	535,067	7,685,000	8,220,067
<b>Totals WQRLF</b>	<b>\$ 12,716,593</b>	<b>\$ 47,200,000</b>	<b>\$ 59,916,593</b>

The Administration has the following Bay Restoration outstanding debt as of June 30, 2013:

<u>Years Ended June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
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	1,269,681	3,315,000	4,584,681
2018	1,103,931	3,440,000	4,543,931
2019-2023	2,934,469	20,020,000	22,954,469
<b>Total BRF</b>	<b>\$ 9,932,942</b>	<b>\$ 35,995,000</b>	<b>\$ 45,927,942</b>
<b>Total Net Bonds Payable &amp; Interest for all series</b>	<b>\$ 22,649,535</b>	<b>\$ 83,195,000</b>	<b>\$ 105,844,535</b>

As of June 30, 2013 and 2012, the Administration's management believes that it is in compliance with all significant requirements of the indentures.

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**Notes to the Financial Statements  
June 30, 2013 and 2012**

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

Changes in business-type activities long-term debt for the year ended June 30, 2013, were as follows:

<b>Bond Series &amp; Program</b>	<b>Beginning Balance 6/30/2012</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance 6/30/2013</b>	<b>Amounts Due Within One Year</b>
<b><u>1990 - 2005 &amp; 2008A Water Quality RLF</u></b>					
Arbitrage Rebate Liability	\$ 1,048,797	\$ 168,558	\$ -	\$ 1,217,355	\$ -
Unamortized Premium	1,466,898	-	345,717	1,121,181	-
Revenue Bonds Payable	57,742,238	32,762	10,575,000	47,200,000	10,530,000
Sub-total - 1990-2005 & 2008A Series	<u>60,257,933</u>	<u>201,320</u>	<u>10,920,717</u>	<u>49,538,536</u>	<u>10,530,000</u>
<b><u>2008 Bay Restoration Fund</u></b>					
Unamortized Premium	1,079,596	-	210,297	869,299	-
Revenue Bonds Payable	38,820,000	-	2,825,000	35,995,000	2,940,000
Sub-total - 2008 Series	<u>39,899,596</u>	<u>-</u>	<u>3,035,297</u>	<u>36,864,299</u>	<u>2,940,000</u>
<b>Total All Bond Series &amp; Program</b>	<b>100,157,529</b>	<b>201,320</b>	<b>13,956,014</b>	<b>86,402,835</b>	<b>13,470,000</b>
Compensated Absences:					
Water Quality	325,765	161,852	226,288	261,329	161,852
Drinking Water	63,099	45,991	34,160	74,930	45,991
BRF - Wastewater	85,029	75,518	38,144	122,403	75,518
BRF - Septics	67,376	41,306	38,358	70,324	41,306
Sub-total Compensated Absences	<u>541,269</u>	<u>324,667</u>	<u>336,950</u>	<u>528,986</u>	<u>324,667</u>
<b>Total</b>	<b>\$ 100,698,798</b>	<b>\$ 525,987</b>	<b>\$ 14,292,964</b>	<b>\$ 86,931,821</b>	<b>\$ 13,794,667</b>

The Administration had no pending workers' compensation claims as of June 30, 2013.

Note: The reduction of revenue bonds payable includes \$32,762, of deferred bond interest expense in FY13. Deferred bond interest expense is fully amortized as of June 30, 2013.

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**Notes to the Financial Statements  
June 30, 2013 and 2012**

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

Changes in business-type activities long-term debt for the year ended June 30, 2012, were as follows:

<b>Bond Series &amp; Program</b>	<b>Beginning Balance 6/30/2011</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance 6/30/2012</b>	<b>Amounts Due Within One Year</b>
<b><u>1990 - 2005 &amp; 2008A Water Quality RLF</u></b>					
Arbitrage Rebate Liability	\$ 715,614	\$ 333,183	\$ -	\$ 1,048,797	\$ -
Unamortized Premium	1,978,764	-	511,866	1,466,898	-
Revenue Bonds Payable	70,461,705	200,533	12,920,000	57,742,238	10,575,000
Sub-total - 1990-2005 & 2008A Series	73,156,083	533,716	13,431,866	60,257,933	10,575,000
<b><u>2008 Bay Restoration Fund</u></b>					
Unamortized Premium	1,288,921	-	209,325	1,079,596	-
Revenue Bonds Payable	41,560,000	-	2,740,000	38,820,000	2,825,000
Sub-total - 2008 Series	42,848,921	-	2,949,325	39,899,596	2,825,000
<b>Total All Bond Series &amp; Program</b>	<b>116,005,004</b>	<b>533,716</b>	<b>16,381,191</b>	<b>100,157,529</b>	<b>13,400,000</b>
Compensated Absences:					
Water Quality	244,892	248,323	167,450	325,765	248,323
Drinking Water	48,793	41,741	27,435	63,099	41,741
BRF - Wastewater	84,218	53,938	53,127	85,029	53,938
BRF - Septics	101,996	39,977	74,597	67,376	39,977
Sub-total Compensated Absences	479,899	383,979	322,609	541,269	383,979
<b>Total</b>	<b>\$ 116,484,903</b>	<b>\$ 917,695</b>	<b>\$ 16,703,800</b>	<b>\$ 100,698,798</b>	<b>\$ 13,783,979</b>

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Notes to the Financial Statements

June 30, 2013 and 2012

### 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, 2013, the Maryland General Assembly did not enact enabling legislation regarding the Administration's restricted use of those funds other than for specific purposes. As such, the restricted assets as reported on the Administration's statements of net position are restricted to payment of debt service on the bonds and are not available for new loans or to pay the general operating expenses of the Administration.

### 9. CHESAPEAKE AND ATLANTIC COASTAL BAYS NPS FUND (2010 TRUST FUND)

MWQFA received no new funds from the Maryland Department of Natural Resources (DNR) during fiscal years ending June 30, 2013 and 2012, to make grants, as DNR is expected to manage the Fund in the future. The unobligated balance of \$1,877,400 that was not needed for projects was returned back to DNR during FY 2012. There were grant disbursements of \$1,144,187 and \$1,526,845, in fiscal years 2013 and 2012, respectively.

### 10. BAY RESTORATION FUND ACTIVITY

During the fiscal year ending June 30, 2013, the Wastewater Fund received cash deposits from the Maryland Comptroller's Office totaling \$92,766,719, which earned investment interest of \$577,973 for capital projects and \$107 for the 2008 indenture. Similarly, the Septics Fund (60.0% of septic fees) received cash deposits of \$15,126,438, which earned investment interest of \$58,891. 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 \$167,448,870 for the wastewater treatment plant and sewer upgrades and \$11,353,535 for septic system projects for FY 2013. Wastewater Fund and Septics Fund fee revenue receivable as of June 30, 2013 and 2012, was \$22,529,238 and \$1,156,121, and \$13,150,601 and \$289,760, respectively.

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**Notes to the Financial Statements  
June 30, 2013 and 2012**

**10. BAY RESTORATION FUND ACTIVITY (continued)**

Below is a summary of grant activity through June 30, 2013:

**Wastewater Fund**

	<u>GRANT AWARD</u>	<u>CUMULATIVE GRANT DISBURSEMENTS</u>	<u>REMAINING GRANT BALANCE</u>
<b>ENHANCED NUTRIENT REMOVAL PROJECTS</b>			
Aberdeen, Town of	\$ 14,982,000	\$ 13,719,854	\$ 1,262,146
Allegany County	12,208,518	12,208,518	-
Anne Arundel County	124,387,000	36,939,988	87,447,012
Baltimore City	173,922,000	87,008,234	86,913,766
Bowie, City of	8,668,492	8,668,492	-
Brunswick, City of	8,263,000	8,263,000	-
Cambridge, City of	8,944,000	7,845,585	1,098,415
Chesapeake Beach	7,080,000	-	7,080,000
Chestertown, Town of	1,490,854	1,490,854	-
Crisfield, City of	4,230,766	4,230,766	-
Cumberland, City of	25,654,866	25,654,866	-
Delmar, Town of	2,369,464	2,369,464	-
Denton, Town of	4,405,615	4,405,615	-
Easton, Town of	8,660,000	7,717,219	942,781
Elkton, Town of	7,403,154	7,403,154	-
Emmitsburg, Town of	5,581,000	756,729	4,824,271
Federsburg, Town of	2,900,000	2,900,000	-
Frederick, City of	1,458,000	184,686	1,273,314
Frederick County	31,000,000	22,125,312	8,874,688
Hagerstown, City of	10,191,836	10,191,836	-
Harford County	41,315,000	19,163,143	22,151,857
Havre de Grace, City of	10,474,820	10,474,820	-
Howard County	35,493,172	35,493,172	-
Hurlock, Town of	941,148	941,148	-
Indian Head, Town of	5,822,098	5,822,098	-
La Plata, Town of	9,378,000	8,362,740	1,015,260
Leonardtown, Town of	510,000	-	510,000
MD Environmental Services	713,000	190,029	522,971
Mount Airy, Town of	3,354,144	3,354,144	-
Perryville, Town of	3,888,168	3,888,168	-
Pocomoke, City of	3,214,878	3,214,878	-
Poolesville, Town of	223,132	223,132	-
Queen Anne's County	6,380,645	6,380,645	-
Salisbury, City of	2,741,877	2,553,877	188,000
Snow Hill, Town of	3,416,000	2,989,842	426,158
St. Mary's County	1,600,000	373,093	1,226,907
Talbot County	1,978,699	1,978,699	-

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**Notes to the Financial Statements  
June 30, 2013 and 2012**

**10.BAY RESTORATION FUND ACTIVITY (continued)**

**Wastewater Fund (continued)**

	<u>GRANT AWARD</u>	<u>CUMULATIVE GRANT DISBURSEMENTS</u>	<u>REMAINING GRANT BALANCE</u>
<b>ENHANCED NUTRIENT REMOVAL PROJECTS</b>			
Taneytown, City of	\$ 580,000	\$ -	\$ 580,000
Thurmont, Town of	6,889,000	6,336,856	552,144
Washington County	350,000	308,123	41,877
Westminister, City of	1,020,000	286,029	733,971
WSSC	178,942,000	89,615,423	89,326,577
ENR SUBTOTAL	<u>\$ 783,026,346</u>	<u>\$ 466,034,231</u>	<u>\$ 316,992,115</u>

	<u>GRANT AWARD</u>	<u>CUMULATIVE GRANT DISBURSEMENTS</u>	<u>REMAINING GRANT BALANCE</u>
<b>SEWER PROJECTS</b>			
Allegany County	\$ 499,748	\$ 499,748	\$ -
Baltimore City	4,875,000	4,875,000	-
Cumberland, City of	1,319,889	1,319,889	-
Denton, Town of	100,000	100,000	-
Emmitsburg, Town of	600,000	600,000	-
Federsburg, Town of	600,000	600,000	-
Frostburg, City of	2,900,000	2,900,000	-
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	731,884	731,884	-
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	947,000	-
Washington County	200,000	200,000	-
Westernport, Town of	1,968,519	1,968,519	-
Williamsport, Town of	383,226	383,226	-
SEWER SUBTOTAL	<u>\$ 19,711,306</u>	<u>\$ 19,711,306</u>	<u>\$ -</u>
<b>TOTAL ENR &amp; SEWER</b>	<u><b>\$ 802,737,652</b></u>	<u><b>\$ 485,745,537</b></u>	<u><b>\$ 316,992,115</b></u>



**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**Notes to the Financial Statements  
June 30, 2013 and 2012**

**10. BAY RESTORATION FUND ACTIVITY (continued)**

**Wastewater Fund (continued)**

	<u>GRANT AWARD</u>	<u>CUMULATIVE GRANT DISBURSEMENTS</u>	<u>REMAINING GRANT BALANCE</u>
<b>O&amp;M PROJECTS</b>			
Allegany County	\$ 82,800	\$ 82,800	\$ -
Boonsboro, Town of	9,540	9,540	-
Bowie, City of	59,400	59,400	-
Brunswick, City of	33,600	33,600	-
Charles County	216,000	216,000	-
Chestertown, Town of	25,650	25,650	-
Crisfield, City of	18,000	18,000	-
Cumberland, City of	198,000	198,000	-
Easton, Town of	144,000	144,000	-
Elkton, Town of	54,900	54,900	-
Federalsburg, Town of	13,500	13,500	-
Hagerstown, City of	144,000	144,000	-
Havre DeGrace, City of	40,950	40,950	-
Hurlock, Town of	59,400	59,400	-
Indian Head, Town of	9,000	9,000	-
Mt. Airy, Town of	21,600	21,600	-
Perryville, Town of	29,700	29,700	-
Pocomoke City, City of	8,820	8,820	-
Poolesville, Town of	13,500	13,500	-
Queen Anne's County	108,000	108,000	-
Talbot County	14,850	14,850	-
O&M SUBTOTAL	<u>\$ 1,305,210</u>	<u>\$ 1,305,210</u>	<u>\$ -</u>
<b>TOTAL ENR, SEWER &amp; O&amp;M</b>	<b><u>\$ 804,042,862</u></b>	<b><u>\$ 487,050,747</u></b>	<b><u>\$ 316,992,115</u></b>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**Notes to the Financial Statements  
June 30, 2013 and 2012**

**10. BAY RESTORATION FUND ACTIVITY (continued)**

**Septic Fund**

	<u>GRANT AWARD</u>	<u>CUMULATIVE GRANT DISBURSEMENTS</u>	<u>REMAINING GRANT BALANCE</u>
<b>SEPTIC PROJECTS</b>			
Allegany Co.	\$ 129,962	\$ 74,166	\$ 55,796
Anne Arundel Co.	9,243,545	8,031,838	1,211,707
Baltimore Co.	600,020	544,206	55,814
Calvert Co.	5,229,361	5,110,619	118,742
Calvert Co. Health Dept./Prince Georges Co	4,200	4,200	-
Canaan Valley Institute/Frederick Co.	1,570,821	1,289,639	281,182
Canaan Valley Institute/Howard Co.	322,862	155,040	167,822
Canaan Valley Institute/Montgomery Co.	484,765	140,799	343,966
Canaan Valley Institute/Washington Co.	1,743,442	1,398,638	344,804
Caroline Co.	1,444,312	1,052,378	391,934
Carroll Co.	188,583	83,429	105,154
Cecil Co.	2,026,795	1,538,863	487,932
Charles Co.	1,785,407	1,488,083	297,324
Dorchester Co.	3,032,956	2,314,407	718,549
Garrett Co.	288,387	269,505	18,882
Harford Co	1,012,677	696,009	316,668
Kent Co	2,442,598	2,250,721	191,877
Prince George's Co.	164,000	-	164,000
Queen Anne's Co.	2,602,199	2,299,376	302,823
Somerset Co.	495,000	200,712	294,288
St. Mary's Co.	3,090,129	1,928,733	1,161,396
Talbot Co.	3,003,282	2,321,532	681,750
Wicomico Co	3,577,830	3,150,940	426,890
Worcester Co./Somerset Co.	626,259	626,259	-
Worcester Co.	1,926,493	1,499,493	427,000
Individual Septic Grants (1344)	17,725,267	17,725,267	-
<b>TOTAL SEPTIC</b>	<b>\$ 64,761,152</b>	<b>\$ 56,194,852</b>	<b>\$ 8,566,300</b>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**Notes to the Financial Statements  
June 30, 2013 and 2012**

**10. BAY RESTORATION FUND ACTIVITY (continued)**

Below is a summary of grant activity through June 30, 2012:

**Wastewater Fund**

	<u>GRANT AWARD</u>	<u>CUMULATIVE GRANT DISBURSEMENTS</u>	<u>REMAINING GRANT BALANCE</u>
<b>ENHANCED NUTRIENT REMOVAL PROJECTS</b>			
Aberdeen, Town of	\$ 14,982,000	\$ 9,705,298	\$ 5,276,702
Allegany County	12,921,382	12,155,825	765,557
Anne Arundel County	51,287,000	18,362,993	32,924,007
Baltimore City	98,707,000	53,634,019	45,072,981
Bowie, City of	8,668,492	8,668,492	-
Brunswick, City of	8,263,000	8,263,000	-
Cambridge, City of	8,944,000	5,781,343	3,162,657
Chestertown, Town of	1,490,854	1,490,854	-
Crisfield, City of	4,230,766	4,230,766	-
Cumberland, City of	26,779,000	25,654,866	1,124,134
Delmar, Town of	2,544,000	2,219,637	324,363
Denton, Town of	4,609,000	4,212,829	396,171
Easton, Town of	8,660,000	7,717,219	942,781
Elkton, Town of	7,403,154	7,403,154	-
Emmitsburg, Town of	485,000	424,554	60,446
Federalsburg, Town of	3,360,000	2,900,000	460,000
Frederick, City of	758,000	-	758,000
Frederick County	31,000,000	15,218,277	15,781,723
Hagerstown, City of	10,857,000	10,190,255	666,745
Harford County	41,315,000	2,802,219	38,512,781
Havre de Grace, City of	10,474,820	10,474,820	-
Howard County	35,494,000	29,499,973	5,994,027
Hurlock, Town of	941,148	941,148	-
Indian Head, Town of	5,822,098	5,822,098	-
La Plata, Town of	9,378,000	4,343,935	5,034,065
Leonardtown, Town of	510,000	-	510,000
MD Environmental Services	148,000	98,579	49,421
Mount Airy, Town of	3,354,144	3,354,144	-
Perryville, Town of	3,888,168	3,888,168	-
Pocomoke, City of	3,214,878	3,214,878	-
Poolesville, Town of	223,132	223,132	-
Queen Anne's County	6,380,645	6,380,645	-
Salisbury, City of	2,553,877	2,553,877	-
Snow Hill, Town of	3,416,000	1,999,332	1,416,668
St. Mary's County	1,600,000	373,093	1,226,907
Talbot County	1,978,699	1,978,699	-
Taneytown, City of	310,000	-	310,000

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**Notes to the Financial Statements  
June 30, 2013 and 2012**

**10. BAY RESTORATION FUND ACTIVITY (continued)**

**Wastewater Fund (continued)**

	<u>GRANT AWARD</u>	<u>CUMULATIVE GRANT DISBURSEMENTS</u>	<u>REMAINING GRANT BALANCE</u>
<b>ENHANCED NUTRIENT REMOVAL PROJECTS</b>			
Thurmont, Town of	6,889,000	3,767,124	3,121,876
Washington County	100,000	-	100,000
Westminister, City of	1,020,000	18,719	1,001,281
WSSC	178,942,000	20,114,818	158,827,182
ENR SUBTOTAL	<u>\$ 623,903,257</u>	<u>\$ 300,082,782</u>	<u>\$ 323,820,475</u>
	<u>GRANT AWARD</u>	<u>CUMULATIVE GRANT DISBURSEMENTS</u>	<u>REMAINING GRANT BALANCE</u>
<b>SEWER PROJECTS</b>			
Allegany County	\$ 499,748	\$ 499,748	\$ -
Baltimore City	4,875,000	4,875,000	-
Cumberland, City of	1,539,000	1,319,889	219,111
Denton, Town of	100,000	100,000	-
Emmitsburg, Town of	600,000	600,000	-
Federalsburg, Town of	600,000	600,000	-
Frostburg, City of	2,900,000	2,800,389	99,611
Fruitland, City of	800,000	800,000	-
Hagerstown, City of	800,000	494,880	305,120
Havre de Grace, City of	166,500	166,500	-
Mountain Lake Park, Town of	731,884	731,884	-
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	947,000	-
Washington County	200,000	200,000	-
Westernport, Town of	1,968,519	1,968,519	-
Williamsport, Town of	383,226	383,226	-
SEWER SUBTOTAL	<u>\$ 19,930,417</u>	<u>\$ 19,306,575</u>	<u>\$ 623,842</u>
<b>TOTAL ENR &amp; SEWER</b>	<u><b>\$ 643,833,674</b></u>	<u><b>\$ 319,389,357</b></u>	<u><b>\$ 324,444,317</b></u>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**Notes to the Financial Statements  
June 30, 2013 and 2012**

**10. BAY RESTORATION FUND ACTIVITY (continued)**

**Wastewater Fund (continued)**

	<u>GRANT AWARD</u>	<u>CUMULATIVE GRANT DISBURSEMENTS</u>	<u>REMAINING GRANT BALANCE</u>
<b>O&amp;M PROJECTS</b>			
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>
<b>TOTAL ENR, SEWER &amp; O&amp;M</b>	<b><u>\$ 644,046,194</u></b>	<b><u>\$ 319,601,877</u></b>	<b><u>\$ 324,444,317</u></b>

**Septic Fund**

	<u>GRANT AWARD</u>	<u>CUMULATIVE GRANT DISBURSEMENTS</u>	<u>REMAINING GRANT BALANCE</u>
<b>SEPTIC PROJECTS</b>			
Allegany Co.	\$ 72,860	\$ 29,962	\$ 42,898
Anne Arundel Co.	6,111,712	5,046,816	1,064,896
Baltimore Co.	460,359	310,794	149,565
Calvert Co.	3,998,964	3,838,570	160,394
Calvert Co. Health Dept./Prince Georges Co.	95,000	-	95,000
Canaan Valley Institute/Frederick Co.	1,051,767	937,994	113,773
Canaan Valley Institute/Howard Co.	281,450	94,356	187,094
Canaan Valley Institute/Montgomery Co.	147,260	69,449	77,811
Canaan Valley Institute/Washington Co.	1,155,984	950,445	205,539
Caroline Co.	965,264	734,777	230,487
Carroll Co.	134,686	59,253	75,433
Cecil Co.	1,284,748	1,017,542	267,206
Charles Co.	1,445,323	1,288,103	157,220
Dorchester Co.	2,253,576	1,864,374	389,202
Garrett Co.	196,673	122,852	73,821
Harford Co.	647,480	593,217	54,263
Kent Co.	1,609,725	1,211,397	398,328
Queen Anne's Co.	1,684,602	1,442,218	242,384
St. Mary's Co.	1,614,337	1,014,047	600,290
Talbot Co.	2,089,821	1,852,454	237,367

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**Notes to the Financial Statements  
June 30, 2013 and 2012**

**10. BAY RESTORATION FUND ACTIVITY (continued)**

**Septic Fund (continued)**

	<u>GRANT AWARD</u>	<u>CUMULATIVE GRANT DISBURSEMENTS</u>	<u>REMAINING GRANT BALANCE</u>
<b>SEPTIC PROJECTS</b>			
Wicomico Co	2,831,623	2,707,518	124,105
Worcester Co./Somerset Co.	706,804	560,864	145,940
Worcester Co	1,675,048	1,369,048	306,000
Individual Septic Grants (1344)	17,725,267	17,725,267	-
<b>TOTAL SEPTIC</b>	<b><u>\$ 50,240,333</u></b>	<b><u>\$ 44,841,317</u></b>	<b><u>\$ 5,399,016</u></b>

**11. LOAN FORGIVENESS AND 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 2011, MES was awarded two WQRLF loans with partial loan forgiveness. MES loan forgiveness and grant expenditures totaled \$113,529 and \$1,788,905, for the fiscal years 2013 and 2012, respectively.

**SUPPLEMENTAL INFORMATION**

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Combining Statements of Net Position – Schedule 1 June 30, 2013 and 2012

	2013					2012				
	Funds held by Administration					Funds held by Administration				
	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
<b>ASSETS</b>										
<b>Current Assets:</b>										
Cash and cash equivalents	\$ 326,714,872	\$ 33,997,618	\$ 30,955,367	\$ 954,217	\$ 392,622,074	\$ 315,631,346	\$ 26,195,936	\$ 19,885,974	\$ 2,098,404	\$ 363,811,660
Investments	1,025,360	-	-	-	1,025,360	-	-	-	-	-
<b>Receivables:</b>										
Investment interest	215,842	-	-	-	215,842	215,842	-	-	-	215,842
Loans	14,995,891	6,945,150	-	-	21,941,041	8,016,799	6,713,961	-	-	14,730,760
Loan interest	1,197,883	706,947	-	-	1,904,830	678,627	584,058	-	-	1,262,685
BRF fee	-	-	1,494,060	-	1,494,060	-	-	487,019	-	487,019
Administrative fee	3,977,973	499,679	-	-	4,477,652	3,825,905	422,409	-	-	4,248,314
<b>Current Restricted Assets:</b>										
Cash and cash equivalents	16,125	-	23,268,443	-	23,284,568	459	-	11,873,061	-	11,873,520
Investments	11,307,735	-	-	-	11,307,735	13,564,950	-	-	-	13,564,950
<b>Receivables:</b>										
Investment interest	83,068	-	-	-	83,068	218,083	-	-	-	218,083
BRF fee	-	-	22,191,299	-	22,191,299	-	-	12,953,342	-	12,953,342
Loans	50,190,352	-	-	-	50,190,352	56,023,091	-	-	-	56,023,091
Loan interest	2,946,102	-	-	-	2,946,102	3,450,898	-	-	-	3,450,898
<b>Total Current Assets</b>	<b>412,671,203</b>	<b>42,149,394</b>	<b>77,909,169</b>	<b>954,217</b>	<b>533,683,983</b>	<b>401,626,000</b>	<b>33,916,364</b>	<b>45,199,396</b>	<b>2,098,404</b>	<b>482,840,164</b>
<b>Non-current Assets:</b>										
Investments	14,205,473	-	-	-	14,205,473	13,896,841	-	-	-	13,896,841
Loans receivable	306,631,539	139,476,519	-	-	446,108,058	171,555,066	138,424,204	-	-	309,979,270
Fixed assets, net	-	-	14,534	-	14,534	-	-	3,642	-	3,642
<b>Non-current Restricted Assets:</b>										
Investments	3,937,917	-	-	-	3,937,917	9,094,250	-	-	-	9,094,250
Loans receivable	427,233,148	-	-	-	427,233,148	476,423,500	-	-	-	476,423,500
Unamortized underwriters discount	-	-	-	-	-	219,237	-	164,671	-	383,908
Unamortized cost of issuance	-	-	-	-	-	242,975	-	150,414	-	393,389
<b>Total Non-current Assets</b>	<b>752,008,077</b>	<b>139,476,519</b>	<b>14,534</b>	<b>-</b>	<b>891,499,130</b>	<b>671,431,869</b>	<b>138,424,204</b>	<b>318,727</b>	<b>-</b>	<b>810,174,800</b>
<b>Total Assets</b>	<b>\$ 1,164,679,280</b>	<b>\$ 181,625,913</b>	<b>\$ 77,923,703</b>	<b>\$ 954,217</b>	<b>\$ 1,425,183,113</b>	<b>\$ 1,073,057,869</b>	<b>\$ 172,340,568</b>	<b>\$ 45,518,123</b>	<b>\$ 2,098,404</b>	<b>\$1,293,014,964</b>



# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Combining Statements of Net Position – Schedule 1 (continued) June 30, 2013 and 2012

LIABILITIES AND NET POSITION	2013					2012				
	Funds held by Administration					Funds held by Administration				
	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
<b>LIABILITIES</b>										
<b>Current Liabilities:</b>										
Accounts payable	\$ 169,827	\$ 48,084	\$ 122,106	\$ -	\$ 340,017	\$ 255,998	\$ 43,744	\$ 98,987	\$ -	\$ 398,729
Current liabilities payable from restricted assets:										
Revenue bonds payable	10,530,000	-	2,940,000	-	13,470,000	10,575,000	-	2,825,000	-	13,400,000
Accrued interest bonds payable	629,365	-	495,674	-	1,125,039	749,052	-	527,136	-	1,276,188
<b>Total Current Liabilities</b>	<b>11,329,192</b>	<b>48,084</b>	<b>3,557,780</b>	<b>-</b>	<b>14,935,056</b>	<b>11,580,050</b>	<b>43,744</b>	<b>3,451,123</b>	<b>-</b>	<b>15,074,917</b>
<b>Non-current Liabilities:</b>										
Other liabilities	99,477	28,939	75,903	-	204,319	77,442	21,358	58,490	-	157,290
Non-current liabilities payable from restricted assets:										
Revenue bonds payable	36,670,000	-	33,055,000	-	69,725,000	47,167,238	-	35,995,000	-	83,162,238
Bonds premium	1,121,181	-	869,299	-	1,990,480	1,466,898	-	1,079,596	-	2,546,494
Arbitrage rebate	1,217,355	-	-	-	1,217,355	1,048,797	-	-	-	1,048,797
<b>Total Non-current Liabilities</b>	<b>39,108,013</b>	<b>28,939</b>	<b>34,000,202</b>	<b>-</b>	<b>73,137,154</b>	<b>49,760,375</b>	<b>21,358</b>	<b>37,133,086</b>	<b>-</b>	<b>86,914,819</b>
<b>Total Liabilities</b>	<b>50,437,205</b>	<b>77,023</b>	<b>37,557,982</b>	<b>-</b>	<b>88,072,210</b>	<b>61,340,425</b>	<b>65,102</b>	<b>40,584,209</b>	<b>-</b>	<b>101,989,736</b>
<b>NET POSITION</b>										
Invested in capital assets	-	-	14,534	-	14,534	-	-	3,642	-	3,642
Restricted for debt service	445,546,546	-	8,099,769	-	453,646,315	498,230,458	-	(15,285,244)	-	482,945,214
Unrestricted	668,695,529	181,548,890	32,251,418	954,217	883,450,054	513,486,986	172,275,466	20,215,516	2,098,404	708,076,372
<b>Total Net Position</b>	<b>\$ 1,114,242,075</b>	<b>\$ 181,548,890</b>	<b>\$ 40,365,721</b>	<b>\$ 954,217</b>	<b>\$ 1,337,110,903</b>	<b>\$ 1,011,717,444</b>	<b>\$ 172,275,466</b>	<b>\$ 4,933,914</b>	<b>\$ 2,098,404</b>	<b>\$ 1,191,025,228</b>

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Combining Statements of Revenue, Expenses and Changes in Net Position – Schedule 2 For the Years Ended June 30, 2013 and 2012

	2013					2012				
	Funds held by Administration					Funds held by Administration				
	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
<b>Operating Revenue:</b>										
Interest on loans	\$ 8,448,838	\$ 1,441,108	\$ -	\$ -	\$ 9,889,946	\$ 8,646,994	\$ 1,189,328	\$ -	\$ -	\$ 9,836,322
Loan administration fees	3,978,843	501,466	-	-	4,480,309	3,827,098	424,545	-	-	4,251,643
Fee revenue	-	-	118,138,155	-	118,138,155	-	-	64,242,139	(1,877,400)	62,364,739
Grant revenue	1,135,416	447,742	-	-	1,583,158	1,210,018	380,789	-	-	1,590,807
Grant revenue (Set-Asides 2%,10%, & 15%)	-	4,693,151	-	-	4,693,151	-	4,432,915	-	-	4,432,915
Miscellaneous	10,190	15,550	7,625	-	33,365	14,377	15,770	-	-	30,147
<b>Total Operating Revenue</b>	<b>13,573,287</b>	<b>7,099,017</b>	<b>118,145,780</b>	<b>-</b>	<b>138,818,084</b>	<b>13,698,487</b>	<b>6,443,347</b>	<b>64,242,139</b>	<b>(1,877,400)</b>	<b>82,506,573</b>
<b>Operating Expenses:</b>										
Salaries and related benefits	2,624,748	620,301	1,683,913	-	4,928,962	3,639,966	544,794	1,616,842	-	5,801,602
General	1,792,148	205,116	316,342	-	2,313,606	1,725,384	194,927	271,002	-	2,191,313
Capital grant disbursements	6,736,360	6,133,343	178,802,405	1,144,187	192,816,295	12,269,544	6,889,728	104,537,713	1,526,845	125,223,830
Transfers-out (Set-Asides 2%,10%, & 15%)	-	4,693,151	-	-	4,693,151	-	4,432,915	-	-	4,432,915
<b>Total Operating Expenses</b>	<b>11,153,256</b>	<b>11,651,911</b>	<b>180,802,660</b>	<b>1,144,187</b>	<b>204,752,014</b>	<b>17,634,894</b>	<b>12,062,364</b>	<b>106,425,557</b>	<b>1,526,845</b>	<b>137,649,660</b>
<b>Operating Income (Loss)</b>	<b>2,420,031</b>	<b>(4,552,894)</b>	<b>(62,656,880)</b>	<b>(1,144,187)</b>	<b>(65,933,930)</b>	<b>(3,936,407)</b>	<b>(5,619,017)</b>	<b>(42,183,418)</b>	<b>(3,404,245)</b>	<b>(55,143,087)</b>
<b>Non-operating Revenue (Expenses):</b>										
Investment income	3,765,320	262,318	636,971	-	4,664,609	4,139,658	341,061	1,069,495	-	5,550,214
Cost of issuance amortization expense	(462,212)	-	(315,085)	-	(777,297)	(65,669)	-	(29,539)	-	(95,208)
Arbitrage rebate expense	(168,558)	-	-	-	(168,558)	(333,182)	-	-	-	(333,182)
Interest expense on bonds	(2,015,185)	-	(1,549,945)	-	(3,565,130)	(2,565,088)	-	(1,636,855)	-	(4,201,943)
Net change in fair value of investments	(83,130)	-	-	-	(83,130)	(7,690)	-	-	-	(7,690)
<b>Total Non-operating Revenue (Expenses)</b>	<b>1,036,235</b>	<b>262,318</b>	<b>(1,228,059)</b>	<b>-</b>	<b>70,494</b>	<b>1,168,029</b>	<b>341,061</b>	<b>(596,899)</b>	<b>-</b>	<b>912,191</b>
<b>Income (Loss) Before Contributions</b>	<b>3,456,266</b>	<b>(4,290,576)</b>	<b>(63,884,939)</b>	<b>(1,144,187)</b>	<b>(65,863,436)</b>	<b>(2,768,378)</b>	<b>(5,277,956)</b>	<b>(42,780,317)</b>	<b>(3,404,245)</b>	<b>(54,230,896)</b>
<b>Contributions received from:</b>										
Federal government	82,768,658	10,560,000	-	-	93,328,658	52,531,241	20,290,464	-	-	72,821,705
State of MD-required match to Federal grant	16,299,707	3,004,000	-	-	19,303,707	7,620,418	4,540,803	-	-	12,161,221
Transfer to State General Fund	-	-	-	-	-	-	-	(90,000,000)	-	(90,000,000)
Transfer from State GO Bonds	-	-	99,316,746	-	99,316,746	-	-	93,204,025	-	93,204,025
<b>Change in Net Position</b>	<b>102,524,631</b>	<b>9,273,424</b>	<b>35,431,807</b>	<b>(1,144,187)</b>	<b>146,085,675</b>	<b>57,383,281</b>	<b>19,553,311</b>	<b>(39,576,292)</b>	<b>(3,404,245)</b>	<b>33,956,055</b>
<b>Net Position, Beginning of Year</b>	<b>1,011,717,444</b>	<b>172,275,466</b>	<b>4,933,914</b>	<b>2,098,404</b>	<b>1,191,025,228</b>	<b>954,334,163</b>	<b>152,722,155</b>	<b>44,510,206</b>	<b>5,502,649</b>	<b>1,157,069,173</b>
<b>Net Position, End of Year</b>	<b>\$1,114,242,075</b>	<b>\$ 181,548,890</b>	<b>\$ 40,365,721</b>	<b>\$ 954,217</b>	<b>\$1,337,110,903</b>	<b>\$1,011,717,444</b>	<b>\$ 172,275,466</b>	<b>\$ 4,933,914</b>	<b>\$ 2,098,404</b>	<b>\$1,191,025,228</b>

# MARYLAND WATER QUALITY FINANCING ADMINISTRATION

## Combining Statements of Cash Flows – Schedule 3 For the Years Ended June 30, 2013 and 2012

	2013					2012				
	Funds held by Administration					Funds held by Administration				
	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
<b>Cash Flows from Operating Activities:</b>										
Loan repayments	\$ 65,118,996	\$ 7,449,700	\$ -	\$ -	\$ 72,568,696	\$ 67,336,568	\$ 6,603,677	\$ -	\$ -	\$ 73,940,245
Interest and fees received from borrowers	12,261,153	1,742,415	-	-	14,003,568	12,664,016	1,551,678	-	-	14,215,694
BRF Fee and other receipts	1,145,606	5,156,443	107,900,782	-	114,202,831	1,224,395	4,829,474	62,918,114	(1,877,400)	67,094,583
Loan disbursements	(152,151,471)	(8,733,204)	-	-	(160,884,675)	(51,601,352)	(29,378,700)	-	-	(80,980,052)
Capital grant disbursements	(6,736,360)	(6,133,343)	(178,802,405)	(1,144,187)	(192,816,295)	(12,269,544)	(6,889,728)	(104,537,713)	(1,526,845)	(125,223,830)
Salaries and benefits paid	(2,624,748)	(620,301)	(1,683,913)	-	(4,928,962)	(3,639,966)	(544,794)	(1,616,842)	-	(5,801,602)
General expenses paid	(1,856,284)	(4,886,346)	(270,847)	-	(7,013,477)	(1,644,311)	(4,613,446)	(300,131)	-	(6,557,888)
<b>Net Cash from Operating Activities</b>	<b>(84,843,108)</b>	<b>(6,024,636)</b>	<b>(72,856,383)</b>	<b>(1,144,187)</b>	<b>(164,868,314)</b>	<b>12,069,806</b>	<b>(28,441,839)</b>	<b>(43,536,572)</b>	<b>(3,404,245)</b>	<b>(63,312,850)</b>
<b>Cash Flows from Non-capital Financing Activities:</b>										
Contributions received from:										
Federal government	82,768,658	10,560,000	-	-	93,328,658	52,531,241	20,290,464	-	-	72,821,705
State of MD-required match to Federal grant	16,299,707	3,004,000	-	-	19,303,707	7,620,418	4,540,803	-	-	12,161,221
Transfer to State General Fund	-	-	-	-	-	-	-	(90,000,000)	-	(90,000,000)
Transfer from State GO Bonds	-	-	99,316,746	-	99,316,746	-	-	93,204,025	-	93,204,025
Repayment of bonds	(10,575,000)	-	(2,825,000)	-	(13,400,000)	(12,920,000)	-	(2,740,000)	-	(15,660,000)
Interest on bonds	(2,447,827)	-	(1,791,704)	-	(4,239,531)	(3,015,687)	-	(1,873,904)	-	(4,889,591)
<b>Net Cash from Non-capital Financing Activities</b>	<b>86,045,538</b>	<b>13,564,000</b>	<b>94,700,042</b>	<b>-</b>	<b>194,309,580</b>	<b>44,215,972</b>	<b>24,831,267</b>	<b>(1,409,879)</b>	<b>-</b>	<b>67,637,360</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>										
Purchase of equipment	-	-	(15,855)	-	(15,855)	-	-	-	-	-
<b>Net Cash from Capital and Related Financing Activities</b>	<b>-</b>	<b>-</b>	<b>(15,855)</b>	<b>-</b>	<b>(15,855)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Investing Activities:</b>										
Purchase of investments	(11,933,668)	-	-	-	(11,933,668)	(13,924,950)	-	-	-	(13,924,950)
Interest on investment securities	3,900,335	262,318	636,971	-	4,799,624	4,159,473	341,061	1,069,495	-	5,570,029
Proceeds from sales of investments	17,930,095	-	-	-	17,930,095	17,573,570	-	-	-	17,573,570
<b>Net Cash from Investing Activities</b>	<b>9,896,762</b>	<b>262,318</b>	<b>636,971</b>	<b>-</b>	<b>10,796,051</b>	<b>7,808,093</b>	<b>341,061</b>	<b>1,069,495</b>	<b>-</b>	<b>9,218,649</b>
<b>Net Increase/(Decr) in Cash and Cash Equivalents</b>	<b>11,099,192</b>	<b>7,801,682</b>	<b>22,464,775</b>	<b>(1,144,187)</b>	<b>40,221,462</b>	<b>64,093,871</b>	<b>(3,269,511)</b>	<b>(43,876,956)</b>	<b>(3,404,245)</b>	<b>13,543,159</b>
<b>Cash &amp; Cash Equivalents, Beginning of Year</b>	<b>315,631,805</b>	<b>26,195,936</b>	<b>31,759,035</b>	<b>2,098,404</b>	<b>375,685,180</b>	<b>251,537,934</b>	<b>29,465,447</b>	<b>75,635,991</b>	<b>5,502,649</b>	<b>362,142,021</b>
<b>Cash &amp; Cash Equivalents, End of Year</b>	<b>\$ 326,730,997</b>	<b>\$ 33,997,618</b>	<b>\$ 54,223,810</b>	<b>\$ 954,217</b>	<b>\$ 415,906,642</b>	<b>\$ 315,631,805</b>	<b>\$ 26,195,936</b>	<b>\$ 31,759,035</b>	<b>\$ 2,098,404</b>	<b>\$ 375,685,180</b>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**Combining Statements of Cash Flows – Schedule 3 (continued)  
For the Years Ended June 30, 2013 and 2012**

	2013					2012				
	Funds held by Administration					Funds held by Administration				
	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
<b>Reconciliation of operating income (loss) to net cash from operating activities:</b>										
Operating income (loss)	\$ 2,420,031	\$ (4,552,894)	\$ (62,656,880)	\$ (1,144,187)	\$ (65,933,930)	\$ (3,936,407)	\$ (5,619,017)	\$ (42,183,418)	\$ (3,404,245)	\$ (55,143,087)
Depreciation of fixed assets	-	-	4,963	-	4,963	-	-	4,371	-	4,371
<b>Adjustments to reconcile operating income to net cash from operating activities:</b>										
Loan disbursements	(152,151,471)	(8,733,204)	-	-	(160,884,675)	(51,601,352)	(29,378,700)	-	-	(80,980,052)
Loan repayments	65,118,996	7,449,700	-	-	72,568,696	67,336,568	6,603,677	-	-	73,940,245
Decrease/(incr) in loan interest receivable	(14,460)	(122,889)	-	-	(137,349)	349,678	20,283	-	-	369,961
Decrease/(incr) in administrative fee receivable and BRF fee receivable	(152,068)	(77,270)	(10,244,998)	-	(10,474,336)	(159,754)	(82,478)	(1,324,025)	-	(1,566,257)
Increase/(decr) in accounts payable and other liabilities	(64,136)	11,921	40,532	-	(11,683)	81,073	14,396	(33,500)	-	61,969
<b>Net Cash from Operating Activities</b>	<b>\$ (84,843,108)</b>	<b>\$ (6,024,636)</b>	<b>\$ (72,856,383)</b>	<b>\$ (1,144,187)</b>	<b>\$ (164,868,314)</b>	<b>\$ 12,069,806</b>	<b>\$ (28,441,839)</b>	<b>\$ (43,536,572)</b>	<b>\$ (3,404,245)</b>	<b>\$ (63,312,850)</b>

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

CLEAN WATER STATE REVOLVING LOAN FUND  
 Combining Statements of Net Position – Schedule 4  
 June 30, 2013 and 2012

	2013					2012				
	Funds held by Administration					Funds held by Administration				
	General Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Total	General Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Total
<b>ASSETS</b>										
<b>Current Assets:</b>										
Cash and cash equivalents	\$ 567,296	\$ 326,147,576	\$ -	\$ -	\$ 326,714,872	\$ 86,137	\$ 315,545,209	\$ -	\$ -	\$ 315,631,346
Investments	-	1,025,360	-	-	1,025,360	-	-	-	-	-
<b>Receivables:</b>										
Investment interest	-	215,842	-	-	215,842	-	215,842	-	-	215,842
Loans	-	14,995,891	-	-	14,995,891	-	8,016,799	-	-	8,016,799
Loan interest	-	1,197,883	-	-	1,197,883	-	678,627	-	-	678,627
Administrative fee	3,977,973	-	-	-	3,977,973	3,825,905	-	-	-	3,825,905
<b>Current Restricted Assets:</b>										
Cash and cash equivalents	-	-	-	16,125	16,125	-	-	-	459	459
Investments	-	-	-	11,307,735	11,307,735	-	-	-	13,564,950	13,564,950
<b>Receivables:</b>										
Investment interest	-	-	-	83,068	83,068	-	-	-	218,083	218,083
Loans	-	-	43,293,907	6,896,445	50,190,352	-	-	46,085,824	9,937,267	56,023,091
Loan interest	-	-	2,721,289	224,813	2,946,102	-	-	3,072,141	378,757	3,450,898
<b>Total Current Assets</b>	<b>4,545,269</b>	<b>343,582,552</b>	<b>46,015,196</b>	<b>18,528,186</b>	<b>412,671,203</b>	<b>3,912,042</b>	<b>324,456,477</b>	<b>49,157,965</b>	<b>24,099,516</b>	<b>401,626,000</b>
<b>Non-current Assets:</b>										
Investments	-	14,205,473	-	-	14,205,473	-	13,896,841	-	-	13,896,841
Loans receivable	-	306,631,539	-	-	306,631,539	-	171,555,066	-	-	171,555,066
Fixed assets, net	-	-	-	-	-	-	-	-	-	-
<b>Non-current Restricted Assets:</b>										
Investments	-	-	-	3,937,917	3,937,917	-	-	-	9,094,250	9,094,250
Loans receivable	-	-	419,370,602	7,862,546	427,233,148	-	-	461,664,509	14,758,991	476,423,500
Unamortized underwriters discount	-	-	-	-	-	-	-	148,644	70,593	219,237
Unamortized cost of issuance	-	-	-	-	-	-	-	190,370	52,605	242,975
<b>Total Non-current Assets</b>	<b>-</b>	<b>320,837,012</b>	<b>419,370,602</b>	<b>11,800,463</b>	<b>752,008,077</b>	<b>-</b>	<b>185,451,907</b>	<b>462,003,523</b>	<b>23,976,439</b>	<b>671,431,869</b>
<b>Total Assets</b>	<b>\$ 4,545,269</b>	<b>\$ 664,419,564</b>	<b>\$ 465,385,798</b>	<b>\$ 30,328,649</b>	<b>\$ 1,164,679,280</b>	<b>\$ 3,912,042</b>	<b>\$ 509,908,384</b>	<b>\$ 511,161,488</b>	<b>\$ 48,075,955</b>	<b>\$ 1,073,057,869</b>

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

CLEAN WATER STATE REVOLVING LOAN FUND  
 Combining Statements of Net Position – Schedule 4 (continued)  
 June 30, 2013 and 2012

LIABILITIES AND NET POSITION	2013					2012				
	Funds held by Administration					Funds held by Administration				
	General Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Total	General Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Total
<b>LIABILITIES</b>										
<b>Current Liabilities:</b>										
Accounts payable	\$ 169,827	\$ -	\$ -	\$ -	\$ 169,827	\$ 255,998	\$ -	\$ -	\$ -	\$ 255,998
Current liabilities payable from restricted assets:										
Revenue bonds payable	-	-	5,970,000	4,560,000	10,530,000	-	-	2,320,000	8,255,000	10,575,000
Accrued interest bonds payable	-	-	503,427	125,938	629,365	-	-	526,416	222,636	749,052
<b>Total Current Liabilities</b>	<b>169,827</b>	<b>-</b>	<b>6,473,427</b>	<b>4,685,938</b>	<b>11,329,192</b>	<b>255,998</b>	<b>-</b>	<b>2,846,416</b>	<b>8,477,636</b>	<b>11,580,050</b>
<b>Non-current Liabilities:</b>										
Other liabilities	99,477	-	-	-	99,477	77,442	-	-	-	77,442
Non-current liabilities payable from restricted assets:										
Revenue bonds payable	-	-	30,730,000	5,940,000	36,670,000	-	-	36,700,000	10,467,238	47,167,238
Bond premium	-	-	1,016,358	104,823	1,121,181	-	-	1,252,062	214,836	1,466,898
Arbitrage rebate	-	-	-	1,217,355	1,217,355	-	-	-	1,048,797	1,048,797
<b>Total Non-current Liabilities</b>	<b>99,477</b>	<b>-</b>	<b>31,746,358</b>	<b>7,262,178</b>	<b>39,108,013</b>	<b>77,442</b>	<b>-</b>	<b>37,952,062</b>	<b>11,730,871</b>	<b>49,760,375</b>
<b>Total Liabilities</b>	<b>269,304</b>	<b>-</b>	<b>38,219,785</b>	<b>11,948,116</b>	<b>50,437,205</b>	<b>333,440</b>	<b>-</b>	<b>40,798,478</b>	<b>20,208,507</b>	<b>61,340,425</b>
<b>NET POSITION</b>										
Invested in capital assets	-	-	-	-	-	-	-	-	-	-
Restricted for debt service	-	-	427,166,013	18,380,533	445,546,546	-	-	470,363,010	27,867,448	498,230,458
Unrestricted	4,275,965	664,419,564	-	-	668,695,529	3,578,602	509,908,384	-	-	513,486,986
<b>Total Net Position</b>	<b>\$ 4,275,965</b>	<b>\$ 664,419,564</b>	<b>\$ 427,166,013</b>	<b>\$ 18,380,533</b>	<b>\$ 1,114,242,075</b>	<b>\$ 3,578,602</b>	<b>\$ 509,908,384</b>	<b>\$ 470,363,010</b>	<b>\$ 27,867,448</b>	<b>\$ 1,011,717,444</b>

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

CLEAN WATER STATE REVOLVING LOAN FUND

Combining Statements of Revenue, Expenses and Changes in Net Position – Schedule 5

For the Years Ended June 30, 2013 and 2012

	2013					2012				
	Funds held by Administration					Funds held by Administration				
	General Accounts	Capital Reserve Account	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Total	General Accounts	Capital Reserve Account	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Total
<b>Operating Revenues:</b>										
Interest on loans	\$ -	\$ 2,098,635	\$ 5,746,633	\$ 603,570	\$ 8,448,838	\$ -	\$ 1,266,168	\$ 6,411,476	\$ 969,350	\$ 8,646,994
Loan administration fees	3,978,843	-	-	-	3,978,843	3,827,098	-	-	-	3,827,098
Grant revenue	1,135,416	-	-	-	1,135,416	1,210,018	-	-	-	1,210,018
Miscellaneous income	-	10,190	-	-	10,190	-	14,377	-	-	14,377
<b>Total Operating Revenue</b>	<b>5,114,259</b>	<b>2,108,825</b>	<b>5,746,633</b>	<b>603,570</b>	<b>13,573,287</b>	<b>5,037,116</b>	<b>1,280,545</b>	<b>6,411,476</b>	<b>969,350</b>	<b>13,698,487</b>
<b>Operating Expenses:</b>										
Salaries and related benefits	2,624,748	-	-	-	2,624,748	3,639,966	-	-	-	3,639,966
General	1,792,148	-	-	-	1,792,148	1,725,384	-	-	-	1,725,384
Capital grant disbursements	-	6,736,360	-	-	6,736,360	-	12,269,544	-	-	12,269,544
<b>Total Operating Expenses</b>	<b>4,416,896</b>	<b>6,736,360</b>	<b>-</b>	<b>-</b>	<b>11,153,256</b>	<b>5,365,350</b>	<b>12,269,544</b>	<b>-</b>	<b>-</b>	<b>17,634,894</b>
<b>Operating Income (Loss)</b>	<b>697,363</b>	<b>(4,627,535)</b>	<b>5,746,633</b>	<b>603,570</b>	<b>2,420,031</b>	<b>(328,234)</b>	<b>(10,988,999)</b>	<b>6,411,476</b>	<b>969,350</b>	<b>(3,936,407)</b>
<b>Non-operating Revenue (Expenses)</b>										
Investment income	179	3,415,387	416	349,338	3,765,320	128	3,514,018	441	625,071	4,139,658
Cost of issuance amortization expense	-	-	(339,014)	(123,198)	(462,212)	-	-	(26,764)	(38,905)	(65,669)
Arbitrage rebate expense	-	-	-	(168,558)	(168,558)	-	-	-	(333,182)	(333,182)
Interest expense on bonds	-	-	(1,556,259)	(458,926)	(2,015,185)	-	-	(1,642,934)	(922,154)	(2,565,088)
Net change in fair value of investments	-	(83,130)	-	-	(83,130)	-	(7,690)	-	-	(7,690)
<b>Total Non-operating Revenue (Expenses)</b>	<b>179</b>	<b>3,332,257</b>	<b>(1,894,857)</b>	<b>(401,344)</b>	<b>1,036,235</b>	<b>128</b>	<b>3,506,328</b>	<b>(1,669,257)</b>	<b>(669,170)</b>	<b>1,168,029</b>
<b>Income (Loss) Before Contributions</b>	<b>697,542</b>	<b>(1,295,278)</b>	<b>3,851,776</b>	<b>202,226</b>	<b>3,456,266</b>	<b>(328,106)</b>	<b>(7,482,671)</b>	<b>4,742,219</b>	<b>300,180</b>	<b>(2,768,378)</b>
<b>Contributions received from:</b>										
Federal government	-	82,768,658	-	-	82,768,658	-	52,531,241	-	-	52,531,241
State of MD-required match to federal grant	-	16,299,707	-	-	16,299,707	-	7,620,418	-	-	7,620,418
Interfund transfers	(179)	56,738,093	(47,048,773)	(9,689,141)	-	(128)	47,589,916	(40,337,496)	(7,252,292)	-
<b>Change in Net Position</b>	<b>697,363</b>	<b>154,511,180</b>	<b>(43,196,997)</b>	<b>(9,486,915)</b>	<b>102,524,631</b>	<b>(328,234)</b>	<b>100,258,904</b>	<b>(35,595,277)</b>	<b>(6,952,112)</b>	<b>57,383,281</b>
<b>Net Position, Beginning of Year</b>	<b>3,578,602</b>	<b>509,908,384</b>	<b>470,363,010</b>	<b>27,867,448</b>	<b>1,011,717,444</b>	<b>3,906,836</b>	<b>409,649,480</b>	<b>505,958,287</b>	<b>34,819,560</b>	<b>954,334,163</b>
<b>Net Position, End of Year</b>	<b>\$ 4,275,965</b>	<b>\$ 664,419,564</b>	<b>\$ 427,166,013</b>	<b>\$ 18,380,533</b>	<b>\$ 1,114,242,075</b>	<b>\$ 3,578,602</b>	<b>\$ 509,908,384</b>	<b>\$ 470,363,010</b>	<b>\$ 27,867,448</b>	<b>\$ 1,011,717,444</b>

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

CLEAN WATER STATE REVOLVING LOAN FUND  
 Combining Statements of Cash Flow – Schedule 6  
 For the Years Ended June 30, 2013 and 2012

	2013					2012				
	Funds held by Administration					Funds held by Administration				
	General Account	Capital Reserve Account	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Totals	General Account	Capital Reserve Account	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Totals
<b>Cash Flows from Operating Activities:</b>										
Loan repayments	\$ -	\$ 10,095,905	\$ 45,085,824	\$ 9,937,267	\$ 65,118,996	\$ -	\$ 8,465,581	\$ 45,782,410	\$ 13,088,577	\$ 67,336,568
Interest and fees received from borrowers	3,826,775	1,579,379	6,097,485	757,514	12,261,153	3,667,344	1,087,551	6,727,935	1,181,186	12,664,016
Other receipts	1,135,416	10,190	-	-	1,145,606	1,210,018	14,377	-	-	1,224,395
Loan disbursements	-	(152,151,471)	-	-	(152,151,471)	-	(51,601,352)	-	-	(51,601,352)
Capital grant disbursements	-	(6,736,360)	-	-	(6,736,360)	-	(12,269,544)	-	-	(12,269,544)
Salaries and benefits paid	(2,624,748)	-	-	-	(2,624,748)	(3,639,966)	-	-	-	(3,639,966)
General expenses paid	(1,856,284)	-	-	-	(1,856,284)	(1,644,311)	-	-	-	(1,644,311)
<b>Net Cash from Operating Activities</b>	<b>481,159</b>	<b>(147,202,357)</b>	<b>51,183,309</b>	<b>10,694,781</b>	<b>(84,843,108)</b>	<b>(406,915)</b>	<b>(54,303,387)</b>	<b>52,510,345</b>	<b>14,269,763</b>	<b>12,069,806</b>
<b>Cash Flows from Non-capital Financing Activities:</b>										
Contributions received from:										
Federal government	-	82,768,658	-	-	82,768,658	-	52,531,241	-	-	52,531,241
State of MD-required match to Federal grant	-	16,299,707	-	-	16,299,707	-	7,620,418	-	-	7,620,418
Interfund transfers	(178)	56,738,093	(47,048,773)	(9,689,142)	-	(128)	54,579,941	(47,327,521)	(7,252,292)	-
Proceeds from sale of bonds	-	-	-	-	-	-	-	-	-	-
Repayment of bonds	-	-	(2,320,000)	(8,255,000)	(10,575,000)	-	-	(3,215,000)	(9,705,000)	(12,920,000)
Cost of issuance/underwriters discount	-	-	-	-	-	-	-	-	-	-
Interest on bonds	-	-	(1,814,952)	(632,875)	(2,447,827)	-	-	(1,968,265)	(1,047,422)	(3,015,687)
Arbitrage liability paid	-	-	-	-	-	-	-	-	-	-
<b>Net Cash from Non-capital Financing Activities</b>	<b>(178)</b>	<b>155,806,458</b>	<b>(51,183,725)</b>	<b>(18,577,017)</b>	<b>86,045,538</b>	<b>(128)</b>	<b>114,731,600</b>	<b>(52,510,786)</b>	<b>(18,004,714)</b>	<b>44,215,972</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>										
Purchase of equipment	-	-	-	-	-	-	-	-	-	-
<b>Net Cash from Capital and Related Financing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Investing Activities:</b>										
Purchase of investments	-	(1,674,517)	-	(10,259,151)	(11,933,668)	-	(360,000)	-	(13,564,950)	(13,924,950)
Interest on investment securities	178	3,415,388	416	484,353	3,900,335	128	3,514,017	441	644,887	4,159,473
Proceeds from sales of investments	-	257,395	-	17,672,700	17,930,095	-	918,664	-	16,654,906	17,573,570
<b>Net Cash from Investing Activities</b>	<b>178</b>	<b>1,998,266</b>	<b>416</b>	<b>7,897,902</b>	<b>9,896,762</b>	<b>128</b>	<b>4,072,681</b>	<b>441</b>	<b>3,734,843</b>	<b>7,808,093</b>
<b>Net Increase/(Decr) in Cash and Cash Equivalents</b>	<b>481,159</b>	<b>10,602,367</b>	<b>-</b>	<b>15,666</b>	<b>11,099,192</b>	<b>(406,915)</b>	<b>64,500,894</b>	<b>-</b>	<b>(108)</b>	<b>64,093,871</b>
<b>Cash &amp; Cash Equivalents, Beginning of Year</b>	<b>86,137</b>	<b>315,545,209</b>	<b>-</b>	<b>459</b>	<b>315,631,805</b>	<b>493,052</b>	<b>251,044,315</b>	<b>-</b>	<b>567</b>	<b>251,537,934</b>
<b>Cash &amp; Cash Equivalents, End of Year</b>	<b>\$ 567,296</b>	<b>\$ 326,147,576</b>	<b>\$ -</b>	<b>\$ 16,125</b>	<b>\$ 326,730,997</b>	<b>\$ 86,137</b>	<b>\$ 315,545,209</b>	<b>\$ -</b>	<b>\$ 459</b>	<b>\$ 315,631,805</b>



MARYLAND WATER QUALITY FINANCING ADMINISTRATION

CLEAN WATER STATE REVOLVING LOAN FUND  
 Combining Statements of Cash Flow – Schedule 6 (continued)  
 For the Years Ended June 30, 2013 and 2012

	2013					2012				
	Funds held by Administration					Funds held by Administration				
	General Account	Capital Reserve Account	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Totals	General Account	Capital Reserve Account	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Totals
Reconciliation of operating income (loss) to net cash from operating activities:										
Operating income (loss)	\$ 697,363	\$ (4,627,535)	\$ 5,746,633	\$ 603,570	\$ 2,420,031	\$ (328,234)	\$ (10,988,999)	\$ 6,411,476	\$ 969,350	\$ (3,936,407)
Depreciation of fixed assets	-	-	-	-	-	-	-	-	-	-
Adjustments to reconcile operating income to net cash from operating activities:										
Loan disbursements	-	(152,151,471)	-	-	(152,151,471)	-	(51,601,352)	-	-	(51,601,352)
Loan repayments	-	10,095,905	45,085,824	9,937,267	65,118,996	-	8,465,581	45,782,410	13,088,577	67,336,568
Decrease (incr) in loan interest receivable	-	(519,256)	350,852	153,944	(14,460)	-	(178,617)	316,459	211,836	349,678
Decrease/(incr) in administrative fee receivable	(152,068)	-	-	-	(152,068)	(159,754)	-	-	-	(159,754)
Increase/(decr) in accounts payable and other liabilities	(64,136)	-	-	-	(64,136)	81,073	-	-	-	81,073
Net Cash from Operating Activities	<u>\$ 481,159</u>	<u>\$(147,202,357)</u>	<u>\$ 51,183,309</u>	<u>\$ 10,694,781</u>	<u>\$ (84,843,108)</u>	<u>\$ (406,915)</u>	<u>\$(54,303,387)</u>	<u>\$ 52,510,345</u>	<u>\$ 14,269,763</u>	<u>\$ 12,069,806</u>

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

DRINKING WATER STATE REVOLVING LOAN FUND

Combining Statements of Net Position – Schedule 7

June 30, 2013 and 2012

	2013			2012		
	Funds held by Administration			Funds held by Administration		
	General Accounts	Capital Reserve Accounts	Total	General Accounts	Capital Reserve Accounts	Total
<b>ASSETS</b>						
<b>Current Assets:</b>						
Cash and cash equivalents	\$ 88,998	\$ 33,908,620	\$ 33,997,618	\$ 28,644	\$ 26,167,292	\$ 26,195,936
Investments	-	-	-	-	-	-
Receivables:						
Investment interest	-	-	-	-	-	-
Loans	-	6,945,150	6,945,150	-	6,713,961	6,713,961
Loan interest	-	706,947	706,947	-	584,058	584,058
Administrative fee	499,679	-	499,679	422,409	-	422,409
<b>Total Current Assets</b>	<b>588,677</b>	<b>41,560,717</b>	<b>42,149,394</b>	<b>451,053</b>	<b>33,465,311</b>	<b>33,916,364</b>
<b>Non-current Assets:</b>						
Receivables:						
Loans	-	139,476,519	139,476,519	-	138,424,204	138,424,204
<b>Total Non-current Assets</b>	<b>-</b>	<b>139,476,519</b>	<b>139,476,519</b>	<b>-</b>	<b>138,424,204</b>	<b>138,424,204</b>
<b>Total Assets</b>	<b>\$ 588,677</b>	<b>\$ 181,037,236</b>	<b>\$ 181,625,913</b>	<b>\$ 451,053</b>	<b>\$ 171,889,515</b>	<b>\$ 172,340,568</b>
<b>LIABILITIES AND NET POSITION</b>						
<b>LIABILITIES</b>						
<b>Current Liabilities:</b>						
Accounts payable	\$ 48,084	\$ -	\$ 48,084	\$ 43,744	\$ -	\$ 43,744
<b>Total Current Liabilities</b>	<b>48,084</b>	<b>-</b>	<b>48,084</b>	<b>43,744</b>	<b>-</b>	<b>43,744</b>
<b>Non-current Liabilities:</b>						
Other liabilities	28,939	-	28,939	21,358	-	21,358
<b>Total Non-current Liabilities</b>	<b>28,939</b>	<b>-</b>	<b>28,939</b>	<b>21,358</b>	<b>-</b>	<b>21,358</b>
<b>Total Liabilities</b>	<b>77,023</b>	<b>-</b>	<b>77,023</b>	<b>65,102</b>	<b>-</b>	<b>65,102</b>
<b>NET POSITION</b>						
Invested in capital assets	-	-	-	-	-	-
Unrestricted	511,654	181,037,236	181,548,890	385,951	171,889,515	172,275,466
<b>Total Net Position</b>	<b>\$ 511,654</b>	<b>\$ 181,037,236</b>	<b>\$ 181,548,890</b>	<b>\$ 385,951</b>	<b>\$ 171,889,515</b>	<b>\$ 172,275,466</b>

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

DRINKING WATER STATE REVOLVING LOAN FUND

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

For the Years Ended June 30, 2013 and 2012

	2013			2012		
	Funds held by Administration			Funds held by Administration		
	General Accounts	Capital Reserve Accounts	Total	General Accounts	Capital Reserve Accounts	Total
<b>Operating Revenues:</b>						
Interest on loans	\$ -	\$ 1,441,108	\$ 1,441,108	\$ -	\$ 1,189,328	\$ 1,189,328
Loan administration fees	501,466	-	501,466	424,545	-	424,545
Grant revenue	447,742	-	447,742	380,789	-	380,789
Grant revenue (Set-Asides 2%,10%, 15%)	4,693,151	-	4,693,151	4,432,915	-	4,432,915
Miscellaneous income	-	15,550	15,550	-	15,770	15,770
<b>Total Operating Revenue</b>	<b>5,642,359</b>	<b>1,456,658</b>	<b>7,099,017</b>	<b>5,238,249</b>	<b>1,205,098</b>	<b>6,443,347</b>
<b>Operating Expenses:</b>						
Salaries and related benefits	620,301	-	620,301	544,794	-	544,794
General	205,116	-	205,116	194,927	-	194,927
Capital grant disbursements	-	6,133,343	6,133,343	-	6,889,728	6,889,728
Transfers-out (Set-Asides 2%,10%,15%)	4,693,151	-	4,693,151	4,432,915	-	4,432,915
<b>Total Operating Expenses</b>	<b>5,518,568</b>	<b>6,133,343</b>	<b>11,651,911</b>	<b>5,172,636</b>	<b>6,889,728</b>	<b>12,062,364</b>
<b>Operating Income (Loss)</b>	<b>123,791</b>	<b>(4,676,685)</b>	<b>(4,552,894)</b>	<b>65,613</b>	<b>(5,684,630)</b>	<b>(5,619,017)</b>
<b>Non-operating Revenue (Expenses)</b>						
Investment income	1,912	260,406	262,318	1,628	339,433	341,061
Net change in fair value of investments	-	-	-	-	-	-
<b>Total Non-operating Revenue (Expenses)</b>	<b>1,912</b>	<b>260,406</b>	<b>262,318</b>	<b>1,628</b>	<b>339,433</b>	<b>341,061</b>
<b>Income (Loss) Before Contributions</b>	<b>125,703</b>	<b>(4,416,279)</b>	<b>(4,290,576)</b>	<b>67,241</b>	<b>(5,345,197)</b>	<b>(5,277,956)</b>
<b>Contributions received from:</b>						
Federal government	-	10,560,000	10,560,000	-	20,290,464	20,290,464
State of MD-required match for federal grant	-	3,004,000	3,004,000	-	4,540,803	4,540,803
<b>Change in Net Position</b>	<b>125,703</b>	<b>9,147,721</b>	<b>9,273,424</b>	<b>67,241</b>	<b>19,486,070</b>	<b>19,553,311</b>
<b>Net Position, Beginning of Year</b>	<b>385,951</b>	<b>171,889,515</b>	<b>172,275,466</b>	<b>318,710</b>	<b>152,403,445</b>	<b>152,722,155</b>
<b>Net Position, End of Year</b>	<b>\$ 511,654</b>	<b>\$ 181,037,236</b>	<b>\$ 181,548,890</b>	<b>\$ 385,951</b>	<b>\$ 171,889,515</b>	<b>\$ 172,275,466</b>

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

DRINKING WATER STATE REVOLVING LOAN FUND

Combining Statements of Cash Flows – Schedule 9

For the Years Ended June 30, 2013 and 2012

	2013			2012		
	Funds held by Administration			Funds held by Administration		
	General Accounts	Capital Reserve Accounts	Total	General Accounts	Capital Reserve Accounts	Total
<b>Cash Flows from Operating Activities:</b>						
Loan repayments	\$ -	\$ 7,449,700	\$ 7,449,700	\$ -	\$ 6,603,677	\$ 6,603,677
Interest and fees received from borrowers	424,196	1,318,219	1,742,415	342,067	1,209,611	1,551,678
Other receipts	5,140,893	15,550	5,156,443	4,813,704	15,770	4,829,474
Loan disbursements	-	(8,733,204)	(8,733,204)	-	(29,378,700)	(29,378,700)
Capital grant disbursements	-	(6,133,343)	(6,133,343)	-	(6,889,728)	(6,889,728)
Salaries and benefits paid	(620,301)	-	(620,301)	(544,794)	-	(544,794)
General expenses paid	(4,886,346)	-	(4,886,346)	(4,613,446)	-	(4,613,446)
<b>Net Cash from Operating Activities</b>	<b>58,442</b>	<b>(6,083,078)</b>	<b>(6,024,636)</b>	<b>(2,469)</b>	<b>(28,439,370)</b>	<b>(28,441,839)</b>
<b>Cash Flows from Non-capital Financing Activities:</b>						
Contributions received from:						
Federal government	-	10,560,000	10,560,000	-	20,290,464	20,290,464
State of MD-required match to federal grant	-	3,004,000	3,004,000	-	4,540,803	4,540,803
<b>Net Cash from Non-capital Financing Activities</b>	<b>-</b>	<b>13,564,000</b>	<b>13,564,000</b>	<b>-</b>	<b>24,831,267</b>	<b>24,831,267</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Purchase of equipment	-	-	-	-	-	-
<b>Net Cash from Capital and Related Financing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Investing Activities:</b>						
Purchase of investment securities	-	-	-	-	-	-
Interest on investments securities	1,912	260,406	262,318	1,628	339,433	341,061
Proceeds from sales of investments	-	-	-	-	-	-
<b>Net Cash from Investing Activities</b>	<b>1,912</b>	<b>260,406</b>	<b>262,318</b>	<b>1,628</b>	<b>339,433</b>	<b>341,061</b>
<b>Net Increase/(Decr) in Cash and Cash Equivalents</b>	<b>60,354</b>	<b>7,741,328</b>	<b>7,801,682</b>	<b>(841)</b>	<b>(3,268,670)</b>	<b>(3,269,511)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>28,644</b>	<b>26,167,292</b>	<b>26,195,936</b>	<b>29,485</b>	<b>29,435,962</b>	<b>29,465,447</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 88,998</b>	<b>\$ 33,908,620</b>	<b>\$ 33,997,618</b>	<b>\$ 28,644</b>	<b>\$ 26,167,292</b>	<b>\$ 26,195,936</b>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**DRINKING WATER STATE REVOLVING LOAN FUND**

Combining Statements of Cash Flows – Schedule 9 (continued)

For the Years Ended June 30, 2013 and 2012

	2013			2012		
	Funds held by Administration			Funds held by Administration		
	General Accounts	Capital Reserve Accounts	Total	General Accounts	Capital Reserve Accounts	Total
Reconciliation of operating income (loss) to net cash from operating activities:						
Operating income (loss)	\$ 123,791	\$ (4,676,685)	\$ (4,552,894)	\$ 65,613	\$ (5,684,630)	\$ (5,619,017)
Depreciation of fixed assets	-	-	-	-	-	-
Adjustments to reconcile operating income to net cash from operating activities:						
Loan disbursements	-	(8,733,204)	(8,733,204)	-	(29,378,700)	(29,378,700)
Loan repayments	-	7,449,700	7,449,700	-	6,603,677	6,603,677
Decr/(incr) in loan interest receivable	-	(122,889)	(122,889)	-	20,283	20,283
Decrease/(incr) in administrative fee receivable	(77,270)	-	(77,270)	(82,478)	-	(82,478)
Increase/(decr) in accounts payable and other liabilities	11,921	-	11,921	14,396	-	14,396
Net Cash from Operating Activities	<u>\$ 58,442</u>	<u>\$ (6,083,078)</u>	<u>\$ (6,024,636)</u>	<u>\$ (2,469)</u>	<u>\$ (28,439,370)</u>	<u>\$ (28,441,839)</u>

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

BAY RESTORATION FUND – WASTEWATER FUND AND SEPTICS FUND

Combining Statement of Net Position – Schedule 10

June 30, 2013

		2013					
		Funds held by Administration					
		BAY RESTORATION FUND-WASTEWATER			BAY RESTORATION FUND-SEPTICS		
		Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	Total
<b>ASSETS</b>							
<b>Current Assets:</b>							
Cash and cash equivalents	\$	682,493	\$ 22,610,666	\$ -	\$ 1,229,540	\$ 6,432,668	\$ 30,955,367
<b>Receivables:</b>							
Investment interest		-	-	-	-	-	-
BRF fee		337,939	-	-	92,490	1,063,631	1,494,060
<b>Current Restricted Assets:</b>							
Cash and cash equivalents		-	23,268,414	29	-	-	23,268,443
<b>Receivables:</b>							
Investment interest		-	-	-	-	-	-
BRF fee		-	22,191,299	-	-	-	22,191,299
<b>Total Current Assets</b>		<u>1,020,432</u>	<u>68,070,379</u>	<u>29</u>	<u>1,322,030</u>	<u>7,496,299</u>	<u>77,909,169</u>
<b>Non-current Assets:</b>							
Fixed assets, net		-	-	-	14,534	-	14,534
<b>Non-current Restricted Assets:</b>							
Unamortized underwriters discount		-	-	-	-	-	-
Unamortized cost of issuance		-	-	-	-	-	-
<b>Total Non-current Assets</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>14,534</u>	<u>-</u>	<u>14,534</u>
<b>Total Assets</b>	<b>\$</b>	<b>1,020,432</b>	<b>\$ 68,070,379</b>	<b>\$ 29</b>	<b>\$ 1,336,564</b>	<b>\$ 7,496,299</b>	<b>\$ 77,923,703</b>
<b>LIABILITIES AND NET POSITION</b>							
<b>LIABILITIES</b>							
<b>Current Liabilities:</b>							
Accounts payable	\$	79,405	\$ -	\$ -	\$ 42,701	\$ -	\$ 122,106
<b>Current liabilities payable from restricted assets:</b>							
Revenue bonds payable		-	-	2,940,000	-	-	2,940,000
Accrued bond interest		-	-	495,674	-	-	495,674
<b>Total Current Liabilities</b>		<u>79,405</u>	<u>-</u>	<u>3,435,674</u>	<u>42,701</u>	<u>-</u>	<u>3,557,780</u>
<b>Non-current Liabilities:</b>							
Other liabilities		46,885	-	-	29,018	-	75,903
<b>Non-current liabilities payable from restricted assets:</b>							
Revenue bonds payable		-	-	33,055,000	-	-	33,055,000
Bond premium		-	-	869,299	-	-	869,299
<b>Total Non-current Liabilities</b>		<u>46,885</u>	<u>-</u>	<u>33,924,299</u>	<u>29,018</u>	<u>-</u>	<u>34,000,202</u>
<b>Total Liabilities</b>		<u>126,290</u>	<u>-</u>	<u>37,359,973</u>	<u>71,719</u>	<u>-</u>	<u>37,557,982</u>
<b>NET POSITION</b>							
Invested In capital assets		-	-	-	14,534	-	14,534
Restricted for debt service		-	45,459,713	(37,359,944)	-	-	8,099,769
Unrestricted		894,142	22,610,666	-	1,250,311	7,496,299	32,251,418
<b>Total Net Position</b>	<b>\$</b>	<b>894,142</b>	<b>\$ 68,070,379</b>	<b>\$ (37,359,944)</b>	<b>\$ 1,264,845</b>	<b>\$ 7,496,299</b>	<b>\$ 40,365,721</b>

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

BAY RESTORATION FUND – WASTEWATER FUND AND SEPTICS FUND

Combining Statement of Net Position – Schedule 10 (continued)

June 30, 2012

	2012					
	Funds held by Administration					
	BAY RESTORATION FUND-WASTEWATER			BAY RESTORATION FUND-SEPTICS		Total
Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts		
<b>ASSETS</b>						
Current Assets:						
Cash and cash equivalents	\$ 601,524	\$ 14,801,577	\$ -	\$ 671,884	\$ 3,810,989	\$ 19,885,974
Receivables:						
Investment interest	-	-	-	-	-	-
BRF fee	197,259	-	-	23,181	266,579	487,019
Current Restricted Assets:						
Cash and cash equivalents	-	11,873,032	29	-	-	11,873,061
Receivables:						
Investment interest	-	-	-	-	-	-
BRF fee	-	12,953,342	-	-	-	12,953,342
Total Current Assets	798,783	39,627,951	29	695,065	4,077,568	45,199,396
Non-current Assets:						
Fixed assets, net	-	-	-	3,642	-	3,642
Non-current Restricted Assets:						
Unamortized underwriters discount	-	-	164,671	-	-	164,671
Unamortized cost of issuance	-	-	150,414	-	-	150,414
Total Non-current Assets	-	-	315,085	3,642	-	318,727
Total Assets	\$ 798,783	\$ 39,627,951	\$ 315,114	\$ 698,707	\$ 4,077,568	45,518,123
<b>LIABILITIES AND NET POSITION</b>						
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts payable	\$ 57,675	\$ -	\$ -	\$ 41,312	\$ -	\$ 98,987
Current liabilities payable from restricted assets:						
Revenue bonds payable	-	-	2,825,000	-	-	2,825,000
Accrued bond interest	-	-	527,136	-	-	527,136
Total Current Liabilities	57,675	-	3,352,136	41,312	-	3,451,123
Non-current Liabilities:						
Other liabilities	31,091	-	-	27,399	-	58,490
Non-current liabilities payable from restricted assets:						
Revenue bonds payable	-	-	35,995,000	-	-	35,995,000
Bond premium	-	-	1,079,596	-	-	1,079,596
Total Non-current Liabilities	31,091	-	37,074,596	27,399	-	37,133,086
Total Liabilities	88,766	-	40,426,732	68,711	-	40,584,209
<b>NET POSITION</b>						
Invested in capital assets	-	-	-	3,642	-	3,642
Restricted for debt service	-	24,826,374	(40,111,618)	-	-	(15,285,244)
Unrestricted	710,017	14,801,577	-	626,354	4,077,568	20,215,516
Total Net Position	\$ 710,017	\$ 39,627,951	\$ (40,111,618)	\$ 629,996	\$ 4,077,568	\$ 4,933,914

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**BAY RESTORATION FUND – WASTEWATER FUND AND SEPTICS FUND**  
**Combining Statement of Revenue, Expenses and Changes in Net Position – Schedule 11**  
**June 30, 2013**

	2013					
	Funds held by Administration					
	Bay Restoration Fund-Wastewater			Bay Restoration Fund-Septics		TOTAL
Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts		
<b>Operating Revenues:</b>						
Fee revenue	\$ 1,532,180	\$ 100,613,176	\$ -	\$ 1,279,424	\$ 14,713,375	\$ 118,138,155
Miscellaneous income	-	-	-	7,625	-	7,625
<b>Total Operating Revenue</b>	<b>1,532,180</b>	<b>100,613,176</b>	<b>-</b>	<b>1,287,049</b>	<b>14,713,375</b>	<b>118,145,780</b>
<b>Operating Expenses:</b>						
Salaries and related benefits	1,126,808	-	-	557,105	-	1,683,913
General admin expenses	221,247	-	-	95,095	-	316,342
Capital grant disbursements	-	167,448,870	-	-	11,353,535	178,802,405
<b>Total Operating Expenses</b>	<b>1,348,055</b>	<b>167,448,870</b>	<b>-</b>	<b>652,200</b>	<b>11,353,535</b>	<b>180,802,660</b>
<b>Operating Income (Loss)</b>	<b>184,125</b>	<b>(66,835,694)</b>	<b>-</b>	<b>634,849</b>	<b>3,359,840</b>	<b>(62,656,880)</b>
<b>Non-operating Revenue (Expenses):</b>						
Investment income	-	577,973	107	-	58,891	636,971
Cost of issuance expense	-	-	(315,085)	-	-	(315,085)
Interest on bonds	-	-	(1,549,945)	-	-	(1,549,945)
Net change in fair value of investments	-	-	-	-	-	-
<b>Total Non-operating Revenue (Expenses)</b>	<b>-</b>	<b>577,973</b>	<b>(1,864,923)</b>	<b>-</b>	<b>58,891</b>	<b>(1,228,059)</b>
<b>Income (Loss) Before Contributions</b>	<b>184,125</b>	<b>(66,257,721)</b>	<b>(1,864,923)</b>	<b>634,849</b>	<b>3,418,731</b>	<b>(63,884,939)</b>
<b>Contributions:</b>						
Transfer to State General Fund	-	-	-	-	-	-
Transfer from State GO Bonds	-	99,316,746	-	-	-	99,316,746
Interfund equity transfer	-	(4,616,597)	4,616,597	-	-	-
<b>Change in Net Position</b>	<b>184,125</b>	<b>28,442,428</b>	<b>2,751,674</b>	<b>634,849</b>	<b>3,418,731</b>	<b>35,431,807</b>
<b>Net Position, Beginning of Year</b>	<b>710,017</b>	<b>39,627,951</b>	<b>(40,111,618)</b>	<b>629,996</b>	<b>4,077,568</b>	<b>4,933,914</b>
<b>Net Position, End of Year</b>	<b>\$ 894,142</b>	<b>\$ 68,070,379</b>	<b>\$ (37,359,944)</b>	<b>\$ 1,264,845</b>	<b>\$ 7,496,299</b>	<b>\$ 40,365,721</b>



MARYLAND WATER QUALITY FINANCING ADMINISTRATION

BAY RESTORATION FUND – WASTEWATER FUND AND SEPTICS FUND

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

June 30, 2012

	2012					
	Funds held by Administration					
	Bay Restoration Fund-Wastewater			Bay Restoration Fund-Septics		TOTAL
	Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	
<b>Operating Revenues:</b>						
Fee revenue	\$ 839,566	\$ 55,131,486	\$ -	\$ 661,687	\$ 7,609,400	\$ 64,242,139
Miscellaneous income	-	-	-	-	-	-
<b>Total Operating Revenue</b>	<u>839,566</u>	<u>55,131,486</u>	<u>-</u>	<u>661,687</u>	<u>7,609,400</u>	<u>64,242,139</u>
<b>Operating Expenses:</b>						
Salaries and related benefits	1,105,973	-	-	510,869	-	1,616,842
General admin expenses	195,411	-	-	75,591	-	271,002
Capital grant disbursements	-	95,784,667	-	-	8,753,046	104,537,713
<b>Total Operating Expenses</b>	<u>1,301,384</u>	<u>95,784,667</u>	<u>-</u>	<u>586,460</u>	<u>8,753,046</u>	<u>106,425,557</u>
<b>Operating Income (Loss)</b>	(461,818)	(40,653,181)	-	75,227	(1,143,646)	(42,183,418)
<b>Non-operating Revenue (Expenses):</b>						
Investment income	-	1,012,878	120	-	56,497	1,069,495
Cost of issuance expense	-	-	(29,539)	-	-	(29,539)
Interest on bonds	-	-	(1,636,855)	-	-	(1,636,855)
Net change in fair value of investments	-	-	-	-	-	-
<b>Total Non-operating Revenue (Expenses)</b>	<u>-</u>	<u>1,012,878</u>	<u>(1,666,274)</u>	<u>-</u>	<u>56,497</u>	<u>(596,899)</u>
<b>Income (Loss) Before Contributions</b>	(461,818)	(39,640,303)	(1,666,274)	75,227	(1,087,149)	(42,780,317)
<b>Contributions:</b>						
Transfer to State General Fund		(90,000,000)				(90,000,000)
Transfer from State GO Bonds		93,204,025				93,204,025
Interfund equity transfer	-	(4,613,785)	4,613,785	-	-	-
<b>Change in Net Position</b>	(461,818)	(41,050,063)	2,947,511	75,227	(1,087,149)	(39,576,292)
<b>Net Position, Beginning of Year</b>	1,171,835	80,678,014	(43,059,129)	554,769	5,164,717	44,510,206
<b>Net Position, End of Year</b>	<u>\$ 710,017</u>	<u>\$ 39,627,951</u>	<u>\$ (40,111,618)</u>	<u>\$ 629,996</u>	<u>\$ 4,077,568</u>	<u>\$ 4,933,914</u>

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

BAY RESTORATION FUND – WASTEWATER FUND AND SEPTICS FUND

Combining Statement of Cash Flow – Schedule 12

June 30, 2013

	2013					
	Funds held by Administration					
	Bay Restoration Fund-Wastewater			Bay Restoration Fund-Septics		Total
	Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	
<b>Cash Flows from Operating Activities:</b>						
BRF fee and other receipts	\$ 1,391,500	\$ 91,375,219	\$ -	\$ 1,217,740	\$ 13,916,323	\$ 107,900,782
Capital grant disbursements	-	(167,448,870)	-	-	(11,353,535)	(178,802,405)
Salaries and benefits paid	(1,126,808)	-	-	(557,105)	-	(1,683,913)
General expenses paid	(183,723)	-	-	(87,124)	-	(270,847)
<b>Net Cash from Operating Activities</b>	<b>80,969</b>	<b>(76,073,651)</b>	<b>-</b>	<b>573,511</b>	<b>2,562,788</b>	<b>(72,856,383)</b>
<b>Cash Flows from Non-capital Financing Activities:</b>						
Transfer to State General Fund	-	-	-	-	-	-
Transfer from State GO Bonds	-	99,316,746	-	-	-	99,316,746
Interfund equity transfers	-	(4,616,597)	4,616,597	-	-	-
Proceeds from sale of bonds	-	-	-	-	-	-
Repayment of bonds	-	-	(2,825,000)	-	-	(2,825,000)
Cost of issuance/underwriters discount	-	-	-	-	-	-
Interest on bonds	-	-	(1,791,704)	-	-	(1,791,704)
<b>Net Cash from Non-capital Financing Activities</b>	<b>-</b>	<b>94,700,149</b>	<b>(107)</b>	<b>-</b>	<b>-</b>	<b>94,700,042</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Purchase of equipment	-	-	-	(15,855)	-	(15,855)
<b>Net Cash from Capital and Related Financing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15,855)</b>	<b>-</b>	<b>(15,855)</b>
<b>Cash Flows from Investing Activities:</b>						
Purchase of investment securities	-	-	-	-	-	-
Interest on investment securities	-	577,973	107	-	58,891	636,971
Proceeds from sales of investments	-	-	-	-	-	-
<b>Net Cash from Investing Activities</b>	<b>-</b>	<b>577,973</b>	<b>107</b>	<b>-</b>	<b>58,891</b>	<b>636,971</b>
<b>Net Increase/(Decr) in Cash and Cash Equivalents</b>	<b>80,969</b>	<b>19,204,471</b>	<b>-</b>	<b>557,656</b>	<b>2,621,679</b>	<b>22,464,775</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>601,524</b>	<b>26,674,609</b>	<b>29</b>	<b>671,884</b>	<b>3,810,989</b>	<b>31,759,035</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 682,493</b>	<b>\$ 45,879,080</b>	<b>\$ 29</b>	<b>\$ 1,229,540</b>	<b>\$ 6,432,668</b>	<b>\$ 54,223,810</b>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**BAY RESTORATION FUND – WASTEWATER FUND AND SEPTICS FUND**

Combining Statement of Cash Flow – Schedule 12 (continued)

June 30, 2013

	2013					
	Funds held by Administration					
	Bay Restoration Fund-Wastewater			Bay Restoration Fund-Septics		Total
	Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	
Reconciliation of operating income (loss) to net cash from operating activities:						
Operating income (loss)	\$ 184,125	\$ (66,835,694)	\$ -	\$ 634,849	\$ 3,359,840	\$ (62,656,880)
Depreciation of fixed assets	-	-	-	4,963	-	4,963
Adjustments to reconcile operating income to net cash from operating activities:						
Decrease/(Incr) in BRF fee receivable	(140,680)	(9,237,957)	-	(69,309)	(797,052)	(10,244,998)
Increase (decr) in accounts payable and other liabilities	37,524	-	-	3,008	-	40,532
<b>Net Cash from Operating Activities</b>	<b>\$ 80,969</b>	<b>\$ (76,073,651)</b>	<b>\$ -</b>	<b>\$ 573,511</b>	<b>\$ 2,562,788</b>	<b>\$ (72,856,383)</b>

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

BAY RESTORATION FUND – WASTEWATER FUND AND SEPTICS FUND

Combining Statement of Cash Flow – Schedule 12

June 30, 2012

	2012					
	Funds held by Administration					
	Bay Restoration Fund-Wastewater			Bay Restoration Fund-Septics		Total
	Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	
<b>Cash Flows from Operating Activities:</b>						
BRF fee and other receipts	\$ 818,274	\$ 53,733,287	\$ -	\$ 669,324	\$ 7,697,229	\$ 62,918,114
Capital grant disbursements	-	(95,784,667)	-	-	(8,753,046)	(104,537,713)
Salaries and benefits paid	(1,105,973)	-	-	(510,869)	-	(1,616,842)
General expenses paid	(194,351)	-	-	(105,780)	-	(300,131)
<b>Net Cash from Operating Activities</b>	<b>(482,050)</b>	<b>(42,051,380)</b>	<b>-</b>	<b>52,675</b>	<b>(1,055,817)</b>	<b>(43,536,572)</b>
<b>Cash Flows from Non-capital Financing Activities:</b>						
Transfer to State General Fund	-	(90,000,000)	-	-	-	(90,000,000)
Transfers from State GO Bonds	-	93,204,025	-	-	-	93,204,025
Interfund equity transfers	-	(4,613,785)	4,613,785	-	-	-
Proceeds from sale of bonds	-	-	-	-	-	-
Repayment of bonds	-	-	(2,740,000)	-	-	(2,740,000)
Cost of issuance/underwriters discount	-	-	-	-	-	-
Interest on bonds	-	-	(1,873,904)	-	-	(1,873,904)
<b>Net Cash from Non-capital Financing Activities</b>	<b>-</b>	<b>(1,409,760)</b>	<b>(119)</b>	<b>-</b>	<b>-</b>	<b>(1,409,879)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Purchase of equipment	-	-	-	-	-	-
<b>Net Cash from Capital and Related Financing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Investing Activities:</b>						
Purchase of investment securities	-	-	-	-	-	-
Interest on investment securities	-	1,012,878	120	-	56,497	1,069,495
Proceeds from sales of investments	-	-	-	-	-	-
<b>Net Cash from Investing Activities</b>	<b>-</b>	<b>1,012,878</b>	<b>120</b>	<b>-</b>	<b>56,497</b>	<b>1,069,495</b>
<b>Net Increase/(Decr) in Cash and Cash Equivalents</b>	<b>(482,050)</b>	<b>(42,448,262)</b>	<b>1</b>	<b>52,675</b>	<b>(999,320)</b>	<b>(43,876,956)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>1,083,574</b>	<b>69,122,871</b>	<b>28</b>	<b>619,209</b>	<b>4,810,309</b>	<b>75,635,991</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 601,524</b>	<b>\$ 26,674,609</b>	<b>\$ 29</b>	<b>\$ 671,884</b>	<b>\$ 3,810,989</b>	<b>\$ 31,759,035</b>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION**

**BAY RESTORATION FUND – WASTEWATER FUND AND SEPTICS FUND**

Combining Statement of Cash Flow – Schedule 12 (continued)

June 30, 2012

	2012					
	Funds held by Administration					
	Bay Restoration Fund-Wastewater			Bay Restoration Fund-Septics		Total
	Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	
Reconciliation of operating income(loss) to net cash from operating activities:						
Operating income (loss)	\$ (461,818)	\$ (40,653,181)	\$ -	\$ 75,227	\$ (1,143,646)	\$ (42,183,418)
Depreciation of fixed assets	-	-	-	4,371	-	4,371
Adjustments to reconcile operating income to net cash from operating activities:						
Decrease/(Incr) in BRF fee receivable	(21,292)	(1,398,199)	-	7,637	87,829	(1,324,025)
Increase (decrease) in accounts payable and other liabilities	1,060	-	-	(34,560)	-	(33,500)
<b>Net Cash from Operating Activities</b>	<b>\$ (482,050)</b>	<b>\$ (42,051,380)</b>	<b>\$ -</b>	<b>\$ 52,675</b>	<b>\$ (1,055,817)</b>	<b>\$ (43,536,572)</b>



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

To the Director of  
Maryland Water Quality Financing Administration

We have audited, 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, the financial statements of the Maryland Water Quality Financing Administration (the Administration) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Administration's basic financial statements, and have issued our report thereon dated September 20, 2013

**Internal Control Over Financial Reporting**

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

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

Our consideration of 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

Hunt Valley, Maryland  
September 20, 2013

*SB & Company, LLC*