



**Community Development Administration  
Infrastructure Program Fund –  
MBIA Insured**

**Financial statements  
As of June 30, 2001 and 2000  
Together with report of independent public accountants**





## Report of independent public accountants

To the Office of the Secretary of the  
Department of Housing and Community Development:

We have audited the accompanying balance sheets of the Community Development Administration Infrastructure Program Fund – MBIA Insured (the Fund) as of June 30, 2001 and 2000, and the related statements of revenues, expenses and changes in fund equity and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Development Administration Infrastructure Program Fund – MBIA Insured as of June 30, 2001 and 2000, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

A handwritten signature in black ink that reads "Arthur Andersen LLP". The signature is written in a cursive, flowing style.

Baltimore, Maryland  
September 21, 2001

**Community Development Administration  
Infrastructure Program Fund – MBIA Insured**

**Table of contents**

<b>Balance sheets</b>	
As of June 30, 2001 and 2000.....	1
<b>Statements of revenues, expenses and changes in fund equity</b>	
For the years ended June 30, 2001 and 2000.....	2
<b>Statements of cash flows</b>	
For the years ended June 30, 2001 and 2000.....	3
<b>Notes to financial statements</b>	
June 30, 2001 and 2000.....	4

**Community Development Administration  
Infrastructure Program Fund – MBIA Insured**

**Balance sheets  
As of June 30, 2001 and 2000  
(in thousands)**

	<u>2001</u>	<u>2000</u>
<b>Assets:</b>		
Cash on deposit with trustee	\$ 9,665	\$ 9,336
Community facilities loans	72,792	65,303
Accrued interest and other receivables	<u>1,576</u>	<u>1,633</u>
Total assets	<u>\$ 84,033</u>	<u>\$ 76,272</u>
<b>Liabilities and fund equity:</b>		
Accrued interest payable	\$ 307	\$ 275
Other liabilities	9,273	8,972
Bonds payable	<u>73,890</u>	<u>66,545</u>
Total liabilities	83,470	75,792
<b>Commitments and contingencies</b>		
<b>Fund equity:</b>		
Fund equity	<u>563</u>	<u>480</u>
Total liabilities and fund equity	<u>\$ 84,033</u>	<u>\$ 76,272</u>

The accompanying notes are an integral part of these balance sheets.

**Community Development Administration  
Infrastructure Program Fund – MBIA Insured**

**Statements of revenues, expenses and changes in fund equity  
For the years ended June 30, 2001 and 2000  
(in thousands)**

	<u>2001</u>	<u>2000</u>
<b>Revenues:</b>		
Interest on community facilities loans	\$ 3,464	\$ 3,124
Interest on cash on deposit	<u>52</u>	<u>48</u>
Total revenues	<u>3,516</u>	<u>3,172</u>
<b>Expenses:</b>		
Interest on bonds payable	<u>3,433</u>	<u>3,096</u>
Total expenses	<u>3,433</u>	<u>3,096</u>
Net income	83	76
<b>Fund equity, beginning of year</b>	<u>480</u>	<u>404</u>
<b>Fund equity, end of year</b>	<u>\$ 563</u>	<u>\$ 480</u>

The accompanying notes are an integral part of these statements.

**Community Development Administration  
Infrastructure Program Fund – MBIA Insured**

**Statements of cash flows  
For the years ended June 30, 2001 and 2000  
(in thousands)**

	<u>2001</u>	<u>2000</u>
<b>Cash flows from operating activities:</b>		
Net income	\$ 83	\$ 76
Adjustments to reconcile net income to net cash used in operating activities–		
Purchase and origination of community facilities loans	(10,390)	(8,065)
Interest on cash on deposit	(52)	(48)
Repayment of community facilities loans	2,901	2,665
Decrease in accrued interest and other receivables	57	126
Increase (decrease) in other liabilities	301	(238)
Interest expense	<u>3,433</u>	<u>3,096</u>
Net cash used in operating activities	<u>(3,667)</u>	<u>(2,388)</u>
<b>Cash flows from investing activities:</b>		
Interest on cash on deposit	<u>52</u>	<u>48</u>
Net cash provided by investing activities	<u>52</u>	<u>48</u>
<b>Cash flows from noncapital financing activities:</b>		
Proceeds from the sale of bonds	10,390	8,065
Principal payments	(3,045)	(2,820)
Interest payments	<u>(3,401)</u>	<u>(3,069)</u>
Net cash provided by noncapital financing activities	<u>3,944</u>	<u>2,176</u>
<b>Net increase (decrease) in cash on deposit with trustee</b>	329	(164)
<b>Cash on deposit with trustee, beginning of year</b>	<u>9,336</u>	<u>9,500</u>
<b>Cash on deposit with trustee, end of year</b>	<u>\$ 9,665</u>	<u>\$ 9,336</u>

The accompanying notes are an integral part of these statements.

# Community Development Administration Infrastructure Program Fund – MBIA Insured

## Notes to financial statements June 30, 2001 and 2000 (in thousands)

### 1. Program description:

The Community Development Administration (CDA) is authorized to issue Infrastructure Program Bonds pursuant to Sections 2-201 through 2-208 of Article 83B of the Annotated Code of Maryland to provide a mechanism for financing the infrastructure needs of local governments. CDA is in the Division of Development Finance in the Department of Housing and Community Development (DHCD) of the State of Maryland.

The accompanying financial statements only include CDA's Infrastructure Program Fund - MBIA Insured (the Fund). CDA's other programs are not included. However, CDA has also issued audited financial statements for the Revenue Obligations Funds and audited financial statements for the Infrastructure Program Fund.

The Fund was established to issue bonds to provide funds for construction and permanent financing to local governments for public facilities. Bonds issued under this Fund require a policy of insurance from MBIA Insurance Corporation (MBIA).

### 2. Summary of significant accounting policies:

#### Basis of presentation

The Fund is set up primarily in accordance with CDA's enabling legislation and the various note and bond certificates. The Fund is an enterprise fund of the State of Maryland and uses the accrual basis of accounting.

#### Administrative support

In addition to expenses incurred directly by the Fund, CDA receives certain support services from other divisions of DHCD. The cost of these services are allocated to CDA's General Bond Reserve Fund. The General Bond Reserve Fund records these expenses as invoiced by DHCD for the fiscal year.

For the years ended June 30, 2001 and 2000, the allocation to CDA's General Bond Reserve Fund was:

	<u>2001</u>	<u>2000</u>
Salaries and related costs	\$ 6,051	\$ 5,719
General and administrative expenses	<u>1,808</u>	<u>1,857</u>
	<u>\$ 7,859</u>	<u>\$ 7,576</u>

The employees of CDA are covered by the Maryland State Retirement and Pension System (the System). Additional information about the System is presented in the State of Maryland's Comprehensive Annual Financial Report and in the Consolidated Annual Report of the Maryland State Retirement and Pension Systems.

The retirement benefit cost of employees is included in the salaries and related costs allocation discussed above. This allocation includes the Fund's total liability, relating to the System, as of June 30, 2001 and 2000.

### **Use of estimates**

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

### **3. Cash on deposit with trustee:**

Proceeds from bonds are invested in authorized investments as defined in the respective indentures until required for financing projects, redeeming outstanding bonds and notes, and funding program expenses. Authorized investments include obligations of the U.S. Treasury, U.S. government agencies and corporations, political subdivisions of the U.S., bankers acceptances, repurchase agreements, corporate debt securities and certificates of deposit with foreign or domestic banks. All CDA accounts held in trust by the trustee are kept separate from the assets of the bank and from other trust accounts.

As of June 30, 2001 and 2000, the Fund had \$9,665 and \$9,336, respectively, invested in a money market mutual fund (ARK U.S. government Cash Management Corporate II Class Fund) which is classified as cash. This fund invests exclusively in obligations of the U.S. government and its agencies and instrumentalities and in repurchase agreements. It is rated AAA by Standard & Poor's and Aaa by Moody's Investor Services.

As of June 30, 2001 and 2000, the cost of this money market mutual fund approximates fair value.

The money market mutual fund is not categorized by credit risk because it is not evidenced by securities that exist in physical or book entry form.

### **4. Community facilities loans:**

Community facilities loans are secured by the full faith and credit of the applicable local government. As such, no allowance for loan losses was necessary as of June 30, 2001 and 2000. Interest rates on such loans range from 4.0 to 6.8 percent, with remaining loan terms ranging from less than 1 year to 30 years.



## 5. Bonds payable:

The bonds issued by CDA are special obligations of CDA and are payable solely from the revenues and property of CDA, pledged under the bond resolution providing for the issuance of bonds. These bonds and notes do not constitute debt and are not guaranteed by the State of Maryland or any other program of the State of Maryland or any political subdivision.

The bonds are not secured by CDA's General Bond Reserve Fund and bond holders have no right to any of the moneys or investments held in such fund.

The following table summarized the outstanding debt of the Fund, as of June 30, 2001 and 2000:

### 2001

1996 Series A dated May 1, 1996. \$4,335 due serially from 2002 to 2014, with interest rates of 4.8% to 5.85%; \$1,200 term bonds due June 1, 2019, with interest at 5.9%; \$1,680 term bonds due June 1, 2026, with interest at 5.9%.	\$ 7,215
1997 Series A dated April 15, 1997. \$5,505 due serially from 2002 to 2015, with interest rates of 5.0% to 5.625%; \$1,435 term bonds due June 1, 2021, with interest at 5.75%; \$1,490 term bonds due June 1, 2027, with interest at 5.625%.	8,430
1998 Series A dated February 15, 1998. \$5,255 due serially from 2002 to 2018, with interest rates of 4.0% to 5.0%.	5,255
1998 Series B dated June 1, 1998. \$15,420 due serially from 2002 to 2013, with interest rates of 4.05% to 4.9%; \$4,125 term bonds due June 1, 2017, with interest at 5.125%; \$3,615 term bonds due June 1, 2022, with interest at 5.15%; \$2,940 term bonds due June 1, 2028, with interest at 5.2%.	26,100
1998 Series C dated June 1, 1998. \$1,420 due serially from 2001 to 2010, with interest rates of 4.0% to 4.7%; \$525 term bonds due December 1, 2020, with interest at 5.15%.	1,945
1999 Series A dated March 1, 1999. \$4,395 due serially from 2002 to 2019, with interest rates of 4.15% to 5.00%; \$1,020 term bonds due June 1, 2024, with interest at 5.00%; \$1,325 term bonds due June 1, 2029, with interest at 5.00%.	6,740
2000 Series A dated March 1, 2000. \$5,070 due serially from 2002 to 2020, with interest rates of 5.125% to 5.75%; \$1,635 term bonds due June 1, 2025, with interest at 5.75%; \$1,110 term bonds due June 1, 2030, with interest at 5.875%.	7,815
2001 Series A dated March 1, 2001. \$7,945 due serially from 2002 to 2021, with interest rates of 4.0% to 5.0%; \$225 term bonds due June 1, 2026, with interest at 5.0%; \$290 term bonds due June 1, 2031, with interest at 5.0%.	8,460
2001 Series B dated March 1, 2001. \$195 term bonds due June 1, 2006, with interest at 6.25%; \$405 term bonds due June 1, 2011, with interest at 6.25%; \$560 term bonds due June 1, 2016, with interest at 6.5%; \$770 term bonds due June 1, 2021, with interest at 6.8%.	1,930
Total	<u>\$ 73,890</u>

**2000**

1996 Series A dated May 1, 1996. \$4,615 due serially from 2001 to 2014, with interest rates of 4.7% to 5.85%; \$1,200 term bonds due June 1, 2019, with interest at 5.9%; \$1,680 term bonds due June 1, 2026, with interest at 5.9%.	\$ 7,495
1997 Series A dated April 15, 1997. \$5,895 due serially from 2001 to 2015, with interest rates of 5.0% to 5.625%; \$1,435 term bonds due June 1, 2021, with interest at 5.75%; \$1,490 term bonds due June 1, 2027, with interest at 5.625%.	8,820
1998 Series A dated February 15, 1998. \$5,620 due serially from 2001 to 2018, with interest rates of 4.0% to 5.0%.	5,620
1998 Series B dated June 1, 1998. \$16,735 due serially from 2001 to 2013, with interest rates of 4.0% to 4.9%; \$4,125 term bonds due June 1, 2017, with interest at 5.125%; \$3,615 term bonds due June 1, 2022, with interest at 5.15%; \$2,940 term bonds due June 1, 2028, with interest at 5.2%.	27,415
1998 Series C dated June 1, 1998. \$1,740 due serially from 2000 to 2010, with interest rates of 3.90% to 4.7%; \$525 term bonds due December 1, 2020, with interest at 5.15%.	2,265
1999 Series A dated March 1, 1999. \$4,520 due serially from 2001 to 2019, with interest rates of 4.125% to 5.00%; \$1,020 term bonds due June 1, 2024, with interest at 5.00%; \$1,325 term bonds due June 1, 2029, with interest at 5.00%.	6,865
2000 Series A dated March 1, 2000. \$5,320 due serially from 2001 to 2020, with interest rates of 5.125% to 5.75%; \$1,635 term bonds due June 1, 2025, with interest at 5.75%; \$1,110 term bonds due June 1, 2030, with interest at 5.875%.	<u>8,065</u>
Total	<u>\$ 66,545</u>

As of June 30, 2001, the required principal payments including mandatory sinking fund payments for each of the next five years are as follows:

	<u>For the year ended June 30,</u>				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Required payments	\$ 3,160	\$ 3,340	\$ 3,650	\$ 3,705	\$ 3,835

All outstanding bonds are subject to redemption at the option of CDA, as a whole or in part at any time after certain dates, as specified in the respective series certificates. The prescribed redemption prices range from 100 percent to 102 percent of the principal amount.

**6. Pension and other postretirement benefits:**

Eligible employees of CDA and employees of the State of Maryland are covered under the retirement plans of the State Retirement and Pension System of Maryland (System) and are also entitled to certain healthcare benefits upon retirement. CDA's only liability for retirement and postemployment benefits is its required annual contribution, which it has fully funded during the years ended June 30, 2001 and 2000. The System prepares a separate audited Comprehensive Annual Financial Report which can be obtained from the State Retirement and Pension System of Maryland, 301 West Preston Street, Baltimore, Maryland 21201.