

**COMMUNITY DEVELOPMENT ADMINISTRATION  
INFRASTRUCTURE PROGRAM FUNDS**

**COMBINED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**COMMUNITY DEVELOPMENT ADMINISTRATION  
INFRASTRUCTURE PROGRAM FUNDS  
YEAR ENDED JUNE 30, 2016**

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## INDEPENDENT AUDITORS' REPORT

Office of the Secretary  
Department of Housing and Community Development  
Lanham, Maryland

We have audited the accompanying combined financial statements of the Community Development Administration Infrastructure Program Funds (the Funds) of the Department of Housing and Community Development of the State of Maryland as of and for the year ended June 30, 2016, and the related notes to the combined financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

**Opinion**

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Funds as of June 30, 2016, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Prior Period Combined Financial Statements and Summarized Comparative Information*

The combined financial statements of the Funds as of and for the year ended June 30, 2015, were audited by other auditors whose report dated September 30, 2015, expressed an unmodified opinion on those statements.

*Financial Statement Presentation*

As discussed in Note 1, the combined financial statements present only the Funds and do not purport to, and do not, present fairly the financial position of the Department of Housing and Community Development of the State of Maryland as of and for the year ended June 30, 2016, and the changes in its net position and its cash flows, in conformity with accounting principles generally accepted in the United States of America.

*Required Supplemental Information*

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2016, on our consideration of the Funds' 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 Funds' internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
September 30, 2016

**COMMUNITY DEVELOPMENT ADMINISTRATION  
INFRASTRUCTURE PROGRAM FUNDS  
COMBINED STATEMENT OF NET POSITION  
(in thousands)  
JUNE 30, 2016  
(with comparative combined totals as of June 30, 2015)**

	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Local Government Infrastructure Bonds	Combined	
				2016	2015
<b>RESTRICTED ASSETS</b>					
<b>RESTRICTED CURRENT ASSETS</b>					
Cash and Cash Equivalents on Deposit	\$ 730	\$ 3,272	\$ 59,931	\$ 63,933	\$ 67,026
Community Facilities Loans	478	2,249	6,640	9,367	8,598
Accrued Interest and Other Receivables	10	69	299	378	454
Total Restricted Current Assets	<u>1,218</u>	<u>5,590</u>	<u>66,870</u>	<u>73,678</u>	<u>76,078</u>
<b>RESTRICTED LONG-TERM ASSETS</b>					
Community Facilities Loans, Net of Current Portion	654	16,646	113,550	130,850	139,865
Other Receivables, Net of Current Portion	-	-	-	-	2
Total Restricted Long-Term Assets	<u>654</u>	<u>16,646</u>	<u>113,550</u>	<u>130,850</u>	<u>139,867</u>
Total Restricted Assets	<u>\$ 1,872</u>	<u>\$ 22,236</u>	<u>\$ 180,420</u>	<u>\$ 204,528</u>	<u>\$ 215,945</u>
<b>LIABILITIES AND NET POSITION</b>					
<b>CURRENT LIABILITIES</b>					
Accrued Interest Payable	\$ 5	\$ 69	\$ 315	\$ 389	\$ 417
Accounts Payable	-	1	22	23	-
Bonds Payable	490	3,975	6,705	11,170	10,435
Due to Local Governments	-	359	55,562	55,921	60,241
Total Current Liabilities	<u>495</u>	<u>4,404</u>	<u>62,604</u>	<u>67,503</u>	<u>71,093</u>
<b>LONG-TERM LIABILITIES</b>					
Bonds Payable, Net of Current Portion	655	16,385	116,089	133,129	141,678
Other Liabilities - Advance Trustee Fees	191	173	33	397	356
Total Long-Term Liabilities	<u>846</u>	<u>16,558</u>	<u>116,122</u>	<u>133,526</u>	<u>142,034</u>
Total Liabilities	<u>1,341</u>	<u>20,962</u>	<u>178,726</u>	<u>201,029</u>	<u>213,127</u>
<b>NET POSITION</b>					
Restricted	<u>531</u>	<u>1,274</u>	<u>1,694</u>	<u>3,499</u>	<u>2,818</u>
Total Liabilities and Net Position	<u>\$ 1,872</u>	<u>\$ 22,236</u>	<u>\$ 180,420</u>	<u>\$ 204,528</u>	<u>\$ 215,945</u>

See accompanying Notes to Financial Statements

**COMMUNITY DEVELOPMENT ADMINISTRATION  
INFRASTRUCTURE PROGRAM FUNDS  
COMBINED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
(in thousands)  
YEAR ENDED JUNE 30, 2016  
(with comparative combined totals as of June 30, 2015)**

	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Local Government Infrastructure Bonds	Combined	
				2016	2015
<b>OPERATING REVENUE</b>					
Interest on Community Facilities Loans	\$ 68	\$ 1,075	\$ 3,943	\$ 5,086	\$ 5,252
Interest Income on Cash Equivalents	1	2	9	12	-
Fee Income	-	21	111	132	218
Other Operating Revenue	-	1	-	1	23
Total Operating Revenue	69	1,099	4,063	5,231	5,493
<b>OPERATING EXPENSES</b>					
Interest Expense on Bonds	72	1,047	3,748	4,867	5,020
Professional Fee Expense	-	-	15	15	6
Total Operating Expenses	72	1,047	3,763	4,882	5,026
Operating (Loss) Income	(3)	52	300	349	467
Transfer of Funds, as Permitted by the Various Bond Indentures	-	-	332	332	-
CHANGES IN NET POSITION	(3)	52	632	681	467
NET POSITION - RESTRICTED AT BEGINNING OF YEAR	534	1,222	1,062	2,818	2,351
NET POSITION - RESTRICTED AT END OF YEAR	\$ 531	\$ 1,274	\$ 1,694	\$ 3,499	\$ 2,818

See accompanying Notes to Financial Statements

**COMMUNITY DEVELOPMENT ADMINISTRATION  
INFRASTRUCTURE PROGRAM FUNDS  
COMBINED STATEMENT OF CASH FLOWS  
(in thousands)  
YEAR ENDED JUNE 30, 2016  
(with comparative combined totals as of June 30, 2015)**

	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Local Government Infrastructure Bonds	Combined	
				2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Principal and Interest Received on Community Facilities Loans	\$ 364	\$ 21,639	\$ 10,273	\$ 32,276	\$ 19,785
Origination of Community Facilities Loans	-	(941)	(22,221)	(23,162)	(17,781)
Advance Trustee Fees Received	3	76	57	136	109
Trustee Fees Paid	(20)	(31)	(44)	(95)	(88)
Loan Fees Received	-	21	111	132	218
Professional Fee Expenses	-	-	(15)	(15)	(6)
Other Operating Revenue	-	1	-	1	23
Net Cash Provided by (Used in) Operating Activities	347	20,765	(11,839)	9,273	2,260
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest Received on Cash Equivalents	1	2	8	11	-
Net Cash Provided by Investing Activities	1	2	8	11	-
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Proceeds from Sale of Bonds	-	-	18,865	18,865	40,435
Payments on Bond Principal	(295)	(19,995)	(6,385)	(26,675)	(13,270)
Interest on Bonds	(73)	(1,117)	(3,709)	(4,899)	(4,965)
Transfer Among Funds	-	-	332	332	-
Net Cash (Used in) Provided by Noncapital Financing Activities	(368)	(21,112)	9,103	(12,377)	22,200
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT</b>	(20)	(345)	(2,728)	(3,093)	24,460
<b>CASH AND CASH EQUIVALENTS ON DEPOSIT - BEGINNING OF YEAR</b>	750	3,617	62,659	67,026	42,566
<b>CASH AND CASH EQUIVALENTS ON DEPOSIT - END OF YEAR</b>	\$ 730	\$ 3,272	\$ 59,931	\$ 63,933	\$ 67,026

See accompanying Notes to Financial Statements

**COMMUNITY DEVELOPMENT ADMINISTRATION  
INFRASTRUCTURE PROGRAM FUNDS  
COMBINED STATEMENT OF CASH FLOWS  
(in thousands)  
YEAR ENDED JUNE 30, 2016  
(with comparative combined totals as of June 30, 2015)**

	Infrastructure Financing Bonds (MBA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Local Government Infrastructure Bonds	Combined	
				2016	2015
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating (Loss) Income	\$ (3)	\$ 52	\$ 300	\$ 349	\$ 467
Adjustments to Reconcile Operating (Loss) Income to Net Cash Provided by (Used in) Operating Activities:					
Amortization of Bond Original Issue Premiums	-	-	(4)	(4)	(7)
Interest Received on Cash Equivalents	(1)	(2)	(8)	(11)	-
Interest on Bonds	73	1,117	3,709	4,899	4,965
Decrease (Increase) in Assets:					
Community Facilities Loans	290	20,496	(12,540)	8,246	(24,860)
Accrued Interest and Other Receivables	6	68	4	78	(52)
(Decrease) Increase in Liabilities:					
Accrued Interest Payable	(1)	(70)	43	(28)	62
Accounts Payable	-	1	22	23	-
Due to Local Governments and Other Liabilities	(17)	(897)	(3,365)	(4,279)	21,685
Net Cash Provided by (Used in) Operating Activities	<u>\$ 347</u>	<u>\$ 20,765</u>	<u>\$ (11,839)</u>	<u>\$ 9,273</u>	<u>\$ 2,260</u>

See accompanying Notes to Financial Statements



**COMMUNITY DEVELOPMENT ADMINISTRATION  
INFRASTRUCTURE PROGRAM FUNDS  
NOTES TO COMBINED FINANCIAL STATEMENTS  
(in thousands)  
JUNE 30, 2016**

**NOTE 1 AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION**

The Community Development Administration (CDA) is authorized to issue Infrastructure Program Bonds pursuant to Sections 4-101 through 4-255 of the Housing and Community Development Article 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 combined financial statements only include CDA's Infrastructure Program Funds (the Funds). CDA's other programs are not included. However, CDA has also separately issued combined financial statements for the Revenue Obligation Funds, and financial statements for the Single Family Housing Revenue Bonds and Multi-Family Mortgage Revenue Bonds indentures. The Infrastructure Program Funds, Revenue Obligation Funds, Single Family Housing Revenue Bonds and Multi-Family Mortgage Revenue Bonds are enterprise funds of the State of Maryland and are included in the State of Maryland's Comprehensive Annual Financial Report.

Infrastructure Program Funds include three fund groups: Infrastructure Financing Bonds (MBIA Insured), Local Government Infrastructure Bonds (Ambac Insured) and Local Government Infrastructure Bonds (resolution adopted August 1, 2010). Within each fund group are separate accounts maintained for each obligation in accordance with the respective resolutions and series resolutions. All bonds in the Infrastructure Program Funds were issued to provide funds for construction and permanent financing to local governments for public facilities.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The Infrastructure Program Funds are accounted for as enterprise funds. Accordingly, the accompanying combined financial statements have been prepared using the accrual method of accounting and on the basis of accounting principles generally accepted in the United States of America (GAAP).

Basis of Accounting and Measurement Focus

The basis of accounting for the Funds is determined by measurement focus. The flow of economic resources measurement focus and the accrual basis of accounting are used to account for the Funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All assets and liabilities associated with the operation of the Funds are included on the Statements of Net Position. The Funds are required to follow all statements of the Governmental Accounting Standards Board (GASB).

**COMMUNITY DEVELOPMENT ADMINISTRATION  
INFRASTRUCTURE PROGRAM FUNDS  
NOTES TO COMBINED FINANCIAL STATEMENTS  
(in thousands)  
JUNE 30, 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Generally Accepted Accounting Principles

CDA reports its financial activities by applying Standards of Governmental Accounting and Financial Reporting as promulgated by GASB. Consequently, CDA applies all applicable GASB pronouncements.

In accordance with accounting guidance issued by GASB, net position should be reported as restricted when constraints placed on net position use is either: externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions or enabling legislation. Accordingly, the net position of the Funds is restricted as to its use as the net position is pledged to bondholders.

Since CDA is an enterprise fund included in the State of Maryland's Comprehensive Annual Financial Report, a separate Management's Discussion and Analysis is not included in these combined financial statements. CDA prepares a Management's Discussion and Analysis for the General Accounting Division of the State of Maryland that is not part of these combined financial statements.

Cash and Cash Equivalents on Deposit

Cash equivalents may include money market funds, repurchase agreements, investment agreements and any other investments, primarily obligations of the U.S. Treasury and U.S. Government Agencies, which have maturities of 90 or less days at the time of purchase. As of June 30, 2016, all of the Funds' cash equivalents are invested in a money market mutual fund which is more fully described in Note 3.

Community Facilities Loans

Community facilities loans are carried at their unpaid principal balances. See Note 4 for additional information on community facilities loans.

Allowance for Loan Losses

Community facilities loans are secured by the full faith and credit of the applicable local government. Therefore, CDA has determined that no allowance for loan losses was necessary as of June 30, 2016.

Accrued Interest and Other Receivables

Accrued interest includes both interest on cash deposits and interest on loans. As of June 30, 2016, all loans were current. Therefore, all accrued interest on loans was recorded during the year. Other receivables include additional principal due from local governments on refunded bonds. See Note 5 for additional information.

Bonds Payable

Bonds payable are carried at their unpaid principal balances, net of unamortized bond premiums and discounts. See Notes 6, 7, 8, and 10 for additional information.

**COMMUNITY DEVELOPMENT ADMINISTRATION  
INFRASTRUCTURE PROGRAM FUNDS  
NOTES TO COMBINED FINANCIAL STATEMENTS  
(in thousands)  
JUNE 30, 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Due to Local Governments

CDA records the total loan amount when the loan closes and collects interest from the local government on this full loan amount from the date of closing. Due to local governments represents the undrawn amount which is held by CDA as an escrow until the funds are needed by the local government.

Fee Income

CDA receives financing fees at loan origination. These fees are recognized as revenue in the period received as fee income.

Administrative Support

In addition to expenses incurred directly by the Funds, CDA receives certain support services from other divisions of DHCD. Support services and the operating expenses of CDA have been allocated to CDA's General Bond Reserve Fund and are reported in the financial statements of CDA's Revenue Obligation Funds. The General Bond Reserve Fund records these expenses as invoiced by DHCD for the fiscal year.

The employees of CDA are covered by the Maryland State Retirement and Pension System. See Note 11 for additional information.

Revenue and Expenses.

CDA distinguishes operating revenue and expenses from non-operating items in accordance with accounting guidance issued by GASB. Operating revenue and expenses are identified as those activities that are directly related to financing public facilities for local governments. All of the Funds' activities are considered to be operating.

Use of Estimates

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

Combined Totals

The totals of similar accounts of the various Funds in the accompanying combined financial statements are presented for information purposes only. The totals represent an aggregation of the Funds and do not represent consolidated financial information, as interfund balances are not eliminated.

**COMMUNITY DEVELOPMENT ADMINISTRATION  
INFRASTRUCTURE PROGRAM FUNDS  
NOTES TO COMBINED FINANCIAL STATEMENTS  
(in thousands)  
JUNE 30, 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

New Accounting Pronouncements

CDA implemented GASB Statement No. 72, *Fair Value Measurement and Application*, for the year ending June 30, 2016. The objective of this Statement is to enhance the comparability of financial statements among governments and related entities by establishing a consistent hierarchy of fair value measurement techniques. CDA included all required disclosures in the notes to the combined financial statements.

CDA implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, for the year ending June 30, 2016. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP). This Statement reduced the GAAP hierarchy to two categories of authoritative GAAP and raises the category of GASB Implementation Guides in the GAAP hierarchy. The implementation of this Statement did not have a material impact on the financial position of the Funds.

**NOTE 3 CASH AND CASH EQUIVALENTS ON DEPOSIT**

Proceeds from bonds and revenues from loans are invested in authorized investments as defined in the respective resolutions and CDA's Investment Policy 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, investment agreements, money market funds and any other investment as defined by the resolutions.

As of June 30, 2016, the Funds had \$63,933 invested in a money market mutual fund (Federated Prime Cash Obligations Fund) which is classified as cash and cash equivalents. The following represents the GASB evaluation of this asset for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses from rising interest rates, CDA's Investment Policy requires that the maturities of the investment portfolio are scheduled to meet the cash requirements for bond debt service, projected loan originations and ongoing operations.

The Federated Prime Cash Obligations Fund invests primarily in short-term, high-quality, fixed-income securities issued by banks, corporations and the U.S. Government. It is operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. It can reasonably be expected to have a fair value that will be unaffected by interest rate changes because the interest rates are variable and the principal can be recovered on demand. As noted above, as of June 30, 2016, the cost of the money market mutual fund approximated fair value and its maturity is less than one year.

**COMMUNITY DEVELOPMENT ADMINISTRATION  
INFRASTRUCTURE PROGRAM FUNDS  
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(in thousands)  
JUNE 30, 2016**

**NOTE 3 CASH AND CASH EQUIVALENTS ON DEPOSIT (CONTINUED)**

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither CDA's Investment Policy nor the resolutions require investment agreements or deposits to be collateralized. CDA's Investment Policy places no limit on the amount that CDA may invest in any one issuer or counterparty. According to the Funds' resolutions, securities must be rated at the highest investment grade by any national rating agency. U.S. dollar denominated accounts and bankers' acceptances which have a rating on their short-term certificates of deposit must be in the two highest ratings by any nationally recognized rating agency. Accounting guidance issued by GASB requires disclosure by amount and investment issuer if investments in any one issuer represent 5 percent or more of total investments. Investments in mutual funds are excluded from this requirement.

As of June 30, 2016, the Federated Prime Cash Obligations Fund was rated AAAM by Standard and Poor's and Aaa by Moody's Investors Service.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, CDA will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. As of June 30, 2016, the Funds' investments were not subject to custodial credit risk under accounting guidance issued by GASB. The money market mutual fund is held in trust by the trustee, kept separate from the assets of the bank and from other trust accounts and is held in CDA's name.

Fair Value Measurements

CDA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2016, all investments were in a money market mutual fund which is not subject to the fair value measurement requirements.

**NOTE 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, 2016. Interest rates on such loans range from 1.76% to 5.62% with remaining loan terms ranging from less than 1 year to 29 years.

**COMMUNITY DEVELOPMENT ADMINISTRATION  
 INFRASTRUCTURE PROGRAM FUNDS  
 NOTES TO COMBINED FINANCIAL STATEMENTS  
 (in thousands)  
 JUNE 30, 2016**

**NOTE 5 ACCRUED INTEREST AND OTHER RECEIVABLES**

Accrued interest and other receivables as of June 30, 2016, were as follows:

	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Local Government Infrastructure Bonds	Combined
Accrued Interest on Community Facilities Loans	\$ 10	\$ 69	\$ 298	\$ 377
Additional Loan Principal as a Result of Bond Refundings	-	-	1	1
Total	<u>\$ 10</u>	<u>\$ 69</u>	<u>\$ 299</u>	<u>\$ 378</u>

**NOTE 6 BONDS PAYABLE**

The bonds issued by CDA are special obligations of CDA and are payable from the revenue and special funds of the applicable resolutions. These bonds do not constitute debt of and are not guaranteed by the State of Maryland or any other program of the State of Maryland or any political subdivision.

The provisions of the various bond resolutions of the Funds require or allow for the special redemption of bonds at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of community facilities loans. All outstanding bonds are subject to redemption at the option of CDA, in whole or in part at any time, after certain dates, as specified in the respective series resolutions, at a redemption price equal to the principal amount thereof to be redeemed. All bonds have fixed interest rates and all bonds are tax-exempt.

**COMMUNITY DEVELOPMENT ADMINISTRATION  
INFRASTRUCTURE PROGRAM FUNDS  
NOTES TO COMBINED FINANCIAL STATEMENTS  
(in thousands)  
JUNE 30, 2016**

**NOTE 6 BONDS PAYABLE (CONTINUED)**

The following is a summary of bond activity for the year ended June 30, 2016, and bonds payable as of June 30, 2016:

	Issue Dated	Range of Interest Rates	Range of Maturities	Bonds Payable at June 30, 2015	Bond Activity			Bonds Payable at June 30, 2016
					New Bonds Issued	Scheduled Maturity Payments	Bonds Redeemed	
Infrastructure Financing Bonds (MBIA Insured)								
1997 Series A	04/15/97	5.625% - 5.75%	2021 - 2027	\$ 275	\$ -	\$ (45)	\$ -	\$ 230
1998 Series B	06/01/98	5.125% - 5.20%	2017 - 2028	410	-	(85)	-	325
1998 Series C	06/01/98	5.15%	12/1/2020	125	-	(20)	-	105
1999 Series A	03/01/99	4.80% - 5.00%	2016 - 2019	545	-	(125)	-	420
2001 Series A	03/01/01	4.75% - 5.00%	2016 - 2021	85	-	(20)	-	65
<b>Total</b>				<b>\$ 1,440</b>	<b>\$ -</b>	<b>\$ (295)</b>	<b>\$ -</b>	<b>\$ 1,145</b>

	Issue Dated	Range of Interest Rates	Range of Maturities	Bonds Payable at June 30, 2015	Bond Activity			Bonds Payable at June 30, 2016
					New Bonds Issued	Scheduled Maturity Payments	Bonds Redeemed	
Local Government Infrastructure Bonds (Ambac Insured)								
2002 Series A	03/01/02	4.45% - 4.80%	2016 - 2022	\$ 210	\$ -	\$ (15)	\$ -	\$ 195
2003 Series A	03/01/03	3.875% - 4.50%	2016 - 2023	970	-	-	(970)	-
2004 Series A	04/22/04	4.25% - 4.875%	2017 - 2034	3,795	-	(35)	(3,220)	540
2004 Series B	11/18/04	3.40% - 4.50%	2016 - 2034	3,375	-	(50)	(2,845)	480
2005 Series A	05/26/05	4.00% - 4.40%	2016 - 2030	6,060	-	(170)	(2,625)	3,265
2006 Series A	04/05/06	4.00% - 4.25%	2016 - 2026	2,785	-	(525)	(435)	1,825
2007 Series A	05/31/07	4.00% - 4.25%	2016 - 2037	7,720	-	(545)	-	7,175
2007 Series B	11/14/07	3.625% - 4.25%	2016 - 2027	15,440	-	(800)	(7,760)	6,880
<b>Total</b>				<b>\$ 40,355</b>	<b>\$ -</b>	<b>\$ (2,140)</b>	<b>\$ (17,855)</b>	<b>\$ 20,360</b>

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**NOTE 6 BONDS PAYABLE (CONTINUED)**

The following is a summary of bond activity for the year ended June 30, 2016, and debt outstanding and bonds payable as of June 30, 2016:

	Issue Dated	Range of Interest Rates	Range of Maturities	Debt Outstanding at June 30, 2015	Bond Activity		Debt Outstanding at June 30, 2016	Bond Premium/Discount Deferred	Bonds Payable at June 30, 2016
					New Bonds Issued	Scheduled Maturity Payments			
Local Government Infrastructure Bonds									
2010 Series A-1	08/25/10	1.90% - 4.00%	2016 - 2030	\$ 14,950	\$ -	\$ (930)	\$ 14,020	\$ -	\$ 14,020
2010 Series A-2	08/25/10	2.00% - 4.00%	2016 - 2030	6,590	-	(400)	6,190	-	6,190
2012 Series A-1	05/17/12	1.10% - 3.50%	2016 - 2032	7,570	-	(685)	6,885	-	6,885
2012 Series A-2	05/17/12	1.20% - 3.60%	2016 - 2032	3,535	-	(305)	3,230	-	3,230
2012 Series B-1	12/19/12	0.95% - 3.125%	2016 - 2032	12,740	-	(735)	12,005	-	12,005
2012 Series B-2	12/19/12	1.00% - 3.125%	2016 - 2032	5,875	-	(335)	5,540	-	5,540
2013 Series A-1	10/03/13	1.10% - 5.00%	2016 - 2043	13,550	-	(565)	12,985	-	12,985
2013 Series A-2	10/03/13	1.15% - 5.05%	2016 - 2043	6,245	-	(245)	6,000	-	6,000
2014 Series A-1	08/28/14	0.45% - 3.50%	2016 - 2034	26,785	-	(1,055)	25,730	-	25,730
2014 Series A-2	08/28/14	0.45% - 5.00%	2016 - 2034	12,370	-	(450)	11,920	104	12,024
2015 Series A-1	08/27/15	0.40% - 3.75%	2016 - 2045	-	13,215	(475)	12,740	-	12,740
2015 Series A-2	08/27/15	0.45% - 3.75%	2016 - 2045	-	5,650	(205)	5,445	-	5,445
Total				\$ 110,210	\$ 18,865	\$ (6,385)	\$ 122,690	\$ 104	\$ 122,794

**NOTE 7 DEBT SERVICE REQUIREMENTS**

As of June 30, 2016, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2016 and excluding the effect of unamortized bond premiums and discounts) and interest payments for each of the next five years and in 5-year increments thereafter, are as follows:

Year Ended June 30,	Infrastructure Financing Bonds (MBIA Insured)		Local Government Infrastructure Bonds (Ambac Insured)		Local Government Infrastructure Bonds	
	Interest	Principal	Interest	Principal	Interest	Principal
2017	\$ 48	\$ 490	\$ 771	\$ 3,975	\$ 3,782	\$ 6,705
2018	34	195	674	2,025	3,689	6,820
2019	24	125	593	2,110	3,568	6,900
2020	17	80	508	1,625	3,425	7,310
2021	13	80	443	1,700	3,245	7,310
2022 - 2026	28	150	1,324	5,965	13,240	35,660
2027 - 2031	1	25	360	2,315	7,399	33,900
2032 - 2036	-	-	92	540	1,909	14,800
2037 - 2041	-	-	4	105	574	1,615
2042 - 2046	-	-	-	-	156	1,670
Total	\$ 165	\$ 1,145	\$ 4,769	\$ 20,360	\$ 40,987	\$ 122,690



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**NOTE 8 LONG-TERM OBLIGATIONS**

Changes in long-term obligations for the year ended June 30, 2016 were as follows:

	Infrastructure Financing Bonds (MBIA) Insured	Local Government Infrastructure Bonds (AMBAC) Insured)	Local Government Infrastructure Bonds	Combined
Bonds Payable:				
Beginning Balance at June 30, 2015	\$ 1,440	\$ 40,355	\$ 110,318	\$ 152,113
Additions	-	-	18,865	18,865
Reductions	(295)	(19,995)	(6,385)	(26,675)
Change in Deferred Amounts for Issuance				
Discounts/Premiums	-	-	(4)	(4)
Ending Balance at June 30, 2016	<u>1,145</u>	<u>20,360</u>	<u>122,794</u>	<u>144,299</u>
Less Due Within One Year	<u>(490)</u>	<u>(3,975)</u>	<u>(6,705)</u>	<u>(11,170)</u>
Total Long-Term Bonds Payable	<u>655</u>	<u>16,385</u>	<u>116,089</u>	<u>133,129</u>
Other Liabilities - Advance Trustee Fees				
Beginning Balance at June 30, 2015	208	128	20	356
Additions	3	76	57	136
Reductions	(20)	(31)	(44)	(95)
Ending Balance at June 30, 2016	<u>191</u>	<u>173</u>	<u>33</u>	<u>397</u>
Total Long-Term Other Liabilities - Advance Trustee Fees	<u>191</u>	<u>173</u>	<u>33</u>	<u>397</u>
Total Long-Term Liabilities	<u>\$ 846</u>	<u>\$ 16,558</u>	<u>\$ 116,122</u>	<u>\$ 133,526</u>

**NOTE 9 INTERFUND ACTIVITY**

In accordance with the various bond resolutions, net position in each of the Funds are restricted and pledged to bondholders. However, restricted assets may be transferred to other Funds, subject to the provisions of the respective resolutions. As of June 30, 2016, \$332 was transferred into the Local Government Infrastructure Program (resolution adopted August 1, 2010) from CDA's General Bond Reserve Fund to meet the debt service reserve requirement to secure the 2015 Series A-2 bonds.

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**NOTE 10 BOND INSURANCE**

All outstanding bonds in the Infrastructure Program Funds are insured, except for Local Government Infrastructure Bonds (resolution adopted August 1, 2010). The Infrastructure Financing Bonds 1997 Series A, 1998 Series B and C, 1999 Series A and 2001 Series A are insured by MBIA Insurance Corporation. The Local Government Infrastructure Bonds 2002 Series A through 2007 Series B are insured by Ambac Assurance Corporation. See Note 6 for list of outstanding bonds.

The provisions of the policies for the insured bonds require the insurer to pay that portion of the principal and interest on the bonds which become due for payment but are not paid by CDA. The insurance generally extends for the term of the bonds and cannot be canceled by the insurer.

**NOTE 11 PENSION AND OTHER POST-RETIREMENT 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 (the System) and are also entitled to certain healthcare benefits upon retirement. CDA's only obligation for retirement and post-employment benefits is its required annual contribution, which was paid in full by CDA to the State of Maryland prior to year end. The liability for the employees is recorded by the general fund of the State of Maryland and is not allocated to CDA. The System prepares a separate audited Comprehensive Annual Financial Report which can be obtained from the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202 or by visiting the website at [www.sra.state.md.us](http://www.sra.state.md.us).

**NOTE 12 SUBSEQUENT EVENTS**

CDA has identified the following activity that occurred subsequent to June 30, 2016.

Subsequent to the year ended June 30, 2016, the following bond activity took place:

Infrastructure Financing Bonds (MBIA Insured)

On August 15, 2016, CDA redeemed \$265 of 1999 Series A bonds.

Local Government Infrastructure Bonds (Ambac Insured)

On July 13, 2016 and August 5, 2016, CDA redeemed \$335 of 2004 Series B bonds and \$1,440 of 2006 Series A bonds, respectively.

Local Government Infrastructure Bonds

On August 31, 2016, CDA issued \$25,735 of 2016 Series A bonds.