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COMBINED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS

JUNE 30, 2011

Community Development Administration
Revenue Obligation Funds

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INDEPENDENT AUDITORS' REPORT

Office of the Secretary
Department of Housing and Community Development

We have audited the accompanying combined financial statements of the Community Development Administration Revenue Obligation 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, 2011, as listed in the table of contents. These combined financial statements are the responsibility of the Funds' management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the combined financial statements present only the Community Development Administration Revenue Obligation 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 June 30, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Community Development Administration Revenue Obligation Funds of the Department of Housing and Community Development of the State of Maryland as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The Supplemental Disclosure of Combined Changes in Fair Value of Investments and Mortgage-Backed Securities is presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information has not been subjected to the auditing procedures applied in our audit of the combined financial statements and, accordingly, we express no opinion on it.

Reznick Group, P.C.

Baltimore, Maryland
September 29, 2011

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF NET ASSETS
(in thousands)

June 30, 2011
(with comparative combined totals as of June 30, 2010)

	Single Family Program Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2011	Combined 2010
RESTRICTED ASSETS						
Restricted current assets						
Cash and cash equivalents on deposit with trustee	$ -	$ 40,588	$ 301,405	$ 23,981	$ 365,974	$ 342,909
Investments	-	-	-	-	-	102,689
Mortgage-backed securities	-	4,209	566	-	4,775	4,658
Mortgage loans						
Single family	-	26	35,883	-	35,909	30,830
Multi-family construction and permanent financing	-	2,764	1,392	80	4,236	5,081
Accrued interest and other receivables	-	2,105	20,139	164	22,408	21,865
Claims receivable on foreclosed and other loans, net of allowance	-	-	92,742	-	92,742	79,229
Real estate owned	-	-	19,226	-	19,226	6,585
Deferred bond issuance costs	-	-	-	-	-	413
Due from other Funds	-	-	-	-	-	39
Total restricted current assets	-	49,692	471,353	24,225	545,270	594,298
Restricted long-term assets						
Investments, net of current portion	-	7,101	26,499	7,467	41,067	41,915
Mortgage-backed securities, net of current portion	-	367,592	53,878	-	421,470	432,425
Mortgage loans, net of current portion and allowance						
Single family	-	186	2,031,222	31	2,031,439	2,107,554
Multi-family construction and permanent financing	-	72,714	30,901	5,091	108,706	128,406
Accrued interest receivable, net of current portion	-	-	9	-	9	10
Other loan receivable	-	-	-	750	750	750
Deferred bond issuance costs, net of current portion	-	107	15,296	-	15,403	15,439
Deferred outflow on interest rate swap agreements (see Note 9)	-	-	26,475	-	26,475	32,630
Total restricted long-term assets	-	447,700	2,184,280	13,339	2,645,319	2,759,129
Total restricted assets	$ -	$ 497,392	$ 2,655,633	$ 37,564	$ 3,190,589	$ 3,353,427

(continued)

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF NET ASSETS - CONTINUED
(in thousands)

June 30, 2011
(with comparative combined totals as of June 30, 2010)

	Single Family Program Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2011	Combined 2010
LIABILITIES AND NET ASSETS						
Current liabilities						
Accrued interest payable	$ -	$ 11,305	$ 33,022	$ -	$ 44,327	$ 47,475
Accounts payable	-	-	695	164	859	1,625
Accrued workers' compensation	-	-	-	16	16	8
Accrued compensated absences	-	-	-	450	450	420
Due to State Treasurer	-	-	-	1,021	1,021	2,011
Rebate liability	-	-	637	-	637	725
Bonds payable	-	7,935	79,350	-	87,285	119,030
Deposits by borrowers	-	2,023	2,102	38	4,163	5,025
Due to other Funds	-	-	-	-	-	39
Total current liabilities	-	21,263	115,806	1,689	138,758	176,358
Long-term liabilities						
Accrued workers' compensation, net of current portion	-	-	-	89	89	41
Accrued compensated absences, net of current portion	-	-	-	239	239	356
Rebate liability, net of current portion	-	-	6,571	-	6,571	6,927
Bonds payable, net of current portion	-	422,194	2,127,025	-	2,549,219	2,661,822
Deposits by borrowers, net of current portion	-	5,561	2,151	30	7,742	10,015
Deferred income	-	4,616	-	-	4,616	5,229
Interest rate swap agreements (see Note 9)	-	-	26,475	-	26,475	32,630
Total long-term liabilities	-	432,371	2,162,222	358	2,594,951	2,717,020
Total liabilities	-	453,634	2,278,028	2,047	2,733,709	2,893,378
NET ASSETS						
Restricted	-	43,758	377,605	35,517	456,880	460,049
Total liabilities and net assets	$ -	$ 497,392	$ 2,655,633	$ 37,564	$ 3,190,589	$ 3,353,427

See notes to combined financial statements

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
(in thousands)

Year ended June 30, 2011
(with comparative combined totals as of June 30, 2010)

	Single Family Program Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2011	Combined 2010
Operating revenue						
Interest on mortgage loans	$ 581	$ 4,919	$ 125,772	$ 306	$ 131,578	$ 139,211
Interest on mortgage-backed securities	-	21,951	131	-	22,082	24,104
Interest income on investments, net of rebate	17	664	1,384	185	2,250	6,603
(Decrease) increase in fair value of investments, net of rebate	-	(280)	(2,186)	1,898	(568)	1,696
Increase on interest rate swap agreement termination (see Note 9)	-	-	-	-	-	15,305
Fee and deferred income	4	699	632	2,594	3,929	4,460
Gain on sale of mortgage loans	-	-	513	-	513	-
Other operating revenue	-	19	250	326	595	255
	602	27,972	126,496	5,309	160,379	191,634
Operating expenses						
Interest expense on bonds	76	25,312	99,384	-	124,772	134,089
Professional fees and other operating expenses	70	236	4,362	251	4,919	4,317
Salaries and related costs	-	-	-	7,717	7,717	8,665
General and administrative costs	-	-	-	3,921	3,921	3,705
Provision for loan losses	-	-	5,169	-	5,169	8,051
Origination expenses	-	-	2,762	-	2,762	2,963
Losses and expenses on real estate owned	-	-	5,780	-	5,780	1,581
Loss on foreclosure claims, net	-	-	547	-	547	293
Amortization of bond issuance costs	-	10	561	-	571	735
Loss (gain) on early retirement of debt	833	1	(1,584)	-	(750)	(2,120)
	979	25,559	116,981	11,889	155,408	162,279
Operating (loss) income	(377)	2,413	9,515	(6,580)	4,971	29,355
Nonoperating (expenses) revenue						
(Decrease) increase in fair value of mortgage-backed securities	-	(7,348)	(585)	-	(7,933)	13,103
Total nonoperating (expenses) revenue	-	(7,348)	(585)	-	(7,933)	13,103
Transfers of funds, net, as permitted by the various bond indentures	(88,560)	(3,000)	81,237	10,116	(207)	(1,100)
CHANGES IN NET ASSETS	(88,937)	(7,935)	90,167	3,536	(3,169)	41,358
Net assets - restricted at beginning of year	88,937	51,693	287,438	31,981	460,049	433,996
Adjustment - interest rate exchange agreements (see Note 9)	-	-	-	-	-	(15,305)
Net assets - restricted at end of year	$ -	$ 43,758	$ 377,605	$ 35,517	$ 456,880	$ 460,049

See notes to combined financial statements

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF CASH FLOWS
(in thousands)

Year ended June 30, 2011
(with comparative combined totals as of June 30, 2010)

	Single Family Program Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2011	Combined 2010
Cash flows from operating activities						
Principal and interest received on mortgage loans	$ 2,427	$ 18,306	$ 212,553	$ 700	$ 233,986	$ 249,104
Principal and interest received on mortgage-backed securities	-	80,171	39	-	80,210	54,111
Escrow funds received	-	3,243	2,121	52	5,416	6,769
Escrow funds paid	-	(5,480)	(3,036)	(35)	(8,551)	(7,539)
Mortgage insurance claims received	-	-	63,115	-	63,115	39,124
Transfer claims receivable on foreclosed and other loans	775	-	(775)	-	-	-
Foreclosure expenses paid	(136)	-	(8,182)	-	(8,318)	(4,991)
Loan fees and deferred income received	1	-	152	2,575	2,728	3,552
Loan fees disbursed	-	-	(1,374)	-	(1,374)	(1,229)
Purchase of mortgage loans	(80)	(3,009)	(116,173)	(698)	(119,960)	(120,647)
Purchase of mortgage-backed securities	-	-	(55,106)	-	(55,106)	(6,222)
Transfer of mortgage loans, net of deferred fees	106,114	-	(106,114)	-	-	-
Professional fees and other operating expenses	-	(236)	(4,241)	(251)	(4,728)	(4,200)
Funds received from sale of mortgage loans	-	-	15,488	-	15,488	-
Other income received	-	19	250	326	595	255
Salaries and related costs	-	-	-	(8,735)	(8,735)	(8,922)
General and administrative costs	-	-	-	(3,924)	(3,924)	(4,703)
Other reimbursements	-	-	(332)	(998)	(1,330)	748
Net cash provided by (used in) operating activities	109,101	93,014	(1,615)	(10,988)	189,512	195,210
Cash flows from investing activities						
Proceeds from maturities or sales of investments	17,397	-	72,128	16,009	105,534	194,593
Purchases of investments	-	-	(2,777)	-	(2,777)	(240,799)
Transfer of investments	-	-	5,562	(5,562)	-	-
Transfer rebate arbitrage liability	(5,993)	-	5,993	-	-	-
Arbitrage rebates paid	-	-	(815)	-	(815)	(1,003)
Interest received on investments	311	668	2,395	84	3,458	7,308
Net cash provided by (used in) investing activities	11,715	668	82,486	10,531	105,400	(39,901)
Cash flows from noncapital financing activities						
Proceeds from sale of bonds	-	-	132,193	-	132,193	138,205
Payments on bond principal	(58,782)	(73,105)	(142,365)	-	(274,252)	(216,150)
Bond issuance costs	-	-	(1,362)	-	(1,362)	(1,894)
Transfer refunded bond issuance costs	352	-	(352)	-	-	-
Reimbursement of bond costs	-	34	-	-	34	-
Interest on bonds	(795)	(27,378)	(100,080)	-	(128,253)	(138,686)
Transfers among Funds	(88,560)	(3,000)	81,237	10,116	(207)	(1,100)
Net cash (used in) provided by noncapital financing activities	(147,785)	(103,449)	(30,729)	10,116	(271,847)	(219,625)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	(26,969)	(9,767)	50,142	9,659	23,065	(64,316)
Cash and cash equivalents on deposit with trustee at beginning of year	26,969	50,355	251,263	14,322	342,909	407,225
Cash and cash equivalents on deposit with trustee at end of year	$ -	$ 40,588	$ 301,405	$ 23,981	$ 365,974	$ 342,909

(continued)

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF CASH FLOWS - CONTINUED
(in thousands)

Year ended June 30, 2011
(with comparative combined totals as of June 30, 2010)

	Single Family Program Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2011	Combined 2010
Reconciliation of operating (loss) income to net cash provided by (used in) operating activities						
Operating (loss) income	$ (377)	$ 2,413	$ 9,515	$ (6,580)	$ 4,971	$ 29,355
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities						
Decrease (increase) in assets						
Mortgage loans	107,394	10,295	(25,967)	(307)	91,415	88,770
Mortgage-backed securities	-	57,934	(55,029)	-	2,905	23,675
Accrued interest and other receivables	1,199	369	(1,997)	(113)	(542)	346
Claims receivable on foreclosed and other loans	775	-	(20,310)	-	(19,535)	(57,283)
Real estate owned	-	-	(12,641)	-	(12,641)	(6,219)
Due from other Funds	-	-	39	-	39	35
(Decrease) increase in liabilities						
Accrued interest payable	(719)	(2,066)	(363)	-	(3,148)	(4,261)
Accounts payable	(66)	-	298	(998)	(766)	987
Accrued workers' compensation and compensated absences	-	-	-	(31)	(31)	152
Due to State Treasurer	-	-	-	(990)	(990)	(1,407)
Rebate liability	(5,993)	-	5,549	-	(444)	(1,514)
Deposits by borrowers	-	(2,237)	(915)	17	(3,135)	(770)
Deferred income	-	(613)	-	-	(613)	(487)
Due to other Funds	(39)	-	-	-	(39)	(35)
Amortizations						
Deferred income and expense on loans	(3)	(86)	2,130	-	2,041	2,145
Investment discounts and premiums	-	4	154	(4)	154	1,061
Bond original issue discounts and premiums	-	-	(333)	-	(333)	(336)
Deferred bond issuance costs	-	10	561	-	571	735
Loan fees and expenses deferred	-	-	(1,222)	-	(1,222)	(816)
Loan fees and expenses transferred and sold	(380)	-	580	-	200	-
Provision for loan losses	-	-	5,169	-	5,169	8,051
Decrease (increase) in fair value of investments	-	280	2,244	(1,898)	626	4,934
Realized gains on investments sold	-	-	-	-	-	(6,864)
Arbitrage rebates paid	-	-	815	-	815	1,003
Transfer rebate arbitrage liability	5,993	-	(5,993)	-	-	-
Loss (gain) on early retirement of debt	833	1	(1,584)	-	(750)	(2,120)
Increase on interest rate swap agreement termination	-	-	-	-	-	(15,305)
Interest received on investments	(311)	(668)	(2,395)	(84)	(3,458)	(7,308)
Interest on bonds	795	27,378	100,080	-	128,253	138,686
Net cash provided by (used in) operating activities	$ 109,101	$ 93,014	$ (1,615)	$ (10,988)	$ 189,512	$ 195,210

See notes to combined financial statements

(in thousands)

NOTE 1 - AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION

The Community Development Administration (CDA) was created in 1970 by Sections 266 DD-1 to 266 DD-8 of Article 41 (now in Sections 4-101 through 4-255 of the Housing and Community Development Article) of the Annotated Code of Maryland to meet the shortage of adequate, safe and sanitary housing in the State of Maryland, particularly for persons or families of limited income. 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 Revenue Obligation Funds (the Funds). CDA's other programs are not included. However, CDA has also separately issued combined financial statements for the Infrastructure Program Funds and financial statements for the Single Family Housing Revenue Bonds and Multi-Family Mortgage Revenue Bonds indentures. The Revenue Obligation Funds, Infrastructure Program 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.

Within each Fund in the Revenue Obligation Funds are separate accounts maintained for each obligation in accordance with the respective indentures. The following summarizes each of the Funds.

Fund	Purpose
Single Family Program Bonds	To originate or purchase single family mortgage loans. As of June 30, 2011, all outstanding mortgage loans have been transferred to Residential Revenue Bonds.
Housing Revenue Bonds	To provide funds to finance or refinance loans for various types of housing. As of June 30, 2011, Housing Revenue Bonds have primarily financed multi-family projects.
Residential Revenue Bonds	To originate or purchase single family mortgage loans.
General Bond Reserve Fund	To provide funds for payment of principal and interest on bonds and notes in the Revenue Obligation Funds to the extent revenues and assets specifically pledged are not sufficient. This Fund also provides for the payment of operating expenses of CDA.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Revenue Obligation 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).

Generally Accepted Accounting Principles

CDA reports its financial activities by applying Standards of Governmental Accounting and Financial Reporting as promulgated by the Governmental Accounting Standards Board (GASB). Consequently, CDA applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and ARBS of the Committee on Accounting Procedure issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

The Annual Financial Report may include a Management’s Discussion and Analysis. 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 required in these 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 financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents on Deposit with Trustee

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, 2011, all of the Funds' cash equivalents are invested in a money market mutual fund which is more fully described in Note 3.

Investments

Investments are principally governmental debt securities or investment agreements collateralized by governmental debt securities. Debt securities are stated at fair value, based on quoted market prices. Investments are classified as current or long-term based on the maturity date or call date. Callable investments are classified as current, if exercise of the call within the next fiscal year is probable. Investments are more fully described in Note 3.

Mortgage-Backed Securities

These guaranteed securities are issued in connection with mortgage loans on multi-family projects and single family homes. They are stated at fair value, based on quoted market prices. Mortgage-backed securities are more fully described in Note 3.

Mortgage Loans

Mortgage loans are carried at their unpaid principal balances, net of allowance and unamortized loan fees and expenses. Loan fees and expenses are deferred and amortized over the life of the related loans using the effective interest method. Any single family mortgage loan in foreclosure with a pending insurance claim is recorded as claims receivable. See Notes 4 and 15 for additional information on mortgage loans and mortgage insurance, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Interest and Other Receivables

Accrued interest and other receivables include interest on loans and investments. On insured multi-family mortgage loans that are in default, CDA continues to accrue interest until receipt of a mortgage insurance claim. On insured single family loans, interest ceases to accrue after foreclosure. See Note 5 for additional information.

Claims Receivable on Foreclosed and Other Loans

Claims receivable on foreclosed and other loans include insured loans that are in foreclosure or other loans with pending insurance claims, recorded net of allowance. These loans are primarily insured by U.S. Government Agencies or private mortgage insurers. Foreclosed loans insured by private mortgage insurers are held in this account until the insurer has made a final determination as to claim payment or transfer of the property to CDA.

Real Estate Owned

Real estate owned represents real estate acquired through foreclosure or deeds-in-lieu and is stated at the lower of cost or fair value less estimated costs to sell. Expenses incurred related to real estate owned are reported on the Combined Statement of Revenue, Expenses and Changes in Net Assets.

Allowance for Loan Losses

Substantially all the mortgage loans of the Funds are insured or guaranteed by agencies of the U.S. Government, the Maryland Housing Fund (MHF), or private mortgage insurers. Most primary coverage levels range from 25% to 100% of the loan. CDA has established an allowance for loan losses on the uninsured portions of multi-family loans and on single family loans with private mortgage insurance. CDA has also established an allowance for loan losses on single family loans with private mortgage insurance that are in foreclosure. Management believes the allowance established is adequate based on prior experience and evaluations from DHCD’s asset management group and a current assessment of probability and risk of loss due to default or deteriorating economic conditions. See Note 4 for additional information on allowance for loan losses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Bond Issuance Costs

Costs incurred in issuing bonds are capitalized and amortized using the effective interest method for each respective bond issue. When bonds are redeemed early with mortgage prepayments, a proportionate share of the remaining unamortized costs is recognized as a loss on the Combined Statement of Revenue, Expenses and Changes in Net Assets. If unamortized original issue premiums exceed unamortized deferred issuance costs and original issue discounts, CDA records a gain. However, in an economic refunding, CDA defers unamortized costs and redemption premiums as an offset to the new bonds as more fully described in Note 10.

Due from (to) Other Funds

Due from (to) other Funds records the pending transfers of cash between Funds which is primarily a result of receipts due to one Fund, but received by another. As of June 30, 2011, there were no pending cash transfers due between Funds.

Bonds Payable

Bonds payable are carried at their unpaid principal balances, net of unamortized deferred gain or loss for bonds refunded for economic purposes and original issue discounts or premiums. See Notes 6, 7, 8, 9, 10 and 12 for additional information.

Deposits by Borrowers

This account consists of escrows and reserves held by CDA on behalf of multi-family housing developments. CDA invests these deposits and, for reserves, allows earnings to accrue to the benefit of the mortgagor. Escrows represent amounts held by CDA for mortgage insurance and hazard insurance premiums and real estate taxes, all of which are generally paid annually and which are classified as a current liability. Based on the current year’s reserve disbursements, CDA has estimated the current reserve liability. The balance of the reserves is classified as long-term. See Note 12 for further information on changes in long-term obligations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Rebate Liability on Investments

Regulations governing the issuance of tax-exempt debt place limitations on permitted investment yield on borrowed funds. Based on these regulations, CDA is required to periodically rebate excess earnings from investments to the United States Treasury. In addition, the liability also includes an estimate of the rebate obligation related to unrealized gains as a result of recording investments at fair value. Rebate liability is more fully described in Note 11.

Interest Rate Exchange Agreements (Swaps)

Interest rate exchange agreements (swaps) are derivative instruments which are entered into as cash flow hedges to reduce exposure to identified financial risks associated with assets, liabilities or expected transactions or to lower the costs of borrowings and are considered to be hedging derivative instruments. Swaps are reported at fair value in the Statement of Net Assets and are tested quarterly for hedge effectiveness. Effectiveness is established if the changes in cash flows of the swaps substantially offset the changes in cash flows of the hedgeable items. The changes in fair values of the swaps that are determined to be effective hedges will be recognized as deferred inflows or outflows in the Statement of Net Assets. The changes in fair value of the swaps that are determined not to be effective hedges will be reported in the Statement of Revenue, Expenses and Changes in Net Assets. Accounting guidance issued by GASB has been adopted by CDA effective as of July 1, 2009 and CDA has applied the principle retrospectively, which is the application of a different accounting principle to one or more previously issued financial statements at the beginning of the current period, as if that principle had always been used. This has resulted in the restatement of beginning net assets for the period ended June 30, 2010 to recognize the changes in fair value of CDA's swaps as deferrals. As a result of this restatement, beginning net assets as of July 1, 2009 were decreased by $15,305. CDA's swaps are more fully described in Note 9.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Yield Limitations

All mortgage loans are subject to yield limitations under the Internal Revenue Service Code (the Code) in order for the associated bonds to maintain their tax-exempt status. At the time of bond issuance and over the term of the bonds, CDA determines and maintains compliance with the permitted mortgage yield on the loans. In certain bond refunding transactions, CDA transfers loans from prior series of bonds to the refunding series. CDA monitors the yield on these transferred loans to ensure that the composite yield over the term of the bonds is within the yield limitations of the Code. If at any time the composite yields on the transferred loans are out of compliance with the Code, CDA has certain remedies available to bring the yield into compliance. As of June 30, 2011, all mortgage loan yields are in compliance with the Code.

Interest on Mortgage Loans and Mortgage-Backed Securities

Interest on mortgage loans and mortgage-backed securities is calculated using the effective interest method.

Fee Income

CDA receives multi-family financing fees and single family commitment fees at loan origination. These fees are deferred and amortized over the life of the loan. Tax credit fees and administrative fees are recorded as earned.

Origination Expenses

CDA pays originators of its single family loans an origination fee and a servicer release fee. On some single family loans CDA provides the borrowers with grants toward loan down payment and closing costs. These CDA expenses are deferred and amortized over the life of the loan.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The General Bond Reserve Fund records these expenses as invoiced by DHCD for the fiscal year.

For the year ended June 30, 2011, the total costs charged to the General Bond Reserve Fund were:

Salaries and related costs	$	7,717
General and administrative costs		3,921
	$	11,638

The employees of CDA are covered by the Maryland State Retirement and Pension System and the costs of employees' retirement benefits are included in the salaries and related costs discussed above. See Note 16 for additional information.

Revenue and Expenses

CDA distinguishes operating revenue and expenses from nonoperating items in accordance with accounting guidance issued by GASB. Operating revenue and expenses are identified as those activities that are directly related to financing affordable housing in the State of Maryland. CDA's activities are considered to be operating except for increases and decreases in the fair value of mortgage-backed securities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets 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.

(in thousands)

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED SECURITIES

Bond proceeds and revenues from mortgages, mortgage-backed securities and investments are invested in authorized investments as defined in the respective indentures and in CDA's Investment Policy until required for purchasing mortgage-backed securities or originating mortgage loans, funding reserves, paying bond debt service or redeeming outstanding bonds and notes, and funding program expenses. Authorized investments include obligations of the U.S. Treasury, U.S. Government Agencies, repurchase agreements, investment agreements, money market funds and certificates of deposit.

The following assets, reported at fair value and held by CDA at June 30, 2011, are evaluated in accordance with GASB accounting guidance for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

	Cash and Cash Equivalents		Total Cash and Cash Equivalents	Investments			Total Investments	Mortgage-backed Securities	
	Federated Treasury Obligations Fund	Obligations of U.S. Government Agencies		Obligations of the U.S. Treasury	Obligations of U.S. Government Agencies	Repurchase Agreements/ Investment Agreements		GNMA Mortgage -backed Securities	Total Cash, Investments and Mortgage-backed Securities
Housing Revenue Bonds	$ 40,588	$ -	$ 40,588	$ 7,101	$ -	$ -	$ 7,101	$ 371,801	$ 419,490
Residential Revenue Bonds	301,405	-	301,405	-	8,590	17,909	26,499	54,444	382,348
General Bond Reserve Fund	23,981	-	23,981	7,467	-	-	7,467	-	31,448
Total	$ 365,974	$ -	$ 365,974	$ 14,568	$ 8,590	$ 17,909	$ 41,067	$ 426,245	$ 833,286

(in thousands)

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED SECURITIES (Continued)

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.

As of June 30, 2011, the amortized cost, fair value and maturities for these assets were as follows:

			Maturities (in years)				
Asset	Amortized Cost	Fair Value	Less than 1	1 - 5	6 - 10	11 - 15	More than 15
Federated Treasury Obligations Fund	$ 365,974	$ 365,974	$ 365,974	$ -	$ -	$ -	$ -
Obligations of the U.S. Treasury	11,064	14,568	-	2,594	2,129	9,845	-
Obligations of U.S. Government Agencies	7,067	8,590	-	-	2,493	-	6,097
Repurchase agreements/ Investment agreements	17,909	17,909	-	-	-	-	17,909
Mortgage-backed Securities	414,335	426,245	-	-	-	-	426,245
Total	$ 816,349	$ 833,286	$ 365,974	$ 2,594	$ 4,622	$ 9,845	$ 450,251

The Federated Treasury Obligations Fund invests primarily in repurchase agreements collateralized by Treasury securities and U.S. Treasuries. 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, 2011, the cost of the money market mutual fund approximated fair value.

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED SECURITIES (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 trust indentures 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 CDA's indentures and Investment Policy, securities must be at a rating no lower than the rating on the bonds or, if an investment maintains only a short-term rating, a rating not less than F1/P-1; and financial institutions who are a counterparty to CDA in investment agreements must be rated at least comparable to the existing rating on CDA bonds unless counterparty ratings lower than the bond ratings are permitted in a specific indenture and do not affect the ratings on the bonds. In addition, certain investment and repurchase agreements require counterparty ratings no less than the ratings on the bonds. As of June 30, 2011, all counterparty ratings were at least equal to the ratings on the bonds. The ratings on Housing Revenue Bonds and Residential Revenue Bonds as of June 30, 2011 were Aa2 by Moody's Investors Service. The ratings on Residential Revenue Bonds as of June 30, 2011 were AA by Fitch Ratings. Housing Revenue Bonds was rated AA+ by Fitch as of June 30, 2011. The following table provides credit quality rating information for the investment portfolio and individual issuers, if they represent 5 percent or more of total investments, in accordance with accounting guidance issued by GASB.

(in thousands)

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED SECURITIES (Continued)

As of June 30, 2011, credit ratings and allocation by type of investments for the following assets were:

Asset	Fair Value	Percentage of total investments	Money market fund rating	Securities credit rating	Rating agency
Federated Treasury Obligations Fund	$ 365,974	43.92%	Aaa		Moody's
Government National Mortgage Association Mortgage-backed Securities	426,245	51.15%		Direct U.S. Obligations	
Obligations of the U.S. Treasury	14,568	1.75%		Direct U.S. Obligations	
Obligations of U.S. Government Agencies	8,590	1.03%		Aaa	Moody's
Collateralized repurchase agreements and investment agreements:				Underlying securities credit rating	
Counterparty rated Aa1 by Moody's	17,909	2.15%		Aaa	Moody's
Total	$ 833,286	100.00%			

The market value of the underlying collateralized securities in repurchase agreements and investment agreements is maintained at a minimum of 102 percent of the principal of and accrued interest on the invested funds by marking to market at least weekly and using an immediate under value cure provision.

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED SECURITIES (Continued)

All mortgage-backed securities held by CDA are guaranteed by the Government National Mortgage Association (GNMA), an instrumentality of the United States Government. GNMA securities are "fully modified pass-through" mortgage-backed securities which require monthly payments by a Federal Housing Administration (FHA) lender, as the issuer of the guaranteed security to CDA. GNMA guarantees timely payment of principal and interest on Guaranteed Securities.

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, 2011, CDA's investments were not subject to custodial credit risk under accounting guidance issued by GASB. CDA's investments and collateralized securities are held in trust by the trustee or the trustee's agent, kept separate from the assets of the bank and from other trust accounts and are held in CDA's name.

NOTE 4 - MORTGAGE LOANS

Substantially all single family mortgage loans are secured by first liens on the related property. Approximately 98% of all single family mortgage loans are credit enhanced through the FHA mortgage insurance programs, the Veterans Administration and USDA/RD guarantee programs, the Maryland Housing Fund (MHF) or by private mortgage insurance policies. As of June 30, 2011, interest rates on first lien single family loans range from 1.0% to 13.9%, with remaining loan terms ranging from less than 1 year to 40 years.

Approximately 98% of all multi-family construction and permanent mortgage loans outstanding are insured or credit enhanced by FHA, MHF, FHLMC, FNMA or GNMA. As of June 30, 2011, interest rates on the loans range from 3.7% to 12.0%, with remaining loan terms ranging from less than 3 years to 39 years.

(in thousands)

NOTE 4 - MORTGAGE LOANS (Continued)

For the year ended June 30, 2011, the mortgage loan and claims receivable balances and changes in the allowance for loan losses on the uninsured portions of multi-family loans and on single family loans with private mortgage insurance, including loans in foreclosure and other loans with pending insurance claims, were as follows:

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Mortgage loans	$ 75,733	$ 2,109,025	$ 5,202	$ 2,189,960
Allowance for loan losses				
Beginning balance	43	10,480	-	10,523
Provision for loan losses	-	(853)	-	(853)
Ending balance	43	9,627	-	9,670
Mortgage loans, net	$ 75,690	$ 2,099,398	$ 5,202	$ 2,180,290
Claims receivable on foreclosed and other loans	$ -	$ 105,905	$ -	$ 105,905
Allowance for loan losses				
Beginning balance	-	9,541	-	9,541
Provision for loan losses	-	6,022	-	6,022
Charge offs	-	(2,400)	-	(2,400)
Ending balance	-	13,163	-	13,163
Claims receivable on foreclosed and other loans, net	$ -	$ 92,742	$ -	$ 92,742

(in thousands)

NOTE 5 - ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2011, were as follows:

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Accrued mortgage loan interest	$ 400	$ 18,727	$ 17	$ 19,144
Accrued investment interest	46	524	102	672
Accrued mortgage-backed securities interest	1,659	169	-	1,828
Funds due from mortgage insurers for loan modifications	-	366	-	366
Reimbursement due for state-funded loans	-	362	-	362
Miscellaneous loan and other billings	-	-	45	45
	$ 2,105	$ 20,148	$ 164	$ 22,417

NOTE 6 - SHORT-TERM DEBT

CDA issues short-term debt to preserve volume cap when prepayments and payments from mortgages exceed the demand for new mortgages. Proceeds of the short-term debt are used to refund and to pay at maturity prior series of bonds. At the time of the refunding, prepayments and repayments of mortgage loans financed by these prior bonds are transferred to accounts in the short-term series. CDA expects to make these funds available to purchase mortgage loans upon the maturity or earlier redemption of the short-term bonds with proceeds of additional long-term bonds. By issuing the short-term debt, CDA more closely matches the rates on the short-term debt with the rates on short-term investments. When there is sufficient mortgage demand, CDA issues long-term refunding bonds to redeem the short-term debt and the prepayments and repayments are used to fund new mortgages. For the year ended June 30, 2011, CDA did not issue any short-term debt.

NOTE 7 - BONDS PAYABLE

The bonds and notes issued by CDA are special obligations of CDA and are payable from the revenue and special funds of the applicable indentures. These bonds and notes 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 indentures 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 mortgage loans. All outstanding bonds are subject to optional redemption, in whole or in part at any time, after certain dates, as specified in the respective series indentures, at a redemption price equal to the principal amount thereof to be redeemed.

The following lists those bonds which are at variable rates and the terms by which the variable rates change. All other bonds have fixed interest rates.

<u>Residential Revenue Bonds</u>

2003 Series C; 2004 Series F and I; 2006 Series G and J; 2007 Series F, J and M; and 2008 Series D

The rate is set weekly by a remarketing agent so that the market value of the bonds is as close as possible to 100% of the principal amount of the bonds. In no event will the bonds bear interest at a rate in excess of 12%.

2011 Series B

The rate is set weekly at an index rate equal to a SIFMA index, plus 0.95%. (SIFMA stands for the Securities Industry and Financial Markets Association) In no event will the bonds bear interest at a rate in excess of 12%.

The following bonds are taxable. All other bonds are tax-exempt.

Residential Revenue Bonds 2006 Series S and 2007 Series B, E and I

Community Development Administration
Revenue Obligation Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2011

NOTE 7 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2011, and the debt outstanding and bonds payable as of June 30, 2011:

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2010	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2011	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2011
Single Family Program Bonds										
1999 Third Series	12/01/98	5.125%	2021	$ 28,465	$ -	$ -	$ (28,465)	$ -	$ -	$ -
2001 First Series	03/01/01	4.50% - 4.95%	2011 - 2015	23,975	-	-	(23,975)	-	-	-
2001 Second Series	03/01/01	4.65%	2011	190	-	-	(190)	-	-	-
2002 First Series	02/01/02	4.45% - 4.60%	2012 - 2013	3,870	-	-	(3,870)	-	-	-
2002 Second Series	02/01/02	4.50%	2024	2,140	-	-	(2,140)	-	-	-
Total				$ 58,640	$ -	$ -	$ (58,640)	$ -	$ -	$ -

(in thousands)

NOTE 7 - BONDS PAYABLE (Continued)

					Bond Activity					
	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2010	New bonds issued	Scheduled maturity payments	Bonds redeemed	Debt Outstanding at June 30, 2011	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2011
Housing Revenue Bonds										
Series 1996 A	11/01/96	5.80% - 5.95%	2016 - 2023	$ 19,925	$ -	$ (1,945)	$ (4,860)	$ 13,120	$ -	$ 13,120
Series 1996 B	11/01/96	5.875% - 5.95%	2016 - 2028	1,485	-	(60)	-	1,425	-	1,425
Series 1997 A	06/01/97	5.70% - 6.00%	2017 - 2039	33,700	-	(430)	(33,270)	-	-	-
Series 1997 B	09/01/97	5.55% - 5.75%	2017 - 2039	6,965	-	(90)	(6,875)	-	-	-
Series 1997 C	12/01/97	5.00% - 5.65%	2010 - 2039	12,720	-	(170)	(12,550)	-	-	-
Series 1999 A	02/01/99	4.50% - 5.35%	2010 - 2041	15,020	-	(190)	-	14,830	-	14,830
Series 1999 B	10/15/99	5.50% - 6.40%	2010 - 2042	14,310	-	(225)	(4,645)	9,440	-	9,440
Series 1999 C	10/15/99	5.85% - 6.40%	2014 - 2040	480	-	(5)	(475)	-	-	-
Series 1999 D	12/01/99	5.90% - 6.35%	2013 - 2042	6,205	-	(245)	-	5,960	-	5,960
Series 2000 A	10/01/00	5.10% - 6.10%	2010 - 2042	25,825	-	(280)	-	25,545	-	25,545
Series 2001 A	07/01/01	4.70% - 5.625%	2010 - 2043	27,850	-	(350)	-	27,500	-	27,500
Series 2001 B	10/01/01	4.40% - 5.45%	2010 - 2043	43,320	-	(675)	-	42,645	-	42,645
Series 2002 A	03/01/02	4.70% - 5.70%	2010 - 2043	9,000	-	(90)	-	8,910	-	8,910
Series 2002 B	10/01/02	3.65% - 5.05%	2010 - 2045	31,880	-	(365)	-	31,515	-	31,515
Series 2002 C	10/01/02	3.65% - 5.00%	2010 - 2035	6,270	-	(115)	-	6,155	-	6,155
Series 2002 D	10/01/02	3.65% - 5.00%	2010 - 2035	7,770	-	(135)	-	7,635	-	7,635
Series 2003 A	04/01/03	3.60% - 5.22%	2010 - 2045	23,785	-	(255)	-	23,530	-	23,530
Series 2003 B	07/01/03	3.30% - 5.00%	2010 - 2045	16,775	-	(195)	-	16,580	-	16,580
Series 2003 C	09/01/03	3.80% - 5.90%	2010 - 2045	10,360	-	(105)	-	10,255	(6)	10,249
Series 2003 D	12/01/03	3.40% - 5.125%	2010 - 2045	11,610	-	(130)	-	11,480	-	11,480
Series 2004 B	03/31/04	2.75% - 4.70%	2010 - 2046	19,460	-	(225)	-	19,235	-	19,235
Series 2004 C	06/10/04	4.00% - 5.40%	2010 - 2047	35,540	-	(1,250)	-	34,290	-	34,290
Series 2004 D	11/23/04	4.35% - 5.00%	2015 - 2037	1,600	-	(70)	-	1,530	-	1,530
Series 2005 A	02/17/05	4.25% - 4.85%	2015 - 2047	6,205	-	(70)	-	6,135	-	6,135
Series 2005 B	04/21/05	3.70% - 5.10%	2010 - 2047	18,830	-	(200)	-	18,630	-	18,630
Series 2005 C	12/14/05	3.80% - 5.15%	2010 - 2047	12,955	-	(355)	-	12,600	-	12,600
Series 2006 A	04/27/06	4.00% - 5.05%	2010 - 2047	9,795	-	(110)	-	9,685	-	9,685
Series 2006 B	04/27/06	4.00% - 5.00%	2010 - 2039	3,075	-	(130)	-	2,945	-	2,945
Series 2006 C	04/27/06	3.65% - 4.75%	2010 - 2036	2,005	-	(40)	-	1,965	-	1,965
Series 2006 D	09/27/06	4.91%	2048	4,425	-	-	-	4,425	-	4,425
Series 2007 A	06/14/07	3.85% - 4.95%	2010 - 2049	21,685	-	(510)	-	21,175	-	21,175
Series 2007 B	08/30/07	5.51%	2038	4,875	-	(65)	-	4,810	-	4,810
Series 2007 C	12/20/07	5.38%	2043	1,520	-	(10)	-	1,510	-	1,510
Series 2008 A	05/29/08	5.24%	2038	5,720	-	(90)	-	5,630	-	5,630
Series 2008 B	05/29/08	5.63%	2049	10,280	-	(50)	-	10,230	-	10,230
Series 2008 C	09/19/08	5.60%	2048	7,380	-	-	-	7,380	-	7,380
Series 2008 D	12/18/08	4.125% - 6.75%	2013 - 2039	3,880	-	(50)	-	3,830	-	3,830
Series 2009 A	11/24/09	2.75% - 5.25%	2011 - 2041	8,755	-	-	(1,150)	7,605	-	7,605
Total				$ 503,240	$ -	$ (9,280)	$ (63,825)	$ 430,135	$ (6)	$ 430,129

Community Development Administration
Revenue Obligation Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2011

NOTE 7 - BONDS PAYABLE (Continued)

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2010	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2011	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2011
Residential Revenue Bonds										
1998 Series A	01/01/98	4.80% - 5.00%	2011 - 2014	$ 1,630	$ -	$ -	$ (1,145)	$ 485	$ -	$ 485
1998 Series D	12/01/98	5.15% - 5.25%	2018 - 2029	27,275	-	(800)	(710)	25,765	-	25,765
1999 Series C	05/01/99	4.70% - 4.95%	2011 - 2015	2,665	-	-	-	2,665	-	2,665
1999 Series D	05/01/99	4.90% - 5.40%	2011 - 2031	25,270	-	-	(370)	24,900	(3)	24,897
2000 Series F	08/01/00	4.90%	2011	515	-	-	(515)	-	-	-
2001 Series A	03/01/01	4.50% - 5.00%	2011 - 2017	8,825	-	-	-	8,825	-	8,825
2001 Series B	03/01/01	4.65% - 5.375%	2011 - 2022	8,330	-	-	(1,235)	7,095	-	7,095
2001 Series E	06/01/01	4.55%	2011	780	-	-	(650)	130	-	130
2001 Series G	08/15/01	4.20%	2011	1,435	-	-	-	1,435	-	1,435
2001 Series H	08/15/01	4.40% - 5.35%	2011 - 2033	32,050	-	-	(550)	31,500	-	31,500
2003 Series A	11/01/03	3.25% - 4.05%	2010 - 2015	5,595	-	(850)	-	4,745	-	4,745
2003 Series B	11/01/03	4.75% - 5.00%	2019 - 2026	4,455	-	-	(1,015)	3,440	140	3,580
2003 Series C	12/09/03	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series A	05/13/04	3.20% - 4.20%	2010 - 2016	7,460	-	(960)	-	6,500	-	6,500
2004 Series B	05/13/04	5.00%	2023 - 2028	6,310	-	-	(1,510)	4,800	139	4,939
2004 Series C	05/13/04	Variable rate	2035	20,000	-	-	(20,000)	-	-	-
2004 Series D	08/12/04	3.50% - 4.40%	2010 - 2016	8,785	-	(1,120)	-	7,665	-	7,665
2004 Series E	08/12/04	5.15% - 5.25%	2023 - 2030	13,120	-	-	(2,160)	10,960	166	11,126
2004 Series F	08/12/04	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series G	11/10/04	2.80% - 3.65%	2010 - 2016	9,005	-	(1,170)	-	7,835	-	7,835
2004 Series H	11/10/04	4.55% - 5.00%	2023 - 2029	11,805	-	-	(885)	10,920	296	11,216
2004 Series I	11/10/04	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2005 Series A	03/30/05	3.05% - 3.90%	2010 - 2016	9,255	-	(1,190)	-	8,065	-	8,065
2005 Series B	03/30/05	4.55% - 5.25%	2023 - 2029	18,625	-	-	(1,370)	17,255	332	17,587
2005 Series C	03/30/05	Variable rate	2035	20,000	-	-	(20,000)	-	-	-
2005 Series D	11/10/05	3.35% - 4.05%	2010 - 2017	10,290	-	(1,130)	-	9,160	-	9,160
2005 Series E	11/10/05	4.75% - 5.50%	2025 - 2036	38,745	-	-	(1,130)	37,615	483	38,098
2006 Series A	02/23/06	3.50% - 4.10%	2010 - 2017	9,930	-	(1,095)	-	8,835	-	8,835
2006 Series B	02/23/06	4.75% - 5.50%	2025 - 2037	41,610	-	-	(710)	40,900	500	41,400
2006 Series E	05/24/06	3.70% - 4.35%	2010 - 2017	19,495	-	(2,130)	-	17,365	-	17,365
2006 Series F	05/24/06	4.80% - 6.00%	2021 - 2039	45,925	-	-	(2,795)	43,130	1,453	44,583
2006 Series G	05/24/06	Variable rate	2040	40,000	-	-	-	40,000	-	40,000
2006 Series H	07/13/06	3.75% - 4.15%	2010 - 2017	14,645	-	(1,590)	-	13,055	-	13,055
2006 Series I	07/13/06	3.95% - 6.00%	2010 - 2041	119,050	-	(885)	(4,175)	113,990	2,657	116,647
2006 Series J	07/13/06	Variable rate	2040	60,000	-	-	-	60,000	-	60,000
2006 Series K	09/14/06	3.70% - 4.15%	2010 - 2017	12,455	-	(1,345)	-	11,110	-	11,110
2006 Series L	09/14/06	4.10% - 5.75%	2011 - 2041	148,445	-	-	(4,045)	144,400	1,878	146,278
2006 Series O	12/13/06	3.50% - 3.85%	2010 - 2017	8,285	-	(905)	-	7,380	-	7,380
2006 Series P	12/13/06	3.90% - 5.75%	2010 - 2037	76,995	-	(1,500)	(1,500)	73,995	1,276	75,271
2006 Series S	12/13/06	6.07%	2037	22,175	-	-	(635)	21,540	-	21,540

(continued)

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2011

NOTE 7 - BONDS PAYABLE (Continued)

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2010	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2011	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2011
Residential Revenue Bonds (continued)										
2007 Series A	03/28/07	3.80% - 5.75%	2010 - 2047	$ 250,090	$ -	$ (1,630)	$ (5,900)	$ 242,560	$ 7,518	$ 250,078
2007 Series B	03/28/07	6.00%	2037	27,415	-	-	(115)	27,300	-	27,300
2007 Series C	06/20/07	3.65% - 3.95%	2010 - 2017	41,415	-	(4,695)	-	36,720	-	36,720
2007 Series D	06/20/07	4.65% - 5.50%	2022 - 2048	161,500	-	-	(4,155)	157,345	2,579	159,924
2007 Series E	06/20/07	4.97% - 6.11%	2010 - 2042	46,955	-	(1,385)	-	45,570	-	45,570
2007 Series F	06/20/07	Variable rate	2031	44,305	-	-	-	44,305	-	44,305
2007 Series G	08/09/07	3.80% - 4.30%	2010 - 2017	50,880	-	(5,245)	-	45,635	-	45,635
2007 Series H	08/09/07	4.95% - 5.20%	2022 - 2048	62,265	-	-	(775)	61,490	-	61,490
2007 Series I	08/09/07	5.35% - 6.56%	2010 - 2043	60,585	-	(1,710)	-	58,875	-	58,875
2007 Series J	08/09/07	Variable rate	2031	56,390	-	-	(685)	55,705	-	55,705
2007 Series K	12/12/07	3.30% - 3.85%	2010 - 2017	26,150	-	(2,805)	(190)	23,155	-	23,155
2007 Series M	12/12/07	Variable rate	2043	29,050	-	-	-	29,050	-	29,050
2008 Series A	06/19/08	2.60% - 4.00%	2010 - 2017	55,710	-	(2,000)	(750)	52,960	-	52,960
2008 Series B	09/04/08	2.45% - 4.20%	2010 - 2017	17,280	-	(1,420)	-	15,860	-	15,860
2008 Series C	09/04/08	4.45% - 5.65%	2019 - 2048	77,150	-	-	(10,815)	66,335	-	66,335
2008 Series D	09/04/08	Variable rate	2038	50,000	-	(110)	-	49,890	-	49,890
2008 Series E	12/17/08	2.95% - 4.55%	2010 - 2017	21,500	-	(1,000)	-	20,500	-	20,500
2008 Series F	12/17/08	4.75% - 5.90%	2018 - 2038	18,500	-	-	(10,705)	7,795	-	7,795
2009 Series A	09/24/09	0.65% - 5.05%	2010 - 2039	40,000	-	(770)	-	39,230	-	39,230
2009 Series B	10/08/09	0.65% - 4.75%	2010 - 2039	45,000	-	(900)	-	44,100	-	44,100
2009 Series C	10/27/09	0.45% - 4.55%	2010 - 2039	15,985	-	(320)	-	15,665	-	15,665
2010 Series A	06/09/10	3.95% - 4.45%	2018 - 2021	28,465	-	-	(500)	27,965	(320)	27,645
2010 Series B	12/16/10	5.125% - 5.25%	2030 - 2035	-	40,000	-	(10)	39,990	(361)	39,629
2011 Series A	05/05/11	0.375% - 5.375%	2012 - 2041	-	70,825	-	-	70,825	1,456	72,281
2011 Series B	05/05/11	Indexed Rate	2036	-	20,000	-	-	20,000	(99)	19,901
Total				$ 2,197,825	$ 130,825	$ (40,660)	$ (101,705)	$ 2,186,285	$ 20,090	$ 2,206,375

(in thousands)

NOTE 8 - DEBT SERVICE REQUIREMENTS

As of June 30, 2011, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2011 and excluding the effect of unamortized discounts/premiums and other deferred costs as shown in Note 7) and interest payments for each of the next five years and in 5-year increments thereafter, are as follows:

For the Year Ended June 30,	Single Family Program Bonds Interest	Single Family Program Bonds Principal	Housing Revenue Bonds Interest	Housing Revenue Bonds Principal	Residential Revenue Bonds Interest	Residential Revenue Bonds Principal
2012	$ -	$ -	$ 22,474	$ 7,935	$ 87,299	$ 79,350
2013	-	-	22,096	7,985	85,137	59,250
2014	-	-	21,701	8,810	82,803	64,550
2015	-	-	21,261	8,925	80,206	68,165
2016	-	-	20,816	10,390	77,356	72,050
2017 - 2021	-	-	97,564	39,855	342,434	339,365
2022 - 2026	-	-	86,658	46,075	276,077	264,740
2027 - 2031	-	-	73,263	58,210	214,731	278,830
2032 - 2036	-	-	56,036	73,715	146,736	506,820
2037 - 2041	-	-	34,534	87,580	64,449	317,575
2042 - 2046	-	-	11,493	69,775	14,570	126,680
2047 - 2051	-	-	786	10,880	512	8,910
Totals	$ -	$ -	$ 468,682	$ 430,135	$ 1,472,310	$ 2,186,285

The interest calculations on outstanding variable rate bonds in the amounts of $358,950 in Residential Revenue Bonds are based on the variable rates in effect on June 30, 2011 and are not indicative of the actual interest expense that will be incurred in future years. As rates vary, variable rate bond interest payments will vary. See Note 9 for additional information on interest rate exchange agreements (swaps) associated with the variable rate debt in Residential Revenue Bonds.

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS)

Objective of the Swaps

As a means to lower its borrowing costs, CDA issues variable rate bonds. In order to protect against the potential increases in interest rates, CDA has entered into pay-fixed, receive-variable interest rate swap agreements in connection with certain variable rate bond series. CDA anticipates that the net swap payments and interest payments on underlying bonds will be lower than what CDA would have paid if it had issued fixed rate debt at the time of the underlying bond issuances. All of CDA's swaps are intended to be cash flow hedges.

(in thousands)

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

Terms and Fair Value

The terms, including the fair values of the outstanding swaps as of June 30, 2011, are provided in the table below. The counterparty credit ratings for all outstanding swaps as of June 30, 2011 are listed under the Credit Risk section. For each of the outstanding swap agreements the variable rates are reset monthly, and it is the intent of CDA to match the maturity of the swaps with the maturity of the underlying bonds. The fair values are based on the market values and are affirmed by an independent advisor who used valuation methods and assumptions in accordance with accounting guidance issued by GASB.

Swap Counter-party	Associated Bond Issue	Original Notional Amount	Outstanding Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received (1)	Fair Value	Swap Final Termination Date
JPMorgan Chase Bank, N.A. (JPM)	2004 Series I	$20,000	$20,000	9/1/2005	3.8525%	64% of LIBOR plus .29%	($850)	9/1/2035 (2)(7)
UBS AG	2006 Series G	$40,000	$40,000	5/24/2006	4.4030%	64% of LIBOR plus .29%	($3,800)	9/1/2040 (3)
JPMorgan Chase Bank, N.A. (JPM)	2006 Series J	$40,000	$40,000	7/13/2006	4.4030%	64% of LIBOR plus .29%	($3,770)	9/1/2040 (3)(7)
JPMorgan Chase Bank, N.A. (JPM)	2006 Series J	$20,000	$20,000	7/13/2006	4.4550%	64% of LIBOR plus .29%	($2,080)	9/1/2040 (3)(7)
Merrill Lynch Derivative Products AG (MLDP)	2007 Series F	$46,485 (amended)	$39,760	10/27/2009 (amended)	4.4300% (amended)	64% of LIBOR plus .22% (amended)	($4,450)	3/1/2026 (4)(6)(9)(12)
Merrill Lynch Derivative Products AG (MLDP)	2007 Series J	$58,680 (amended)	$50,860	9/1/2009 (amended)	4.8350% (amended)	64% of LIBOR plus .22% (amended)	($6,600)	9/1/2025 (4)(6)(9)(10)
The Bank of New York Mellon (BNYM)	2007 Series M	$26,990 (amended)	$19,975	10/8/2009 (amended)	4.3350% (amended)	64% of LIBOR plus .22% (amended)	($1,505)	9/1/2043 (5)(6)(11) (13)
Merrill Lynch Derivative Products AG (MLDP)	2008 Series D	$50,000	$49,890	9/4/2008	3.6880%	64% of LIBOR plus .31%	($3,420)	9/1/2038 (8)(9)

Notes to Table on next page

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

Notes to Table

(1) "LIBOR" means the 1 month London Interbank Offered Rate.

(2) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2014 and on each March 1 and September 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.

(3) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on March 1, 2016 and on each September 1 and March 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.

(4) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on March 1, 2017 and on each September 1 and March 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.

(5) CDA has the option to terminate a portion of this interest rate swap transaction without any termination payment up to the Maximum Optional Early Termination Amounts on each March 1 and September 1 until September 1, 2017. CDA has exercised its option to partially terminate the notional amount of this interest rate swap in the amount of $2,060 effective September 1, 2009, $1,515 effective March 1, 2010, $1,735 effective September 1, 2010 and $1,700 effective March 1, 2011. CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2017 and on each March 1 and September 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.

(6) The outstanding notional amount reflects the amount that has been amortized as of March 1, 2011.

(7) On May 14, 2009, all swap agreements with Bear Stearns Financial Products Inc. were assigned to JPMorgan Chase Bank, N.A. All terms and conditions of the contracts remain in force.

(8) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2018 and on each March 1 and September 1 thereafter (Optional Par Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.

(9) On January 1, 2009, Bank of America Corporation acquired Merrill Lynch & Co., Inc. Notwithstanding this acquisition, Merrill Lynch Derivative Products AG remains in existence and continues as a swap provider on this swap agreement.

(10) On September 24, 2009, 2007 Series J bonds, with an outstanding balance of $58,680, were remarketed and the related swap agreement was amended effective September 1, 2009.

(11) On October 8, 2009, 2007 Series M bonds, with an outstanding balance of $29,050, were remarketed and the related swap agreement with an outstanding balance of $26,990 was amended effective October 8, 2009 (refer to note 5 above). The Bank of New York Mellon replaced UBS AG as counterparty to the agreement.

(12) On October 27, 2009, 2007 Series F bonds, with an outstanding balance of $46,485, were remarketed and the related swap agreement was amended effective October 27, 2009.

(13) Subsequent to June 30, 2011, CDA exercised its option and partially terminated the interest rate swap in the amount of $1,425 effective September 1, 2011.

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

Basis Risk

The swaps would expose CDA to basis risk should the relationship between the London Interbank Offered Rate and the Securities Industry and Financial Markets Association Rate converge. If a change occurs that results in the rates moving towards convergence, the expected cost savings may not be realized. In order to mitigate this risk, prior to the execution of the swap agreements, CDA and its independent financial advisor reviewed historical trading differentials between the Securities Industry and Financial Markets Association Rate and the London Interbank Offered Rate.

Credit Risk

Credit risk is the risk that a swap counterparty will not fulfill its obligations. The fair value of the swaps represented CDA's credit exposure to each counterparty as of June 30, 2011. CDA was not exposed to credit risk under the swap agreements with JPM, UBS AG, MLDP or BNYM since the fair value of each counterparty's swap portfolio was negative. However, should the valuation of any of the individual swaps change, and the fair values turn positive, CDA may become exposed to credit risk in the amount of the swaps' fair values. To mitigate the potential for credit risk, the fair value of the swaps will be fully collateralized by the counterparties if a counterparty's credit quality falls below the designated credit rating thresholds.

(in thousands)

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

The credit rating details for each swap counterparty, including credit rating thresholds, and the total fair value amounts as of June 30, 2011 are summarized below:

Swap Counterparty	**Outstanding Notional Amount**	**Current Credit Rating**	**Collateral Posting Credit Rating Threshold**	**Fair Value**
JPMorgan Chase Bank, N.A. (JPM)	$80,000	Aa1 from Moody's AA- from Standard and Poor's	A1 or below from Moody's or A+ or below from Standard and Poor's	($6,700)
UBS AG	$40,000	Aa3 from Moody's A+ from Standard and Poor's A+ from Fitch	A1 or below from Moody's or A+ or below from Standard and Poor's or Fitch	($3,800)
Merrill Lynch Derivative Products AG (MLDP)	$140,510	Aa3 from Moody's AAA from Standard and Poor's	A1 or below from Moody's or A+ or below from Standard and Poor's or Fitch	($14,470)
The Bank of New York Mellon (BNYM)	$19,975	Aaa from Moody's AA- from Fitch	A1 or below from Moody's or A+ or below from Fitch	($1,505)

Termination Risk

Termination risk is the risk that, due to some event or exercise of a right, the swaps may terminate prior to the scheduled expiration which could result in a payment due from CDA. Furthermore, if a swap is terminated, the underlying variable rate bonds may be exposed to the rising variable interest rates.

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

According to the termination provisions of the swap agreements, CDA or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The counterparty can terminate the contract if the ratings on the related bonds fall below the credit rating thresholds. In addition, CDA has an option to terminate the swaps in part or in whole without any payment except for accrued interest on the respective Optional Termination Dates. Regardless of the above, CDA has a unilateral right to terminate swaps at any time upon adequate notification to the counterparty. If at the time of such termination a swap has a negative fair value, CDA would be liable to the counterparty for a payment equal to the swap's fair value along with any accrued interest.

Rollover Risk

CDA is exposed to rollover risk on the swap agreements if the agreement terminates prior to the maturity of the associated debt. CDA evaluates the range of reasonably expected repayment patterns for the financed assets to best match the swap schedule. Terminating an existing swap may enable CDA to enter a new swap or other financing mechanism that may be better tailored to the actual financed assets and repayment experience. It is the intent of CDA to match the maturity of the swaps with the maturity of the underlying bonds.

Amortization Risk

Amortization risk is the risk that the actual redemption pattern of the bonds may differ from the swap schedule, producing a mismatch between the principal amount of the bonds outstanding and the outstanding notional amount of the swap. To address this risk, CDA has structured all swap transactions to provide for optional termination on the respective Optional Termination Dates and automatic incremental amortization of the swap notional amounts. Mortgage loan prepayments can also be directed to the variable rate series to match the outstanding notional swap amount to the outstanding amount of the underlying bonds.

Tax Risk

Tax risk is the risk that the value of tax exemption may decline through tax law changes and that variable interest rates would then rise toward taxable levels and the expected cost savings of the swaps may not be realized.

(in thousands)

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

Counterparty Risk

Counterparty risk is the risk that a counterparty will fail to make required payments. In order to limit this type of risk, CDA diversifies its exposure across several counterparties.

Swap Payments and Associated Debt

The following table provides a summary of debt service requirements for hedged variable rate bonds and net swap payments for the next five years and in 5-year increments thereafter. The interest calculations are based on the variable rates in effect on June 30, 2011, and may not be indicative of the actual interest expense that will be incurred. As rates vary, variable rate bond interest payments and net swap payments will vary.

Year ending	Hedged Variable Rate Bonds		Interest Rate	
June 30,	Principal	Interest	Swaps, Net	Total
2012	$ 2,335	$ 417	$ 10,869	$ 13,621
2013	-	279	10,447	10,726
2014	-	279	10,040	10,319
2015	-	279	9,673	9,952
2016	-	280	9,332	9,612
2017 - 2021	8,275	1,378	39,884	49,537
2022 - 2026	9,860	1,321	32,209	43,390
2027 - 2031	28,345	1,233	27,727	57,305
2032 - 2036	158,440	641	17,651	176,732
2037 - 2041	53,255	231	5,515	59,001
2042 - 2046	19,975	45	48	20,068
Totals	$ 280,485	$ 6,383	$ 173,395	$ 460,263

(in thousands)

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

Fair Values

The table below summarizes the total fair values for CDA's interest rate exchange agreements at June 30, 2010 and June 30, 2011, and the changes in fair values for the period ending June 30, 2011.

	Total Fair Value at June 30, 2010	Total Fair Value at June 30, 2011	Change in Fair Value for the Period
Interest Rate Exchange Agreements:			
Cash Flow Hedges	$ (32,630)	$ (26,475)	$ 6,155
Investment Derivatives	-	-	-
Total	$ (32,630)	$ (26,475)	$ 6,155

In accordance with accounting guidance issued by GASB, the fair value balances of derivative instruments (interest rate exchange agreements) outstanding at June 30, 2011, classified by type, and the changes in fair value of such derivative instruments as presented on the financial statements for the period ending June 30, 2011, are as follows:

	Change in Fair Value		Fair Value at June 30, 2011		Outstanding Notional Amounts
	Classification	Amount	Classification	Amount	
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	$ 6,155	Debt	$ (26,475)	$ 280,485
Investment Derivatives:					
Pay fixed interest rate swaps	Investment Revenue	$ -	Investment	$ -	$ -

At June 30, 2010, CDA had terminated the original swap agreements for the 2007 Series F, J and M swaps. The new agreements were restructured based on the remarketing of the underlying bonds from taxable to tax-exempt. As of June 30, 2011, all of CDA's swaps do meet the criteria for effectiveness and the swap fair values are classified as deferred outflow.

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on each future net settlement on the swaps.

NOTE 10 - BOND REFUNDINGS

Certain refundings of debt are due to the prepayments of single family mortgage loans. In these cases, CDA transfers the proceeds of the refunding bonds to a redemption account to redeem previously issued bonds and, simultaneously, transfers the prepayments of single family mortgage loans financed by these prior bonds to the refunding bonds' accounts for the purpose of originating new loans. This recycling of prepayments enables CDA to originate new loans that are not subject to the limitations of the IRS volume cap. CDA does not pay call premiums on these special redemptions, and the refundings are not undertaken to reduce interest rates, revise payment schedules or modify restrictions. CDA writes off any unamortized deferred issuance costs or original issue discounts, net of unamortized original issue premiums, as a loss in the accompanying Combined Statement of Revenue, Expenses and Changes in Net Assets. If unamortized original issue premiums exceed unamortized deferred issuance costs and original issue discounts, CDA records a gain.

For current refundings of debt in an optional redemption, CDA replaces previously issued bonds with lower cost debt. This type of transaction is commonly known as an economic refunding. On June 9, 2010, CDA issued $28,465 of Residential Revenue Bonds 2010 Series A which refunded Single Family Program 1999 Third Series. The bonds were redeemed in full on July 9, 2010 in that amount. This refunding reduced total debt service payments over the next 11 years by $2,625 and resulted in an economic gain of $1,596.

NOTE 10 - BOND REFUNDINGS (Continued)

In economic refundings, CDA defers the difference between the reacquisition price (i.e., the principal of the old debt, plus the call premium) and the net carrying amount of the old debt (i.e., the amount due at maturity, adjusted for any unamortized premium or discount and issuance costs related to the old debt) as an offset to the new bonds on the accompanying Combined Statement of Net Assets in accordance with accounting guidance issued by GASB. This deferral is amortized, using the effective interest method, over the remaining life of the old debt or the life of the new debt, whichever is shorter. As a result of the refunding described above, CDA deferred $352 of unamortized costs of issuance and call premium. The period of amortization is 128 months.

For the year ended June 30, 2011, CDA issued $40,000 of Residential Revenue Bonds 2010 Series B on December 16, 2010 which refunded Residential Revenue Bonds 2004 Series C and 2005 Series C variable rate bonds, each with a balance of $20,000. The refunding allowed CDA to convert the variable rate debt to fixed rate debt while preserving the full permitted yield on the underlying mortgages. There was no economic gain on the transaction. As a result of this refunding, CDA deferred $364 of unamortized costs of issuance. The period of amortization is 296 months.

NOTE 11 - REBATE LIABILITY

In accordance with the Internal Revenue Service Code (the Code), CDA has recorded a rebate liability for excess investment earnings in tax-exempt bonds and notes issued after 1981. The excess investment earnings arise due to actual investment yields earned by CDA being greater than yields permitted to be retained by CDA under the Code. The Code requires 90% of such excess investment earnings to be remitted to the United States Treasury every five years and in full at the final redemption of the bonds. Interest income on the Combined Statement of Revenue, Expenses and Changes in Net Assets is reduced by the rebate liability due to excess investment earnings. The increase/decrease in fair value of investments on the Combined Statement of Revenue, Expenses and Changes in Net Assets is adjusted by the change in the estimated rebate liability due to change in fair value of investments. CDA has no rebate liability from interest income or from unrealized gains on mortgage-backed securities.

(in thousands)

NOTE 11 - REBATE LIABILITY (Continued)

Rebate liability activity for the year ended June 30, 2011, was as follows:

	Single Family Program Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Rebate liability as of June 30, 2010	$ 5,993	$ -	$ 1,659	$ -	$ 7,652
Change in estimated liability due to excess investment earnings	-	-	429	-	429
Change in estimated liability due to change in fair value of investments	-	-	(58)	-	(58)
Transfer rebate liability	(5,993)	-	5,993	-	-
Less - payments made	-	-	(815)	-	(815)
Rebate liability as of June 30, 2011	$ -	$ -	$ 7,208	$ -	$ 7,208

As of June 30, 2011, the rebate liability in the amount of $7,208 for Residential Revenue Bonds is allocated to estimated excess investment earnings.

(in thousands)

NOTE 12 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2011, were as follows:

	Single Family Program Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Workers' compensation					
Beginning balance at 6/30/2010	$ -	$ -	$ -	$ 49	$ 49
Additions	-	-	-	72	72
Reductions	-	-	-	(16)	(16)
Ending balance at 6/30/2011	-	-	-	105	105
Less due within one year	-	-	-	(16)	(16)
Total long-term workers' compensation	-	-	-	89	89
Compensated absences					
Beginning balance at 6/30/2010	-	-	-	776	776
Additions	-	-	-	404	404
Reductions	-	-	-	(491)	(491)
Ending balance at 6/30/2011	-	-	-	689	689
Less due within one year	-	-	-	(450)	(450)
Total long-term compensated absences	-	-	-	239	239
Rebate liability					
Beginning balance at 6/30/2010	5,993	-	1,659	-	7,652
Additions	-	-	6,422	-	6,422
Reductions	(5,993)	-	(873)	-	(6,866)
Ending balance at 6/30/2011	-	-	7,208	-	7,208
Less due within one year	-	-	(637)	-	(637)
Total long-term rebate liability	-	-	6,571	-	6,571

(continued)

(in thousands)

NOTE 12 - LONG-TERM OBLIGATIONS (Continued)

	Single Family Program Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Bonds payable					
Beginning balance at 6/30/2010	$ 58,010	$ 503,234	$ 2,219,608	$ -	$ 2,780,852
Additions	-	-	130,825	-	130,825
Reductions	(58,640)	(73,105)	(142,365)	-	(274,110)
Change in deferred amounts for issuance discounts/premiums	-	-	(1,012)	-	(1,012)
Change in deferred amounts on refundings	630	-	(681)	-	(51)
Ending balance at 6/30/2011	-	430,129	2,206,375	-	2,636,504
Less due within one year	-	(7,935)	(79,350)	-	(87,285)
Total long-term bonds payable	-	422,194	2,127,025	-	2,549,219
Deposits by borrowers					
Beginning balance at 6/30/2010	-	9,821	5,168	51	15,040
Additions	-	3,243	2,121	52	5,416
Reductions	-	(5,480)	(3,036)	(35)	(8,551)
Ending balance at 6/30/2011	-	7,584	4,253	68	11,905
Less due within one year	-	(2,023)	(2,102)	(38)	(4,163)
Total long-term deposits by borrowers	-	5,561	2,151	30	7,742
Deferred income					
Beginning balance at 6/30/2010	-	5,229	-	-	5,229
Additions	-	-	-	-	-
Reductions	-	(613)	-	-	(613)
Ending balance at 6/30/2011	-	4,616	-	-	4,616
Total long-term deferred income	-	4,616	-	-	4,616
Interest rate swap agreements					
Beginning balance at 6/30/2010	-	-	32,630	-	32,630
Additions	-	-	-	-	-
Reductions	-	-	(6,155)	-	(6,155)
Ending balance at 6/30/2011	-	-	26,475	-	26,475
Total long-term interest rate swap agreements	-	-	26,475	-	26,475
Total long-term liabilities	$ -	$ 432,371	$ 2,162,222	$ 358	$ 2,594,951

(in thousands)

NOTE 13 - INTERFUND ACTIVITY

In accordance with the various bond indentures, net assets 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 indentures. Generally, an officer of CDA must authorize such withdrawals and a cash flow analysis must demonstrate that sufficient monies remain in the indenture to meet the obligations of the Funds in current and future years. A cash flow analysis is not required for the General Bond Reserve Fund (GBRF) because there were no bonds outstanding in GBRF as of June 30, 2011.

During the year ended June 30, 2011, CDA transferred the following amounts, as permitted, among Funds:

	Transfers among Funds				
	Single Family Program Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Excess revenue	$ (15,361)	$ (3,000)	$ 8,061	$ 10,300	$ -
Transfer mortgage loans and mortgage loan-related activity	(101,297)	-	101,297	-	-
Cost of issuance on bonds and other expenses	(15)	-	15	207	207
Transfer funds for the refunding of bonds	28,113	-	(28,113)	-	-
Transfer funds to the Multi-Family Mortgage Revenue Bonds (NIBP Program) to fund debt service reserve and revenue accounts	-	-	-	(391)	(391)
Transfer to separate account in accordance with HUD agreement	-	-	(23)	-	(23)
	$ (88,560)	$ (3,000)	$ 81,237	$ 10,116	$ (207)

(in thousands)

NOTE 14 - OTHER OUTSTANDING BONDS ISSUED BY CDA (CONDUIT BONDS) (UNAUDITED)

CDA has issued the following bonds that are not included in the combined financial statements of the Funds. The Multifamily Development Revenue Bonds and the Multifamily Development Revenue Refunding Bonds are secured solely by the properties and related revenues of the projects and the applicable credit enhancements. The Capital Fund Securitization Bonds are insured and are repayable by the Department of Housing and Urban Development (HUD) directly to the trustee from funds that the participating public housing authorities would have received under its Annual Contributions Contract. Neither the faith and credit of CDA nor the assets of the Funds have been pledged as security for these bonds. Accordingly, these obligations are excluded from CDA's combined financial statements.

	Amount Issued	Outstanding at June 30, 2011
Multifamily Development Revenue Bonds		
1990 Issue B (Middle Branch Manor)	$ 12,350	$ 7,500
1990 Issue C (Harbor City Townhomes)	$ 4,150	$ 2,550
Series 1998 A (Auburn Manor)	$ 11,000	$ 8,670
Series 1999 A (GNMA - Selborne House)	$ 2,150	$ 1,970
Series 2000 A (Waters Landing II Apartments)	$ 11,000	$ 9,935
Series 2000 B-1 (Edgewater Village Apartments)	$ 7,640	$ 5,925
Series 2000 B-2 (Edgewater Village Apartments)	$ 3,125	$ 3,125
Series 2000 C (Park Montgomery Apartments)	$ 6,170	$ 4,545
Series 2001 C (Parklane Apartments)	$ 9,800	$ 9,800
Series 2001 D (Princess Anne Townhouses)	$ 4,350	$ 3,480
Series 2001 E (Princess Anne Townhouses)	$ 2,875	$ 2,575
Series 2001 F (Waters Tower Senior Apartments)	$ 7,570	$ 6,005
Series 2001 G (Waters Tower Senior Apartments)	$ 4,045	$ 3,615
Series 2002 B (Broadway Homes)	$ 5,045	$ 2,175
Series 2002 C (Orchard Mews Apartments)	$ 5,845	$ 5,010
Series 2003 A (Barrington Apartments)	$ 40,000	$ 39,905
Series 2005 A (Fort Washington Manor Sr. Housing)	$ 14,000	$ 13,475
Series 2005 B (Washington Gardens)	$ 5,000	$ 2,370
Series 2006 A (Barclay Greenmount Apartments)	$ 4,535	$ 3,690
Series 2006 B (Charles Landing South Apartments)	$ 3,375	$ 3,375
Series 2007 A (Brunswick House Apartments)	$ 3,000	$ 1,990
Series 2007 B (Park View at Catonsville)	$ 5,200	$ 4,750
Series 2008 A (Walker Mews Apartments)	$ 11,700	$ 11,700
Series 2008 B (Shakespeare Park Apartments)	$ 7,200	$ 7,200
Series 2008 C (The Residences at Ellicott Gardens)	$ 9,105	$ 6,175

(in thousands)

NOTE 14 - OTHER OUTSTANDING BONDS ISSUED BY CDA (CONDUIT BONDS) (UNAUDITED) (Continued)

	Amount Issued	Outstanding at June 30, 2011
Multifamily Development Revenue Bonds (continued)		
Series 2008 D (Crusader Arms Apartments)	$ 3,885	$ 2,660
Series 2008 E (MonteVerde Apartments)	$ 15,200	$ 15,200
Series 2008 F (Hopkins Village Apartments)	$ 9,100	$ 9,100
Series 2008 G (Kirkwood House Apartments)	$ 16,000	$ 16,000
Series 2009 A (Sharp Leadenhall Apartments)	$ 16,950	$ 16,950
Series 2010 A (C.W. Brooks Mid-Rise)	$ 6,900	$ 6,900
Multifamily Development Revenue Refunding Bonds		
Series 1997 (Avalon Lea Apartments)	$ 16,835	$ 16,835
Capital Fund Securitization Revenue Bonds		
Series 2003	$ 94,295	$ 73,775

The Multifamily Development Revenue Bonds, the Multifamily Development Revenue Refunding Bonds and the Capital Fund Securitization Revenue Bonds are special obligations payable solely from the trust estate pledged under each indenture. These bonds do not constitute a debt of and are not guaranteed by the State of Maryland, any political subdivision thereof, CDA or the Department of Housing and Community Development.

Subsequent to June 30, 2011, CDA issued bonds on August 31, 2011 in the amount of $12,275 for the newly created Local Government Infrastructure Bonds (Mayor and City Council of Cumberland Issue) 2011 Series A. These bonds are payable solely from the trust estate pledged under this indenture.

NOTE 15 - MORTGAGE INSURANCE

Substantially all of CDA’s mortgage loans have mortgage insurance as described in Note 4.

Multi-family mortgagors pay premiums for mortgage insurance and insurance coverage is 100% of the unpaid principal balance of the loan.

NOTE 15 - MORTGAGE INSURANCE (Continued)

For a single family loan insured by an agency of the U.S. Government the primary mortgage insurance covers an amount substantially equal to the unpaid principal amount of the loan. Almost all other loans have primary mortgage insurance in an amount that is at least 25% of the loan amount. Less than 2% of all first lien loans either did not have primary mortgage insurance due to their original loan-to-value ratios of less than 80% or have cancelled primary mortgage insurance due to their outstanding balance falling below 80% of the original loan amount. About 43% of all loans are insured by agencies of the U.S. Government in an amount substantially equal to the unpaid principal amount of the loan. Approximately 55% of total loans are insured by private mortgage insurers or MHF at 35% of the loan amount. An allowance for loan losses has been established for loans insured by private mortgage insurers. Premiums are paid by single family mortgagors.

Under the Residential Revenue Bond indenture, CDA has entered into an agreement (the Reinsurance Agreement) with MHF effective January 1, 2011, in order to provide supplemental insurance coverage for all private mortgage insured loans and post-2005 MHF primary insured loans residing in the active portfolio as of December 31, 2010. Insured loans in the private mortgage insurance portfolio have 35% coverage from the private mortgage insurer. Upon receipt of the primary mortgage insurance claim, MHF will pay 100% of the remaining claim amount for all private mortgage insured loans and post-2005 MHF primary insured loans that have foreclosure dates occurring after December 31, 2010. Once the claim is paid by MHF, the property is transferred to MHF for disposal and is no longer an asset of CDA. Upon sale of the property and if the sale results in a loss, CDA and MHF will share equally in any such loss incurred. The Reinsurance Agreement shall terminate when the total amount of MHF net losses (the amount calculated after all claims are paid and expenses are realized) reaches $12,500 or on December 31, 2020, whichever occurs first.

NOTE 16 - 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 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.

(in thousands)

NOTE 17 - SUBSEQUENT EVENTS

Events that occur after the date of the combined statement of net assets but before the combined financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the combined statement of net assets are recognized in the accompanying combined financial statements. Subsequent events which provide evidence about conditions that existed after the date of the combined statement of net assets require disclosure in the accompanying notes. Management evaluated the activity of CDA through September 29, 2011 (the date the combined financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the combined financial statements or disclosure in the notes to the combined financial statements, except for the following activity that occurred subsequent to June 30, 2011.

Subsequent to the year ended June 30, 2011, the following bond activity took place:

<u>Residential Revenue Bonds</u>

On July 22, 2011, CDA redeemed the following bonds:

1998 Series A	$135
2003 Series B	$110
2004 Series B	$300
2004 Series E	$210
2004 Series H	$235
2005 Series B	$745
2005 Series E	$350
2006 Series F	$5,105
2006 Series I	$6,105
2006 Series L	$1,375
2006 Series P	$345
2007 Series A	$1,400
2007 Series D	$3,105
2010 Series A	$210
2010 Series B	$130

(in thousands)

NOTE 17 - SUBSEQUENT EVENTS (Continued)

On September 1, 2011, CDA redeemed the following bonds:

2006 Series S	$335
2007 Series B	$1,320
2007 Series F	$600
2007 Series J	$1,735

Community Development Administration
Revenue Obligation Funds

SUPPLEMENTAL DISCLOSURE OF COMBINED CHANGES IN FAIR VALUE OF INVESTMENTS AND MORTGAGE-BACKED SECURITIES
(in thousands)

June 30, 2011
(Unaudited)

In accordance with accounting guidance issued by GASB, CDA reflects investments and mortgage-backed securities at fair value, and the increase or decrease in fair value is included in the Combined Statement of Revenue, Expenses and Changes in Net Assets.

For investments (obligations of the U.S. Treasury and U.S. Government Agencies) held by CDA as of June 30, 2011, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and amortized cost:

Fiscal Year Period	Single Family Program Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Cumulative FY 1996 and prior periods	$ 28,537	$ -	$ -	$ 620	$ 29,157
FY 1997	3,461	(352)	-	175	3,284
FY 1998	18,225	832	-	90	19,147
FY 1999	(14,325)	(407)	-	(191)	(14,923)
FY 2000	(1,536)	48	(227)	(237)	(1,952)
FY 2001	1,356	193	551	244	2,344
FY 2002	3,372	157	97	405	4,031
FY 2003	18,005	889	544	519	19,957
FY 2004	(17,786)	(678)	(674)	(1,368)	(20,506)
FY 2005	(18,117)	897	403	(403)	(17,220)
FY 2006	(16,085)	(866)	(1,567)	(526)	(19,044)
FY 2007	125	48	1,062	437	1,672
FY 2008	2,465	444	785	445	4,139
FY 2009	(1,359)	202	46	(150)	(1,261)
FY 2010	(6,338)	472	2,747	(53)	(3,172)
FY 2011	-	(280)	(2,244)	1,898	(626)
Cumulative Total	$ -	$ 1,599	$ 1,523	$ 1,905	$ 5,027

Community Development Administration
Revenue Obligation Funds

SUPPLEMENTAL DISCLOSURE OF COMBINED
CHANGES IN FAIR VALUE OF INVESTMENTS AND
MORTGAGE-BACKED SECURITIES - CONTINUED
(in thousands)

June 30, 2011
(Unaudited)

Reconciliation to the Combined Statement of Revenue, Expenses and Changes in Net Assets:

	Single Family Program Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
(Decrease) increase in fair value of investments held at June 30, 2011	$ -	$ (280)	$ (2,244)	$ 1,898	$ (626)
Adjustment due to change in rebate liability (see Note 11)	-	-	58	-	58
(Decrease) increase in fair value of investments, net of rebate, as reported on the Combined Statement of Revenue, Expenses and Changes in Net Assets	$ -	$ (280)	$ (2,186)	$ 1,898	$ (568)

Community Development Administration
Revenue Obligation Funds

SUPPLEMENTAL DISCLOSURE OF COMBINED
CHANGES IN FAIR VALUE OF INVESTMENTS AND
MORTGAGE-BACKED SECURITIES - CONTINUED
(in thousands)

June 30, 2011
(Unaudited)

For mortgage-backed securities held by CDA as of June 30, 2011, the following schedule summarizes annual increases/decreases in fair value:

Fiscal Year Period	Housing Revenue Bonds	Residential Revenue Bonds	Combined
FY 2000	$ (3,825)	$ -	$ (3,825)
FY 2001	(3,291)	-	(3,291)
FY 2002	3,340	-	3,340
FY 2003	21,435	-	21,435
FY 2004	(11,126)	-	(11,126)
FY 2005	12,879	-	12,879
FY 2006	(27,704)	-	(27,704)
FY 2007	3,661	-	3,661
FY 2008	(5,987)	-	(5,987)
FY 2009	17,358	-	17,358
FY 2010	13,103	-	13,103
FY 2011	(7,348)	(585)	(7,933)
Cumulative Total	$ 12,495	$ (585)	$ 11,910