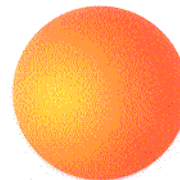




**Community Development Administration  
Single-Family Program Fund**

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





## Report of independent public accountants

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

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

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

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

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The disclosure of change in fair value of investments held on June 30, 2001, presented as supplementary information on page 17, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in our audits of the basic financial statements and, accordingly, we express no opinion on it.

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

Baltimore, Maryland  
September 21, 2001

# Community Development Administration Single-Family Program Fund

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## Community Development Administration Single-Family Program Fund

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

	2001	2000
<b>Assets:</b>		
Cash on deposit with trustee	\$ 36,051	\$ 42,688
Investments	254,305	285,890
Mortgage loans – single-family	872,061	968,230
Accrued interest and other receivables, net	23,798	26,777
Deferred bond issuance costs	9,034	10,716
Due from other funds	14,520	20,068
Total assets	<u>\$ 1,209,769</u>	<u>\$ 1,354,369</u>
<b>Liabilities and fund equity:</b>		
Accrued interest payable	\$ 15,629	\$ 17,852
Accounts payable	1,190	3,170
Bonds payable	1,057,663	1,210,531
Total liabilities	1,074,482	1,231,553
<b>Commitments and contingencies</b>		
<b>Fund equity:</b>		
Total fund equity	135,287	122,816
Total liabilities and fund equity	<u>\$ 1,209,769</u>	<u>\$ 1,354,369</u>

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

**Community Development Administration  
Single-Family Program Fund**

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

	<b>2001</b>	<b>2000</b>
<b>Revenues:</b>		
Interest on mortgage loans	\$ 68,411	\$ 71,215
Interest on investments	20,698	23,214
Other income	15	52
Loan fees	765	994
Increase (decrease) in fair value of investments	7,410	(874)
Total revenues	97,299	94,601
<b>Expenses:</b>		
Interest on bonds payable	67,902	78,446
Trustee, legal and mortgage servicing costs	4,565	4,838
Amortization of bond issuance costs	587	549
Other expense	2,524	1,636
Loss on foreclosure claims	186	1,114
Total expenses	75,764	86,583
Income before extraordinary item	21,535	8,018
<b>Extraordinary item – loss on early extinguishment of bonds payable</b>	<b>(1,080)</b>	<b>(1,584)</b>
Net income	20,455	6,434
Transfers of funds, net, at CDA's discretion, in accordance with the General Certificate of Revenue Bond Authorization and the Certificate of General Authorization	(7,984)	(2,840)
<b>Fund equity, beginning of year</b>	<b>122,816</b>	<b>119,222</b>
<b>Fund equity, end of year</b>	<b>\$ 135,287</b>	<b>\$ 122,816</b>

The accompanying notes are an integral part of these statements.

## Community Development Administration Single-Family Program Fund

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

	2001	2000
<b>Cash flows from operating activities:</b>		
Net income	\$ 20,455	\$ 6,434
Adjustments to reconcile net income to net cash provided by operating activities—		
(Increase) decrease on fair value of investments	(1,356)	1,536
Purchase and origination of mortgage loans	(8,957)	(2,998)
Interest on investments	(20,698)	(23,214)
Repayment of mortgage loans	105,884	117,644
Decrease (increase) in accrued interest and other receivables	2,981	(4,165)
Decrease in due from other funds	5,548	6,527
(Decrease) increase in accounts payable	(1,980)	1,592
Deferred loan fees collected	3	74
Decrease in due to other funds	—	(22)
Amortization of investment premiums or discounts	256	257
Amortization of deferred loan fees	(764)	(994)
Amortization of deferred bond issuance costs	587	549
Interest expense	67,902	78,446
Net cash provided by operating activities	169,861	181,666
<b>Cash flows from investing activities:</b>		
Proceeds from maturity and sale of investments	224,671	190,555
Purchase of investments	(246,638)	(168,923)
Transfer of investments	54,653	45,908
Interest on investments	20,698	23,214
Net cash provided by investing activities	53,384	90,754
<b>Cash flows from noncapital financing activities:</b>		
Proceeds from the sale of bonds	87,755	32,600
Principal payments	(228,395)	(236,818)
Decrease in deferred bond issuance costs due to redemption of related bonds	1,080	952
Bond issuance costs	(2,440)	(282)
Interest payments	(79,898)	(79,473)
Transfers of funds	(7,984)	(2,840)
Net cash used in noncapital financing activities	(229,882)	(285,861)
<b>Net decrease in cash on deposit with trustee</b>	(6,637)	(13,441)
<b>Cash on deposit with trustee, beginning of year</b>	42,688	56,129
<b>Cash on deposit with trustee, end of year</b>	\$ 36,051	\$ 42,688

The accompanying notes are an integral part of these statements.

# **Community Development Administration Single-Family Program Fund**

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

### **1. 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 Article 83B, Sections 2-201 through 2-208) 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 financial statements only include CDA's Single-Family Program Fund (the Fund). CDA's other programs are not included. The Fund was established to originate or purchase single-family mortgage loans.

### **2. Summary of significant accounting policies:**

#### **Basis of presentation**

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

#### **Investments**

Investments are stated at fair value, based on quoted market prices. The cost of securities sold is determined by the specific identification method.

#### **Loan fees**

Loan fees are deferred over the life of the related loans and amortized using the effective interest rate method.

#### **Bond issuance costs**

Expenses incurred in issuing bonds are capitalized and amortized on a straight-line basis over the lives of the respective bond issues.

#### **Allowance for loan losses**

Substantially all the mortgage loans of the Fund are insured or guaranteed by agencies of the U.S. government, the Maryland Housing Fund or private insurers. As such, no allowances for loan losses were necessary as of June 30, 2001 and 2000.

### **Administrative support**

In addition to expenses incurred directly by the Fund, CDA receives certain support services from other divisions of DHCD. The cost of these services has 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 years ended June 30, 2001 and 2000, the allocation to CDA's General Bond Reserve Fund was:

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

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

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

### **Use of estimates**

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

### **3. Cash and investments:**

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



## Cash

As of June 30, 2001 and 2000, the Fund had \$36,051 and \$42,688, respectively, invested in a money market mutual fund (ARK U.S. Government Cash Management Corporate II Class Fund) which is classified as cash. This fund invests exclusively in obligations of the U.S. Government and its agencies and instrumentalities and in repurchase agreements. It is rated AAA by Standard & Poor's and Aaa by Moody's Investor Services.

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

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

## Investments

As of June 30, 2001 and 2000, \$3,000 was held in certificates of deposit and is classified as investments. These certificates are insured by federal depository insurance, subject to maximum coverage, and are collateralized by securities held by the trustee in CDA's name.

Obligations of the U.S. Treasury and obligations of U.S. government agencies are held in CDA's account by the trustee.

The repurchase agreements also include guaranteed investment contracts. For all these investments, collateral is held by the trustee of the fund group or its agent. The agreements and contracts are at fixed interest rates, with maturities primarily less than two years. However, several agreements within the fund have maturities ranging up to 17 years.

As of June 30, 2001 and 2000, the amortized cost and fair value of the Fund's investments, by type of investment, were as follows:

	2001		2000	
	Fair value	Amortized cost	Fair value	Amortized cost
Certificates and other time deposits	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
Obligations of the U.S. Treasury	178,818	143,221	196,075	161,770
Obligations of U.S. government agencies	9,917	9,796	9,886	9,829
Securities held under repurchase agreements or guaranteed investment contracts	<u>62,570</u>	<u>62,570</u>	<u>76,929</u>	<u>76,929</u>
	<u>\$ 254,305</u>	<u>\$ 218,587</u>	<u>\$ 285,890</u>	<u>\$ 251,528</u>

### Category of risk

Investments are classified as to credit risk by the three categories described below:

Category 1 – Insured or registered, with securities held by CDA or its agent in CDA's name.

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department in CDA's name.

Category 3 – Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in CDA's name.

All investments of the Fund are classified as Category 1.

#### 4. Mortgage loans:

Substantially all single-family mortgage loans are secured by first liens on the related property and are insured or guaranteed by either the Federal Housing Administration, the Veterans Administration, the Maryland Housing Fund or by private primary mortgage insurance policies. As of June 30, 2001, interest rates on such loans range from 4.0 to 13.9 percent, with remaining loan terms ranging from 7 to 30 years.

#### 5. Bonds payable:

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

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

#### 2001

1991 Third Series dated July 1, 1991. \$4,415 due serially from 2002 to 2006, with interest rates of 6.65% to 6.95%; \$6,185 term bonds due April 1, 2011, with interest at 7.15%; \$15,685 term bonds due April 1, 2019, with interest at 7.25%; \$5,110 term bonds due April 1, 2027, with interest at 7.25%.	\$ 31,395
1992 First Series dated March 1, 1992. \$2,525 due serially from 2002 to 2005, with interest rates of 6.15% to 6.5%; \$1,835 term bonds due April 1, 2011, with interest at 6.75%.	4,360
1992 Second Series dated March 1, 1992. \$13,025 due serially from 2002 to 2005, with interest rates of 6.40% to 6.75%; \$2,735 term bonds due April 1, 2011, with interest at 6.95%.	15,760
1992 Third Series dated March 26, 1992, and remarketed on January 14, 1993. \$8,335 term bonds due April 1, 2017, with interest at 6.55%.	8,335
1992 Fourth Series dated March 26, 1992, and remarketed on January 14, 1993. \$6,545 term bonds due April 1, 2022, with interest at 6.8%.	6,545

1992 Fifth Series dated June 1, 1992. \$4,495 term bonds due April 1, 2012, with interest at 6.6%.	\$ 4,495
1992 Sixth Series dated June 1, 1992. \$4,845 due serially from 2002 to 2005, with interest rates of 6.25% to 6.50%; \$7,635 term bonds due April 1, 2010, with interest at 6.75%; \$37,510 term bonds due April 1, 2024, with interest at 6.80%.	49,990
1992 Seventh Series dated June 25, 1992, and remarketed on January 14, 1993. \$4,630 term bonds due April 1, 2012, with interest at 6.45%.	4,630
1992 Eighth Series dated June 25, 1992, and remarketed on January 14, 1993. \$2,750 due serially from 2002 to 2005, with interest rates of 5.9% to 6.2%; \$2,145 term bonds due April 1, 2008, with interest at 6.5%; \$20,815 term bonds due April 1, 2024, with interest at 6.8%.	25,710
1993 Third Series dated October 1, 1993. \$29,205 due serially from 2002 to 2010, with interest rates of 4.55% to 5.25%; \$5,535 term bonds due April 1, 2012, with interest at 5.30%; \$10,460 term bonds due April 1, 2016, with interest at 4.85%.	45,200
1994 First Series dated March 1, 1994. \$10,275 due serially from 2002 to 2004, with interest rates of 5.1% to 5.3%; \$21,200 term bonds due April 1, 2009, with interest at 5.8%; \$3,240 term bonds due April 1, 2011, with interest at 5.9%; \$8,360 term bonds, net of unamortized discount of \$75, due April 1, 2014, with interest at 5.8%; \$10,535 term bonds due April 1, 2017, with interest at 5.7%.	53,610
1994 Fourth Series dated May 1, 1994. \$16,620 due serially from 2002 to 2008, with interest rates of 5.55% to 6.15%; \$9,835 term bonds due April 1, 2011, with interest at 6.35%; \$11,840 term bonds due April 1, 2014, with interest at 6.45%.	38,295
1994 Fifth Series dated May 1, 1994. \$495 due 2002, with interest rate of 5.7%; \$50,570 term bonds due April 1, 2026, with interest at 6.75%.	51,065
1994 Sixth Series dated December 1, 1994. \$5,845 due serially from 2002 to 2005, with interest rates of 6.00% to 6.30%; \$7,475 term bonds due April 1, 2009, with interest at 6.55%; \$8,950 term bonds due April 1, 2014, with interest at 7%; \$7,135 term bonds due April 1, 2017, with interest at 7.05%.	29,405
1994 Seventh Series dated December 1, 1994. \$5,640 term bonds due April 1, 2019, with interest at 7.25%; \$3,130 term bonds due April 1, 2024, with interest at 6.90%; \$14,400 term bonds due April 1, 2025, with interest at 7.30%.	23,170
1994 Ninth Series dated December 22, 1994, and remarketed on November 9, 1995. \$5,460 due serially from 2002 to 2008, with interest rates of 4.90% to 5.6%; \$6,765 term bonds due April 1, 2014, with interest at 6.05%; \$7,810 term bonds due April 1, 2019, with interest at 6.15%.	20,035
1995 First Series dated March 1, 1995. \$16,520 due serially from 2002 to 2009, with interest rates of 5.30% to 5.95%; \$12,165 term bonds due April 1, 2014, with interest at 6.20%; \$9,285 term bonds due April 1, 2017, with interest at 6.25%.	37,970
1995 Second Series dated March 1, 1995. \$1,245 term bonds due April 1, 2017, with interest at 6.45%; \$36,155 term bonds due April 1, 2026, with interest at 6.55%.	37,400

1995 Third Series dated June 1, 1995. \$12,595 due serially from 2002 to 2010, with interest rates of 5.15% to 6.00%; \$8,020 term bonds due April 1, 2014, with interest at 6.15%; \$7,410 term bonds due April 1, 2017, with interest at 6.20%; \$3,960 term bonds due April 1, 2026, with interest at 6.25%; \$31,065 term bonds due April 1, 2027, with interest at 6.25%.	\$ 63,050
1995 Fourth Series dated October 1, 1995. \$5,790 term bonds due April 1, 2017, with interest at 6.0%.	5,790
1995 Fifth Series dated October 1, 1995. \$4,770 due serially from 2002 to 2008, with interest rates of 4.90% to 5.6%; \$2,645 term bonds due April 1, 2011, with interest at 5.9%; \$2,700 term bonds due April 1, 2019, with interest at 6.15%; \$500 term bonds due April 1, 2020, with interest at 6.15%; \$10,450 term bonds due April 1, 2024, with interest at 6.2%; \$5,060 term bonds due April 1, 2027, with interest at 6.2%.	26,125
1996 Third Series dated July 1, 1996. \$6,195 due serially from 2002 to 2010, with interest rates of 5.05% to 5.8%; \$3,925 term bonds due April 1, 2014, with interest at 6.2%; \$1,815 term bonds due April 1, 2017, with interest at 6.25%.	11,935
1996 Fourth Series dated July 1, 1996. \$1,535 due serially from 2002 to 2010, with interest rates of 5.20% to 5.95%; \$2,440 term bonds due April 1, 2015, with interest at 6.35%; \$420 term bonds due April 1, 2020, with interest at 6.4%; \$6,700 term bonds due April 1, 2020, with interest at 6.4%; \$8,705 term bonds due April 1, 2028, with interest at 6.45%; \$8,135 term bonds due April 1, 2028, with interest at 6.45%.	27,935
1996 Fifth Series dated August 1, 1996. \$10,395 due serially from 2002 to 2008, with interest rates of 4.8% to 5.4%; \$20,005 term bonds due April 1, 2016, with interest at 5.95%.	30,400
1996 Sixth Series dated August 1, 1996. \$605 due 2002, with interest rate of 4.90%; \$11,090 term bonds due April 1, 2022, with interest at 6.2%; \$8,405 term bonds due April 1, 2026, with interest at 6.25%; \$1,515 term bonds due April 1, 2028, with interest at 6.25%.	21,615
1997 First Series dated August 1, 1997. \$41,383 due serially, net of \$78 unamortized premium, from 2002 to 2008, with interest rates of 4.60% to 5.05%; \$67,260 term bonds due April 1, 2018, with interest at 5.60%.	108,643
1999 First Series dated December 1, 1998. \$4,865 due serially from 2002 to 2010, with interest rates of 4.0% to 4.7%, \$6,420 term bonds due April 1, 2018, with interest at 5.15%; \$5,000 term bonds due April 1, 2028, with interest at 5.25%; \$7,640 term bonds due April 1, 2029, with interest at 5.25%.	23,925
1999 Second Series dated December 1, 1998. \$26,615 due serially from 2009 to 2013, with interest rates of 4.4% to 4.8%; \$26,590 term bonds due April 1, 2017, with interest at 5.0%.	53,205
1999 Third Series dated December 1, 1998. \$29,360 due serially from 2002 to 2010, with interest rates of 4.0% to 4.7%; \$20,395 term bonds due April 1, 2020, with interest at 4.45%; \$33,400 term bonds due April 1, 2021, with interest at 5.125%.	83,155

2000 First Series dated March 1, 2000. \$20,890 due serially from 2002 to 2013, with interest rates of 4.60% to 5.6%; \$4,935 term bonds due April 1, 2015, with interest at 5.7%; \$4,365 term bonds due April 1, 2017, with interest at 5.8%; net of deferred issuance costs and call premium on refunded bonds of \$915.	\$ 29,275
2001 First Series dated March 1, 2001. \$54,850 due serially from 2003 to 2015, with interest rates of 3.65% to 4.95%, \$11,645 term bonds due April 1, 2017, with interest at 5.00%; net of deferred issuance costs and call premium on refunded bonds of \$1,916.	64,579
2001 Second Series dated March 1, 2001. \$6,735 due serially from 2003 to 2012, with interest rates of 3.75% to 4.80%, \$14,525 term bonds due April 1, 2023, with interest at 4.40%, net of deferred issuance costs and call premium on refunded bonds of \$599.	20,661
Total	<u>\$ 1,057,663</u>

### **2000**

1990 Fourth Series dated July 1, 1990. \$19,595 term bonds due April 1, 2010, with interest at 7.375%.	\$ 19,595
1991 First Series dated March 1, 1991. \$1,605 due serially to 2001, with interest rate of 6.4%; \$6,662 serial capital appreciation bonds, including \$3,123 accreted discount, due from 2002 to 2006 with yield rates of 6.75% to 7.1%; \$9,895 term bonds due April 1, 2011, with interest at 7.25%; \$17,515 term bonds due April 1, 2017, with interest at 7.3%.	35,677
1991 Second Series dated March 1, 1991. \$6,765 term bonds due April 1, 2023, with interest at 7.6%.	6,765
1991 Third Series dated July 1, 1991. \$5,140 due serially from 2001 to 2006, with interest rates of 6.55% to 6.95%; \$6,185 term bonds due April 1, 2011, with interest at 7.15%; \$15,685 term bonds due April 1, 2019, with interest at 7.25%; \$26,375 term bonds due April 1, 2027, with interest at 7.25%.	53,385
1991 Fourth Series dated July 1, 1991. \$3,035 due serially from 2001 to 2006, with interest rates of 6.8% to 7.2%; \$710 term bonds due April 1, 2011, with interest at 7.35%; \$9,360 term bonds due April 1, 2027, with interest at 7.3%.	13,105
1991 Fifth Series dated October 1, 1991. \$11,940 due serially from 2003 to 2006, with interest rates of 6.3% to 6.6%; \$7,200 term bonds due April 1, 2008, with interest at 6.75%; \$12,535 term bonds due April 1, 2011, with interest at 6.85%.	31,675
1991 Sixth Series dated October 1, 1991. \$2,690 due serially from 2001 to 2002, with interest rates of 6.3% to 6.4%; \$5,455 term bonds due April 1, 2014, with interest at 7.125%; \$14,124 term capital appreciation bonds, including \$6,633 accreted discount, due April 1, 2030, with a yield rate of 7.5%.	22,269
1992 First Series dated March 1, 1992. \$3,065 due serially from 2001 to 2005, with interest rates of 6.05% to 6.5%; \$1,835 term bonds due April 1, 2011, with interest at 6.75%.	4,900
1992 Second Series dated March 1, 1992. \$15,820 due serially from 2001 to 2005, with interest rates of 6.30% to 6.75%; \$5,635 term bonds due April 1, 2011, with interest at 6.95%.	21,455

1992 Third Series dated March 26, 1992, and remarketed on January 14, 1993. \$8,630 term bonds due April 1, 2017, with interest at 6.55%.	\$ 8,630
1992 Fourth Series dated March 26, 1992, and remarketed on January 14, 1993. \$6,910 term bonds due April 1, 2022, with interest at 6.8%.	6,910
1992 Fifth Series dated June 1, 1992. \$4,495 term bonds due April 1, 2012, with interest at 6.6%.	4,495
1992 Sixth Series dated June 1, 1992. \$5,885 due serially from 2001 to 2005, with interest rates of 6.15% to 6.50%; \$7,635 term bonds due April 1, 2010, with interest at 6.75%; \$37,915 term bonds due April 1, 2024, with interest at 6.80%.	51,435
1992 Seventh Series dated June 25, 1992, and remarketed on January 14, 1993. \$4,630 term bonds due April 1, 2012, with interest at 6.45%.	4,630
1992 Eighth Series dated June 25, 1992, and remarketed on January 14, 1993. \$3,350 due serially from 2001 to 2005, with interest rates of 5.7% to 6.2%; \$2,145 term bonds due April 1, 2008, with interest at 6.5%; \$21,155 term bonds due April 1, 2024, with interest at 6.8%.	26,650
1993 Third Series dated October 1, 1993. \$31,960 due serially from 2001 to 2010, with interest rates of 4.45% to 5.25%; \$8,270 term bonds due April 1, 2012, with interest at 5.30%; \$16,030 term bonds due April 1, 2016, with interest at 4.85%.	56,260
1994 First Series dated March 1, 1994. \$13,370 due serially from 2001 to 2004, with interest rates of 5.0% to 5.3%; \$21,200 term bonds due April 1, 2009, with interest at 5.8%; \$3,240 term bonds due April 1, 2011, with interest at 5.9%; \$8,356 term bonds, net of unamortized discount of \$79, due April 1, 2014, with interest at 5.8%; \$22,310 term bonds due April 1, 2017, with interest at 5.7%.	68,476
1994 Fourth Series dated May 1, 1994. \$16,620 due serially from 2002 to 2008, with interest rates of 5.55% to 6.15%; \$9,835 term bonds due April 1, 2011, with interest at 6.35%; \$11,840 term bonds due April 1, 2014, with interest at 6.45%.	38,295
1994 Fifth Series dated May 1, 1994. \$2,435 due serially from 2001 to 2002, with interest rates of 5.6% to 5.7%; \$4,895 term bonds due April 1, 2019, with interest at 6.125%; \$51,615 term bonds due April 1, 2026, with interest at 6.75%.	58,945
1994 Sixth Series dated December 1, 1994. \$7,105 due serially from 2001 to 2005, with interest rates of 5.90% to 6.30%; \$7,475 term bonds due April 1, 2009, with interest at 6.55%; \$8,950 due April 1, 2014, with interest at 7%; \$7,135 term bonds due April 1, 2017, with interest at 7.05%.	30,665
1994 Seventh Series dated December 1, 1994. \$5,640 term bonds due April 1, 2019, with interest at 7.25%; \$4,480 due April 1, 2024, with interest at 6.90%; \$17,980 term bonds due April 1, 2025, with interest at 7.30%.	28,100
1994 Ninth Series dated December 22, 1994, and remarketed on November 9, 1995. \$6,095 due serially from 2001 to 2008, with interest rates of 4.80% to 5.6%; \$6,765 term bonds due April 1, 2014, with interest at 6.05%; \$7,810 term bonds due April 1, 2019, with interest at 6.15%.	20,670

1995 First Series dated March 1, 1995. \$18,135 due serially from 2001 to 2009, with interest rates of 5.15% to 5.95%; \$12,165 term bonds due April 1, 2014, with interest at 6.20%; \$9,285 due April 1, 2017, with interest at 6.25%.	\$ 39,585
1995 Second Series dated March 1, 1995. \$1,245 term bonds due April 1, 2017, with interest at 6.45%; \$3,475 term bonds due April 1, 2025, with interest at 6.0%; \$38,910 term bonds due April 1, 2026, with interest at 6.55%.	43,630
1995 Third Series dated June 1, 1995. \$13,665 due serially from 2001 to 2010, with interest rates of 5.05% to 6.00%; \$8,020 term bonds due April 1, 2014, with interest at 6.15%; \$7,410 due April 1, 2017, with interest at 6.20%; \$3,960 term bonds due April 1, 2026, with interest at 6.25%; \$31,755 term bonds due April 1, 2027, with interest at 6.25%.	64,810
1995 Fourth Series dated October 1, 1995. \$5,790 term bonds due April 1, 2017, with interest at 6.0%.	5,790
1995 Fifth Series dated October 1, 1995. \$5,330 due serially from 2001 to 2008, with interest rates of 4.80% to 5.6%; \$2,645 term bonds due April 1, 2011, with interest at 5.9%; \$2,700 term bonds due April 1, 2019, with interest at 6.15%; \$500 term bonds due April 1, 2020, with interest at 6.15%; \$10,450 term bonds due April 1, 2024, with interest at 6.2%; \$6,020 term bonds due April 1, 2027, with interest at 6.2%.	27,645
1996 Third Series dated July 1, 1996. \$6,725 due serially from 2001 to 2010, with interest rates of 4.9% to 5.8%; \$3,925 term bonds due April 1, 2014, with interest at 6.2%; \$1,815 term bonds due April 1, 2017, with interest at 6.25%.	12,465
1996 Fourth Series dated July 1, 1996. \$1,655 due serially from 2001 to 2010, with interest rates of 5.05% to 5.95%; \$2,440 term bonds due April 1, 2015, with interest at 6.35%; \$420 term bonds due April 1, 2020, with interest at 6.4%; \$6,700 term bonds due April 1, 2020, with interest at 6.4%; \$9,285 term bonds due April 1, 2028, with interest at 6.45%; \$8,680 term bonds due April 1, 2028, with interest at 6.45%.	29,180
1996 Fifth Series dated August 1, 1996. \$10,395 due serially from 2002 to 2008, with interest rates of 4.8% to 5.4%; \$20,005 term bonds due April 1, 2016, with interest at 5.95%.	30,400
1996 Sixth Series dated August 1, 1996. \$1,880 due serially from 2001 to 2002, with interest rates of 4.75% to 4.9%; \$11,090 term bonds due April 1, 2022, with interest at 6.2%; \$8,405 term bonds due April 1, 2026, with interest at 6.25%; \$3,805 term bonds due April 1, 2028, with interest at 6.25%.	25,180
1997 First Series dated August 1, 1997. \$46,317 due serially, net of \$97 unamortized premium, from 2001 to 2008, with interest rates of 4.45% to 5.05%; \$70,320 term bonds due April 1, 2018, with interest at 5.60%.	116,637
1999 First Series dated December 1, 1998. \$5,300 due serially from 2001 to 2010, with interest rates of 3.8% to 4.7%; \$6,420 term bonds due April 1, 2018, with interest at 5.15%; \$5,000 term bonds due April 1, 2028, with interest at 5.25%; \$7,640 term bonds due April 1, 2029, with interest at 5.25%.	24,360
1999 Second Series dated December 1, 1998. \$26,615 due serially from 2009 to 2013, with interest rates of 4.4% to 4.8%; \$26,590 term bonds due April 1, 2017, with interest at 5.0%.	53,205

1999 Third Series dated December 1, 1998.

\$31,330 due serially from 2001 to 2010, with interest rates of 3.8% to 4.7%; \$28,300 term bonds due April 1, 2020, with interest at 4.45%; \$33,400 term bonds due April 1, 2021, with interest at 5.125%. \$ 93,030

2000 First Series dated March 1, 2000.

\$22,150 due serially from 2001 to 2013, with interest rates of 4.25% to 5.6%; \$4,935 term bonds due April 1, 2015, with interest at 5.7%; \$5,515 term bonds due April 1, 2017, with interest at 5.8%; net of deferred issuance costs and call premium on refunded bond of \$973. 31,627

Total \$ 1,210,531

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

<b>For the year ended June 30,</b>				
<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
\$ 31,000	\$ 36,535	\$ 38,260	\$ 40,315	\$ 38,015

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



## 6. Redemption of bonds and extraordinary item:

The provisions of the various note and bond certificates require or allow for the redemption of bonds through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans.

During the years ended June 30, 2001 and 2000, respectively, CDA redeemed Single-Family Program Fund Bonds in the following series.

<u>2001</u>	<u>2000</u>
• 1990 Fourth Series	• 1988 Third Series
• 1991 First Series	• 1990 First Series
• 1991 Second Series	• 1990 Fourth Series
• 1991 Third Series	• 1990 Fifth Series
• 1991 Fourth Series	• 1991 Second Series
• 1991 Fifth Series	• 1991 Fourth Series
• 1991 Sixth Series	• 1991 Sixth Series
• 1992 Second Series	• 1992 Second Series
• 1992 Fourth Series	• 1992 Fourth Series
• 1992 Sixth Series	• 1992 Sixth Series
• 1992 Eighth Series	• 1992 Eighth Series
• 1993 Third Series	• 1993 Third Series
• 1994 First Series	• 1994 First Series
• 1994 Fifth Series	• 1994 Fifth Series
• 1994 Seventh Series	• 1994 Seventh Series
• 1995 Second Series	• 1995 Second Series
• 1995 Third Series	• 1995 Third Series
• 1995 Fifth Series	• 1995 Fifth Series
• 1996 Fourth Series	• 1996 Fourth Series
• 1996 Sixth Series	• 1996 Sixth Series
• 1997 First Series	• 1997 First Series
• 1999 Third Series	• 1999 First Series
• 2000 First Series	• 1999 Third Series

Certain refundings of debt are due to the prepayments of mortgage loans. In these cases, CDA transfers the proceeds of the refunding bonds into 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 an extraordinary loss in the accompanying statements of revenues, expenses and changes in fund equity.

For current refundings of debt in an optional redemption, CDA replaces previously issued bonds with lower cost debt. In these cases, 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 balance sheets, in accordance with GASB No. 23, "Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities." This deferral is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

**7. Commitments and contingencies:**

As of June 30, 2001 and 2000, the Fund had excess arbitrage for certain Single-Family Program Fund Bonds which are subject to rebate. The total arbitrage expense for 2001 and 2000 was \$2,488 and \$1,592, respectively, which is included in other expense in the statements of revenues, expenses and changes in fund equity. As of June 30, 2001 and 2000, an estimated liability of \$1,144 and \$3,170, respectively, for potential excess arbitrage subject to rebate has been recorded in accounts payable in the accompanying balance sheets.

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

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

**9. Subsequent events:**

On August 1, 2001, CDA redeemed the following bonds:

1991 Third Series	\$ 12,890
1992 Fourth Series	80
1992 Sixth Series	65
1992 Eighth Series	10
1993 Third Series	1,130
1994 First Series	1,800
1994 Fifth Series	720
1994 Seventh Series	1,355
1995 Second Series	205
1995 Third Series	80
1996 Fourth Series	160
1996 Sixth Series	615
1997 First Series	1,230
1999 Third Series	1,700
2000 First Series	250
2001 Second Series	1,235

**Community Development Administration  
Single-Family Program Fund**

**Supplemental disclosure of change in fair value of investments  
June 30, 2001  
(In thousands)  
(Unaudited)**

During fiscal year 1997, CDA adopted the provisions of The Government Accounting Standards Board (GASB) Statement No. 31. This statement requires the financial statements of CDA to reflect investments at fair value, and the increase or decrease in fair value is included on the statement of revenues, expenses and changes in fund equity.

For investments held by CDA as of June 30, 2001, the following schedule summarizes the differences between fair value and amortized costs attributable for each of these years:

Cumulative FY 1996 and prior periods	\$ 28,537
FY 1997	3,461
FY 1998	18,225
FY 1999	(14,325)
FY 2000	(1,536)
FY 2001	<u>1,356</u>
Cumulative total	<u>\$ 35,718</u>

On the statements of revenues, expenses and changes in fund equity, the increase (decrease) in fair value of investments includes the increase in fair value of investments held at June 30, 2001, and realized gains on the sale of investments during the respective fiscal years, as follows:

	<u>2001</u>	<u>2000</u>
Realized gain on sale of investments	\$ 6,054	\$ 662
Increase (decrease) in fair value of investments	<u>1,356</u>	<u>(1,536)</u>
Total	<u>\$ 7,410</u>	<u>\$ (874)</u>