FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

COMMUNITY DEVELOPMENT ADMINISTRATION
HOUSING REVENUE BONDS

JUNE 30, 2013 AND 2012

Community Development Administration
Housing Revenue Bonds

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INDEPENDENT AUDITOR'S REPORT

Office of the Secretary
Department of Housing and Community Development

Report on the Financial Statements

We have audited the accompanying financial statements of the Community Development Administration Housing Revenue Bonds (the Fund) of the Department of Housing and Community Development of the State of Maryland as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

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

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

Opinion

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, Community Development Administration Housing Revenue Bonds early implemented GASB Statement No. 65 <u>*Items Previously Reported as Assets and Liabilities*</u>.

Other Matters

The financial statements of Community Development Administration Housing Revenue Bonds as of June 30, 2012, were audited by other auditors whose report dated September 28, 2012, expressed an unmodified opinion on those statements. As part of our audit of the 2013 financial statements, we also audited adjustments described in Note 2 that were applied to restate the 2012 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2012 financial statements of the Fund other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2012 financial statements as a whole.

As discussed in Note 1, the financial statements present only the Community Development Administration Housing Revenue Bonds and do not purport to, and do not, present fairly the financial position of the Department of Housing and Community Development of the State of Maryland as of and for the year ended June 30, 2013, and the changes in its net position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information on pages 29 and 30, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

CohnReznick LLP

Baltimore, Maryland
October 18, 2013

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF NET POSITION
(in thousands)

June 30, 2013 and 2012

	2013	2012
RESTRICTED ASSETS		
Restricted current assets		
Cash and cash equivalents on deposit with trustee	$ 46,742	$ 41,785
Mortgage-backed securities	3,641	4,009
Mortgage loans		
Single family	27	31
Multi-family construction and permanent financing	2,670	2,952
Accrued interest and other receivables	1,716	1,889
Total restricted current assets	54,796	50,666
Restricted long-term assets		
Investments	7,646	8,380
Mortgage-backed securities, net of current portion	276,813	331,982
Mortgage loans, net of current portion and allowance		
Single family	92	135
Multi-family construction and permanent financing	83,895	68,706
Total restricted long-term assets	368,446	409,203
Total restricted assets	$ 423,242	$ 459,869
LIABILITIES AND NET POSITION		
Current liabilities		
Accrued interest payable	$ 8,865	$ 10,043
Accounts payable	75	41
Bonds payable	29,895	8,925
Deposits by borrowers	2,268	1,749
Total current liabilities	41,103	20,758
Long-term liabilities		
Bonds payable, net of current portion	327,004	375,259
Deposits by borrowers, net of current portion	5,687	6,331
Total long-term liabilities	332,691	381,590
Total liabilities	373,794	402,348
NET POSITION		
Restricted	49,448	57,521
Total liabilities and net position	$ 423,242	$ 459,869

See notes to financial statements

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
(in thousands)

Years ended June 30, 2013 and 2012

	2013	2012
Operating revenue		
Interest on mortgage loans	$ 4,475	$ 4,444
Interest on mortgage-backed securities	15,899	18,660
Interest income on investments	531	603
(Decrease) increase in fair value of investments	(730)	1,283
Fee income	683	-
Other operating revenue	18	31
	20,876	25,021
Operating expenses		
Interest expense on bonds	19,099	21,452
Professional fees and other operating expenses	234	219
	19,333	21,671
Operating income	1,543	3,350
Nonoperating (expenses) revenue		
(Decrease) increase in fair value of mortgage-backed securities	(8,491)	6,303
Total nonoperating (expenses) revenue	(8,491)	6,303
Transfers of funds, as permitted by the Resolution	(1,125)	(1,125)
CHANGES IN NET POSITION	(8,073)	8,528
Net position - restricted at beginning of year, as previously stated	57,521	43,758
Cumulative effect of change in accounting principle	-	5,235
Net position - restricted at beginning of year, as restated	57,521	48,993
Net position - restricted at end of year	$ 49,448	$ 57,521

See notes to financial statements

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF CASH FLOWS
(in thousands)

Years ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Principal and interest received on mortgage loans	$ 20,411	$ 9,049
Principal and interest received on mortgage-backed securities	63,162	60,978
Escrow funds received	2,356	2,622
Escrow funds paid	(2,481)	(2,126)
Loan fees received	674	-
Purchase of mortgage loans	(30,818)	-
Professional fees and other operating expenses	(258)	(195)
Other income received	18	31
Other reimbursements	58	17
Net cash provided by operating activities	53,122	70,376
Cash flows from investing activities		
Interest received on investments	522	605
Net cash provided by investing activities	522	605
Cash flows from noncapital financing activities		
Proceeds from the sale of bonds	37,670	-
Payments on bond principal	(64,955)	(45,945)
Interest on bonds	(20,277)	(22,714)
Transfers among Funds	(1,125)	(1,125)
Net cash used in noncapital financing activities	(48,687)	(69,784)
NET INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT	4,957	1,197
Cash and cash equivalents on deposit at beginning of year	41,785	40,588
Cash and cash equivalents on deposit at end of year	$ 46,742	$ 41,785

(continued)

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF CASH FLOWS - CONTINUED
(in thousands)

Years ended June 30, 2013 and 2012

	2013	2012
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 1,543	$ 3,350
Adjustments to reconcile operating income to net cash provided by operating activities		
(Increase) decrease in assets		
Mortgage loans	(14,860)	4,592
Mortgage-backed securities	47,046	42,113
Accrued interest and other receivables	173	216
(Decrease) increase in liabilities		
Accrued interest payable	(1,178)	(1,262)
Accounts payable	34	41
Deposits by borrowers	(125)	496
Amortizations		
Investment premiums	4	4
Decrease (increase) in fair value of investments	730	(1,283)
Interest received on investments	(522)	(605)
Interest on bonds	20,277	22,714
Net cash provided by operating activities	$ 53,122	$ 70,376

See notes to financial statements

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 financial statements only include CDA's Housing Revenue Bonds (the Fund). CDA's other Funds are not included. The Fund was established to issue bonds to provide funds to finance or refinance loans for various types of housing. As of June 30, 2013 and 2012, Housing Revenue Bonds have primarily financed multi-family projects.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Fund is accounted for as an enterprise fund. Accordingly, the accompanying 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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Recent Accounting Pronouncements

During fiscal year 2013, CDA implemented the provisions of GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Prior to the adoption of this standard, CDA adopted all Financial Accounting Standards Board (FASB) statements issued, unless those pronouncements conflicted with or contradicted GASB standards. With the adoption of GASB Statement No. 62, CDA no longer adopts or applies FASB statements.

During fiscal year 2013, CDA implemented GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this statement is to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. The impact of this statement was to formally replace the reporting title of net assets with the reporting title of net position, and to report the effect of the separate classifications of deferred outflows of resources and deferred inflows of resources on net position. The provisions of GASB Statement No. 63 have been applied retroactively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2013, CDA early implemented GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to either: properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources; or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The impact of this statement on CDA's accounting policies is described in detail within Note 2 for the affected accounts. The provisions of GASB Statement No. 65 have been applied retroactively.

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, 2013 and 2012, all of the Fund's cash equivalents were 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. They are stated at fair value, based on quoted market prices. Mortgage-backed securities are more fully described in Note 3.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Loans

Prior to the implementation of GASB Statement No. 65, mortgage loans were carried at their unpaid principal balances, net of allowance and unamortized loan fees. Loan fees were deferred and amortized over the life of the related loans using the effective interest method. With the implementation of GASB Statement No. 65, all mortgage loans, not held for sale, are classified as held for investment and as such their related loans fees are recognized as revenue in the period received. Deferred loan fees have been retroactively restated on the Statements of Revenue, Expenses and Changes in Net Position to reflect the change. The cumulative effect of this change in accounting principle, in the amount of $5,342, increases net position and reflects the amount of capitalized fees received prior to fiscal year 2012. The 2012 Statement of Net Position was restated, eliminating $4,699 of deferred loan fees thus increasing total restricted assets. In addition, the 2012 Statement of Revenue, Expenses and Changes in Net Position was restated to reflect previously recorded amortization of deferred loan fees resulting in a decrease of $643 in changes in net position. For fiscal year 2013, $683 of loan fees were recognized as revenue. Any single family mortgage loan in foreclosure with a pending insurance claim is recorded as other receivables. See Notes 4 and 10 for additional information on mortgage loans and mortgage insurance, respectively.

Allowance for Loan Losses

Substantially all the mortgage loans of the Fund are insured or guaranteed. Less than 1% of the loan portfolio is uninsured and CDA has established an allowance for loan losses on these loans. Management believes the allowance established is adequate based on prior experience and evaluations from DHCD’s asset management group. See Notes 4 and 10 for additional information.

Accrued Interest Receivables

Accrued interest 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Bond Issuance Costs

Prior to the implementation of GASB Statement No. 65, costs incurred in issuing bonds were capitalized and amortized using the effective interest method for each respective bond issue. With the implementation of GASB Statement No. 65, bond issuance costs are recognized and expensed in the period incurred. Deferred bond issuance costs have been retroactively restated on the Statements of Revenue, Expenses and Changes in Net Position to reflect the change. The cumulative effect of this change in accounting principle, in the amount of $107, decreases net position and reflects the amount of capitalized costs incurred prior to fiscal year 2012. The 2012 Statement of Net Position was restated, eliminating $98 of deferred bond issuance costs thus reducing total restricted assets. In addition, the 2012 Statement of Revenue, Expenses and Changes in Net Position was restated to reflect previously recorded amortization expense, resulting in an increase of $9 in changes in net position. For fiscal year 2013, there were no bond issuance costs incurred to be recognized.

Bonds Payable

Bonds payable are carried at their unpaid principal balances, net of original issue discounts or premiums. See Notes 6, 7 and 8 for more 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 8 for further information on changes in long-term obligations.

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, 2013 and 2012, all mortgage loan yields were 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

Prior to the implementation of GASB Statement No. 65, financing fees received at loan origination were deferred and amortized over the life of the loan. With the implementation of GASB Statement No. 65, loan fees are recognized as revenue in the period received as fee income. Deferred loan fees have been retroactively restated on the Statements of Revenue, Expenses and Changes in Net Position to reflect the change. The cumulative effect of this change in accounting principle, in the amount of $5,342, increases net position and reflects the amount of capitalized fees received prior to fiscal year 2012. The 2012 Statement of Net Position was restated, eliminating $4,699 of deferred loan fees thus increasing total restricted assets. In addition, the 2012 Statement of Revenue, Expenses and Changes in Net Position was restated to reflect previously recorded amortization of deferred loan fees resulting in a decrease of $643 in changes in net position. For fiscal year 2013, $683 of loan fees were recognized as revenue.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Administrative Support

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

The employees of CDA are covered by the Maryland State Retirement and Pension System and the costs of employees' retirement benefits are included in the salaries and related costs charged to CDA's General Bond Reserve Fund. See Note 11 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. The Fund's activities are considered to be operating except for increases and decreases in the fair value of mortgage-backed securities.

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 period. Actual results could differ from these estimates.

Reclassification

Certain reclassifications have been made, none of which affected the results of activities and changes in net position, to present the financial statements on a consistent basis.

(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 Housing Revenue Bond Resolution (the Resolution) 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 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 the Fund as of June 30, 2013 and 2012, are evaluated in accordance with accounting guidance issued by GASB for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Assets	2013	2012
Cash and cash equivalents:		
Federated Prime Cash Obligations Fund	$ 46,742	$ 41,785
Investments:		
Obligations of the U.S. Treasury	7,646	8,380
GNMA mortgage-backed securities	280,454	335,991
Total	$ 334,842	$ 386,156

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.

(in thousands)

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

As of June 30, 2013, 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 Prime Cash Obligations Fund	$ 46,742	$ 46,742	$ 46,742	$ -	$ -	$ -	$ -
Obligations of the U.S. Treasury	5,494	7,646	-	-	-	7,646	-
GNMA mortgage-backed securities	270,147	280,454	-	-	-	-	280,454
Total	$ 322,383	$ 334,842	$ 46,742	$ -	$ -	$ 7,646	$ 280,454

As of June 30, 2012, 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 Prime Cash Obligations Fund	$ 41,785	$ 41,785	$ 41,785	$ -	$ -	$ -	$ -
Obligations of the U.S. Treasury	5,498	8,380	-	-	-	8,380	-
GNMA mortgage-backed securities	317,193	335,991	-	-	-	-	335,991
Total	$ 364,476	$ 386,156	$ 41,785	$ -	$ -	$ 8,380	$ 335,991

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

The Federated Prime Cash Obligations Fund invests primarily in short-term, high-quality, fixed-income securities issued by banks, corporations and the U.S. Government. It is operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. It can reasonably be expected to have a fair value that will be unaffected by interest rate changes because the interest rates are variable and the principal can be recovered on demand. As noted above, as of June 30, 2013 and 2012, the cost of the money market mutual fund approximated fair value.

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 Resolution requires investment agreements or deposits to be collateralized. CDA's Investment Policy places no limit on the amount that CDA may invest in any one issuer or counterparty. According to the Resolution and CDA's 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 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, 2013 and 2012, all counterparty ratings were at least equal to the ratings on the Fund's bonds. As of June 30, 2013 and 2012, the ratings on Housing Revenue Bonds were Aa2 by Moody's Investors Service and AA+ by Fitch Ratings. 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, 2013, 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 Prime Cash Obligations Fund	$ 46,742	13.96%	Aaa		Moody's
Government National Mortgage Association Mortgage-backed securities	280,454	83.76%		Direct U.S. Obligations	
Obligations of the U.S. Treasury	7,646	2.28%		Direct U.S. Obligations	
Total	$ 334,842	100.00%			

As of June 30, 2012, 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 Prime Cash Obligations Fund	$ 41,785	10.82%	Aaa		Moody's
Government National Mortgage Association Mortgage-backed securities	335,991	87.01%		Direct U.S. Obligations	
Obligations of the U.S. Treasury	8,380	2.17%		Direct U.S. Obligations	
Total	$ 386,156	100.00%			

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

All mortgage-backed securities held by the Fund 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, 2013 and 2012, the Fund'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

All the mortgage loans are secured by first liens on the related property and approximately 98% are insured or credit enhanced by FHA, Maryland Housing Fund (MHF), Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (FNMA) or GNMA. As of June 30, 2013 and 2012, interest rates on such loans range from 0.85% to 7.85% and 3.70% to 7.85%, respectively, with remaining loan terms ranging from 3 months to 40 years and less than 3 years to 38 years, respectively. For the years ended June 30, 2013 and 2012, an allowance for loan losses in the amount of $43 has been established for uninsured loans.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 5 - ACCRUED INTEREST RECEIVABLES

Accrued interest receivables as of June 30, 2013 and 2012 were as follows:

	2013	2012
Accrued mortgage loan interest	$ 409	$ 387
Accrued mortgage-backed securities interest	1,237	1,454
Accrued investment interest	46	48
Negative arbitrage due from mortgagors	15	-
Miscellaneous billings	9	-
	$ 1,716	$ 1,889

NOTE 6 - BONDS PAYABLE

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

The provisions of the Resolution 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 resolutions, at a redemption price equal to the principal amount thereof to be redeemed. All bonds are tax-exempt and have fixed interest rates.

(in thousands)

NOTE 6 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2013 and the debt outstanding and bonds payable as of June 30, 2013:

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2012	Bond Activity			Debt Outstanding at June 30, 2013	Bond discounts deferred	Bonds payable at June 30, 2013
					New bonds issued	Scheduled maturity payments	Bonds redeemed			
Housing Revenue Bonds										
Series 1996 A	11/01/96	5.80% - 5.95%	2016 - 2023	$ 11,490	$ -	$ (1,685)	$ (1,670)	$ 8,135	$ -	$ 8,135
Series 1996 B	11/01/96	5.875% - 5.95%	2016 - 2028	1,365	-	(60)	-	1,305	-	1,305
Series 1999 A	02/01/99	4.70% - 5.35%	2012 - 2041	14,630	-	(210)	-	14,420	-	14,420
Series 1999 D	12/01/99	5.90% - 6.35%	2013 - 2042	5,700	-	(275)	-	5,425	-	5,425
Series 2000 A	10/01/00	5.30% - 6.10%	2012 - 2042	25,245	-	(310)	(7,230)	17,705	-	17,705
Series 2001 A	07/01/01	4.95% - 5.625%	2012 - 2043	14,825	-	(210)	(14,615)	-	-	-
Series 2001 B	10/01/01	5.10% - 5.45%	2016 - 2043	25,185	-	(470)	-	24,715	-	24,715
Series 2002 A	03/01/02	4.90% - 5.70%	2012 - 2043	8,810	-	(105)	-	8,705	-	8,705
Series 2002 B	10/01/02	3.85% - 5.05%	2012 - 2045	31,135	-	(390)	(4,755)	25,990	-	25,990
Series 2002 C	10/01/02	3.85% - 5.00%	2012 - 2035	6,035	-	(125)	(5,910)	-	-	-
Series 2002 D	10/01/02	3.85% - 5.00%	2012 - 2035	7,495	-	(145)	(7,350)	-	-	-
Series 2003 A	04/01/03	4.00% - 5.22%	2012 - 2045	23,270	-	(275)	-	22,995	-	22,995
Series 2003 B	07/01/03	3.65% - 5.00%	2012 - 2045	16,380	-	(210)	(16,170)	-	-	-
Series 2003 C	09/01/03	4.15% - 5.90%	2012 - 2045	10,150	-	(110)	-	10,040	(6)	10,034
Series 2003 D	12/01/03	3.90% - 5.125%	2012 - 2045	11,350	-	(135)	-	11,215	-	11,215
Series 2004 B	03/31/04	3.30% - 4.70%	2012 - 2046	19,000	-	(240)	-	18,760	-	18,760
Series 2004 C	06/10/04	4.35% - 5.40%	2012 - 2047	33,950	-	(355)	-	33,595	-	33,595
Series 2004 D	11/23/04	4.35% - 5.00%	2015 - 2037	1,450	-	(85)	-	1,365	-	1,365
Series 2005 A	02/17/05	4.25% - 4.85%	2015 - 2047	6,065	-	(70)	-	5,995	-	5,995
Series 2005 B	04/21/05	4.05% - 5.10%	2012 - 2047	18,425	-	(210)	-	18,215	-	18,215
Series 2005 C	12/14/05	4.05% - 5.15%	2012 - 2047	12,230	-	(385)	-	11,845	-	11,845
Series 2006 A	04/27/06	4.10% - 5.05%	2012 - 2047	9,575	-	(120)	-	9,455	-	9,455
Series 2006 B	04/27/06	4.10% - 5.00%	2012 - 2039	2,810	-	(140)	-	2,670	-	2,670
Series 2006 C	04/27/06	3.80% - 4.75%	2012 - 2036	1,925	-	(45)	-	1,880	-	1,880
Series 2006 D	09/27/06	4.91%	7/1/2048	4,310	-	(40)	-	4,270	-	4,270
Series 2007 A	06/14/07	4.00% - 4.95%	2012 - 2049	20,865	-	(315)	-	20,550	-	20,550
Series 2007 B	08/30/07	5.51%	1/1/2038	4,750	-	(60)	-	4,690	-	4,690
Series 2007 C	12/20/07	5.38%	1/1/2043	1,495	-	(15)	-	1,480	-	1,480
Series 2008 A	05/29/08	5.24%	7/1/2038	5,535	-	(100)	-	5,435	-	5,435
Series 2008 B	05/29/08	5.63%	7/1/2049	10,120	-	(80)	-	10,040	-	10,040
Series 2008 C	09/19/08	5.60%	7/1/2048	7,380	-	-	-	7,380	-	7,380
Series 2008 D	12/18/08	4.125% - 6.75%	2013 - 2039	3,780	-	(60)	-	3,720	-	3,720
Series 2009 A	11/24/09	5.25%	7/1/2041	7,460	-	(220)	-	7,240	-	7,240
Series 2012 A	07/26/12	0.40% - 4.375%	2014 - 2054	-	9,340	-	-	9,340	-	9,340
Series 2012 B	08/30/12	0.45% - 4.125%	2014 - 2054	-	5,505	-	-	5,505	-	5,505
Series 2012 C	09/13/12	0.85%	9/1/2014	-	7,200	-	-	7,200	-	7,200
Series 2012 D	11/07/12	0.40% - 3.875%	2014 - 2054	-	4,700	-	-	4,700	-	4,700
Series 2013 A	02/28/13	0.55% - 4.00%	2015 - 2054	-	10,925	-	-	10,925	-	10,925
Total				$ 384,190	$ 37,670	$ (7,255)	$ (57,700)	$ 356,905	$ (6)	$ 356,899

(in thousands)

NOTE 6 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2012 and the debt outstanding and bonds payable as of June 30, 2012:

					Bond Activity					
	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2011	New bonds issued	Scheduled maturity payments	Bonds redeemed	Debt Outstanding at June 30, 2012	Bond discounts deferred	Bonds payable at June 30, 2012
Housing Revenue Bonds										
Series 1996 A	11/01/96	5.80% - 5.95%	2016 - 2023	$ 13,120	$ -	$ (1,630)	$ -	$ 11,490	$ -	$ 11,490
Series 1996 B	11/01/96	5.875% - 5.95%	2016 - 2028	1,425	-	(60)	-	1,365	-	1,365
Series 1999 A	02/01/99	4.60% - 5.35%	2011 - 2041	14,830	-	(200)	-	14,630	-	14,630
Series 1999 B	10/15/99	5.60% - 6.40%	2011 - 2042	9,440	-	(110)	(9,330)	-	-	-
Series 1999 D	12/01/99	5.90% - 6.35%	2013 - 2042	5,960	-	(260)	-	5,700	-	5,700
Series 2000 A	10/01/00	5.20% - 6.10%	2011 - 2042	25,545	-	(300)	-	25,245	-	25,245
Series 2001 A	07/01/01	4.85% - 5.625%	2011 - 2043	27,500	-	(365)	(12,310)	14,825	-	14,825
Series 2001 B	10/01/01	4.50% - 5.45%	2011 - 2043	42,645	-	(995)	(16,465)	25,185	-	25,185
Series 2002 A	03/01/02	4.80% - 5.70%	2011 - 2043	8,910	-	(100)	-	8,810	-	8,810
Series 2002 B	10/01/02	3.75% - 5.05%	2011 - 2045	31,515	-	(380)	-	31,135	-	31,135
Series 2002 C	10/01/02	3.75% - 5.00%	2011 - 2035	6,155	-	(120)	-	6,035	-	6,035
Series 2002 D	10/01/02	3.75% - 5.00%	2011 - 2035	7,635	-	(140)	-	7,495	-	7,495
Series 2003 A	04/01/03	3.85% - 5.22%	2011 - 2045	23,530	-	(260)	-	23,270	-	23,270
Series 2003 B	07/01/03	3.50% - 5.00%	2011 - 2045	16,580	-	(200)	-	16,380	-	16,380
Series 2003 C	09/01/03	4.00% - 5.90%	2011 - 2045	10,255	-	(105)	-	10,150	(6)	10,144
Series 2003 D	12/01/03	3.70% - 5.125%	2011 - 2045	11,480	-	(130)	-	11,350	-	11,350
Series 2004 B	03/31/04	3.05% - 4.70%	2011 - 2046	19,235	-	(235)	-	19,000	-	19,000
Series 2004 C	06/10/04	4.20% - 5.40%	2011 - 2047	34,290	-	(340)	-	33,950	-	33,950
Series 2004 D	11/23/04	4.35% - 5.00%	2015 - 2037	1,530	-	(80)	-	1,450	-	1,450
Series 2005 A	02/17/05	4.25% - 4.85%	2015 - 2047	6,135	-	(70)	-	6,065	-	6,065
Series 2005 B	04/21/05	3.90% - 5.10%	2011 - 2047	18,630	-	(205)	-	18,425	-	18,425
Series 2005 C	12/14/05	3.95% - 5.15%	2011 - 2047	12,600	-	(370)	-	12,230	-	12,230
Series 2006 A	04/27/06	4.05% - 5.05%	2011 - 2047	9,685	-	(110)	-	9,575	-	9,575
Series 2006 B	04/27/06	4.05% - 5.00%	2011 - 2039	2,945	-	(135)	-	2,810	-	2,810
Series 2006 C	04/27/06	3.70% - 4.75%	2011 - 2036	1,965	-	(40)	-	1,925	-	1,925
Series 2006 D	09/27/06	4.91%	7/1/2048	4,425	-	(115)	-	4,310	-	4,310
Series 2007 A	06/14/07	3.95% - 4.95%	2011 - 2049	21,175	-	(310)	-	20,865	-	20,865
Series 2007 B	08/30/07	5.51%	1/1/2038	4,810	-	(60)	-	4,750	-	4,750
Series 2007 C	12/20/07	5.38%	1/1/2043	1,510	-	(15)	-	1,495	-	1,495
Series 2008 A	05/29/08	5.24%	7/1/2038	5,630	-	(95)	-	5,535	-	5,535
Series 2008 B	05/29/08	5.63%	7/1/2049	10,230	-	(110)	-	10,120	-	10,120
Series 2008 C	09/19/08	5.60%	7/1/2048	7,380	-	-	-	7,380	-	7,380
Series 2008 D	12/18/08	4.125% - 6.75%	2013 - 2039	3,830	-	(50)	-	3,780	-	3,780
Series 2009 A	11/24/09	5.25%	7/1/2041	7,605	-	(145)	-	7,460	-	7,460
Total				$ 430,135	$ -	$ (7,840)	$ (38,105)	$ 384,190	$ (6)	$ 384,184

(in thousands)

NOTE 7 - DEBT SERVICE REQUIREMENTS

As of June 30, 2013, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2013 and excluding the effect of unamortized discounts/premiums as shown in Note 6) and interest payments for each of the next five years and in 5-year increments thereafter, were as follows:

Years ended June 30,	Interest	Principal
2014	$ 17,218	$ 29,895
2015	16,079	14,505
2016	15,732	7,625
2017	15,385	6,010
2018	15,116	5,460
2019 - 2023	71,526	29,315
2024 - 2028	63,715	34,220
2029 - 2033	53,721	46,935
2034 - 2038	40,044	61,395
2039 - 2043	22,826	68,540
2044 - 2048	7,081	42,955
2049 - 2053	1,158	8,400
2054 - 2058	61	1,650
Total	$ 339,662	$ 356,905

(in thousands)

NOTE 7 - DEBT SERVICE REQUIREMENTS (Continued)

As of June 30, 2012, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2012 and excluding the effect of unamortized discounts/premiums as shown in Note 6) and interest payments for each of the next five years and in 5-year increments thereafter, were as follows:

Years ended June 30,	Interest	Principal
2013	$ 19,917	$ 8,925
2014	19,507	7,885
2015	19,117	7,865
2016	18,727	9,460
2017	18,279	7,555
2018 - 2022	85,955	36,410
2023 - 2027	75,808	43,275
2028 - 2032	63,228	54,990
2033 - 2037	47,106	68,650
2038 - 2042	27,399	79,485
2043 - 2047	7,836	54,760
2048 - 2052	310	4,930
Total	$ 403,189	$ 384,190

(in thousands)

NOTE 8 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended June 30, 2013 and 2012 were as follows:

	2013	2012
Bonds payable		
Beginning balance	$ 384,184	$ 430,129
Additions	37,670	-
Reductions	(64,955)	(45,945)
Ending balance	356,899	384,184
Less due within one year	(29,895)	(8,925)
Total long-term bonds payable	327,004	375,259
Deposits by borrowers		
Beginning balance	8,080	7,584
Additions	2,356	2,622
Reductions	(2,481)	(2,126)
Ending balance	7,955	8,080
Less due within one year	(2,268)	(1,749)
Total long-term deposits by borrowers	5,687	6,331
Total long-term liabilities	$ 332,691	$ 381,590

NOTE 9 - INTERFUND ACTIVITY

In accordance with the Resolution, net position in the Fund is restricted and pledged to bondholders. However, restricted assets may be transferred to other Funds, subject to the provisions of the Resolution. Generally, an officer of CDA must authorize such withdrawals and a cash flow analysis must demonstrate that sufficient monies remain in the Resolution to meet the obligations of the Fund in current and future years.

(in thousands)

NOTE 9 - INTERFUND ACTIVITY (Continued)

During the years ended June 30, 2013 and 2012, the Fund transferred the following amounts, as permitted, among Funds:

	2013	2012
Excess revenue transferred to the General Bond Reserve Fund	$ (1,125)	$ (1,125)

NOTE 10 - MORTGAGE INSURANCE

Approximately 98% of the Fund's mortgage loans are insured or credit enhanced 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.

Single family mortgagors pay the premiums for primary mortgage insurance. Generally, loans are insured in an amount that is at least 25% of the loan amount.

NOTE 11 - PENSION AND OTHER POST-RETIREMENT BENEFITS

Eligible employees of CDA and employees of the State of Maryland are covered under the retirement plans of the State Retirement and Pension System of Maryland (the System) and are also entitled to certain healthcare benefits upon retirement. CDA's only obligation for retirement and post-employment benefits is its required annual contribution, which was paid in full by CDA to the State of Maryland prior to year end. The 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 12 - SUBSEQUENT EVENTS

Events that occur after the date of the statement of net position but before the 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 statement of net position are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the date of the statement of net position require disclosure in the accompanying notes. Management evaluated the activity of CDA through October 18, 2013 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements, except for the following activity that occurred subsequent to June 30, 2013.

Subsequent to the year ended June 30, 2013, the following activity took place:

On July 25, 2013, CDA issued the following bonds:

Series 2013 B	$11,915
Series 2013 C	$23,270

On August 26, 2013, CDA redeemed the following bonds:

Series 1999 D	$5,285
Series 2001 B	$8,060
Series 2003 C	$9,925

On September 19, 2013, CDA issued the following bonds:

Series 2013 D	$10,790

Community Development Administration
Housing Revenue Bonds

SUPPLEMENTAL DISCLOSURES OF CHANGE
IN FAIR VALUE OF INVESTMENTS AND
MORTGAGE-BACKED SECURITIES
(in thousands)

June 30, 2013 and 2012
(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 Statements of Revenue, Expenses and Changes in Net Position.

For investments (obligations of the U.S. Treasury) held by the Fund as of June 30, 2013, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and amortized cost:

Fiscal year ended June 30,	Annual increases/ decreases	Cumulative total
1997	$ (352)	$ (352)
1998	$ 832	$ 480
1999	$ (407)	$ 73
2000	$ 48	$ 121
2001	$ 193	$ 314
2002	$ 157	$ 471
2003	$ 889	$ 1,360
2004	$ (678)	$ 682
2005	$ 897	$ 1,579
2006	$ (866)	$ 713
2007	$ 48	$ 761
2008	$ 444	$ 1,205
2009	$ 202	$ 1,407
2010	$ 472	$ 1,879
2011	$ (280)	$ 1,599
2012	$ 1,283	$ 2,882
2013	$ (730)	$ 2,152

Community Development Administration
Housing Revenue Bonds

SUPPLEMENTAL DISCLOSURES OF CHANGE
IN FAIR VALUE OF INVESTMENTS AND
MORTGAGE-BACKED SECURITIES - CONTINUED
(in thousands)

June 30, 2013 and 2012
(Unaudited)

For mortgage-backed securities held by the Fund as of June 30, 2013, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and cost:

Fiscal year ended June 30,	Annual increases/ decreases	Cumulative total
2000	$ (3,825)	$ (3,825)
2001	$ (3,291)	$ (7,116)
2002	$ 3,340	$ (3,776)
2003	$ 21,435	$ 17,659
2004	$ (11,126)	$ 6,533
2005	$ 12,879	$ 19,412
2006	$ (27,704)	$ (8,292)
2007	$ 3,661	$ (4,631)
2008	$ (5,987)	$ (10,618)
2009	$ 17,358	$ 6,740
2010	$ 13,103	$ 19,843
2011	$ (7,348)	$ 12,495
2012	$ 6,303	$ 18,798
2013	$ (8,491)	$ 10,307