

COMBINED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS**

JUNE 30, 2010

Community Development Administration
Infrastructure Program Funds

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	3
COMBINED FINANCIAL STATEMENTS	
COMBINED STATEMENT OF NET ASSETS	4
COMBINED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS	5
COMBINED STATEMENT OF CASH FLOWS	6
NOTES TO COMBINED FINANCIAL STATEMENTS	8

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 Infrastructure Program Funds (the Funds) of the Department of Housing and Community Development of the State of Maryland as of and for the year ended June 30, 2010, 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 Infrastructure Program 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, 2010, 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 above present fairly, in all material respects, the combined financial position of the Community Development Administration Infrastructure Program Funds of the Department of Housing and Community Development of the State of Maryland as of June 30, 2010, 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.

Reznick Group, P.C.

Baltimore, Maryland
September 30, 2010

Community Development Administration
Infrastructure Program Funds

COMBINED STATEMENT OF NET ASSETS
(in thousands)

June 30, 2010
(with comparative combined totals as of June 30, 2009)

	Infrastructure	Infrastructure	Local	Combined	
	Financing Bonds (AMBAC Insured)	Financing Bonds (MBIA Insured)	Government Infrastructure Bonds (Ambac Insured)	2010	2009
RESTRICTED ASSETS					
Restricted current assets					
Cash and cash equivalents on deposit with trustee	\$ -	\$ 744	\$ 11,806	\$ 12,550	\$ 18,201
Community facilities loans	-	2,110	4,710	6,820	7,506
Accrued interest and other receivables	-	266	319	585	666
Total restricted current assets	-	3,120	16,835	19,955	26,373
Restricted long-term assets					
Community facilities loans, net of current portion	-	24,077	78,972	103,049	113,709
Other receivables, net of current portion	-	192	-	192	256
Total restricted long-term assets	-	24,269	78,972	103,241	113,965
Total restricted assets	\$ -	\$ 27,389	\$ 95,807	\$ 123,196	\$ 140,338
LIABILITIES AND NET ASSETS					
Current liabilities					
Accrued interest payable	\$ -	\$ 114	\$ 281	\$ 395	\$ 439
Bonds payable	-	2,150	4,695	6,845	7,775
Due to local governments	-	-	11,383	11,383	17,065
Total current liabilities	-	2,264	16,359	18,623	25,279
Long-term liabilities					
Bonds payable, net of current portion	-	24,290	78,565	102,855	113,860
Other liabilities - advance trustee fees	-	199	18	217	229
Total long-term liabilities	-	24,489	78,583	103,072	114,089
Total liabilities	-	26,753	94,942	121,695	139,368
NET ASSETS					
Restricted	-	636	865	1,501	970
Total liabilities and net assets	\$ -	\$ 27,389	\$ 95,807	\$ 123,196	\$ 140,338

See notes to combined financial statements

Community Development Administration
Infrastructure Program Funds

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

Year ended June 30, 2010
(with comparative combined totals as of June 30, 2009)

	Infrastructure Financing Bonds (AMBAC Insured)	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Combined	
				2010	2009
Operating revenue					
Interest on community facilities loans	\$ 2	\$ 1,588	\$ 3,554	5,144	\$ 5,654
Interest income on cash equivalents	-	-	-	-	10
Fee income	-	1	37	38	38
Other operating revenue	10	-	-	10	-
	<u>12</u>	<u>1,589</u>	<u>3,591</u>	<u>5,192</u>	<u>5,702</u>
Operating expenses					
Interest expense on bonds	<u>2</u>	<u>1,598</u>	<u>3,529</u>	<u>5,129</u>	<u>5,654</u>
	<u>2</u>	<u>1,598</u>	<u>3,529</u>	<u>5,129</u>	<u>5,654</u>
Operating income (loss)	<u>10</u>	<u>(9)</u>	<u>62</u>	<u>63</u>	<u>48</u>
Transfers of funds, net, as permitted by the various bond indentures	<u>(67)</u>	<u>-</u>	<u>535</u>	<u>468</u>	<u>-</u>
CHANGES IN NET ASSETS	(57)	(9)	597	531	48
Net assets - restricted at beginning of year	<u>57</u>	<u>645</u>	<u>268</u>	<u>970</u>	<u>922</u>
Net assets - restricted at end of year	<u>\$ -</u>	<u>\$ 636</u>	<u>\$ 865</u>	<u>\$ 1,501</u>	<u>\$ 970</u>

See notes to combined financial statements

Community Development Administration
Infrastructure Program Funds

COMBINED STATEMENT OF CASH FLOWS
(in thousands)

Year ended June 30, 2010
(with comparative combined totals as of June 30, 2009)

	Infrastructure Financing Bonds (AMBAC Insured)	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Combined	
				2010	2009
Cash flows from operating activities					
Principal and interest received on community facilities loans	\$ 42	\$ 8,492	\$ 8,111	\$ 16,645	\$ 18,959
Origination of community facilities loans	-	-	(5,682)	(5,682)	(13,261)
Advance trustee fees received	-	36	38	74	79
Trustee fees paid	(4)	(36)	(36)	(76)	(76)
Loan fees received	-	-	27	27	28
Other operating revenue	-	1	-	1	-
Other reimbursements	-	-	-	-	(2)
Net cash provided by operating activities	38	8,493	2,458	10,989	5,727
Cash flows from investing activities					
Interest received on cash equivalents	-	-	-	-	12
Net cash provided by investing activities	-	-	-	-	12
Cash flows from noncapital financing activities					
Payments on bond principal	(40)	(6,830)	(5,065)	(11,935)	(13,495)
Interest on bonds	(2)	(1,627)	(3,544)	(5,173)	(5,705)
Transfers among Funds	(67)	-	535	468	-
Net cash used in noncapital financing activities	(109)	(8,457)	(8,074)	(16,640)	(19,200)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	(71)	36	(5,616)	(5,651)	(13,461)
Cash and cash equivalents on deposit with trustee at beginning of year	71	708	17,422	18,201	31,662
Cash and cash equivalents on deposit with trustee at end of year	\$ -	\$ 744	\$ 11,806	\$ 12,550	\$ 18,201

(continued)

Community Development Administration
Infrastructure Program Funds

COMBINED STATEMENT OF CASH FLOWS - CONTINUED
(in thousands)

Year ended June 30, 2010
(with comparative combined totals as of June 30, 2009)

	Infrastructure Financing Bonds (AMBAC Insured)	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Combined	
				2010	2009
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ 10	\$ (9)	\$ 62	\$ 63	\$ 48
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Decrease in community facilities loans	40	6,771	4,545	11,356	13,272
Decrease in accrued interest and other receivables	-	133	12	145	35
Decrease in accrued interest payable	-	(29)	(15)	(44)	(51)
Decrease in accounts payable	-	-	-	-	(2)
Decrease in due to local governments and other liabilities	(14)	-	(5,680)	(5,694)	(13,258)
Amortization of deferred income on loans	-	-	(10)	(10)	(10)
Interest received on cash and cash equivalents	-	-	-	-	(12)
Interest on bonds	2	1,627	3,544	5,173	5,705
Net cash provided by operating activities	<u>\$ 38</u>	<u>\$ 8,493</u>	<u>\$ 2,458</u>	<u>\$ 10,989</u>	<u>\$ 5,727</u>

See notes to combined financial statements

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS
(in thousands)

June 30, 2010

NOTE 1 - AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION

The Community Development Administration (CDA) is authorized to issue Infrastructure Program Bonds pursuant to Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland to provide a mechanism for financing the infrastructure needs of local governments. CDA is in the Division of Development Finance in the Department of Housing and Community Development (DHCD) of the State of Maryland.

The accompanying combined financial statements only include CDA's Infrastructure Program Funds (the Funds). CDA's other programs are not included. However, CDA has also separately issued combined financial statements for the Revenue Obligation Funds and financial statements for the newly created Single Family Housing Revenue Bonds and Multi-Family Mortgage Revenue Bonds indentures. The Infrastructure Program Funds, Revenue Obligation Funds, Single Family Housing Revenue Bonds and Multi-Family Mortgage Revenue Bonds are enterprise funds of the State of Maryland and are included in the State of Maryland's Comprehensive Annual Financial Report.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Generally Accepted Accounting Principles

CDA reports its financial activities by applying Standards of Governmental Accounting and Financial Reporting as promulgated by 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.

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, 2010, all of the Funds' cash equivalents are invested in a money market mutual fund which is more fully described in Note 3.

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Community Facilities Loans

Community facilities loans are carried at their unpaid principal balances, net of unamortized loan fees. See Note 4 for additional information on community facilities loans.

Allowance for Loan Losses

Community facilities loans are secured by the full faith and credit of the applicable local government. Therefore, CDA has determined that no allowance for loan losses was necessary as of June 30, 2010.

Accrued Interest and Other Receivables

Accrued interest includes both interest on cash deposits and interest on loans. As of June 30, 2010, all loans were current. Therefore, all accrued interest on loans was recorded during the year. Other receivables include additional principal due from local governments on refunded bonds. See Note 5 for additional information.

Bonds Payable

Bonds payable are carried at their unpaid principal balances. There are no premiums or discounts to amortize. See Notes 6, 7, 8, and 9 for additional information.

Due to Local Governments

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

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fee Income

CDA receives financing fees at loan origination. These fees are deferred and amortized over the life of the loan.

Administrative Support

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

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

Use of Estimates

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

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Recent Accounting Pronouncements

In March 2009, GASB issued the Accounting Standards Codification (Codification). Effective upon issuance, the Codification is the single source of authoritative accounting principles recognized by GASB to be applied by governmental entities in the preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP). The Codification is intended to reorganize, rather than change, existing GAAP. Accordingly, all references to currently existing GAAP have been removed and have been replaced with plain English explanations of CDA's accounting policies. The adoption of the Codification did not have a material impact on CDA's financial position or results of operations.

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In May 2009, FASB issued guidance regarding subsequent events, which was subsequently updated in February 2010. This guidance established general standards of accounting for and disclosure of events that occur after the date of the statement of net assets but before financial statements are issued or are available to be issued. In particular, this guidance sets forth the period after the date of the statement of net assets during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the date of the statement of net assets in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the date of the statement of net assets. This guidance was effective for financial statements issued for fiscal years and interim periods ending after June 15, 2009, and was therefore adopted by CDA for the period ending June 30, 2010. The adoption did not have a significant impact on the subsequent events that CDA reports, either through recognition or disclosure, in the combined financial statements. In February 2010, FASB amended its guidance on subsequent events for entities that are not SEC filers to disclose the date that the financial statements were available to be issued. This amendment was effective immediately. See Note 12 regarding the date through which subsequent events have been evaluated.

NOTE 3 - CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE

Proceeds from bonds and revenues from loans are invested in authorized investments as defined in the respective resolutions and CDA's Investment Policy until required for financing projects, redeeming outstanding bonds and notes, and funding program expenses. Authorized investments include obligations of the U.S. Treasury, U.S. Government Agencies, investment agreements, money market funds and any other investment as defined by the resolutions.

As of June 30, 2010, the Funds had \$12,550 invested in a money market mutual fund (Federated Treasury Obligations Fund) which is classified as cash and cash equivalents. The following represents the GASB evaluation of this asset for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010

NOTE 3 - CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE (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.

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 of June 30, 2010, the cost of this money market mutual fund approximated fair value and its maturity is less than one year.

Credit Risk and Concentration of Credit Risk

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

As of June 30, 2010, the Federated Treasury Obligations Fund was rated AAAM by Standard and Poor's and Aaa by Moody's Investors Service.

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010

NOTE 3 - CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE (Continued)

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, 2010, the Funds' investments were not subject to custodial credit risk under accounting guidance issued by GASB. This money market fund is held in trust by the trustee, kept separate from the assets of the bank and from other trust accounts and is held in CDA's name.

NOTE 4 - COMMUNITY FACILITIES LOANS

Community facilities loans are secured by the full faith and credit of the applicable local government. As such, no allowance for loan losses was necessary as of June 30, 2010. Interest rates on such loans range from 2.73% to 6.81%, with remaining loan terms ranging from less than 1 year to 27 years.

NOTE 5 - ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2010, were as follows:

	Infrastructure Financing Bonds (AMBAC Insured)	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Combined
Accrued interest on community facilities loans	\$ -	\$ 228	\$ 319	\$ 547
Additional loan principal as a result of bond refundings	-	230	-	230
Total	<u>\$ -</u>	<u>\$ 458</u>	<u>\$ 319</u>	<u>\$ 777</u>

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010

NOTE 6 - BONDS PAYABLE

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

The provisions of the various bond resolutions of the Funds require or allow for the special redemption of bonds at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of community facilities loans. All outstanding bonds are subject to redemption at the option of CDA, in whole or in part at any time, after certain dates, as specified in the respective series resolutions. The prescribed optional redemption premiums range from 0% to 1% of the principal amount. All bonds have fixed interest rates and all bonds are tax-exempt except for Infrastructure Financing Bonds (MBIA Insured) 2001 Series B.

The following is a summary of bond activity for the year ended June 30, 2010, and bonds payable as of June 30, 2010:

	Issue Dated	Range of Interest Rates	Range of Maturities	Bonds Payable at June 30, 2009	Bond Activity			Bonds Payable at June 30, 2010
					New bonds Issued	Scheduled Maturity Payments	Bonds Redeemed	
Infrastructure Financing Bonds (AMBAC Insured)								
1995 Series A	04/01/95	5.90%	2010	\$ 40	\$ -	\$ (40)	\$ -	\$ -
Total				\$ 40	\$ -	\$ (40)	\$ -	\$ -
Infrastructure Financing Bonds (MBIA Insured)								
1996 Series A	05/01/96	5.60% - 5.90%	2010 - 2026	\$ 710	\$ -	\$ (225)	\$ (245)	\$ 240
1997 Series A	04/15/97	5.40% - 5.75%	2010 - 2027	2,535	-	(130)	(1,610)	795
1998 Series A	02/15/98	4.60% - 5.00%	2010 - 2018	2,175	-	(80)	(1,830)	265
1998 Series B	06/01/98	4.70% - 5.20%	2010 - 2028	8,985	-	(920)	(585)	7,480
1998 Series C	06/01/98	4.60% - 5.15%	2009 - 2020	750	-	(110)	-	640
1999 Series A	03/01/99	4.30% - 5.00%	2010 - 2029	5,125	-	(240)	-	4,885
2000 Series A	03/01/00	5.25% - 5.875%	2010 - 2030	5,285	-	(400)	-	4,885
2001 Series A	03/01/01	4.125% - 5.00%	2010 - 2031	6,200	-	(370)	-	5,830
2001 Series B	03/01/01	6.25% - 6.80%	2011 - 2021	1,505	-	(85)	-	1,420
Total				\$ 33,270	\$ -	\$ (2,560)	\$ (4,270)	\$ 26,440

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010

NOTE 6 - BONDS PAYABLE (Continued)

	Issue Dated	Range of Interest Rates	Range of Maturities	Bonds Payable at June 30, 2009	Bond Activity			Bonds Payable at June 30, 2010
					New bonds Issued	Scheduled Maturity Payments	Bonds Redeemed	
Local Government								
Infrastructure Bonds (Ambac Insured)								
2002 Series A	03/01/02	3.85% - 5.00%	2010 - 2032	\$ 9,305	\$ -	\$ (385)	\$ (535)	\$ 8,385
2002 Series B	10/01/02	3.00% - 4.375%	2010 - 2022	2,585	-	(165)	-	2,420
2003 Series A	03/01/03	3.00% - 4.50%	2010 - 2023	10,920	-	(660)	-	10,260
2004 Series A	04/22/04	3.00% - 4.875%	2010 - 2034	12,450	-	(840)	-	11,610
2004 Series B	11/18/04	3.00% - 4.50%	2010 - 2034	4,210	-	(130)	-	4,080
2005 Series A	05/26/05	3.75% - 4.40%	2010 - 2030	8,165	-	(320)	-	7,845
2006 Series A	04/05/06	3.50% - 4.25%	2010 - 2026	7,525	-	(510)	-	7,015
2007 Series A	05/31/07	3.75% - 4.25%	2010 - 2037	10,625	-	(445)	-	10,180
2007 Series B	11/14/07	3.50% - 4.25%	2010 - 2027	22,540	-	(1,075)	-	21,465
Total				<u>\$ 88,325</u>	<u>\$ -</u>	<u>\$ (4,530)</u>	<u>\$ (535)</u>	<u>\$ 83,260</u>

NOTE 7 - DEBT SERVICE REQUIREMENTS

As of June 30, 2010, the required principal payments for bonds (including mandatory sinking fund payments) 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,	Infrastructure Financing Bonds (AMBAC Insured)		Infrastructure Financing Bonds (MBIA Insured)		Local Government Infrastructure Bonds (Ambac Insured)	
	Interest	Principal	Interest	Principal	Interest	Principal
2011	\$ -	\$ -	\$ 1,369	\$ 2,150	\$ 3,379	\$ 4,695
2012	-	-	1,266	1,775	3,215	4,755
2013	-	-	1,179	1,755	3,046	4,830
2014	-	-	1,092	1,760	2,868	5,020
2015	-	-	1,003	1,800	2,678	4,980
2016 - 2020	-	-	3,541	9,445	10,375	25,945
2021 - 2025	-	-	1,485	4,720	5,016	21,955
2026 - 2030	-	-	454	2,970	1,522	8,295
2031 - 2035	-	-	3	65	333	2,575
2036 - 2040	-	-	-	-	13	210
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,392</u>	<u>\$ 26,440</u>	<u>\$ 32,445</u>	<u>\$ 83,260</u>

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010

NOTE 8 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2010 were as follows:

	Infrastructure Financing Bonds (AMBAC Insured)	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Combined
Bonds payable				
Beginning balance at 6/30/2009	\$ 40	\$ 33,270	\$ 88,325	\$ 121,635
Additions	-	-	-	-
Reductions	(40)	(6,830)	(5,065)	(11,935)
Ending balance at 6/30/2010	-	26,440	83,260	109,700
Less due within one year	-	(2,150)	(4,695)	(6,845)
Total long-term bonds payable	-	24,290	78,565	102,855
Other liabilities - advance trustee fees				
Beginning balance at 6/30/2009	14	199	16	229
Additions	-	36	38	74
Reductions	(14)	(36)	(36)	(86)
Ending balance at 6/30/2010	-	199	18	217
Total long-term other liabilities - advance trustee fees	-	199	18	217
Total long-term liabilities	\$ -	\$ 24,489	\$ 78,583	\$ 103,072

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010

NOTE 9 - BOND INSURANCE

All outstanding bonds in the Infrastructure Program Funds are insured. The Local Government Infrastructure Bonds 2002 Series A through 2007 Series B are insured by Ambac Assurance Corporation. The Infrastructure Financing Bonds 1996 Series A through 2001 Series B are insured by MBIA Insurance Corporation. See Note 6 for list of outstanding bonds.

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

NOTE 10 - 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.

During the year ended June 30, 2010, CDA transferred excess revenue of \$67 from Infrastructure Financing Bonds (AMBAC Insured) to the General Bond Reserve Fund. Also, \$535, relating to the defeasance of bonds, was transferred to the Local Government Infrastructure Bonds (Ambac Insured) from the General Bond Reserve Fund.

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 liability 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.

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010

NOTE 12 - 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 30, 2010 (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, 2010.

Subsequent to the year ended June 30, 2010, the following bond activity took place:

On August 25, 2010, CDA issued the following bonds for the newly created Local Government Infrastructure Bonds indenture:

2010 Series A-1 (Senior Obligations)	\$19,395
2010 Series A-2 (Subordinate Obligations)	\$8,515