

COMBINED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

**COMMUNITY DEVELOPMENT ADMINISTRATION  
INFRASTRUCTURE PROGRAM FUNDS**

JUNE 30, 2014

Community Development Administration  
Infrastructure Program Funds

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INDEPENDENT AUDITOR'S REPORT

Office of the Secretary  
Department of Housing and Community Development

Report on the Combined Financial Statements

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, 2014, as listed in the table of contents.

*Management's Responsibility for the Combined Financial Statements*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Funds as of June 30, 2014, 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.

*Other Matters*

We have previously audited the Funds' 2013 financial statements, and our report dated October 18, 2013, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 and for the year ended June 30, 2014 and the changes in its net position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Baltimore, Maryland  
September 30, 2014

Community Development Administration  
Infrastructure Program Funds

COMBINED STATEMENT OF NET POSITION  
(in thousands)

June 30, 2014  
(with comparative combined totals as of June 30, 2013)

	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Local Government Infrastructure Bonds	Combined	
				2014	2013
<b>RESTRICTED ASSETS</b>					
Restricted current assets					
Cash and cash equivalents on deposit	\$ 769	\$ 2,255	\$ 39,542	\$ 42,566	\$ 33,586
Community facilities loans	275	3,450	4,085	7,810	7,553
Accrued interest and other receivables	18	170	211	399	370
Total restricted current assets	<u>1,062</u>	<u>5,875</u>	<u>43,838</u>	<u>50,775</u>	<u>41,509</u>
Restricted long-term assets					
Community facilities loans, net of current portion	1,422	44,996	69,375	115,793	108,023
Other receivables, net of current portion	5	-	-	5	13
Total restricted long-term assets	<u>1,427</u>	<u>44,996</u>	<u>69,375</u>	<u>115,798</u>	<u>108,036</u>
Total restricted assets	<u>\$ 2,489</u>	<u>\$ 50,871</u>	<u>\$ 113,213</u>	<u>\$ 166,573</u>	<u>\$ 149,545</u>
<b>LIABILITIES AND NET POSITION</b>					
Current liabilities					
Accrued interest payable	\$ 7	\$ 165	\$ 183	\$ 355	\$ 329
Accounts payable	-	-	-	-	65
Bonds payable	280	3,410	4,145	7,835	8,920
Due to local governments	-	1,412	37,165	38,577	29,555
Total current liabilities	<u>287</u>	<u>4,987</u>	<u>41,493</u>	<u>46,767</u>	<u>38,869</u>
Long-term liabilities					
Bonds payable, net of current portion	1,440	44,620	71,060	117,120	108,416
Other liabilities - advance trustee fees	226	93	16	335	334
Total long-term liabilities	<u>1,666</u>	<u>44,713</u>	<u>71,076</u>	<u>117,455</u>	<u>108,750</u>
Total liabilities	1,953	49,700	112,569	164,222	147,619
<b>NET POSITION</b>					
Restricted	<u>536</u>	<u>1,171</u>	<u>644</u>	<u>2,351</u>	<u>1,926</u>
Total liabilities and net position	<u>\$ 2,489</u>	<u>\$ 50,871</u>	<u>\$ 113,213</u>	<u>\$ 166,573</u>	<u>\$ 149,545</u>

See notes to combined financial statements

Community Development Administration  
Infrastructure Program Funds

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

Year ended June 30, 2014  
(with comparative combined totals as of June 30, 2013)

	Infrastructure	Local	Local	Combined	
	Financing Bonds (MBIA Insured)	Government Infrastructure Bonds (Ambac Insured)	Government Infrastructure Bonds	2014	2013
Operating revenue					
Interest on community facilities loans	\$ 107	\$ 2,228	\$ 2,220	\$ 4,555	\$ 4,190
Interest income on cash equivalents	-	-	-	-	1
Fee income	-	22	105	127	23
Other operating revenue	1	1	95	97	19
	<u>108</u>	<u>2,251</u>	<u>2,420</u>	<u>4,779</u>	<u>4,233</u>
Operating expenses					
Interest expense on bonds	112	2,197	2,045	4,354	4,071
Trustee fees	-	-	-	-	1
	<u>112</u>	<u>2,197</u>	<u>2,045</u>	<u>4,354</u>	<u>4,072</u>
Operating (loss) income	<u>(4)</u>	<u>54</u>	<u>375</u>	<u>425</u>	<u>161</u>
CHANGES IN NET POSITION	(4)	54	375	425	161
Net position - restricted at beginning of year	<u>540</u>	<u>1,117</u>	<u>269</u>	<u>1,926</u>	<u>1,765</u>
Net position - restricted at end of year	<u>\$ 536</u>	<u>\$ 1,171</u>	<u>\$ 644</u>	<u>\$ 2,351</u>	<u>\$ 1,926</u>

See notes to combined financial statements

Community Development Administration  
Infrastructure Program Funds

COMBINED STATEMENT OF CASH FLOWS  
(in thousands)

Year ended June 30, 2014  
(with comparative combined totals as of June 30, 2013)

	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Local Government Infrastructure Bonds	Combined	
				2014	2013
Cash flows from operating activities					
Principal and interest received on community facilities loans	\$ 1,115	\$ 10,150	\$ 6,177	\$ 17,442	\$ 19,485
Origination of community facilities loans	-	(1,502)	(10,411)	(11,913)	(11,314)
Advance trustee fees received	8	46	32	86	95
Trustee fees paid	(22)	(35)	(28)	(85)	(72)
Loan fees received	-	22	105	127	23
Other operating revenue	1	1	34	36	2
Other reimbursements	-	(4)	-	(4)	2
Net cash provided by (used in) operating activities	<u>1,102</u>	<u>8,678</u>	<u>(4,091)</u>	<u>5,689</u>	<u>8,221</u>
Cash flows from investing activities					
Interest received on cash equivalents	-	-	-	-	1
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
Cash flows from noncapital financing activities					
Proceeds from sale of bonds	-	-	21,379	21,379	21,758
Payments on bond principal	(995)	(8,685)	(4,080)	(13,760)	(14,970)
Interest on bonds	(116)	(2,226)	(1,986)	(4,328)	(4,091)
Net cash (used in) provided by noncapital financing activities	<u>(1,111)</u>	<u>(10,911)</u>	<u>15,313</u>	<u>3,291</u>	<u>2,697</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT	(9)	(2,233)	11,222	8,980	10,919
Cash and cash equivalents on deposit at beginning of year	<u>778</u>	<u>4,488</u>	<u>28,320</u>	<u>33,586</u>	<u>22,667</u>
Cash and cash equivalents on deposit at end of year	<u>\$ 769</u>	<u>\$ 2,255</u>	<u>\$ 39,542</u>	<u>\$ 42,566</u>	<u>\$ 33,586</u>

(continued)

Community Development Administration  
Infrastructure Program Funds

COMBINED STATEMENT OF CASH FLOWS - CONTINUED  
(in thousands)

Year ended June 30, 2014  
(with comparative combined totals as of June 30, 2013)

	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Local Government Infrastructure Bonds	Combined	
				2014	2013
Reconciliation of operating (loss) income to net cash provided by (used in) operating activities					
Operating (loss) income	\$ (4)	\$ 54	\$ 375	\$ 425	\$ 161
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities					
Decrease (increase) in community facilities loans	990	7,898	(16,915)	(8,027)	(6,054)
Decrease (increase) in accrued interest and other receivables	18	24	(63)	(21)	69
(Decrease) increase in accrued interest payable	(4)	(29)	59	26	(20)
Decrease in accounts payable	-	(4)	(61)	(65)	(83)
(Decrease) increase in due to local governments and other liabilities	(14)	(1,491)	10,528	9,023	10,058
Interest received on cash and cash equivalents	-	-	-	-	(1)
Interest on bonds	116	2,226	1,986	4,328	4,091
Net cash provided by (used in) operating activities	<u>\$ 1,102</u>	<u>\$ 8,678</u>	<u>\$ (4,091)</u>	<u>\$ 5,689</u>	<u>\$ 8,221</u>

See notes to combined financial statements



Community Development Administration  
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS  
(in thousands)

June 30, 2014

NOTE 1 - AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Community Development Administration  
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
(in thousands)

June 30, 2014

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.

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

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 combined financial statements. CDA prepares a Management's Discussion and Analysis for the General Accounting Division of the State of Maryland that is not part of these combined financial statements.

Cash and Cash Equivalents on Deposit

Cash equivalents may include money market funds, repurchase agreements, investment agreements and any other investments, primarily obligations of the U.S. Treasury and U.S. Government Agencies, which have maturities of 90 or less days at the time of purchase. As of June 30, 2014, all of the Funds' cash equivalents are invested in a money market mutual fund which is more fully described in Note 3.

Community Facilities Loans

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

Community Development Administration  
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
(in thousands)

June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2014.

Accrued Interest and Other Receivables

Accrued interest includes both interest on cash deposits and interest on loans. As of June 30, 2014, all loans were current. Therefore, all accrued interest on loans was recorded during the year. Other receivables include additional principal due from local governments on refunded bonds. See Note 5 for additional information.

Bonds Payable

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

Fee Income

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

Community Development Administration  
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
(in thousands)

June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Administrative Support

In addition to expenses incurred directly by the Funds, CDA receives certain support services from other divisions of DHCD. Support services and the operating expenses of CDA have been allocated to CDA's General Bond Reserve Fund 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 10 for additional information.

Revenue and Expenses

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

Use of Estimates

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

Combined Totals

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

Community Development Administration  
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
(in thousands)

June 30, 2014

NOTE 3 - CASH AND CASH EQUIVALENTS ON DEPOSIT

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

As of June 30, 2014, the Funds had \$42,566 invested in a money market mutual fund (Federated Prime Cash Obligations Fund) which is classified as cash and cash equivalents. The following represents the GASB evaluation of this asset for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Interest Rate Risk

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

The Federated Prime Cash Obligations Fund invests primarily in short-term, high-quality, fixed-income securities issued by banks, corporations and the U.S. Government. It is operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. It can reasonably be expected to have a fair value that will be unaffected by interest rate changes because the interest rates are variable and the principal can be recovered on demand. As noted above, as of June 30, 2014, the cost of the money market mutual fund approximated fair value and its maturity is less than one year.

Community Development Administration  
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
(in thousands)

June 30, 2014

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

Credit Risk and Concentration of Credit Risk

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

As of June 30, 2014, the Federated Prime Cash Obligations Fund was rated AAAM by Standard and Poor's and Aaa by Moody's Investors Service.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, CDA will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. As of June 30, 2014, the Funds' investments were not subject to custodial credit risk under accounting guidance issued by GASB. The money market mutual fund is held in trust by the trustee, kept separate from the assets of the bank and from other trust accounts and is held in CDA's name.

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, 2014. Interest rates on such loans range from 1.77% to 5.62%, with remaining loan terms ranging from less than 1 year to 29 years.

Community Development Administration  
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
(in thousands)

June 30, 2014

NOTE 5 - ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2014, were as follows:

	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Local Government Infrastructure Bonds	Combined
Accrued interest on community facilities loans	\$ 14	\$ 170	\$ 211	\$ 395
Additional loan principal as a result of bond refundings	9	-	-	9
Total	<u>\$ 23</u>	<u>\$ 170</u>	<u>\$ 211</u>	<u>\$ 404</u>

NOTE 6 - BONDS PAYABLE

The bonds issued by CDA are special obligations of CDA and are payable from the revenue and special funds of the applicable 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, at a redemption price equal to the principal amount thereof to be redeemed. All bonds have fixed interest rates and all bonds are tax-exempt.

Community Development Administration  
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
(in thousands)

June 30, 2014

NOTE 6 - BONDS PAYABLE (Continued)

The following is a summary of bond activity for the year ended June 30, 2014, and bonds payable as of June 30, 2014:

	Issue Dated	Range of Interest Rates	Range of Maturities	Bonds Payable at June 30, 2013	Bond Activity			Bonds Payable at June 30, 2014
					New bonds Issued	Scheduled Maturity Payments	Bonds Redeemed	
Infrastructure Financing								
Bonds (MBIA Insured)								
1997 Series A	04/15/97	5.625% - 5.75%	2014 - 2027	\$ 365	\$ -	\$ (45)	\$ -	\$ 320
1998 Series B	06/01/98	5.125% - 5.20%	2017 - 2028	760	-	(95)	(180)	485
1998 Series C	06/01/98	5.15%	12/1/2020	160	-	(15)	-	145
1999 Series A	03/01/99	4.70% - 5.00%	2014 - 2019	795	-	(130)	-	665
2001 Series A	03/01/01	4.50% - 5.00%	2014 - 2021	635	-	(20)	(510)	105
Total				<u>\$ 2,715</u>	<u>\$ -</u>	<u>\$ (305)</u>	<u>\$ (690)</u>	<u>\$ 1,720</u>

	Issue Dated	Range of Interest Rates	Range of Maturities	Bonds Payable at June 30, 2013	Bond Activity			Bonds Payable at June 30, 2014
					New bonds Issued	Scheduled Maturity Payments	Bonds Redeemed	
Local Government								
Infrastructure Bonds								
(Ambac Insured)								
2002 Series A	03/01/02	4.25% - 4.80%	2014 - 2022	\$ 265	\$ -	\$ (25)	\$ -	\$ 240
2002 Series B	10/01/02	3.50% - 4.000%	2014 - 2017	135	-	-	(135)	-
2003 Series A	03/01/03	3.625% - 4.50%	2014 - 2023	4,865	-	(100)	(3,695)	1,070
2004 Series A	04/22/04	4.00% - 4.875%	2015 - 2034	8,645	-	(830)	(1,140)	6,675
2004 Series B	11/18/04	3.25% - 4.50%	2014 - 2034	3,670	-	(145)	-	3,525
2005 Series A	05/26/05	4.00% - 4.40%	2014 - 2030	6,815	-	(370)	-	6,445
2006 Series A	04/05/06	4.00% - 4.25%	2014 - 2026	5,575	-	(485)	-	5,090
2007 Series A	05/31/07	3.75% - 4.25%	2014 - 2037	8,755	-	(510)	-	8,245
2007 Series B	11/14/07	3.50% - 4.25%	2014 - 2027	17,990	-	(1,250)	-	16,740
Total				<u>\$ 56,715</u>	<u>\$ -</u>	<u>\$ (3,715)</u>	<u>\$ (4,970)</u>	<u>\$ 48,030</u>



Community Development Administration  
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
(in thousands)

June 30, 2014

NOTE 6 - BONDS PAYABLE (Continued)

	Issue Dated	Range of Interest Rates	Range of Maturities	Debt Outstanding at June 30, 2013	Bond Activity			Debt Outstanding at June 30, 2014	Bond premium /discount deferred	Bonds payable at June 30, 2014
					New bonds issued	Scheduled maturity payments	Bonds redeemed			
Local Government Infrastructure Bonds										
2010 Series A-1	08/25/10	1.90% - 4.00%	2014 - 2030	\$ 16,765	\$ -	\$ (895)	\$ -	\$ 15,870	\$ -	\$ 15,870
2010 Series A-2	08/25/10	1.20% - 4.00%	2014 - 2030	7,375	-	(390)	-	6,985	3	6,988
2012 Series A-1	05/17/12	1.00% - 3.50%	2014 - 2032	8,905	-	(660)	-	8,245	-	8,245
2012 Series A-2	05/17/12	1.00% - 3.60%	2014 - 2032	4,135	-	(300)	-	3,835	-	3,835
2012 Series B-1	12/19/12	0.55% - 3.125%	2014 - 2032	14,185	-	(720)	-	13,465	-	13,465
2012 Series B-2	12/19/12	0.60% - 3.125%	2014 - 2032	6,535	-	(330)	-	6,205	3	6,208
2013 Series A-1	10/03/13	0.65% - 5.00%	2015 - 2043	-	14,660	(550)	-	14,110	-	14,110
2013 Series A-2	10/03/13	0.70% - 5.05%	2015 - 2043	-	6,720	(235)	-	6,485	(1)	6,484
Total				<u>\$ 57,900</u>	<u>\$ 21,380</u>	<u>\$ (4,080)</u>	<u>\$ -</u>	<u>\$ 75,200</u>	<u>\$ 5</u>	<u>\$ 75,205</u>

NOTE 7 - DEBT SERVICE REQUIREMENTS

As of June 30, 2014, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2014 and excluding the effect of unamortized bond premiums and discounts) and interest payments for each of the next five years and in 5-year increments thereafter, are as follows:

For the year ended June 30,	Infrastructure Financing Bonds (MBIA Insured)		Local Government Infrastructure Bonds (Ambac Insured)		Local Government Infrastructure Bonds	
	Interest	Principal	Interest	Principal	Interest	Principal
2015	\$ 87	\$ 280	\$ 1,977	\$ 3,410	\$ 2,199	\$ 4,145
2016	73	295	1,850	3,470	2,149	4,200
2017	59	310	1,716	3,455	2,093	4,275
2018	43	285	1,581	3,495	2,018	4,365
2019	28	215	1,440	3,635	1,932	4,300
2020 - 2024	52	270	4,890	18,350	8,039	21,130
2025 - 2029	8	65	1,588	9,280	4,814	20,550
2030 - 2034	-	-	409	2,625	1,345	10,600
2035 - 2039	-	-	27	310	352	600
2040 - 2044	-	-	-	-	166	1,035
Total	<u>\$ 350</u>	<u>\$ 1,720</u>	<u>\$ 15,478</u>	<u>\$ 48,030</u>	<u>\$ 25,107</u>	<u>\$ 75,200</u>

Community Development Administration  
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
(in thousands)

June 30, 2014

NOTE 8 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2014 were as follows:

	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Local Government Infrastructure Bonds	Combined
Bonds payable				
Beginning balance at 6/30/2013	\$ 2,715	\$ 56,715	\$ 57,906	\$ 117,336
Additions	-	-	21,379	21,379
Reductions	(995)	(8,685)	(4,080)	(13,760)
Ending balance at 6/30/2014	1,720	48,030	75,205	124,955
Less due within one year	(280)	(3,410)	(4,145)	(7,835)
Total long-term bonds payable	1,440	44,620	71,060	117,120
Other liabilities - advance trustee fees				
Beginning balance at 6/30/2013	240	82	12	334
Additions	8	46	32	86
Reductions	(22)	(35)	(28)	(85)
Ending balance at 6/30/2014	226	93	16	335
Total long-term other liabilities - advance trustee fees	226	93	16	335
Total long-term liabilities	\$ 1,666	\$ 44,713	\$ 71,076	\$ 117,455

Community Development Administration  
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NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
(in thousands)

June 30, 2014

NOTE 9 - BOND INSURANCE

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

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

NOTE 10 - 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](http://www.sra.state.md.us).

Community Development Administration  
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
(in thousands)

June 30, 2014

NOTE 11 - SUBSEQUENT EVENTS

Events that occur after the date of the combined statement of net position 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 position 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 position require disclosure in the accompanying notes. Management evaluated the activity of CDA through September 30, 2014 (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, 2014.

Subsequent to the year ended June 30, 2014, the following bond activity took place:

Local Government Infrastructure Bonds

On August 28, 2014, CDA issued \$40,325 of 2014 Series A bonds.