

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS**

COMBINED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
YEAR ENDED JUNE 30, 2019**

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INDEPENDENT AUDITORS' REPORT

Office of the Secretary
Department of Housing and Community Development
Lanham, Maryland

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, 2019, and the related notes to the combined financial statements 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 combined 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 combined 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, 2019, and the changes in its financial 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 Matters

Fund Liquidation

During the fiscal year ended June 30, 2019, the Infrastructure Financing Bonds (MBIA Insured) Fund repaid all outstanding bonds payable in full and transferred all remaining assets, liabilities and net position to the Local Government Infrastructure Bonds Fund. Refer to Notes 8 and 11 in the financial statements for additional information.

Financial Statement Presentation

As discussed in Note 1, the combined financial statements present only the 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, 2019, and the changes in its net position and its cash flows, in conformity with accounting principles generally accepted in the United States of America.

Our opinion on the basic financial statements was not modified with respect to these matters.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Prior-Year Comparative Information

We have previously audited the Funds' 2018 financial statements, and we expressed an unmodified opinion on the financial statements of the Funds, in our report dated September 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2019, on our consideration of the Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Funds' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Funds' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
September 27, 2019

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
COMBINED STATEMENT OF NET POSITION
(in thousands)
JUNE 30, 2019
(with comparative combined totals as of June 30, 2018)**

	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Local Government Infrastructure Bonds	Combined	
				2019	2018
RESTRICTED ASSETS					
RESTRICTED CURRENT ASSETS					
Cash and Cash Equivalents on Deposit	\$ -	\$ 1,389	\$ 54,226	\$ 55,615	\$ 64,342
Investments	-	-	338	338	338
Community Facilities Loans	-	420	11,704	12,124	11,668
Accrued Interest Receivable	-	22	547	569	656
Total Restricted Current Assets	-	1,831	66,815	68,646	77,004
RESTRICTED LONG-TERM ASSETS					
Investments, Net of Current Portion	-	-	343	343	674
Community Facilities Loans, Net of Current Portion	-	2,120	165,665	167,785	159,664
Total Restricted Long-Term Assets	-	2,120	166,008	168,128	160,338
Total Restricted Assets	\$ -	\$ 3,951	\$ 232,823	\$ 236,774	\$ 237,342
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES					
Accrued Interest Payable	\$ -	\$ 8	\$ 429	\$ 437	\$ 439
Accounts Payable	-	-	141	141	6
Bonds Payable	-	370	11,760	12,130	11,715
Advance Trustee Fees	-	24	80	104	98
Due to Local Governments	-	-	47,783	47,783	57,450
Total Current Liabilities	-	402	60,193	60,595	69,708
LONG-TERM LIABILITIES					
Bonds Payable, Net of Current Portion	-	2,010	169,220	171,230	161,906
Advance Trustee Fees, Net of Current	-	133	17	150	167
Other Liabilities	-	-	423	423	419
Total Long-Term Liabilities	-	2,143	169,660	171,803	162,492
Total Liabilities	-	2,545	229,853	232,398	232,200
NET POSITION					
Restricted	-	1,406	2,970	4,376	5,142
Total Liabilities and Net Position	\$ -	\$ 3,951	\$ 232,823	\$ 236,774	\$ 237,342

See accompanying 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, 2019
(with comparative combined totals as of June 30, 2018)**

	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Local Government Infrastructure Bonds	Combined	
				2019	2018
OPERATING REVENUE					
Interest on Community Facilities Loans	\$ 4	\$ 156	\$ 5,408	\$ 5,568	\$ 5,603
Interest on Cash Equivalents and Investments	13	32	178	223	117
Increase in Fair Value of Investments	-	-	7	7	-
Fee Income	-	-	113	113	199
Other Operating Revenue	11	-	-	11	175
Total Operating Revenue	<u>28</u>	<u>188</u>	<u>5,706</u>	<u>5,922</u>	<u>6,094</u>
OPERATING EXPENSES					
Interest Expense on Bonds	5	148	4,736	4,889	5,415
Bond Issuance Cost	-	-	1,728	1,728	-
Professional Fee and Other Operating Expenses	-	9	62	71	28
Total Operating Expenses	<u>5</u>	<u>157</u>	<u>6,526</u>	<u>6,688</u>	<u>5,443</u>
Operating Income (Loss)	23	31	(820)	(766)	651
TRANSFER OF FUNDS, AS PERMITTED BY THE VARIOUS BOND INDENTURES					
	<u>(713)</u>	<u>-</u>	<u>713</u>	<u>-</u>	<u>-</u>
CHANGES IN NET POSITION	(690)	31	(107)	(766)	651
NET POSITION - RESTRICTED AT BEGINNING OF YEAR	<u>690</u>	<u>1,375</u>	<u>3,077</u>	<u>5,142</u>	<u>4,491</u>
NET POSITION - RESTRICTED AT END OF YEAR	<u>\$ -</u>	<u>\$ 1,406</u>	<u>\$ 2,970</u>	<u>\$ 4,376</u>	<u>\$ 5,142</u>

See accompanying Notes to Combined Financial Statements.

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
COMBINED STATEMENT OF CASH FLOWS
(in thousands)
YEAR ENDED JUNE 30, 2019
(with comparative combined totals as of June 30, 2018)**

	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Local Government Infrastructure Bonds	Combined	
				2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES					
Principal and Interest Received on Community Facilities Loans	\$ 73	\$ 1,878	\$ 17,790	\$ 19,741	\$ 27,827
Origination of Community Facilities Loans	-	-	(32,188)	(32,188)	(38,272)
Advance Trustee Fees Received	1	4	89	94	150
Trustee Fees Paid	(9)	(26)	(68)	(103)	(102)
Loan Fees Received	-	-	113	113	199
Professional Fee and Other Operating Expenses	-	-	(55)	(55)	(28)
Other (Disbursements) Reimbursements	-	(6)	-	(6)	1
Other Operating Revenue	-	-	-	-	12
Net Cash Provided (Used) by Operating Activities	65	1,850	(14,319)	(12,404)	(10,213)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from Maturities or Sales of Investments	-	-	341	341	-
Purchase of Investments	-	-	-	-	(1,012)
Interest Received on Cash Equivalents and Investments	14	31	171	216	107
Net Cash Provided (Used) by Investing Activities	14	31	512	557	(905)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Proceeds from Sale of Bonds	-	-	22,986	22,986	39,035
Payments on Bond Principal	(135)	(1,655)	(12,385)	(14,175)	(22,055)
Bond Issuance Costs	-	-	(290)	(290)	-
Interest on Bonds	(6)	(154)	(5,241)	(5,401)	(5,382)
Transfer Among Funds	(684)	-	684	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	(825)	(1,809)	5,754	3,120	11,598
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT	(746)	72	(8,053)	(8,727)	480
CASH AND CASH EQUIVALENTS ON DEPOSIT - BEGINNING OF YEAR	746	1,317	62,279	64,342	63,862
CASH AND CASH EQUIVALENTS ON DEPOSIT - END OF YEAR	\$ -	\$ 1,389	\$ 54,226	\$ 55,615	\$ 64,342

See accompanying Notes to Combined Financial Statements.

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
COMBINED STATEMENT OF CASH FLOWS (CONTINUED)
(in thousands)
YEAR ENDED JUNE 30, 2019
(with comparative combined totals as of June 30, 2018)**

	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Local Government Infrastructure Bonds	Combined	
				2019	2018
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 23	\$ 31	\$ (820)	\$ (766)	\$ 651
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Amortization of Bond Original Issue Premiums/Discounts	-	-	(510)	(510)	(4)
Amortization of Investment Discounts	-	-	(3)	(3)	-
Increase in Fair Value of Investments	-	-	(7)	(7)	-
Interest Received on Cash Equivalents and Investments	(14)	(31)	(171)	(216)	(107)
Bond Issuance Costs	-	-	1,728	1,728	-
Interest on Bonds	6	154	5,241	5,401	5,382
Loan Transfer	(29)	-	29	-	-
Decrease (Increase) in Assets:					
Community Facilities Loans	97	1,710	(10,384)	(8,577)	(16,960)
Accrued Interest Receivable	2	11	74	87	179
(Decrease) Increase in Liabilities:					
Accrued Interest Payable	(1)	(6)	5	(2)	37
Accounts Payable	-	(6)	141	135	4
Due to Local Governments	-	-	(9,667)	(9,667)	759
Advance Trustee Fees and Other Liabilities	(19)	(13)	25	(7)	(154)
Net Cash Provided (Used) by Operating Activities	<u>\$ 65</u>	<u>\$ 1,850</u>	<u>\$ (14,319)</u>	<u>\$ (12,404)</u>	<u>\$ (10,213)</u>

See accompanying Notes to Combined Financial Statements.

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
NOTES TO COMBINED FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2019**

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 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 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).

Basis of Accounting and Measurement Focus

The basis of accounting for the Funds is determined by measurement focus. The flow of economic resources measurement focus and the accrual basis of accounting are used to account for the Funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All assets and liabilities associated with the operation of the Funds are included on the Statements of Net Position. The Funds are required to follow all statements of the Governmental Accounting Standards Board (GASB).

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
NOTES TO COMBINED FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2019**

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 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.

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 included 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, 2019, all of the Funds' cash equivalents were invested in a money market mutual fund which is more fully described in Note 3.

Investments

Investments are primarily U.S. Treasuries 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.

Community Facilities Loans

Community facilities loans are carried at their unpaid principal balances. 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, 2019. At June 30, 2019, the Infrastructure Financing Bonds (MBIA Insured) Fund had no loans receivable.

Accrued Interest Receivable

Accrued interest includes both interest on cash deposits and interest on loans. As of June 30, 2019, all loans were current. Therefore, all accrued interest on loans was recorded during the year. At June 30, 2019, the Infrastructure Financing Bonds (MBIA Insured) Fund had no loans receivable.

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
NOTES TO COMBINED FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bonds Payable

Bonds payable are carried at their unpaid principal balances, net of unamortized bond premiums and discounts. See Notes 5, 6, 7, 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.

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. See Note 10 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 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
(in thousands)
JUNE 30, 2019**

NOTE 3 CASH, CASH EQUIVALENTS AND INVESTMENTS

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 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.

The following assets, reported at fair value and held by the Fund as of June 30, 2019, are evaluated in accordance with GASB accounting guidance for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Assets	2019
Cash and Cash Equivalents:	
BlackRock Liquidity FedFund Administration Shares	\$ 55,615
Investments:	
Obligation of U.S. Government Agencies	681
Total	\$ 56,296

Interest Rate Risk

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

As of June 30, 2019, the amortized cost, fair value and maturities for these assets were as follows:

Asset	Amortized Cost	Fair Value	Maturities (in Years)	
			Less Than 1	1 - 5
BlackRock Liquidity FedFund Administration Shares	\$ 55,615	\$ 55,615	\$ 55,615	\$ -
Obligations of U.S. Government Agencies	674	681	338	343
Total	\$ 56,289	\$ 56,296	\$ 55,953	\$ 343

The BlackRock Liquidity FedFund Administration Shares invests primarily in cash, U.S. Treasury bills, notes, and other obligations issued or guaranteed as to principal and interest by the U.S. government, its agencies, or instrumentalities, and repurchase agreements secured by such obligations or cash. 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, 2019, the cost of the money market mutual fund approximated fair value.

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
NOTES TO COMBINED FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2019**

NOTE 3 CASH, CASH EQUIVALENTS AND INVESTMENTS (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% or more of total investments. Investments in mutual funds are excluded from this requirement.

The following table provides credit quality rating information for the investment portfolio and individual issuers, if they represent 5% or more of total investments in accordance with accounting guidance issued by GASB.

<u>Asset</u>	<u>Fair Value</u>	<u>Percentage of Total Investments</u>	<u>Money Market Fund Rating</u>	<u>Securities Credit Rating</u>	<u>Rating Agency</u>
BlackRock Liquidity FedFund Administration Shares	\$55,615	98.79%	Aaa		Moody's

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, 2019, the Funds' investments were not subject to custodial credit risk under accounting guidance issued by GASB. The money market mutual fund and other investments are 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.

Fair Value Measurements

CDA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments in money market funds are not subject to the fair value measurement requirements.

The Funds has the following recurring fair value measurement as of June 30, 2019:

- Obligations of U.S. Government Agencies of \$681 are valued using quoted market prices (Level 1).

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, 2019. Interest rates on such loans range from 1.65% to 5.09% with remaining loan terms ranging from less than 1 year to 29 years.

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
NOTES TO COMBINED FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2019**

NOTE 5 BONDS PAYABLE

The bonds issued by CDA are special obligations of CDA and are payable from the revenue and special funds of the applicable resolutions. 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.

The following is a summary of bond activity for the year ended June 30, 2019, and debt outstanding and bonds payable as of June 30, 2019:

	Issue Dated	Range of Interest Rates	Range of Maturities	Bonds	Bond Activity			Bonds
				Payable at June 30, 2018	New Bonds Issued	Scheduled Maturity Payments	Bonds Redeemed	Payable at June 30, 2019
Infrastructure								
Financing Bonds								
(MBIA Insured)								
1998 Series B	06/01/98	5.15%	6/1/2022	\$ 35	\$ -	\$ -	\$ (35)	\$ -
1999 Series A	03/01/99	5.00%	6/1/2019	55	-	(55)	-	-
2001 Series A	03/01/01	5.00%	2019 - 2021	45	-	(15)	(30)	-
Total				<u>\$ 135</u>	<u>\$ -</u>	<u>\$ (70)</u>	<u>\$ (65)</u>	<u>\$ -</u>

	Issue Dated	Range of Interest Rates	Range of Maturities	Bonds	Bond Activity			Bonds
				Payable at June 30, 2018	New Bonds Issued	Scheduled Maturity Payments	Bonds Redeemed	Payable at June 30, 2019
Local Government								
Infrastructure Bonds								
(Ambac Insured)								
2002 Series A	03/01/02	4.70% - 4.80%	2019 - 2022	\$ 145	\$ -	\$ (35)	\$ -	\$ 110
2004 Series A	04/22/04	4.375% - 4.875%	2019 - 2034	460	-	(35)	-	425
2004 Series B	11/18/04	3.70% - 4.20%	2019 - 2025	115	-	(15)	-	100
2005 Series A	05/26/05	4.00% - 4.40%	2019 - 2030	2,150	-	(190)	(750)	1,210
2006 Series A	04/05/06	4.00% - 4.25%	2019 - 2026	325	-	(35)	-	290
2007 Series B	11/14/07	4.00% - 4.25%	2019 - 2026	840	-	(595)	-	245
Total				<u>\$ 4,035</u>	<u>\$ -</u>	<u>\$ (905)</u>	<u>\$ (750)</u>	<u>\$ 2,380</u>

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
NOTES TO COMBINED FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2019**

NOTE 5 BONDS PAYABLE (CONTINUED)

	Issue Dated	Range of Interest Rates	Range of Maturities	Debt	Bond Activity		Debt	Bond	Bonds
				Outstanding at June 30, 2018	New Bonds Issued	Scheduled Maturity Payments	Outstanding at June 30, 2019	Premium/Discount Deferred	Payable at June 30, 2019
Local Government									
Infrastructure Bonds									
2010 Series A-1	8/25/10	2.625% - 4.00%	2019 - 2030	\$ 12,085	\$ -	\$ (1,010)	\$ 11,075	\$ 4	\$ 11,079
2010 Series A-2	8/25/10	2.75% - 4.00%	2019 - 2030	5,345	-	(445)	4,900	-	4,900
2012 Series A-1	5/17/12	1.75% - 3.50%	2019 - 2032	5,485	-	(605)	4,880	7	4,887
2012 Series A-2	5/17/12	1.95% - 3.60%	2019 - 2032	2,600	-	(275)	2,325	-	2,325
2012 Series B-1	12/19/12	1.40% - 3.125%	2019 - 2032	10,510	-	(765)	9,745	119	9,864
2012 Series B-2	12/19/12	1.45% - 3.125%	2019 - 2032	4,860	-	(345)	4,515	-	4,515
2013 Series A-1	10/3/13	2.30% - 5.00%	2019 - 2043	11,825	-	(1,630)	10,195	(29)	10,166
2013 Series A-2	10/3/13	2.35% - 5.05%	2019 - 2043	5,505	-	(700)	4,805	-	4,805
2014 Series A-1	8/28/14	1.45% - 3.50%	2019 - 2034	23,605	-	(1,160)	22,445	418	22,863
2014 Series A-2	8/28/14	1.45% - 5.00%	2019 - 2034	11,005	-	(495)	10,510	-	10,510
2015 Series A-1	8/27/15	3.00% - 3.75%	2019 - 2045	11,445	-	(660)	10,785	169	10,954
2015 Series A-2	8/27/15	3.00% - 3.75%	2019 - 2045	4,895	-	(285)	4,610	-	4,610
2016 Series A-1	8/31/16	0.75% - 2.90%	2019 - 2036	16,045	-	(1,145)	14,900	-	14,900
2016 Series A-2	8/31/16	0.85% - 2.95%	2019 - 2036	6,870	-	(490)	6,380	-	6,380
2017 Series A-1	8/2/17	2.00% - 4.00%	2019 - 2047	26,080	-	(1,520)	24,560	347	24,907
2017 Series A-2	8/2/17	2.00% - 4.00%	2019 - 2047	11,195	-	(650)	10,545	-	10,545
2018 Series A-1	8/30/18	2.00% - 5.00%	2019 - 2048	-	4,535	(145)	4,390	300	4,690
2018 Series A-2	8/30/18	2.00% - 4.00%	2019 - 2048	-	1,925	(60)	1,865	-	1,865
2019 Series A-1	6/27/19	2.10% - 3.90%	2020 - 2049	-	11,340	-	11,340	-	11,340
2019 Series A-2	6/27/19	2.20% - 4.00%	2020 - 2049	-	4,875	-	4,875	-	4,875
Total				\$ 169,355	\$ 22,675	\$ (12,385)	\$ 179,645	\$ 1,335	\$ 180,980

NOTE 6 DEBT SERVICE REQUIREMENTS

As of June 30, 2019, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2019 and excluding the effect of unamortized bond premiums and discounts) and interest payments for each of the next five years and in five-year increments thereafter, are as follows:

Year Ending June 30,	Infrastructure Financing Bonds (MBIA Insured)		Local Government Infrastructure Bonds (Ambac Insured)		Local Government Infrastructure Bonds	
	Interest	Principal	Interest	Principal	Interest	Principal
	2020	\$ -	\$ -	\$ 101	\$ 370	\$ 5,596
2021	-	-	86	395	5,384	11,865
2022	-	-	70	395	5,119	12,070
2023	-	-	53	345	4,825	11,035
2024	-	-	38	345	4,545	11,320
2025-2029	-	-	55	425	17,961	52,525
2030-2034	-	-	16	105	9,644	40,170
2035-2039	-	-	-	-	4,667	11,440
2040-2044	-	-	-	-	2,777	9,790
2045-2049	-	-	-	-	807	7,670
Total	\$ -	\$ -	\$ 419	\$ 2,380	\$ 61,325	\$ 179,645

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
NOTES TO COMBINED FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2019**

NOTE 7 LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2019 were as follows:

	Infrastructure Financing Bonds (MBIA) Insured	Local Government Infrastructure Bonds (AMBAC) Insured)	Local Government Infrastructure Bonds	Combined
Bonds Payable:				
Beginning Balance at June 30, 2018	\$ 135	\$ 4,035	\$ 169,451	\$ 173,621
Additions	-	-	24,424	24,424
Reductions	(135)	(1,655)	(12,385)	(14,175)
Change in Deferred Amounts for Issuance Premiums	-	-	(510)	(510)
Ending Balance at June 30, 2019	-	2,380	180,980	183,360
Less: Due Within One Year	-	(370)	(11,760)	(12,130)
Total Long-Term Bonds Payable	-	2,010	169,220	171,230
Other Liabilities - Advance Trustee Fees:				
Beginning Balance at June 30, 2018	19	170	76	265
Additions	1	4	89	94
Reductions	(20)	(17)	(68)	(105)
Ending Balance at June 30, 2019	-	157	97	254
Less: Due Within One Year	-	(24)	(80)	(104)
Total Long-Term Other Liabilities - Advance Trustee Fees	-	133	17	150
Other Liabilities:				
Beginning Balance at June 30, 2018	-	-	419	419
Additions	-	-	20	20
Reductions	-	-	(16)	(16)
Ending Balance at June 30, 2019	-	-	423	423
Total Long-Term Other Liabilities	-	-	423	423
Total Long-Term Liabilities	\$ -	\$ 2,143	\$ 169,660	\$ 171,803

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
NOTES TO COMBINED FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2019**

NOTE 8 INTERFUND ACTIVITY

In accordance with the various bond resolutions, net position 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 resolutions. During the year ended June 30, 2019, \$684 cash and a \$29 loan receivable were transferred from the Infrastructure Financing Bonds (MBIA Insured) Fund to the Local Government Infrastructure Bonds Fund. This represents the transfer of all remaining assets, liabilities and net position of the Infrastructure Financing Bonds (MBIA Insured) Fund.

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 Local Government Infrastructure Bonds 2002 Series A through 2007 Series B are insured by Ambac Assurance Corporation. See Note 5 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 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 liability for the employees is recorded by the general fund of the State of Maryland and is not allocated to CDA. 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.

NOTE 11 CLOSURE OF THE INFRASTRUCTURE FINANCING BONDS (MBIA INSURED) FUND

As of June 30, 2019, the Infrastructure Financing Bonds (MBIA Insured) Fund repaid all outstanding bonds payable in full and transferred all remaining assets, liabilities and net position to the Local Government Infrastructure Bonds Fund.