

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

**COMMUNITY DEVELOPMENT ADMINISTRATION
HOUSING REVENUE BONDS**

JUNE 30, 2010 AND 2009

Community Development Administration
Housing Revenue Bonds

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INDEPENDENT AUDITORS' REPORT

Office of the Secretary
Department of Housing and Community Development

We have audited the accompanying financial statements of the Community Development Administration Housing Revenue Bonds (the Fund) of the Department of Housing and Community Development of the State of Maryland as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the financial statements present only the Community Development Administration Housing Revenue Bonds and do not purport to, and do not, present fairly the financial position of the Department of Housing and Community Development of the State of Maryland as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Community Development Administration Housing Revenue Bonds of the Department of Housing and Community Development of the State of Maryland as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Disclosures of Change in Fair Value of Investments and Mortgage-Backed Securities are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in our audits of the basic financial statements and, accordingly, we express no opinion on it.

Reznick Group, P.C.

Baltimore, Maryland
September 30, 2010

Community Development Administration
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STATEMENTS OF NET ASSETS
(in thousands)

June 30, 2010 and 2009

	2010	2009
RESTRICTED ASSETS		
Restricted current assets		
Cash and cash equivalents on deposit with trustee	\$ 50,355	\$ 56,319
Mortgage-backed securities	4,658	4,677
Mortgage loans		
Single family	23	18
Multi-family construction and permanent financing	2,883	2,853
Accrued interest and other receivables	2,474	2,837
Total restricted current assets	60,393	66,704
Restricted long-term assets		
Investments	7,385	6,917
Mortgage-backed securities, net of current portion	432,425	442,978
Mortgage loans, net of current portion and allowance		
Single family	220	286
Multi-family construction and permanent financing	82,773	89,711
Deferred bond issuance costs	152	164
Total restricted long-term assets	522,955	540,056
Total restricted assets	\$ 583,348	\$ 606,760
LIABILITIES AND NET ASSETS		
Current liabilities		
Accrued interest payable	\$ 13,371	\$ 14,286
Bonds payable	11,535	8,810
Deposits by borrowers	2,707	2,833
Total current liabilities	27,613	25,929
Long-term liabilities		
Bonds payable, net of current portion	491,699	531,919
Deposits by borrowers, net of current portion	7,114	6,917
Deferred income	5,229	5,716
Total long-term liabilities	504,042	544,552
Total liabilities	531,655	570,481
NET ASSETS		
Restricted	51,693	36,279
Total liabilities and net assets	\$ 583,348	\$ 606,760

See notes to financial statements

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
(in thousands)

Years ended June 30, 2010 and 2009

	2010	2009
Operating revenue		
Interest on mortgage loans	\$ 5,502	\$ 5,922
Interest on mortgage-backed securities	24,104	24,596
Interest income on investments	819	1,406
Increase in fair value of investments	472	202
Fee and deferred income	605	366
Other operating revenue	1	105
	31,503	32,597
Operating expenses		
Interest expense on bonds	27,821	28,450
Professional fees and other operating expenses	234	225
Decrease in provision for loan losses	-	(5)
Amortization of bond issuance costs	12	16
Loss on early retirement of debt	-	22
	28,067	28,708
Operating income	3,436	3,889
Nonoperating revenue		
Increase in fair value of mortgage-backed securities	13,103	17,358
Total nonoperating revenue	13,103	17,358
Transfers of funds, as permitted by the Resolution	(1,125)	(13,125)
Changes in net assets	15,414	8,122
Net assets - restricted at beginning of year	36,279	28,157
Net assets - restricted at end of year	\$ 51,693	\$ 36,279

See notes to financial statements

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF CASH FLOWS
(in thousands)

Years ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Principal and interest received on mortgage loans	\$ 21,287	\$ 22,645
Principal and interest received on mortgage-backed securities	54,111	29,040
Escrow funds received	4,170	3,563
Escrow funds paid	(4,099)	(5,417)
Loan fees and deferred income received	131	240
Purchase of mortgage loans	(8,651)	(18,249)
Purchase of mortgage-backed securities	(6,222)	(5,808)
Professional fees and other operating expenses	(234)	(225)
Other income received	1	105
	60,494	25,894
Net cash provided by operating activities		
Cash flows from investing activities		
Interest received on investments	898	1,469
	898	1,469
Net cash provided by investing activities		
Cash flows from noncapital financing activities		
Proceeds from sale of bonds	8,755	16,490
Payments on bond principal	(46,250)	(15,550)
Reimbursement of bond costs	-	70
Interest on bonds	(28,736)	(27,874)
Transfers among Funds	(1,125)	(13,125)
	(67,356)	(39,989)
Net cash used in noncapital financing activities		
NET DECREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	(5,964)	(12,626)
Cash and cash equivalents on deposit with trustee at beginning of year	56,319	68,945
Cash and cash equivalents on deposit with trustee at end of year	\$ 50,355	\$ 56,319

(continued)

Community Development Administration
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STATEMENTS OF CASH FLOWS - CONTINUED
(in thousands)

Years ended June 30, 2010 and 2009

	2010	2009
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 3,436	\$ 3,889
Adjustments to reconcile operating income to net cash provided by operating activities		
Decrease (increase) in assets		
Mortgage loans	6,956	(1,438)
Mortgage-backed securities	23,675	(1,356)
Accrued interest and other receivables	363	(37)
(Decrease) increase in liabilities		
Accrued interest payable	(915)	576
Deposits by borrowers	71	(1,854)
Deferred income	(487)	(52)
Amortizations		
Deferred income on loans	(118)	(208)
Investment premiums	4	4
Deferred bond issuance costs	12	16
Loan fees deferred	131	134
Decrease in provision for loan losses	-	(5)
Increase in fair value of investments	(472)	(202)
Loss on early retirement of debt	-	22
Interest received on investments	(898)	(1,469)
Interest on bonds	28,736	27,874
	\$ 60,494	\$ 25,894
Net cash provided by operating activities		

See notes to financial statements

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS
(in thousands)

June 30, 2010 and 2009

NOTE 1 - AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION

The Community Development Administration (CDA) was created in 1970 by Sections 266 DD-1 to 266 DD-8 of Article 41 (now in Sections 4-101 through 4-255 of the Housing and Community Development Article) of the Annotated Code of Maryland to meet the shortage of adequate, safe and sanitary housing in the State of Maryland, particularly for persons or families of limited income. CDA is in the Division of Development Finance in the Department of Housing and Community Development (DHCD) of the State of Maryland.

The accompanying financial statements only include CDA's Housing Revenue Bonds (the Fund). CDA's other Funds are not included. The Fund was established to issue bonds to provide funds to finance or refinance loans for various types of housing. As of June 30, 2010 and 2009, Housing Revenue Bonds have primarily financed multi-family projects.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Fund is accounted for as an enterprise fund. Accordingly, the accompanying financial statements have been prepared using the accrual method of accounting and on the basis of accounting principles generally accepted in the United States of America (GAAP).

Generally Accepted Accounting Principles

CDA reports its financial activities by applying Standards of Governmental Accounting and Financial Reporting as promulgated by the Governmental Accounting Standards Board (GASB). Consequently, CDA applies all applicable GASB pronouncements 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.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010 and 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Fund 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 and 2009, all of the Fund's cash equivalents were invested in a money market mutual fund which is more fully described in Note 3.

Investments

Investments are principally governmental debt securities or investment agreements collateralized by governmental debt securities. Debt securities are stated at fair value, based on quoted market prices. Investments are classified as current or long-term based on the maturity date or call date. Callable investments are classified as current, if exercise of the call within the next fiscal year is probable. Investments are more fully described in Note 3.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010 and 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage-Backed Securities

These guaranteed securities are issued in connection with mortgage loans on multi-family projects. They are stated at fair value, based on quoted market prices. It is the intention of CDA to hold each of these securities to maturity or until the payoff of the related multi-family loan. Mortgage-backed securities are more fully described in Note 3.

Mortgage Loans

Mortgage loans are carried at their unpaid principal balances, net of unamortized loan fees. Loan fees are deferred and amortized over the life of the related loans using the effective interest method. Any single family mortgage loan in foreclosure with a pending insurance claim is recorded as other receivables. See Notes 4 and 10 for additional information on mortgage loans and mortgage insurance, respectively.

Allowance for Loan Losses

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

Accrued Interest and Other Receivables

Accrued interest and other receivables include interest on loans and investments and outstanding claims on insured mortgage loans. On insured multi-family mortgage loans that are in default, CDA continues to accrue interest until receipt of a mortgage insurance claim. On insured single family loans, interest ceases to accrue after foreclosure. See Note 5 for additional information.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010 and 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Bond Issuance Costs

Costs incurred in issuing bonds are capitalized and amortized using the effective interest method for each respective bond issue. When bonds are redeemed early with mortgage prepayments, a proportionate share of the remaining unamortized costs is recognized as a loss on the Statements of Revenue, Expenses and Changes in Net Assets.

Due from (to) Other Funds

Due from (to) other Funds records the pending transfers of cash between Funds which is primarily a result of receipts due to one fund, but received by another, as more fully described in Note 9.

Bonds Payable

Bonds payable are carried at their unpaid principal balances, net of original issue discounts or premiums. See Notes 6, 7 and 8 for more information.

Deposits by Borrowers

This account consists of escrows and reserves held by CDA on behalf of multi-family housing developments. CDA invests these deposits and, for reserves, allows earnings to accrue to the benefit of the mortgagor. Escrows represent amounts held by CDA for mortgage insurance and hazard insurance premiums and real estate taxes, all of which are generally paid annually and which are classified as a current liability. Based on the current year's reserve disbursements, CDA has estimated the current reserve liability. The balance of the reserves is classified as long-term. See Note 8 for further information on changes in long-term obligations.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010 and 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Yield Limitations

All mortgage loans are subject to yield limitations under the Internal Revenue Service Code (the Code) in order for the associated bonds to maintain their tax-exempt status. At the time of bond issuance and over the term of the bonds, CDA determines and maintains compliance with the permitted mortgage yield on the loans. In certain bond refunding transactions, CDA transfers loans from prior series of bonds to the refunding series. CDA monitors the yield on these transferred loans to ensure that the composite yield over the term of the bonds is within the yield limitations of the Code. If at any time the composite yields on the transferred loans are out of compliance with the Code, CDA has certain remedies available to bring the yield into compliance. As of June 30, 2010 and 2009, all mortgage loan yields were in compliance with the Code.

Interest on Mortgage Loans and Mortgage-Backed Securities

Interest on mortgage loans and mortgage-backed securities is calculated using the effective interest method.

Fee Income

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

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010 and 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The employees of CDA are covered by the Maryland State Retirement and Pension System and the costs of employees' retirement benefits are included in the salaries and related costs charged to CDA's General Bond Reserve Fund. See Note 11 for additional information.

Revenue and Expenses

CDA distinguishes operating revenue and expenses from nonoperating items in accordance with accounting guidance issued by GASB. Operating revenue and expenses are identified as those activities that are directly related to financing affordable housing in the State of Maryland. The Fund's activities are considered to be operating except for increases and decreases in the fair value of mortgage-backed securities. It is the intention of CDA to hold these securities to maturity.

Use of Estimates

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

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
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010 and 2009

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 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, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED
SECURITIES

Bond proceeds and revenues from mortgages, mortgage-backed securities and investments are invested in authorized investments as defined in the Housing Revenue Bond Resolution (the Resolution) and in CDA's Investment Policy until required for purchasing mortgage-backed securities or originating mortgage loans, funding reserves, paying bond debt service or redeeming outstanding bonds, and funding program expenses. Authorized investments include obligations of the U.S. Treasury, U.S. Government Agencies, repurchase agreements, investment agreements, money market funds and certificates of deposit.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010 and 2009

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

The following assets, reported at fair value and held by the Fund as of June 30, 2010 and 2009, are evaluated in accordance with accounting guidance issued by GASB for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Assets	2010	2009
Cash and cash equivalents:		
Federated Treasury Obligations Fund	\$ 50,355	\$ 56,319
Investments:		
Obligations of the U.S. Treasury	7,385	6,917
GNMA mortgage-backed securities	437,083	447,655
Total	\$ 494,823	\$ 510,891

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.

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

June 30, 2010 and 2009

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

As of June 30, 2010, 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	6 - 10	11 - 15	More than 15
Federated Treasury Obligations Fund	\$ 50,355	\$ 50,355	\$ 50,355	\$ -	\$ -	\$ -	\$ -
Obligations of the U.S. Treasury	5,506	7,385	-	-	-	-	7,385
GNMA mortgage-backed securities	417,240	437,083	-	-	-	-	437,083
Total	\$ 473,101	\$ 494,823	\$ 50,355	\$ -	\$ -	\$ -	\$ 444,468

As of June 30, 2009, 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	6 - 10	11 - 15	More than 15
Federated Treasury Obligations Fund	\$ 56,319	\$ 56,319	\$ 56,319	\$ -	\$ -	\$ -	\$ -
Obligations of the U.S. Treasury	5,510	6,917	-	-	-	-	6,917
GNMA mortgage-backed securities	440,915	447,655	-	-	-	-	447,655
Total	\$ 502,744	\$ 510,891	\$ 56,319	\$ -	\$ -	\$ -	\$ 454,572

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

June 30, 2010 and 2009

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

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 noted above, as of June 30, 2010 and 2009, the cost of this money market mutual fund approximated fair value.

For mortgage-backed securities, it is the intention of CDA to hold the securities until the underlying loan is paid in full.

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither CDA's Investment Policy nor the Resolution 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 Resolution and CDA's Investment Policy, securities must be at a rating no lower than the rating on the bonds or, if an investment maintains only a short-term rating, a rating not less than F1/P-1; and financial institutions who are a counterparty to CDA in investment agreements must be rated at least comparable to the existing rating on CDA bonds unless counterparty ratings lower than the bond ratings are permitted and do not affect the ratings on the bonds. In addition, certain investment and repurchase agreements require counterparty ratings no less than the ratings on the bonds. As of June 30, 2010 and 2009, all counterparty ratings were at least equal to the ratings on the Fund's bonds. As of June 30, 2010, the ratings on Housing Revenue Bonds were Aa2 by Moody's Investors Service and AA+ by Fitch Ratings. As of June 30, 2009, the ratings were Aa2 by Moody's Investors Service and AA by Fitch Ratings. The following table provides credit quality rating information for the investment portfolio and individual issuers, if they represent 5 percent or more of total investments in accordance with accounting guidance issued by GASB.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010 and 2009

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

As of June 30, 2010, credit ratings and allocation by type of investments for the following assets were:

Asset	Fair Value	Percentage of total investments	Money market fund rating	Securities credit rating	Rating agency
Federated Treasury Obligations Fund	\$ 50,355	10.18%	Aaa		Moody's
Government National Mortgage Association Mortgage-backed securities	437,083	88.33%		Direct U.S. Obligations	
Obligations of the U.S. Treasury	<u>7,385</u>	<u>1.49%</u>		Direct U.S. Obligations	
Total	<u>\$ 494,823</u>	<u>100.00%</u>			

As of June 30, 2009, credit ratings and allocation by type of investments for the following assets were:

Asset	Fair Value	Percentage of total investments	Money market fund rating	Securities credit rating	Rating agency
Federated Treasury Obligations Fund	\$ 56,319	11.03%	Aaa		Moody's
Government National Mortgage Association Mortgage-backed securities	447,655	87.62%		Direct U.S. Obligations	
Obligations of the U.S. Treasury	<u>6,917</u>	<u>1.35%</u>		Direct U.S. Obligations	
Total	<u>\$ 510,891</u>	<u>100.00%</u>			

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010 and 2009

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

All mortgage-backed securities held by the Fund are guaranteed by the Government National Mortgage Association (GNMA), an instrumentality of the United States Government. GNMA securities are “fully modified pass-through” mortgage-backed securities which require monthly payments by a Federal Housing Administration (FHA) lender, as the issuer of the Guaranteed Security to CDA. GNMA guarantees timely payment of principal and interest on Guaranteed Securities.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, CDA will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. As of June 30, 2010 and 2009, the Fund’s investments were not subject to custodial credit risk under accounting guidance issued by GASB. CDA’s investments and collateralized securities are held in trust by the trustee or the trustee’s agent, kept separate from the assets of the bank and from other trust accounts and are held in CDA’s name.

NOTE 4 - MORTGAGE LOANS

All the mortgage loans are secured by first liens on the related property and approximately 99% are insured or credit enhanced by FHA, MHF, FHLMC, FNMA or GNMA. As of June 30, 2010 and 2009, interest rates on such loans range from 2.75% to 7.85% and 3.70% to 7.85%, respectively, with remaining loan terms ranging from 2 years to 40 years and less than 1 year to 40 years, respectively. For the years ended June 30, 2010 and 2009, an allowance for loan losses in the amount of \$43 has been established for uninsured loans.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010 and 2009

NOTE 5 - ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Accrued mortgage loan interest	\$ 483	\$ 661
Accrued investment interest	46	46
Accrued mortgage-backed securities interest	1,945	2,055
Negative arbitrage due from mortgagors	<u>-</u>	<u>75</u>
	<u>\$ 2,474</u>	<u>\$ 2,837</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 Resolution. These bonds do not constitute debt of and are not guaranteed by the State of Maryland or any other program of the State of Maryland or any political subdivision.

The provisions of the Resolution require or allow for the special redemption of bonds at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans. All outstanding bonds are subject to optional redemption, in whole or in part at any time, after certain dates, as specified in the respective series resolutions. The prescribed optional redemption premiums range from 0% to .5% of the principal amount. All bonds are tax-exempt and have fixed interest rates.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010 and 2009

NOTE 6 - BONDS PAYABLE (Continued)

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

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2009	Bond Activity			Debt Outstanding at June 30, 2010	Discounts/premiums and other deferred costs	Bonds payable at June 30, 2010
					New bonds issued	Scheduled maturity payments	Bonds redeemed			
Housing Revenue Bonds										
Series 1996 A	11/01/96	5.50% - 5.95%	2010 - 2023	\$ 21,940	\$ -	\$ (2,015)	\$ -	\$ 19,925	\$ -	\$ 19,925
Series 1996 B	11/01/96	5.875% - 5.95%	2016 - 2028	1,545	-	(60)	-	1,485	-	1,485
Series 1997 A	06/01/97	5.20% - 6.00%	2009 - 2039	34,110	-	(410)	-	33,700	-	33,700
Series 1997 B	09/01/97	5.00% - 5.75%	2009 - 2039	7,090	-	(125)	-	6,965	-	6,965
Series 1997 C	12/01/97	4.90% - 5.65%	2009 - 2039	12,880	-	(160)	-	12,720	-	12,720
Series 1998 A	04/01/98	4.90% - 5.625%	2009 - 2040	10,090	-	(130)	(9,960)	-	-	-
Series 1999 A	02/01/99	4.40% - 5.35%	2009 - 2041	15,200	-	(180)	-	15,020	-	15,020
Series 1999 B	10/15/99	5.40% - 6.40%	2009 - 2042	14,530	-	(220)	-	14,310	-	14,310
Series 1999 C	10/15/99	5.85% - 6.40%	2014 - 2040	485	-	(5)	-	480	-	480
Series 1999 D	12/01/99	5.40% - 6.35%	2009 - 2042	12,000	-	(620)	(5,175)	6,205	-	6,205
Series 2000 A	10/01/00	5.05% - 6.10%	2009 - 2042	26,090	-	(265)	-	25,825	-	25,825
Series 2001 A	07/01/01	4.60% - 5.625%	2009 - 2043	28,180	-	(330)	-	27,850	-	27,850
Series 2001 B	10/01/01	4.25% - 5.45%	2009 - 2043	43,975	-	(655)	-	43,320	-	43,320
Series 2002 A	03/01/02	4.60% - 5.70%	2009 - 2043	9,090	-	(90)	-	9,000	-	9,000
Series 2002 B	10/01/02	3.40% - 5.05%	2009 - 2045	32,230	-	(350)	-	31,880	-	31,880
Series 2002 C	10/01/02	3.40% - 5.00%	2009 - 2035	6,375	-	(105)	-	6,270	-	6,270
Series 2002 D	10/01/02	3.40% - 5.00%	2009 - 2035	7,900	-	(130)	-	7,770	-	7,770
Series 2003 A	04/01/03	3.35% - 5.22%	2009 - 2045	24,030	-	(245)	-	23,785	-	23,785
Series 2003 B	07/01/03	3.00% - 5.00%	2009 - 2045	16,965	-	(190)	-	16,775	-	16,775
Series 2003 C	09/01/03	3.375% - 5.90%	2009 - 2045	10,460	-	(100)	-	10,360	(6)	10,354
Series 2003 D	12/01/03	3.15% - 5.125%	2009 - 2045	11,730	-	(120)	-	11,610	-	11,610
Series 2004 A	01/01/04	2.95% - 5.10%	2009 - 2045	10,230	-	(215)	(10,015)	-	-	-
Series 2004 B	03/31/04	2.50% - 4.70%	2009 - 2046	20,320	-	(860)	-	19,460	-	19,460
Series 2004 C	06/10/04	4.00% - 5.40%	2010 - 2047	35,540	-	-	-	35,540	-	35,540
Series 2004 D	11/23/04	4.35% - 5.00%	2015 - 2037	1,675	-	(75)	-	1,600	-	1,600
Series 2005 A	02/17/05	4.25% - 4.85%	2015 - 2047	6,265	-	(60)	-	6,205	-	6,205
Series 2005 B	04/21/05	3.50% - 5.10%	2009 - 2047	19,165	-	(335)	-	18,830	-	18,830
Series 2005 C	12/14/05	3.70% - 5.15%	2009 - 2047	13,295	-	(340)	-	12,955	-	12,955
Series 2006 A	04/27/06	3.875% - 5.05%	2009 - 2047	9,945	-	(150)	-	9,795	-	9,795
Series 2006 B	04/27/06	3.875% - 5.00%	2009 - 2039	3,185	-	(110)	-	3,075	-	3,075
Series 2006 C	04/27/06	3.60% - 4.75%	2009 - 2036	2,045	-	(40)	-	2,005	-	2,005
Series 2006 D	09/27/06	4.91%	2048	4,425	-	-	-	4,425	-	4,425
Series 2007 A	06/14/07	3.85% - 4.95%	2010 - 2049	21,685	-	-	-	21,685	-	21,685
Series 2007 B	08/30/07	5.51%	2038	4,875	-	-	-	4,875	-	4,875
Series 2007 C	12/20/07	5.38%	2043	1,535	-	(15)	-	1,520	-	1,520
Series 2008 A	05/29/08	5.24%	2038	5,805	-	(85)	-	5,720	-	5,720
Series 2008 B	05/29/08	3.70% - 5.63%	2010 - 2049	17,360	-	(20)	(7,060)	10,280	-	10,280
Series 2008 C	09/19/08	4.63% - 5.60%	2010 - 2048	11,380	-	-	(4,000)	7,380	-	7,380
Series 2008 D	12/18/08	4.00% - 6.75%	2011 - 2039	5,110	-	-	(1,230)	3,880	-	3,880
Series 2009 A	11/24/09	2.75% - 5.25%	2011 - 2041	-	8,755	-	-	8,755	-	8,755
Total				\$ 540,735	\$ 8,755	\$ (8,810)	\$ (37,440)	\$ 503,240	\$ (6)	\$ 503,234

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010 and 2009

NOTE 6 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2009 and the debt outstanding and bonds payable as of June 30, 2009:

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2008	Bond Activity			Debt Outstanding at June 30, 2009	Discounts/premiums and other deferred costs	Bonds payable at June 30, 2009
					New bonds issued	Scheduled maturity payments	Bonds redeemed			
Housing Revenue Bonds										
Series 1996 A	11/01/96	5.30% - 5.95%	2008 - 2023	\$ 27,160	\$ -	\$ (2,295)	\$ (2,925)	\$ 21,940	\$ -	\$ 21,940
Series 1996 B	11/01/96	5.30% - 5.95%	2008 - 2028	1,605	-	(60)	-	1,545	-	1,545
Series 1997 A	06/01/97	5.10% - 6.00%	2008 - 2039	34,500	-	(390)	-	34,110	-	34,110
Series 1997 B	09/01/97	4.95% - 5.75%	2008 - 2039	7,170	-	(80)	-	7,090	-	7,090
Series 1997 C	12/01/97	4.80% - 5.65%	2008 - 2039	13,035	-	(155)	-	12,880	-	12,880
Series 1998 A	04/01/98	4.80% - 5.625%	2008 - 2040	10,215	-	(125)	-	10,090	-	10,090
Series 1999 A	02/01/99	4.30% - 5.35%	2008 - 2041	15,375	-	(175)	-	15,200	-	15,200
Series 1999 B	10/15/99	5.30% - 6.40%	2008 - 2042	14,735	-	(205)	-	14,530	-	14,530
Series 1999 C	10/15/99	5.85% - 6.40%	2014 - 2040	490	-	(5)	-	485	-	485
Series 1999 D	12/01/99	5.30% - 6.35%	2008 - 2042	12,385	-	(385)	-	12,000	-	12,000
Series 2000 A	10/01/00	4.95% - 6.10%	2008 - 2042	26,345	-	(255)	-	26,090	-	26,090
Series 2001 A	07/01/01	4.45% - 5.625%	2008 - 2043	28,500	-	(320)	-	28,180	-	28,180
Series 2001 B	10/01/01	4.10% - 5.45%	2008 - 2043	44,620	-	(645)	-	43,975	-	43,975
Series 2002 A	03/01/02	4.40% - 5.70%	2008 - 2043	9,175	-	(85)	-	9,090	-	9,090
Series 2002 B	10/01/02	3.15% - 5.05%	2008 - 2045	32,580	-	(350)	-	32,230	-	32,230
Series 2002 C	10/01/02	3.15% - 5.00%	2008 - 2035	6,475	-	(100)	-	6,375	-	6,375
Series 2002 D	10/01/02	3.15% - 5.00%	2008 - 2035	8,020	-	(120)	-	7,900	-	7,900
Series 2003 A	04/01/03	3.00% - 5.22%	2008 - 2045	24,730	-	(700)	-	24,030	-	24,030
Series 2003 B	07/01/03	2.70% - 5.00%	2008 - 2045	17,150	-	(185)	-	16,965	-	16,965
Series 2003 C	09/01/03	3.00% - 5.90%	2008 - 2045	10,555	-	(95)	-	10,460	(6)	10,454
Series 2003 D	12/01/03	2.90% - 5.125%	2008 - 2045	11,850	-	(120)	-	11,730	-	11,730
Series 2004 A	01/01/04	2.65% - 5.10%	2008 - 2045	10,445	-	(215)	-	10,230	-	10,230
Series 2004 B	03/31/04	2.50% - 4.70%	2009 - 2046	20,320	-	-	-	20,320	-	20,320
Series 2004 C	06/10/04	4.00% - 5.40%	2010 - 2047	35,540	-	-	-	35,540	-	35,540
Series 2004 D	11/23/04	4.35% - 5.00%	2015 - 2037	1,745	-	(70)	-	1,675	-	1,675
Series 2005 A	02/17/05	4.25% - 4.85%	2015 - 2047	6,325	-	(60)	-	6,265	-	6,265
Series 2005 B	04/21/05	3.15% - 5.10%	2008 - 2047	19,355	-	(190)	-	19,165	-	19,165
Series 2005 C	12/14/05	3.625% - 5.15%	2008 - 2047	13,985	-	(690)	-	13,295	-	13,295
Series 2006 A	04/27/06	3.70% - 5.05%	2008 - 2047	9,985	-	(40)	-	9,945	-	9,945
Series 2006 B	04/27/06	3.70% - 5.00%	2008 - 2039	3,265	-	(80)	-	3,185	-	3,185
Series 2006 C	04/27/06	3.50% - 4.75%	2008 - 2036	2,085	-	(40)	-	2,045	-	2,045
Series 2006 D	09/27/06	4.04% - 4.91%	2008 - 2048	8,000	-	(3,575)	-	4,425	-	4,425
Series 2007 A	06/14/07	3.85% - 4.95%	2010 - 2049	21,685	-	-	-	21,685	-	21,685
Series 2007 B	08/30/07	5.51%	2038	4,875	-	-	-	4,875	-	4,875
Series 2007 C	12/20/07	3.67% - 5.38%	2009 - 2043	2,310	-	(775)	-	1,535	-	1,535
Series 2008 A	05/29/08	5.24%	2038	5,845	-	(40)	-	5,805	-	5,805
Series 2008 B	05/29/08	3.70% - 5.63%	2010 - 2049	17,360	-	-	-	17,360	-	17,360
Series 2008 C	09/19/08	4.63% - 5.60%	2010 - 2048	-	11,380	-	-	11,380	-	11,380
Series 2008 D	12/18/08	4.00% - 6.75%	2011 - 2039	-	5,110	-	-	5,110	-	5,110
Total				\$ 539,795	\$ 16,490	\$ (12,625)	\$ (2,925)	\$ 540,735	\$ (6)	\$ 540,729

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010 and 2009

NOTE 7 - DEBT SERVICE REQUIREMENTS

As of June 30, 2010, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2010 and excluding the effect of unamortized discounts/premiums and other deferred costs as shown in Note 6) and interest payments for each of the next five years and in 5-year increments thereafter, were as follows:

Years ended June 30,	Interest	Principal
2011	\$ 26,518	\$ 11,535
2012	26,014	10,405
2013	25,531	9,380
2014	25,054	10,275
2015	24,529	10,535
2016 - 2020	114,613	49,965
2021 - 2025	101,652	52,555
2026 - 2030	86,219	66,070
2031 - 2035	66,341	84,055
2036 - 2040	41,191	99,185
2041 - 2045	15,619	79,755
2046 - 2050	1,669	19,525
Total	\$ 554,950	\$ 503,240

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010 and 2009

NOTE 7 - DEBT SERVICE REQUIREMENTS (Continued)

As of June 30, 2009, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2009 and excluding the effect of unamortized discounts/premiums and other deferred costs as shown in Note 6) and interest payments for each of the next five years and in 5-year increments thereafter, were as follows:

Years ended June 30,	Interest	Principal
2010	\$ 28,418	\$ 8,810
2011	27,808	21,010
2012	27,059	11,110
2013	26,553	9,850
2014	26,053	10,770
2015 - 2019	121,759	54,160
2020 - 2024	108,162	53,160
2025 - 2029	92,622	65,620
2030 - 2034	72,864	83,035
2035 - 2039	47,937	102,480
2040 - 2044	20,639	89,010
2045 - 2049	3,150	31,405
2050 - 2054	9	315
Total	\$ 603,033	\$ 540,735

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010 and 2009

NOTE 8 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended June 30, 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Bonds payable		
Beginning balance	\$ 540,729	\$ 539,789
Additions	8,755	16,490
Reductions	<u>(46,250)</u>	<u>(15,550)</u>
Ending balance	503,234	540,729
Less due within one year	<u>(11,535)</u>	<u>(8,810)</u>
Total long-term bonds payable	<u>491,699</u>	<u>531,919</u>
Deposits by borrowers		
Beginning balance	9,750	11,604
Additions	4,170	3,563
Reductions	<u>(4,099)</u>	<u>(5,417)</u>
Ending balance	9,821	9,750
Less due within one year	<u>(2,707)</u>	<u>(2,833)</u>
Total long-term deposits by borrowers	<u>7,114</u>	<u>6,917</u>
Deferred income		
Beginning balance	5,716	5,768
Additions	-	106
Reductions	<u>(487)</u>	<u>(158)</u>
Ending balance	<u>5,229</u>	<u>5,716</u>
Total long-term deferred income	<u>5,229</u>	<u>5,716</u>
Total long-term liabilities	<u>\$ 504,042</u>	<u>\$ 544,552</u>

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010 and 2009

NOTE 9 - INTERFUND ACTIVITY

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

During the years ended June 30, 2010 and 2009, the Fund transferred the following amounts, as permitted, among Funds:

	2010	2009
Excess revenue transferred to Residential Revenue Bonds	\$ -	\$ (12,000)
Excess revenue transferred to the General Bond Reserve Fund	(1,125)	(1,125)
	\$ (1,125)	\$ (13,125)

NOTE 10 - MORTGAGE INSURANCE

Approximately 99% of the Fund's mortgage loans are insured or credit enhanced as described in Note 4.

Multi-family mortgagors pay premiums for mortgage insurance and insurance coverage is 100% of the unpaid principal balance of the loan.

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

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010 and 2009

NOTE 11 - PENSION AND OTHER POST-RETIREMENT BENEFITS

Eligible employees of CDA and employees of the State of Maryland are covered under the retirement plans of the State Retirement and Pension System of Maryland (the System) and are also entitled to certain healthcare benefits upon retirement. CDA's only obligation for retirement and post-employment benefits is its required annual contribution, which was paid in full by CDA to the State of Maryland prior to year end. The System prepares a separate audited Comprehensive Annual Financial Report which can be obtained from the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202 or by visiting the website at www.sra.state.md.us.

NOTE 12 - SUBSEQUENT EVENTS

Events that occur after the date of the statement of net assets but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the statement of net assets are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the date of the statement of net assets require disclosure in the accompanying notes. Management evaluated the activity of CDA through September 30, 2010 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements, except for the following activity that occurred subsequent to June 30, 2010.

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

On July 6, 2010, CDA redeemed the following bonds:

Series 1996 A	\$ 210
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On August 9, 2010, CDA redeemed the following bonds:

Series 1999 B	\$2,045
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Community Development Administration
Housing Revenue Bonds

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

June 30, 2010 and 2009
(Unaudited)

In accordance with accounting guidance issued by GASB, CDA reflects investments and mortgage-backed securities at fair value, and the increase or decrease in fair value is included in the Statements of Revenue, Expenses and Changes in Net Assets.

For investments (obligations of the U.S. Treasury) held by the Fund as of June 30, 2010, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and amortized cost:

<u>Fiscal year ended June 30,</u>	<u>Annual increases/ decreases</u>	<u>Cumulative total</u>
1997	\$ (352)	\$ (352)
1998	\$ 832	\$ 480
1999	\$ (407)	\$ 73
2000	\$ 48	\$ 121
2001	\$ 193	\$ 314
2002	\$ 157	\$ 471
2003	\$ 889	\$ 1,360
2004	\$ (678)	\$ 682
2005	\$ 897	\$ 1,579
2006	\$ (866)	\$ 713
2007	\$ 48	\$ 761
2008	\$ 444	\$ 1,205
2009	\$ 202	\$ 1,407
2010	\$ 472	\$ 1,879

Community Development Administration
Housing Revenue Bonds

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

June 30, 2010 and 2009
(Unaudited)

For mortgage-backed securities held by the Fund as of June 30, 2010, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and cost:

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

It is the intention of CDA to hold the mortgage-backed securities until the underlying loan is paid in full.