

COMBINED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS**

JUNE 30, 2012

Community Development Administration
Infrastructure Program Funds

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INDEPENDENT AUDITORS' REPORT

Office of the Secretary
Department of Housing and Community Development

We have audited the accompanying combined financial statements of the Community Development Administration Infrastructure Program Funds (the Funds) of the Department of Housing and Community Development of the State of Maryland as of and for the year ended June 30, 2012, as listed in the table of contents. These combined financial statements are the responsibility of the Funds' management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

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

As discussed in Note 1, the combined financial statements present only the Community Development Administration Infrastructure Program Funds and do not purport to, and do not, present fairly the financial position of the Department of Housing and Community Development of the State of Maryland as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the combined financial statements referred to in the first paragraph above present fairly, in all material respects, the combined financial position of the Community Development Administration Infrastructure Program Funds of the Department of Housing and Community Development of the State of Maryland as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



Baltimore, Maryland
September 28, 2012

Community Development Administration
Infrastructure Program Funds

COMBINED STATEMENT OF NET ASSETS
(in thousands)

June 30, 2012
(with comparative combined totals as of June 30, 2011)

	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Local Government Infrastructure Bonds	Combined	
				2012	2011
RESTRICTED ASSETS					
Restricted current assets					
Cash and cash equivalents on deposit with trustee	\$ 1,351	\$ 5,630	\$ 15,686	\$ 22,667	\$ 23,394
Community facilities loans	481	4,320	2,165	6,966	7,638
Accrued interest and other receivables	38	261	129	428	601
Total restricted current assets	<u>1,870</u>	<u>10,211</u>	<u>17,980</u>	<u>30,061</u>	<u>31,633</u>
Restricted long-term assets					
Community facilities loans, net of current portion	2,960	63,226	36,290	102,476	119,126
Other receivables, net of current portion	24	-	-	24	140
Total restricted long-term assets	<u>2,984</u>	<u>63,226</u>	<u>36,290</u>	<u>102,500</u>	<u>119,266</u>
Total restricted assets	<u>\$ 4,854</u>	<u>\$ 73,437</u>	<u>\$ 54,270</u>	<u>\$ 132,561</u>	<u>\$ 150,899</u>
LIABILITIES AND NET ASSETS					
Current liabilities					
Accrued interest payable	\$ 16	\$ 231	\$ 102	\$ 349	\$ 428
Accounts payable	-	2	146	148	-
Bonds payable	1,045	4,305	2,200	7,550	7,660
Due to local governments	-	5,011	14,493	19,504	21,475
Total current liabilities	<u>1,061</u>	<u>9,549</u>	<u>16,941</u>	<u>27,551</u>	<u>29,563</u>
Long-term liabilities					
Bonds payable, net of current portion	2,990	62,825	37,183	102,998	119,498
Other liabilities - advance trustee fees	257	66	4	327	237
Total long-term liabilities	<u>3,247</u>	<u>62,891</u>	<u>37,187</u>	<u>103,325</u>	<u>119,735</u>
Total liabilities	4,308	72,440	54,128	130,876	149,298
NET ASSETS					
Restricted	<u>546</u>	<u>997</u>	<u>142</u>	<u>1,685</u>	<u>1,601</u>
Total liabilities and net assets	<u>\$ 4,854</u>	<u>\$ 73,437</u>	<u>\$ 54,270</u>	<u>\$ 132,561</u>	<u>\$ 150,899</u>

See notes to combined financial statements

Community Development Administration
Infrastructure Program Funds

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

Year ended June 30, 2012
(with comparative combined totals as of June 30, 2011)

	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Local Government Infrastructure Bonds	Combined	
				2012	2011
Operating revenue					
Interest on community facilities loans	\$ 743	\$ 3,090	\$ 907	\$ 4,740	\$ 5,448
Interest income on cash equivalents	1	1	-	2	-
Fee income	-	33	-	33	35
Other operating revenue	19	1	-	20	1
	<u>763</u>	<u>3,125</u>	<u>907</u>	<u>4,795</u>	<u>5,484</u>
Operating expenses					
Interest expense on bonds	823	3,062	826	4,711	5,363
Trustee fees	-	-	-	-	21
	<u>823</u>	<u>3,062</u>	<u>826</u>	<u>4,711</u>	<u>5,384</u>
Operating (loss) income	<u>(60)</u>	<u>63</u>	<u>81</u>	<u>84</u>	<u>100</u>
CHANGES IN NET ASSETS	(60)	63	81	84	100
Net assets - restricted at beginning of year	<u>606</u>	<u>934</u>	<u>61</u>	<u>1,601</u>	<u>1,501</u>
Net assets - restricted at end of year	<u>\$ 546</u>	<u>\$ 997</u>	<u>\$ 142</u>	<u>\$ 1,685</u>	<u>\$ 1,601</u>

See notes to combined financial statements

Community Development Administration
Infrastructure Program Funds

COMBINED STATEMENT OF CASH FLOWS
(in thousands)

Year ended June 30, 2012
(with comparative combined totals as of June 30, 2011)

	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Local Government Infrastructure Bonds	Combined	
				2012	2011
Cash flows from operating activities					
Principal and interest received					
on community facilities loans	\$ 19,324	\$ 14,577	\$ 2,084	\$ 35,985	\$ 15,878
Origination of community facilities loans	-	(3,093)	(12,357)	(15,450)	(17,188)
Advance trustee fees received	90	82	8	180	75
Trustee fees paid	(28)	(36)	(8)	(72)	(76)
Loan fees received	-	24	-	24	26
Other operating revenue	1	1	-	2	1
Other reimbursements	-	2	-	2	-
	<u>19,387</u>	<u>11,557</u>	<u>(10,273)</u>	<u>20,671</u>	<u>(1,284)</u>
Net cash provided by (used in) operating activities					
	<u>19,387</u>	<u>11,557</u>	<u>(10,273)</u>	<u>20,671</u>	<u>(1,284)</u>
Cash flows from investing activities					
Interest received on cash equivalents	<u>1</u>	<u>1</u>	<u>-</u>	<u>2</u>	<u>-</u>
	<u>1</u>	<u>1</u>	<u>-</u>	<u>2</u>	<u>-</u>
Cash flows from noncapital financing activities					
Proceeds from sale of bonds	-	-	13,970	13,970	27,913
Payments on bond principal	(17,890)	(11,435)	(1,255)	(30,580)	(10,455)
Interest on bonds	(901)	(3,099)	(790)	(4,790)	(5,330)
	<u>(18,791)</u>	<u>(14,534)</u>	<u>11,925</u>	<u>(21,400)</u>	<u>12,128</u>
Net cash (used in) provided by noncapital financing activities					
	<u>(18,791)</u>	<u>(14,534)</u>	<u>11,925</u>	<u>(21,400)</u>	<u>12,128</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE					
	597	(2,976)	1,652	(727)	10,844
Cash and cash equivalents on deposit with trustee at beginning of year					
	<u>754</u>	<u>8,606</u>	<u>14,034</u>	<u>23,394</u>	<u>12,550</u>
Cash and cash equivalents on deposit with trustee at end of year					
	<u>\$ 1,351</u>	<u>\$ 5,630</u>	<u>\$ 15,686</u>	<u>\$ 22,667</u>	<u>\$ 23,394</u>

(continued)

Community Development Administration
Infrastructure Program Funds

COMBINED STATEMENT OF CASH FLOWS - CONTINUED
(in thousands)

Year ended June 30, 2012
(with comparative combined totals as of June 30, 2011)

	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Local Government Infrastructure Bonds	Combined	
				2012	2011
Reconciliation of operating (loss) income to net cash provided by (used in) operating activities					
Operating (loss) income	\$ (60)	\$ 63	\$ 81	\$ 84	\$ 100
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities					
Decrease (increase) in community facilities loans	18,282	11,444	(12,395)	17,331	(16,886)
Decrease (increase) in accrued interest and other receivables	299	43	(53)	289	36
(Decrease) increase in accrued interest payable	(78)	(37)	36	(79)	33
Increase in accounts payable	-	2	146	148	-
Increase (decrease) in due to local governments and other liabilities	44	(3,047)	1,122	(1,881)	10,112
Amortization of deferred income on loans	-	(9)	-	(9)	(9)
Interest received on cash and cash equivalents	(1)	(1)	-	(2)	-
Interest on bonds	901	3,099	790	4,790	5,330
	<u>901</u>	<u>3,099</u>	<u>790</u>	<u>4,790</u>	<u>5,330</u>
Net cash provided by (used in) operating activities	<u>\$ 19,387</u>	<u>\$ 11,557</u>	<u>\$ (10,273)</u>	<u>\$ 20,671</u>	<u>\$ (1,284)</u>

See notes to combined financial statements

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS
(in thousands)

June 30, 2012

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, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Generally Accepted Accounting Principles

CDA reports its financial activities by applying Standards of Governmental Accounting and Financial Reporting as promulgated by the Governmental Accounting Standards Board (GASB). Consequently, CDA applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and ARBS of the Committee on Accounting Procedure issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

The Annual Financial Report may include a Management's Discussion and Analysis. Since CDA is an enterprise fund included in the State of Maryland's Comprehensive Annual Financial Report, a separate Management's Discussion and Analysis is not required in these financial statements. CDA prepares a Management's Discussion and Analysis for the General Accounting Division of the State of Maryland that is not part of these financial statements.

Cash and Cash Equivalents on Deposit with Trustee

Cash equivalents may include money market funds, repurchase agreements, investment agreements and any other investments, primarily obligations of the U.S. Treasury and U.S. Government Agencies, which have maturities of 90 or less days at the time of purchase. As of June 30, 2012, all of the Funds' cash equivalents are invested in a money market mutual fund which is more fully described in Note 3.

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Community Facilities Loans

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

Allowance for Loan Losses

Community facilities loans are secured by the full faith and credit of the applicable local government. Therefore, CDA has determined that no allowance for loan losses was necessary as of June 30, 2012.

Accrued Interest and Other Receivables

Accrued interest includes both interest on cash deposits and interest on loans. As of June 30, 2012, 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. See Notes 6, 7, 8, and 9 for additional information.

Due to Local Governments

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

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fee Income

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

Administrative Support

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

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

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Combined Totals

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

NOTE 3 - CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE

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

As of June 30, 2012, the Funds had \$22,667 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.

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2012

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

Interest Rate Risk

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

The Federated 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 of June 30, 2012, the cost of this money market mutual fund approximated fair value and its maturity is less than one year.

Credit Risk and Concentration of Credit Risk

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

As of June 30, 2012, the Federated Prime Cash Obligations Fund was rated AAAM by Standard and Poor's and Aaa by Moody's Investors Service.

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2012

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, CDA will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. As of June 30, 2012, the Funds' investments were not subject to custodial credit risk under accounting guidance issued by GASB. This 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, 2012. Interest rates on such loans range from 1.77% to 5.62%, with remaining loan terms ranging from less than 1 year to 25 years.

NOTE 5 - ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2012, 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	\$ 29	\$ 261	\$ 129	\$ 419
Additional loan principal as a result of bond refundings	33	-	-	33
Total	<u>\$ 62</u>	<u>\$ 261</u>	<u>\$ 129</u>	<u>\$ 452</u>

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2012

NOTE 6 - BONDS PAYABLE

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

The provisions of the various bond resolutions of the Funds require or allow for the special redemption of bonds at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of community facilities loans. All outstanding bonds are subject to redemption at the option of CDA, in whole or in part at any time, after certain dates, as specified in the respective series resolutions. The prescribed optional redemption premiums range from 0% to .5% of the principal amount. 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, 2012, and bonds payable as of June 30, 2012:

	Issue Dated	Range of Interest Rates	Range of Maturities	Bonds Payable at June 30, 2011	Bond Activity			Bonds Payable at June 30, 2012
					New bonds Issued	Scheduled Maturity Payments	Bonds Redeemed	
Infrastructure Financing								
Bonds (MBIA Insured)								
1997 Series A	04/15/97	5.50% - 5.75%	2012 - 2027	\$ 660	\$ -	\$ (150)	\$ -	\$ 510
1998 Series A	02/15/98	4.75% - 4.80%	2012 - 2013	180	-	(90)	-	90
1998 Series B	06/01/98	4.85% - 5.20%	2012 - 2028	6,260	-	(520)	(4,110)	1,630
1998 Series C	06/01/98	5.15%	12/1/2020	525	-	(40)	(305)	180
1999 Series A	03/01/99	4.50% - 5.00%	2012 - 2029	4,630	-	(200)	(3,510)	920
2000 Series A	03/01/00	5.375% - 5.875%	2012 - 2030	2,895	-	-	(2,895)	-
2001 Series A	03/01/01	4.375% - 5.00%	2012 - 2031	5,445	-	(65)	(4,675)	705
2001 Series B	03/01/01	6.50% - 6.80%	2016 - 2021	1,330	-	-	(1,330)	-
Total				<u>\$ 21,925</u>	<u>\$ -</u>	<u>\$ (1,065)</u>	<u>\$ (16,825)</u>	<u>\$ 4,035</u>

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2012

NOTE 6 - BONDS PAYABLE (Continued)

	Issue Dated	Range of Interest Rates	Range of Maturities	Bonds Payable at June 30, 2011	Bond Activity			Bonds Payable at June 30, 2012
					New bonds Issued	Scheduled Maturity Payments	Bonds Redeemed	
Local Government Infrastructure Bonds (Ambac Insured)								
2002 Series A	03/01/02	4.00% - 5.00%	2012 - 2032	\$ 7,975	\$ -	\$ (425)	\$ (1,235)	\$ 6,315
2002 Series B	10/01/02	3.25% - 4.375%	2012 - 2022	2,245	-	(30)	(2,050)	165
2003 Series A	03/01/03	3.375% - 4.50%	2012 - 2023	9,580	-	(450)	(3,800)	5,330
2004 Series A	04/22/04	3.50% - 4.875%	2012 - 2034	10,745	-	(880)	-	9,865
2004 Series B	11/18/04	3.00% - 4.50%	2012 - 2034	3,945	-	(135)	-	3,810
2005 Series A	05/26/05	4.00% - 4.40%	2012 - 2030	7,515	-	(345)	-	7,170
2006 Series A	04/05/06	3.50% - 4.25%	2012 - 2026	6,490	-	(450)	-	6,040
2007 Series A	05/31/07	3.75% - 4.25%	2012 - 2037	9,720	-	(475)	-	9,245
2007 Series B	11/14/07	3.50% - 4.25%	2012 - 2027	20,350	-	(1,160)	-	19,190
Total				<u>\$ 78,565</u>	<u>\$ -</u>	<u>\$ (4,350)</u>	<u>\$ (7,085)</u>	<u>\$ 67,130</u>

	Issue Dated	Range of Interest Rates	Range of Maturities	Debt Outstanding at June 30, 2011	Bond Activity			Debt Outstanding at June 30, 2012	Bond premium deferred	Bonds payable at June 30, 2012
					New bonds issued	Scheduled maturity payments	Bonds redeemed			
Local Government Infrastructure Bonds										
2010 Series A-1	08/25/10	1.00% - 4.00%	2012 - 2030	\$ 18,525	\$ -	\$ (875)	\$ -	\$ 17,650	\$ -	\$ 17,650
2010 Series A-2	08/25/10	1.00% - 4.00%	2012 - 2030	8,140	-	(380)	-	7,760	3	7,763
2012 Series A-1	05/17/12	1.00% - 3.50%	2013 - 2032	-	9,550	-	-	9,550	-	9,550
2012 Series A-2	05/17/12	1.00% - 3.60%	2013 - 2032	-	4,420	-	-	4,420	-	4,420
Total				<u>\$ 26,665</u>	<u>\$ 13,970</u>	<u>\$ (1,255)</u>	<u>\$ -</u>	<u>\$ 39,380</u>	<u>\$ 3</u>	<u>\$ 39,383</u>

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2012

NOTE 7 - DEBT SERVICE REQUIREMENTS

As of June 30, 2012, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2012 and excluding the effect of unamortized bond premiums) 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
	2013	\$ 179	\$ 1,045	\$ 2,770	\$ 4,305	\$ 1,092
2014	151	420	2,611	4,475	1,059	2,245
2015	130	410	2,441	4,420	1,026	2,290
2016	110	430	2,273	4,520	990	2,320
2017	88	460	2,096	4,550	953	2,375
2018 - 2022	162	1,140	7,682	23,135	3,908	11,655
2023 - 2027	20	130	3,228	16,100	2,272	9,885
2028 - 2032	-	-	878	4,320	549	6,410
2033 - 2037	-	-	122	1,305	-	-
Total	<u>\$ 840</u>	<u>\$ 4,035</u>	<u>\$ 24,101</u>	<u>\$ 67,130</u>	<u>\$ 11,849</u>	<u>\$ 39,380</u>

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2012

NOTE 8 - LONG-TERM OBLIGATIONS

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

	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Local Government Infrastructure Bonds	Combined
Bonds payable				
Beginning balance at 6/30/2011	\$ 21,925	\$ 78,565	\$ 26,668	\$ 127,158
Additions	-	-	13,970	13,970
Reductions	(17,890)	(11,435)	(1,255)	(30,580)
Ending balance at 6/30/2012	4,035	67,130	39,383	110,548
Less due within one year	(1,045)	(4,305)	(2,200)	(7,550)
Total long-term bonds payable	2,990	62,825	37,183	102,998
Other liabilities - advance trustee fees				
Beginning balance at 6/30/2011	213	20	4	237
Additions	90	82	8	180
Reductions	(46)	(36)	(8)	(90)
Ending balance at 6/30/2012	257	66	4	327
Total long-term other liabilities - advance trustee fees	257	66	4	327
Total long-term liabilities	\$ 3,247	\$ 62,891	\$ 37,187	\$ 103,325

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

June 30, 2012

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 through 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.

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NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2012

NOTE 11 - SUBSEQUENT EVENTS

Events that occur after the date of the combined statement of net assets but before the combined financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the combined statement of net assets are recognized in the accompanying combined financial statements. Subsequent events which provide evidence about conditions that existed after the date of the combined statement of net assets require disclosure in the accompanying notes. Management evaluated the activity of CDA through September 28, 2012 (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, 2012.

Subsequent to the year ended June 30, 2012, CDA redeemed \$550 of Infrastructure Financing Bonds (MBIA Insured) 1998 Series B on July 16, 2012.