Reznick Group

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

COMMUNITY DEVELOPMENT ADMINISTRATION
HOUSING REVENUE BONDS

JUNE 30, 2005 AND 2004

Community Development Administration
Housing Revenue Bonds

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Reznick Group

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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, 2005 and 2004, 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, 2005 and 2004, and the changes in its net assets and cash flows, where applicable, thereof 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, 2005 and 2004, 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.

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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 15, 2005

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF NET ASSETS
(in thousands)

June 30, 2005 and 2004

	2005	2004
RESTRICTED ASSETS		
Restricted current assets		
Cash and cash equivalents on deposit with trustee	$ 55,797	$ 49,160
Investments	19,567	42,412
Mortgage-backed securities	2,049	1,643
Mortgage loans		
Single family	22	29
Multi-family construction and permanent financing	3,293	3,005
Accrued interest and other receivables	2,786	2,731
Due from other Funds	-	13
Total restricted current assets	83,514	98,993
Restricted long-term assets		
Investments, net of current portion	21,402	36,323
Mortgage-backed securities, net of current portion	383,489	311,666
Mortgage loans, net of current portion and allowance for loan losses		
Single family	557	648
Multi-family construction and permanent financing	88,609	89,516
Deferred bond issuance costs	545	577
Total restricted long-term assets	494,602	438,730
Total restricted assets	$ 578,116	$ 537,723
LIABILITIES AND NET ASSETS		
Current liabilities		
Bonds payable	$ 7,945	$ 5,190
Accrued interest payable	12,820	11,573
Accounts payable	3	136
Deposits by borrowers	4,801	5,242
Total current liabilities	25,569	22,141
Long-term liabilities		
Bonds payable, net of current portion	486,529	466,329
Deferred income	5,394	5,215
Deposits by borrowers, net of current portion	15,427	15,461
Total long-term liabilities	507,350	487,005
Total liabilities	532,919	509,146
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Restricted	45,197	28,577
Total liabilities and net assets	$ 578,116	$ 537,723

See notes to financial statements

Community Development Administration
Housing Revenue Bonds

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

Years ended June 30, 2005 and 2004

	2005	2004
Operating revenue		
Interest on mortgage loans	$ 6,930	$ 7,491
Interest on mortgage-backed securities	18,834	15,190
Increase (decrease) in fair value of mortgage-backed securities	12,879	(11,126)
Interest income on investments	3,569	3,408
Increase (decrease) in fair value of investments	897	(678)
Fee and deferred income	236	122
Other operating revenue	-	252
	43,345	14,659
Operating expenses		
Interest expense on bonds	25,350	22,688
Amortization of bond issuance costs	30	35
Professional fees and other operating expenses	208	175
Provision for loan losses	28	-
Loss on early retirement of debt	2	-
	25,618	22,898
Operating income (loss)	17,727	(8,239)
Transfers of funds, net, as permitted by the various bond indentures	(1,107)	(1,892)
CHANGES IN NET ASSETS	16,620	(10,131)
Net assets - restricted at beginning of year	28,577	38,708
Net assets - restricted at end of year	$ 45,197	$ 28,577

See notes to financial statements

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF CASH FLOWS
(in thousands)

Years ended June 30, 2005 and 2004

	2005	2004
Cash flows from operating activities		
Principal and interest received on mortgage loans	$ 11,749	$ 26,543
Principal and interest received on mortgage-backed securities	20,764	16,758
Escrow funds received	4,951	6,629
Escrow funds paid	(5,334)	(12,704)
Other income received	-	238
Loan fees and deferred income received	550	1,601
Purchase of mortgage loans	(4,243)	(1,701)
Purchase of mortgage-backed securities	(61,415)	(74,170)
Professional fees and other operating expenses	(195)	(316)
Other reimbursements	-	34
Net cash used in operating activities	(33,173)	(37,088)
Cash flows from investing activities		
Proceeds from maturities or sales of investments	63,538	76,693
Purchases of investments	(24,879)	(108,433)
Interest received on investments	3,406	3,032
Net cash provided by (used in) investing activities	42,065	(28,708)
Cash flows from noncapital financing activities		
Proceeds from sale of bonds	29,010	108,434
Payments on bond principal	(6,055)	(25,255)
Reimbursement of bond costs	-	186
Interest on bonds	(24,103)	(21,420)
Transfers among Funds	(1,107)	(1,892)
Net cash (used in) provided by noncapital financing activities	(2,255)	60,053
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	6,637	(5,743)
Cash and cash equivalents on deposit with trustee at beginning of year	49,160	54,903
Cash and cash equivalents on deposit with trustee at end of year	$ 55,797	$ 49,160

(continued)

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF CASH FLOWS - CONTINUED
(in thousands)

Years ended June 30, 2005 and 2004

	2005	2004
Reconciliation of operating income (loss) to net cash from operating activities		
Operating income (loss)	$ 17,727	$ (8,239)
Adjustments to reconcile operating income (loss) to net cash used in operating activities		
Decrease (increase) in assets		
Mortgage loans	554	17,252
Mortgage-backed securities	(59,350)	(72,601)
Accrued interest and other receivables	(55)	(213)
Due from other Funds	13	(13)
(Decrease) increase in liabilities		
Accounts payable	(133)	(128)
Deferred income	179	1,502
Accrued interest payable	1,247	1,268
Deposits by borrowers	(475)	(6,125)
Amortizations		
Deferred income on loans	(25)	(23)
Investment premiums	4	5
Deferred bond issuance costs	30	35
(Increase) decrease in fair value of investments	(897)	678
(Increase) decrease in fair value of mortgage-backed securities	(12,879)	11,126
Loan fees deferred	160	-
Provision for loan losses	28	-
Loss on early retirement of debt	2	-
Interest received on investments	(3,406)	(3,032)
Interest on bonds	24,103	21,420
Net cash used in operating activities	$ (33,173)	$ (37,088)

See notes to financial statements

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 Article 83B, Sections 2-201 through 2-208) 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, 2005 and 2004, 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). CDA has adopted GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CDA has adopted GASB Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis*. Under GASB Statement No. 34, 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.

Recent Accounting Pronouncements

Effective July 1, 2004, CDA adopted GASB Statement No. 40 *Deposit and Investment Risk Disclosures*, an amendment of GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. GASB Statement No. 40 requires disclosure of information regarding investments: credit risk, interest rate risk, concentration of credit risk and custodial credit risk. This new statement does not have any impact on the Fund's financial position or results of operations. The disclosures are in Note 3.

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, 2005 and 2004, all of CDA's cash equivalents are invested in a money market mutual fund which is more fully described in Note 3.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, if exercise of the call within the next fiscal year is probable. Investments are more fully described in Note 3.

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 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 over the life of the related loans and amortized 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 and 7 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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

generally paid annually and which are classified as a short-term liability. Based on the current year's reserve disbursements, CDA has estimated the short-term reserve liability. The balance of the reserves is classified as long-term. See Note 8 for further information on changes in long-term obligations.

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, CDA determines 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, 2005 and 2004, all mortgage loan yield calculations are 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 earns 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The employees of CDA are covered by the Maryland State Retirement and Pension System (the 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 conformity with GASB Statement No. 34. Operating revenue and expenses are identified as those activities that are directly related to financing affordable housing in the State of Maryland. All of CDA's 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 period. Actual results could differ from these estimates.

Reclassifications

Certain 2004 amounts have been reclassified to conform to 2005 financial statement presentation.

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 notes, 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.

The following assets, reported at fair value and held by CDA at June 30, 2005, are evaluated in accordance with GASB 40 for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Assets	Fair Value
Cash and Cash Equivalents:	
Federated Treasury Obligations Fund	$ 55,797
Investments:	
Obligations of the U.S. Treasury	7,106
Repurchase and Investment Agreements	33,863
GNMA Mortgage-backed Securities	385,538
Total	$ 482,304

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.

(in thousands)

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

As of June 30, 2005, the amortized cost, fair value and maturities for these assets were as follows:

			Maturities (in years)				
Asset	Amortized Cost	Fair Value	Less than 1	1 - 5	6 - 10	11 - 15	More than 15
Federated Treasury Obligations Fund	$ 55,797	$ 55,797	$ 55,797	$ -	$ -	$ -	$ -
Obligations of the U.S. Treasury	5,527	7,106	-	-	-	-	7,106
Repurchase agreements/ Investment agreements	33,863	33,863	5,187	28,676	-	-	-
GNMA Mortgage-backed Securities	366,126	385,538	-	-	-	-	385,538
Total	$ 461,313	$ 482,304	$ 60,984	$ 28,676	$ -	$ -	$ 392,644

The Federated Treasury Obligations Fund invests exclusively in U.S. Treasuries and in repurchase agreements collateralized by Treasury securities. 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, 2005, 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

(in thousands)

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

bonds or 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 the 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, 2005, all counterparty ratings were at least equal to the ratings on the bonds except for one counterparty whose credit rating of Aa3 has not affected the ratings on the Housing Revenue Bonds. The ratings on Housing Revenue Bonds as of June 30, 2005, were Aa2 by Moody's Investors Service and AA by Fitch Ratings.

As of June 30, 2005, 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	$ 55,797	11.57%	Aaa		Moody's
Mortgage-backed Securities	385,538	79.94%		Direct U.S. Obligations	
Obligations of the U.S. Treasury	7,106	1.47%		Direct U.S. Obligations	
Collateralized repurchase agreements and investment agreements:				Underlying securities credit rating	
Counterparty rated Aaa	754	0.15%		Aaa	Moody's
Counterparty rated Aa1	14,169	2.94%		Aaa	Moody's
Counterparties rated Aa2	4,433	0.92%		Aaa	Moody's
Counterparty rated Aa3	14,507	3.01%		Aaa	Moody's
Total	$ 482,304	100.00%			

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

The market value of the underlying collateralized securities in repurchase agreements and investment agreements is maintained at a minimum of 102 percent of the principal of and accrued interest on the invested funds by marking to market at least weekly and using an immediate under value cure provision.

All mortgage-backed securities held by CDA 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. 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 99% are credit enhanced by FHA, MHF, FHLMC or FNMA. As of June 30, 2005, interest rates on such loans range from 3.0% to 14.5%, with remaining loan terms from approximately 5 years to 40 years. As of June 30, 2004, interest rates on such loans range from 3.0% to 14.5%, with remaining loan terms from 6 years to 40 years.

(in thousands)

NOTE 5 - ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2005 and 2004 were as follows:

	2005	2004
Accrued mortgage loan interest	$ 604	$ 626
Escrows due from multi-family mortgagors	264	356
Accrued investment interest	1,854	1,571
Negative arbitrage due from mortgagors	64	178
	$ 2,786	$ 2,731

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 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 2% 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, 2005 and 2004

NOTE 6 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2005 and the debt outstanding and bonds payable as of June 30, 2005:

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2004	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2005	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2005
Housing Revenue Bonds										
Series 1996 A	11/1/1996	4.90% - 5.95%	2004 - 2023	$ 60,300	$ -	$ (3,200)	$ (150)	$ 56,950	$ -	$ 56,950
Series 1996 B	11/1/1996	4.90% - 5.95%	2004 - 2028	1,870	-	(45)	-	1,825	-	1,825
Series 1997 A	6/1/1997	4.70% - 6.00%	2004 - 2039	35,860	-	(315)	-	35,545	-	35,545
Series 1997 B	9/1/1997	4.60% - 5.75%	2004 - 2039	7,440	-	(65)	-	7,375	-	7,375
Series 1997 C	12/1/1997	4.40% - 5.65%	2004 - 2039	13,575	-	(125)	-	13,450	-	13,450
Series 1998 A	4/1/1998	4.40% - 5.625%	2004 - 2040	10,660	-	(100)	-	10,560	-	10,560
Series 1999 A	2/1/1999	3.90% - 5.35%	2004 - 2041	15,995	-	(145)	-	15,850	-	15,850
Series 1999 B	10/15/1999	4.80% - 6.40%	2004 - 2042	15,460	-	(165)	-	15,295	-	15,295
Series 1999 C	10/15/1999	5.85% - 6.40%	2014 - 2040	510	-	-	-	510	-	510
Series 1999 D	12/1/1999	4.85% - 6.35%	2004 - 2042	13,780	-	(345)	-	13,435	-	13,435
Series 2000 A	10/1/2000	4.70% - 6.10%	2004 - 2042	27,245	-	(200)	-	27,045	-	27,045
Series 2001 A	7/1/2001	3.95% - 5.625%	2005 - 2043	29,645	-	-	-	29,645	-	29,645
Series 2001 B	10/1/2001	3.15% - 5.45%	2004 - 2043	47,060	-	(250)	-	46,810	-	46,810
Series 2002 A	3/1/2002	3.00% - 5.70%	2004 - 2043	9,500	-	(85)	-	9,415	-	9,415
Series 2002 B	10/1/2002	2.20% - 5.05%	2005 - 2045	34,435	-	-	(865)	33,570	-	33,570
Series 2002 C	10/1/2002	2.20% - 5.00%	2005 - 2035	6,740	-	-	-	6,740	-	6,740
Series 2002 D	10/1/2002	2.20% - 5.00%	2005 - 2035	8,280	-	-	-	8,280	-	8,280
Series 2003 A	4/1/2003	3.00% - 5.22%	2008 - 2045	24,730	-	-	-	24,730	-	24,730
Series 2003 B	7/1/2003	2.35% - 5.00%	2007 - 2045	17,660	-	-	-	17,660	-	17,660
Series 2003 C	9/1/2003	2.70% - 5.90%	2007 - 2045	10,735	-	-	-	10,735	(6)	10,729
Series 2003 D	12/1/2003	2.50% - 5.125%	2007 - 2045	12,080	-	-	-	12,080	-	12,080
Series 2004 A	1/1/2004	2.30% - 5.10%	2007 - 2045	11,130	-	-	-	11,130	-	11,130
Series 2004 B	3/31/2004	2.50% - 4.70%	2009 - 2046	20,320	-	-	-	20,320	-	20,320
Series 2004 C	6/10/2004	4.00% - 5.40%	2010 - 2047	36,515	-	-	-	36,515	-	36,515
Series 2004 D	11/23/2004	2.80% - 5.00%	2007 2037	-	3,270	-	-	3,270	-	3,270
Series 2005 A	2/17/2005	4.25% - 4.85%	2015 2047	-	6,385	-	-	6,385	-	6,385
Series 2005 B	4/21/2005	3.15% - 5.10%	2008 - 2047	-	19,355	-	-	19,355	-	19,355
Total				$ 471,525	$ 29,010	$ (5,040)	$ (1,015)	$ 494,480	$ (6)	$ 494,474

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2005 and 2004

NOTE 6 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2004 and the debt outstanding and bonds payable as of June 30, 2004:

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2003	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2004	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2004
Housing Revenue Bonds										
Series 1996 A	11/1/1996	4.80% - 5.95%	2003 - 2023	$ 83,565	$ -	$ (3,680)	$ (19,585)	$ 60,300	$ -	$ 60,300
Series 1996 B	11/1/1996	4.80% - 5.95%	2003 - 2028	1,910	-	(40)	-	1,870	-	1,870
Series 1997 A	6/1/1997	4.60% - 6.00%	2003 - 2039	36,160	-	(300)	-	35,860	-	35,860
Series 1997 B	9/1/1997	4.50% - 5.75%	2003 - 2039	7,500	-	(60)	-	7,440	-	7,440
Series 1997 C	12/1/1997	4.30% - 5.65%	2003 - 2039	13,695	-	(120)	-	13,575	-	13,575
Series 1998 A	4/1/1998	4.30% - 5.625%	2003 - 2040	10,760	-	(100)	-	10,660	-	10,660
Series 1999 A	2/1/1999	3.80% - 5.35%	2003 - 2041	16,135	-	(140)	-	15,995	-	15,995
Series 1999 B	10/15/1999	4.70% - 6.40%	2003 - 2042	15,650	-	(190)	-	15,460	-	15,460
Series 1999 C	10/15/1999	5.85% - 6.40%	2014 - 2040	515	-	(5)	-	510	-	510
Series 1999 D	12/1/1999	4.75% - 6.35%	2003 - 2042	14,045	-	(265)	-	13,780	-	13,780
Series 2000 A	10/1/2000	4.60% - 6.10%	2003 - 2042	27,445	-	(200)	-	27,245	-	27,245
Series 2001 A	7/1/2001	3.95% - 5.625%	2005 - 2043	29,645	-	-	-	29,645	-	29,645
Series 2001 B	10/1/2001	3.15% - 5.45%	2004 - 2043	47,630	-	-	(570)	47,060	-	47,060
Series 2002 A	3/1/2002	3.00% - 5.70%	2004 - 2043	9,500	-	-	-	9,500	-	9,500
Series 2002 B	10/1/2002	2.20% - 5.05%	2005 - 2045	34,435	-	-	-	34,435	-	34,435
Series 2002 C	10/1/2002	2.20% - 5.00%	2005 - 2035	6,740	-	-	-	6,740	-	6,740
Series 2002 D	10/1/2002	2.20% - 5.00%	2005 - 2035	8,280	-	-	-	8,280	-	8,280
Series 2003 A	4/1/2003	3.00% - 5.22%	2008 - 2045	24,730	-	-	-	24,730	-	24,730
Series 2003 B	7/1/2003	2.35% - 5.00%	2007 - 2045	-	17,660	-	-	17,660	-	17,660
Series 2003 C	9/1/2003	2.70% - 5.90%	2007 - 2045	-	10,735	-	-	10,735	(6)	10,729
Series 2003 D	12/1/2003	2.50% - 5.125%	2007 - 2045	-	12,080	-	-	12,080	-	12,080
Series 2004 A	1/1/2004	2.30% - 5.10%	2007 - 2045	-	11,130	-	-	11,130	-	11,130
Series 2004 B	3/31/2004	2.50% - 4.70%	2009 - 2046	-	20,320	-	-	20,320	-	20,320
Series 2004 C	6/10/2004	4.00% - 5.40%	2010 - 2047	-	36,515	-	-	36,515	-	36,515
Total				$ 388,340	$ 108,440	$ (5,100)	$ (20,155)	$ 471,525	$ (6)	$ 471,519

(in thousands)

NOTE 7 - DEBT SERVICE REQUIREMENTS

As of June 30, 2005, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to year end 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, are as follows:

Years ended June 30,	Interest	Principal
2006	$ 25,823	$ 7,945
2007	25,782	6,760
2008	25,439	10,005
2009	25,020	8,745
2010	24,600	9,920
2011-2015	115,376	52,790
2016-2020	101,014	51,630
2021-2025	87,923	49,725
2026-2030	73,616	59,090
2031-2035	55,890	73,655
2036-2040	33,790	87,080
2041-2045	11,193	68,425
2046-2050	448	8,710
Total	$ 605,914	$ 494,480

(in thousands)

NOTE 7 - DEBT SERVICE REQUIREMENTS (Continued)

As of June 30, 2004, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to year end and excluding the effect of unamortized discounts/premiums and other deferred costs) and interest payments for each of the next five years and in 5-year increments thereafter, are as follows:

Years ended June 30,	Interest	Principal
2005	$ 24,090	$ 5,190
2006	24,847	6,230
2007	24,549	6,810
2008	24,206	8,610
2009	23,825	8,540
2010-2014	112,141	49,995
2015-2019	98,257	52,575
2020-2024	85,359	46,390
2025-2029	72,101	53,155
2030-2034	55,965	66,840
2035-2039	35,764	82,065
2040-2044	13,528	70,750
2045-2049	949	14,375
Total	$ 595,581	$ 471,525

(in thousands)

NOTE 8 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2005, were as follows:

	Beginning balance	Additions	Reductions	Change in deferred amounts for issuance discounts/premiums	Due within one year	Ending balance
Long-term bonds payable	$ 466,329	$ 29,010	$ (865)	$ -	$ (7,945)	$ 486,529
Deferred income	5,215	297	(118)	-	-	5,394
Deposits by borrowers	15,461	4,859	(92)	-	(4,801)	15,427
Total long-term liabilities	$ 487,005	$ 34,166	$ (1,075)	$ -	$(12,746)	$ 507,350

Changes in long-term obligations for the year ended June 30, 2004, were as follows:

	Beginning balance	Additions	Reductions	Change in deferred amounts for issuance discounts/premiums	Due within one year	Ending balance
Long-term bonds payable	$ 379,465	$108,440	$ (16,380)	$ (6)	$ (5,190)	$ 466,329
Deferred income	3,713	1,597	(95)	-	-	5,215
Deposits by borrowers	20,945	6,579	(6,821)	-	(5,242)	15,461
Total long-term liabilities	$ 404,123	$116,616	$ (23,296)	$ (6)	$(10,432)	$ 487,005

(in thousands)

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, 2005 and 2004, the Fund transferred the following amounts, as permitted among Funds:

	2005	2004
Multi-family financing fees transferred to the General Bond Reserve Fund	$ (457)	$ (1,597)
Transfer surplus funds from the Multi-Family Housing Revenue Bonds for loan originations	475	830
Excess revenue transferred to the General Bond Reserve Fund	(1,125)	(1,125)
	$ (1,107)	$ (1,892)

As of June 30, 2005 and 2004, interfund balances consisted of the following:

	2005	2004
Other interfund transfer activity due from the General Bond Reserve Fund	$ -	$ 13

NOTE 10 - MORTGAGE INSURANCE

Approximately 99% of all CDA's mortgage loans have mortgage insurance 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.

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 (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 - COMMITMENTS

As of June 30, 2005, CDA had commitments to purchase approximately $33,956 in GNMA mortgage-backed securities. These securities will be purchased with the proceeds of bonds already issued to finance mortgage loans on multifamily projects. The interest rates on these securities range from 5.11% to 5.83%. CDA also had a commitment to fund a 5.85% mortgage loan of $5,347 in the Fund.

(in thousands)

NOTE 13 - SUBSEQUENT EVENTS

Subsequent to the year ended June 30, 2005, the following bond activity took place:

On July 29, 2005, CDA redeemed the following bonds:

Series 1996 A	$1,460

On September 8, 2005, CDA redeemed the following bonds:

Series 2004 A	$265

Community Development Administration
Housing Revenue Bonds

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

June 30, 2005 and 2004
(Unaudited)

During fiscal year 1997, CDA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 31. This statement requires the financial statements of CDA to reflect 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 CDA as of June 30, 2005, the following schedule summarizes the increase/decrease in fair value for each of these years and the cumulative difference between fair value and amortized cost:

FY 1997	$	(352)
FY 1998		832
FY 1999		(407)
FY 2000		48
FY 2001		193
FY 2002		157
FY 2003		889
FY 2004		(678)
FY 2005		897
Cumulative total	$	1,579

For mortgage-backed securities held by CDA as of June 30, 2005, the following schedule summarizes the increase/decrease in fair value for each of these years and the cumulative difference between fair value and cost:

FY 2000	$	(3,825)
FY 2001		(3,291)
FY 2002		3,340
FY 2003		21,435
FY 2004		(11,126)
FY 2005		12,879
Cumulative total	$	19,412

Community Development Administration
Housing Revenue Bonds

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

June 30, 2005 and 2004
(Unaudited)

For investments (obligations of the U.S. Treasury) held by CDA as of June 30, 2004, the following schedule summarizes the increase/decrease in fair value for each of these years and the cumulative difference between fair value and amortized cost:

FY 1997	$	(352)
FY 1998		832
FY 1999		(407)
FY 2000		48
FY 2001		193
FY 2002		157
FY 2003		889
FY 2004		(678)
Cumulative total	$	682

For mortgage-backed securities held by CDA as of June 30, 2004, the following schedule summarizes the increase/decrease in fair value for each of these years and the cumulative difference between fair value and cost:

FY 2000	$	(3,825)
FY 2001		(3,291)
FY 2002		3,340
FY 2003		21,435
FY 2004		(11,126)
Cumulative total	$	6,533