FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

COMMUNITY DEVELOPMENT ADMINISTRATION
HOUSING REVENUE BONDS

JUNE 30, 2015 AND 2014

Community Development Administration
Housing Revenue Bonds

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INDEPENDENT AUDITOR'S REPORT

Office of the Secretary
Department of Housing and Community Development

Report on the Financial Statements

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, 2015 and 2014, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Fund as of June 30, 2015 and 2014, and the changes in its respective financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 and for the years ended June 30, 2015 and 2014, and the changes in its net position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information on pages 28 and 29, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

CohnReznick LLP

Baltimore, Maryland
September 30, 2015

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF NET POSITION
(in thousands)

June 30, 2015 and 2014

	2015	2014
RESTRICTED ASSETS		
Restricted current assets		
Cash and cash equivalents on deposit	$ 53,944	$ 51,585
Mortgage-backed securities	1,113	57,918
Mortgage loans		
Single family	28	29
Multi-family construction and permanent financing	3,177	2,889
Accrued interest and other receivables	1,043	1,302
Total restricted current assets	59,305	113,723
Restricted long-term assets		
Investments	7,646	7,615
Mortgage-backed securities, net of current portion	77,352	93,875
Mortgage loans, net of current portion and allowance		
Single family	24	48
Multi-family construction and permanent financing	136,458	114,497
Total restricted long-term assets	221,480	216,035
Total restricted assets	$ 280,785	$ 329,758
LIABILITIES AND NET POSITION		
Current liabilities		
Accrued interest payable	$ 3,638	$ 5,133
Accounts payable	27	5
Bonds payable	9,785	60,940
Deposits by borrowers	2,535	2,291
Total current liabilities	15,985	68,369
Long-term liabilities		
Bonds payable, net of current portion	206,270	208,049
Deposits by borrowers, net of current portion	11,107	7,048
Total long-term liabilities	217,377	215,097
Total liabilities	233,362	283,466
NET POSITION		
Restricted	47,423	46,292
Total liabilities and net position	$ 280,785	$ 329,758

See notes to financial statements

Community Development Administration
Housing Revenue Bonds

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

Years ended June 30, 2015 and 2014

	2015	2014
Operating revenue		
Interest on mortgage loans	$ 6,381	$ 5,222
Interest on mortgage-backed securities	4,989	11,496
Interest income on investments	494	864
Increase (decrease) in fair value of investments	36	(27)
Fee income	407	724
Decrease in provision for loan losses	-	6
Other operating revenue	1	13
	12,308	18,298
Operating expenses		
Interest expense on bonds	7,844	14,186
Professional fees and other operating expenses	558	449
	8,402	14,635
Operating income	3,906	3,663
Nonoperating expenses		
Decrease in fair value of mortgage-backed securities	(1,650)	(5,694)
Total nonoperating expenses	(1,650)	(5,694)
Transfers of funds, as permitted by the Resolution	(1,125)	(1,125)
CHANGE IN NET POSITION	1,131	(3,156)
Net position - restricted at beginning of year	46,292	49,448
Net position - restricted at end of year	$ 47,423	$ 46,292

See notes to financial statements

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF CASH FLOWS
(in thousands)

Years ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Principal and interest received on mortgage loans	$ 14,547	$ 16,257
Principal and interest received on mortgage-backed securities	77,004	135,022
Escrow funds received	6,704	4,447
Escrow funds paid	(2,401)	(3,063)
Loan fees received	407	733
Purchase of mortgage loans	(30,174)	(41,937)
Transfer of mortgage loans	(292)	-
Professional fees and other operating expenses	(558)	(449)
Other income received	1	13
Other reimbursements	22	(70)
Net cash provided by operating activities	65,260	110,953
Cash flows from investing activities		
Interest received on investments	497	843
Net cash provided by investing activities	497	843
Cash flows from noncapital financing activities		
Proceeds from the sale of bonds	27,155	112,620
Payments on bond principal	(80,095)	(200,530)
Interest on bonds	(9,333)	(17,918)
Transfers among Funds	(1,125)	(1,125)
Net cash used in noncapital financing activities	(63,398)	(106,953)
NET INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT	2,359	4,843
Cash and cash equivalents on deposit at beginning of year	51,585	46,742
Cash and cash equivalents on deposit at end of year	$ 53,944	$ 51,585

(continued)

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF CASH FLOWS - CONTINUED
(in thousands)

Years ended June 30, 2015 and 2014

	2015	2014
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 3,906	$ 3,663
Adjustments to reconcile operating income to net cash provided by operating activities		
(Increase) decrease in assets		
Mortgage loans	(22,224)	(30,773)
Mortgage-backed securities	71,678	122,967
Accrued interest and other receivables	259	414
(Decrease) increase in liabilities		
Accrued interest payable	(1,495)	(3,732)
Accounts payable	22	(70)
Deposits by borrowers	4,303	1,384
Amortizations		
Investment premiums	5	4
Bond original discount	6	-
Decrease in provision for loan losses	-	(6)
(Increase) decrease in fair value of investments	(36)	27
Interest received on investments	(497)	(843)
Interest on bonds	9,333	17,918
Net cash provided by operating activities	$ 65,260	$ 110,953

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 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, 2015 and 2014, 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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, 2015 and 2014, 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.

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. Mortgage-backed securities are more fully described in Note 3.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Loans

Mortgage loans are carried at their unpaid principal balances, net of allowance for loan losses. Loan fees are recognized as revenue in the period received. Any single family mortgage loan in foreclosure with a pending insurance claim is recorded as other receivables. See Notes 4 and 11 for additional information on mortgage loans and mortgage insurance, respectively.

Allowance for Loan Losses

Substantially all of 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 11 for additional information.

Accrued Interest and Other Receivables

Accrued interest and other receivables include interest on loans and investments. 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.

Bonds Payable

Bonds payable are carried at their unpaid principal balances, net of unamortized original issue discounts or premiums. However, in an economic refunding, any costs incurred from the refunding of bonds would be reported as deferred outflows or inflows of resources on the Statements of Net Position. See Notes 6, 7, 8 and 9 for more information.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 9 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 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, 2015 and 2014, 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 recognized as revenue in the period received as fee income.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The employees of CDA are covered by the Maryland State Retirement and Pension System. See Note 12 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 that are held in the portfolio.

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.

(in thousands)

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.

The following assets, reported at fair value and held by the Fund as of June 30, 2015 and 2014, are evaluated in accordance with GASB accounting guidance for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Assets	2015	2014
Cash and cash equivalents:		
Federated Prime Cash Obligations Fund	$ 53,944	$ 51,585
Investments:		
Obligations of the U.S. Treasury	7,646	7,615
GNMA mortgage-backed securities	78,465	151,793
Total	$ 140,055	$ 210,993

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, 2015, 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 Prime Cash Obligations Fund	$ 53,944	$ 53,944	$ 53,944	$ -	$ -	$ -	$ -
Obligations of the U.S. Treasury	5,485	7,646	-	-	-	7,646	-
GNMA mortgage-backed securities	75,502	78,465	-	-	-	-	78,465
Total	$ 134,931	$ 140,055	$ 53,944	$ -	$ -	$ 7,646	$ 78,465

As of June 30, 2014, 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 Prime Cash Obligations Fund	$ 51,585	$ 51,585	$ 51,585	$ -	$ -	$ -	$ -
Obligations of the U.S. Treasury	5,490	7,615	-	-	-	7,615	-
GNMA mortgage-backed securities	147,180	151,793	-	-	-	-	151,793
Total	$ 204,255	$ 210,993	$ 51,585	$ -	$ -	$ 7,615	$ 151,793

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

The Federated Prime Cash Obligations Fund invests primarily in short-term, high-quality, fixed-income securities issued by banks, corporations and the U.S. Government. It is operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. It can reasonably be expected to have a fair value that will be unaffected by interest rate changes because the interest rates are variable and the principal can be recovered on demand. As noted above, as of June 30, 2015 and 2014, the cost of the money market mutual fund approximated fair value.

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 requires 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, 2015 and 2014, all counterparty ratings were at least equal to the ratings on the Fund's bonds. As of June 30, 2015 and 2014, the ratings on Housing Revenue Bonds 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.

(in thousands)

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

As of June 30, 2015, 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 Prime Cash Obligations Fund	$ 53,944	38.52%	Aaa		Moody's
Government National Mortgage Association (GNMA) Mortgage-backed securities	78,465	56.02%		Direct U.S. Obligations	
Obligations of the U.S. Treasury	7,646	5.46%		Direct U.S. Obligations	
Total	$ 140,055	100.00%			

As of June 30, 2014, 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 Prime Cash Obligations Fund	$ 51,585	24.45%	Aaa		Moody's
Government National Mortgage Association (GNMA) Mortgage-backed securities	151,793	71.94%		Direct U.S. Obligations	
Obligations of the U.S. Treasury	7,615	3.61%		Direct U.S. Obligations	
Total	$ 210,993	100.00%			

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

Mortgage-Backed Securities

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, 2015 and 2014, 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 the Federal Housing Administration (FHA), Maryland Housing Fund (MHF), Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (FNMA) or GNMA. As of June 30, 2015 and 2014, interest rates on such loans range from 0.75% to 7.85% and 0.875% to 7.85%, respectively, with remaining loan terms ranging from 1 month to 40 years and 5 months to 40 years, respectively. For the years ended June 30, 2015 and 2014, an allowance for loan losses in the amount of $37 has been established for uninsured loans.

(in thousands)

NOTE 5 - ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2015 and 2014 were as follows:

	2015	2014
Accrued mortgage loan interest	$ 614	$ 538
Accrued mortgage-backed securities interest	341	678
Accrued investment interest	46	46
Negative arbitrage due from mortgagors	42	40
	$ 1,043	$ 1,302

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, at a redemption price equal to the principal amount thereof to be redeemed. When bonds are redeemed, whether as a special or optional redemption, CDA writes off a proportionate share of any unamortized original issue premiums, net of any unamortized original issue discounts, as a gain on early retirement of debt in the accompanying Statements of Revenue, Expenses and Changes in Net Position. If unamortized original issue discounts exceed unamortized original issue premiums, CDA records a loss. The Fund’s bonds are tax-exempt and have fixed rates, except Series 2013 E which is a taxable, variable rate issue. The variable rate is set weekly by a remarketing agent so that the market value of the bonds is as close as possible to 100% of the principal amount of the bonds. In no event will these variable rate bonds bear interest at a rate in excess of 12%.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2015 and 2014

NOTE 6 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2015 and the debt outstanding and bonds payable as of June 30, 2015:

					Bond Activity					
	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2014	New bonds issued	Scheduled maturity payments	Bonds redeemed	Debt Outstanding at June 30, 2015	Bond discount/ premium deferred	Bonds payable at June 30, 2015
Housing Revenue Bonds										
Series 1996 A	11/01/96	5.80% - 5.95%	2016 - 2023	$ 5,600	$ -	$ (1,335)	$ (670)	$ 3,595	$ -	$ 3,595
Series 1996 B	11/01/96	5.875% - 5.95%	2016 - 2028	1,245	-	(60)	(100)	1,085	-	1,085
Series 2004 C	06/10/04	4.65% - 5.40%	2014 - 2047	6,710	-	(80)	(6,630)	-	-	-
Series 2004 D	11/23/04	4.35% - 5.00%	2015 - 2037	1,280	-	(45)	(1,235)	-	-	-
Series 2005 A	02/17/05	4.25% - 4.85%	2015 - 2047	5,915	-	(75)	(1,190)	4,650	-	4,650
Series 2005 B	04/21/05	4.25% - 5.10%	2014 - 2047	17,995	-	(230)	(17,765)	-	-	-
Series 2005 C	12/14/05	4.25% - 5.15%	2014 - 2047	11,450	-	(415)	(11,035)	-	-	-
Series 2006 A	04/27/06	4.35% - 5.05%	2014 - 2047	9,335	-	(125)	(9,210)	-	-	-
Series 2006 B	04/27/06	4.35% - 5.00%	2014 - 2039	2,520	-	(155)	(2,365)	-	-	-
Series 2006 C	04/27/06	4.00% - 4.75%	2014 - 2036	1,835	-	(45)	-	1,790	-	1,790
Series 2006 D	09/27/06	4.91%	7/1/2048	4,230	-	(50)	-	4,180	-	4,180
Series 2007 A	06/14/07	4.15% - 4.95%	2014 - 2049	20,215	-	(345)	(3,055)	16,815	-	16,815
Series 2007 B	08/30/07	5.51%	1/1/2038	4,625	-	(70)	-	4,555	-	4,555
Series 2007 C	12/20/07	5.38%	1/1/2043	1,460	-	(15)	-	1,445	-	1,445
Series 2008 A	05/29/08	5.24%	7/1/2038	5,330	-	(110)	-	5,220	-	5,220
Series 2008 B	05/29/08	5.63%	7/1/2049	9,960	-	(90)	-	9,870	-	9,870
Series 2008 C	09/19/08	5.60%	7/1/2048	7,135	-	(70)	-	7,065	-	7,065
Series 2008 D	12/18/08	5.25% - 6.75%	2018 - 2039	3,660	-	(60)	-	3,600	-	3,600
Series 2009 A	11/24/09	5.25%	7/1/2041	7,005	-	(250)	-	6,755	-	6,755
Series 2012 A	07/26/12	0.50% - 4.375%	2014 - 2054	9,320	-	(115)	-	9,205	-	9,205
Series 2012 B	08/30/12	0.45% - 4.125%	2014 - 2054	4,500	-	(55)	-	4,445	-	4,445
Series 2012 D	11/07/12	0.40% - 3.875%	2014 - 2054	4,700	-	(65)	-	4,635	-	4,635
Series 2013 A	02/28/13	0.55% - 4.00%	2015 - 2054	10,925	-	(75)	-	10,850	-	10,850
Series 2013 B	07/25/13	0.70% - 5.15%	2015 - 2055	11,915	-	-	(970)	10,945	-	10,945
Series 2013 C	07/25/13	0.50% - 5.50%	2014 - 2045	22,695	-	(765)	(17,965)	3,965	-	3,965
Series 2013 D	09/19/13	0.60% - 5.65%	2015 - 2055	10,790	-	-	(3,205)	7,585	-	7,585
Series 2013 E	11/07/13	Variable rate	7/1/2045	41,795	-	-	-	41,795	-	41,795
Series 2013 F	12/12/13	0.75% - 5.25%	2016 - 2055	16,255	-	-	-	16,255	-	16,255
Series 2014 A	02/27/14	0.30% - 5.00%	2015 - 2055	4,805	-	-	-	4,805	-	4,805
Series 2014 B	05/21/14	0.50% - 4.45%	2016 - 2055	3,790	-	-	-	3,790	-	3,790
Series 2014 C	08/21/14	0.45% - 4.05%	2016 - 2046	-	3,700	-	-	3,700	-	3,700
Series 2014 D	12/17/14	0.45% - 4.20%	2016 - 2056	-	10,060	-	-	10,060	-	10,060
Series 2015 A	05/28/15	0.80% - 4.55%	2017 - 2057	-	13,395	-	-	13,395	-	13,395
Total				$ 268,995	$ 27,155	$ (4,700)	$ (75,395)	$ 216,055	$ -	$ 216,055

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2015 and 2014

NOTE 6 - BONDS PAYABLE (Continued)

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

					Bond Activity					
	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2013	New bonds issued	Scheduled maturity payments	Bonds redeemed	Debt Outstanding at June 30, 2014	Bond discount/ premium deferred	Bonds payable at June 30, 2014
Housing Revenue Bonds										
Series 1996 A	11/01/96	5.80% - 5.95%	2016 - 2023	$ 8,135	$ -	$ (1,460)	$ (1,075)	$ 5,600	$ -	$ 5,600
Series 1996 B	11/01/96	5.875% - 5.95%	2016 - 2028	1,305	-	(60)	-	1,245	-	1,245
Series 1999 A	02/01/99	5.05% - 5.35%	2018 - 2041	14,420	-	(110)	(14,310)	-	-	-
Series 1999 D	12/01/99	5.90% - 6.35%	2013 - 2042	5,425	-	(140)	(5,285)	-	-	-
Series 2000 A	10/01/00	5.40% - 6.10%	2013 - 2042	17,705	-	(235)	(17,470)	-	-	-
Series 2001 B	10/01/01	5.10% - 5.45%	2016 - 2043	24,715	-	(245)	(24,470)	-	-	-
Series 2002 A	03/01/02	5.00% - 5.70%	2013 - 2043	8,705	-	(110)	(8,595)	-	-	-
Series 2002 B	10/01/02	3.95% - 5.05%	2013 - 2045	25,990	-	(345)	(25,645)	-	-	-
Series 2003 A	04/01/03	4.10% - 5.22%	2013 - 2045	22,995	-	(285)	(22,710)	-	-	-
Series 2003 C	09/01/03	4.30% - 5.90%	2013 - 2045	10,040	-	(115)	(9,925)	-	-	-
Series 2003 D	12/01/03	4.05% - 5.125%	2013 - 2045	11,215	-	(140)	(11,075)	-	-	-
Series 2004 B	03/31/04	3.50% - 4.70%	2013 - 2046	18,760	-	(375)	(18,385)	-	-	-
Series 2004 C	06/10/04	4.50% - 5.40%	2013 - 2047	33,595	-	(370)	(26,515)	6,710	-	6,710
Series 2004 D	11/23/04	4.35% - 5.00%	2015 - 2037	1,365	-	(85)	-	1,280	-	1,280
Series 2005 A	02/17/05	4.25% - 4.85%	2015 - 2047	5,995	-	(80)	-	5,915	-	5,915
Series 2005 B	04/21/05	4.15% - 5.10%	2013 - 2047	18,215	-	(220)	-	17,995	-	17,995
Series 2005 C	12/14/05	4.15% - 5.15%	2013 - 2047	11,845	-	(395)	-	11,450	-	11,450
Series 2006 A	04/27/06	4.30% - 5.05%	2013 - 2047	9,455	-	(120)	-	9,335	-	9,335
Series 2006 B	04/27/06	4.30% - 5.00%	2013 - 2039	2,670	-	(150)	-	2,520	-	2,520
Series 2006 C	04/27/06	3.90% - 4.75%	2013 - 2036	1,880	-	(45)	-	1,835	-	1,835
Series 2006 D	09/27/06	4.91%	7/1/2048	4,270	-	(40)	-	4,230	-	4,230
Series 2007 A	06/14/07	4.05% - 4.95%	2013 - 2049	20,550	-	(335)	-	20,215	-	20,215
Series 2007 B	08/30/07	5.51%	1/1/2038	4,690	-	(65)	-	4,625	-	4,625
Series 2007 C	12/20/07	5.38%	1/1/2043	1,480	-	(20)	-	1,460	-	1,460
Series 2008 A	05/29/08	5.24%	7/1/2038	5,435	-	(105)	-	5,330	-	5,330
Series 2008 B	05/29/08	5.63%	7/1/2049	10,040	-	(80)	-	9,960	-	9,960
Series 2008 C	09/19/08	5.60%	7/1/2048	7,380	-	(245)	-	7,135	-	7,135
Series 2008 D	12/18/08	4.125% - 6.75%	2013 - 2039	3,720	-	(60)	-	3,660	-	3,660
Series 2009 A	11/24/09	5.25%	7/1/2041	7,240	-	(235)	-	7,005	-	7,005
Series 2012 A	07/26/12	0.40% - 4.375%	2014 - 2054	9,340	-	(20)	-	9,320	-	9,320
Series 2012 B	08/30/12	0.45% - 4.125%	2014 - 2054	5,505	-	-	(1,005)	4,500	-	4,500
Series 2012 C	09/13/12	0.85%	9/1/2014	7,200	-	-	(7,200)	-	-	-
Series 2012 D	11/07/12	0.40% - 3.875%	2014 - 2054	4,700	-	-	-	4,700	-	4,700
Series 2013 A	02/28/13	0.55% - 4.00%	2015 - 2054	10,925	-	-	-	10,925	-	10,925
Series 2013 B	07/25/13	0.70% - 5.15%	2015 - 2055	-	11,915	-	-	11,915	-	11,915
Series 2013 C	07/25/13	0.50% - 5.50%	2014 - 2045	-	23,270	(575)	-	22,695	(6)	22,689
Series 2013 D	09/19/13	0.60% - 5.65%	2015 - 2055	-	10,790	-	-	10,790	-	10,790
Series 2013 E	11/07/13	Variable rate	7/1/2045	-	41,795	-	-	41,795	-	41,795
Series 2013 F	12/12/13	0.75% - 5.25%	2016 - 2055	-	16,255	-	-	16,255	-	16,255
Series 2014 A	02/27/14	0.30% - 5.00%	2015 - 2055	-	4,805	-	-	4,805	-	4,805
Series 2014 B	05/21/14	0.50% - 4.45%	2016 - 2055	-	3,790	-	-	3,790	-	3,790
Total				$ 356,905	$ 112,620	$ (6,865)	$ (193,665)	$ 268,995	$ (6)	$ 268,989

(in thousands)

NOTE 7 - DEBT SERVICE REQUIREMENTS

As of June 30, 2015, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2015 and excluding the effect of unamortized discounts/premiums 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
2016	$ 7,356	$ 9,785
2017	7,336	12,340
2018	7,153	2,705
2019	7,062	2,490
2020	6,971	2,385
2021 - 2025	33,099	14,855
2026 - 2030	29,680	16,550
2031 - 2035	25,345	20,700
2036 - 2040	19,754	24,895
2041 - 2045	13,811	24,455
2046 - 2050	7,484	65,795
2051 - 2055	2,590	17,515
2056 - 2060	64	1,585
Total	$ 167,705	$ 216,055

The interest calculations on outstanding variable rate bonds in the amount of $41,795 are based on the variable rate in effect on June 30, 2015 and are not indicative of the actual interest expense that will be incurred in future years. As rates vary, variable rate bond interest payments will vary.

(in thousands)

NOTE 7 - DEBT SERVICE REQUIREMENTS (Continued)

As of June 30, 2014, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2014 and excluding the effect of unamortized discounts/premiums 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
2015	$ 9,342	$ 60,940
2016	7,346	14,785
2017	7,109	6,330
2018	6,978	3,205
2019	6,871	2,650
2020 - 2024	32,566	15,105
2025 - 2029	28,936	16,915
2030 - 2034	24,590	19,470
2035 - 2039	19,278	23,965
2040 - 2044	13,307	23,230
2045 - 2049	7,254	65,475
2050 - 2054	2,524	14,460
2055 - 2059	104	2,465
Total	$ 166,205	$ 268,995

The interest calculations on outstanding variable rate bonds in the amount of $41,795 are based on the variable rate in effect on June 30, 2014 and are not indicative of the actual interest expense that will be incurred in future years. As rates vary, variable rate bond interest payments will vary.

NOTE 8 - BOND REFUNDINGS

For current refundings of debt in an optional redemption, CDA replaces previously issued bonds for the purpose of lowering debt costs by reducing interest rates or for other purposes such as revising payment schedules or modifying restrictions related to the old debt. This type of transaction is commonly known as an economic refunding.

During the fiscal year ended June 30, 2014, CDA issued and redeemed the following bonds as part of economic refundings:

> On July 25, 2013, CDA issued $23,270 of Series 2013 C bonds which refunded all or part of Series 1999 D, Series 2001 B and Series 2003 C on August 26, 2013. This refunding reduced total debt service payments for the remaining life of the bonds and resulted in an economic gain of $2,127.

> On November 7, 2013, CDA issued $41,795 of Series 2013 E bonds which refunded all of Series 1999 A, Series 2001 B and Series 2003 D on December 9, 2013. The Series 2013 E bonds are variable rate and exact savings cannot be calculated at this time.

In economic refundings, CDA defers the difference between the reacquisition price (i.e., the principal of the old debt, plus the call premium) and the net carrying amount of the old debt (i.e., the amount due at maturity, adjusted for any unamortized premium or discount related to the old debt). These deferrals would be reported as a deferred outflow or a deferred inflow of resources for the refunding of debt on the Statements of Net Position. This deferral would be amortized, using the effective interest method, over the remaining life of the old debt or the life of the new debt, whichever is shorter. As a result of the refundings described above, CDA did not have to defer any refunding debt costs associated with the refunded bonds. For the year ended June 30, 2015, CDA did not issue any refunding bonds for the purpose of lowering its cost of debt.

(in thousands)

NOTE 9 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended June 30, 2015 and 2014 were as follows:

	2015	2014
Bonds payable		
Beginning balance	$ 268,989	$ 356,899
Additions	27,155	112,620
Reductions	(80,095)	(200,530)
Change in deferred amounts for issuance discounts/premiums	6	-
Ending balance	216,055	268,989
Less due within one year	(9,785)	(60,940)
Total long-term bonds payable	206,270	208,049
Deposits by borrowers		
Beginning balance	9,339	7,955
Additions	6,704	4,447
Reductions	(2,401)	(3,063)
Ending balance	13,642	9,339
Less due within one year	(2,535)	(2,291)
Total long-term deposits by borrowers	11,107	7,048
Total long-term liabilities	$ 217,377	$ 215,097

(in thousands)

NOTE 10 - INTERFUND ACTIVITY

In accordance with the Resolution, net position in the Fund is 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, 2015 and 2014, the Fund transferred the following amounts, as permitted, among Funds:

	2015	2014
Excess revenue transferred to the General Bond Reserve Fund	$ (1,125)	$ (1,125)

NOTE 11 - 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.

NOTE 12 - PENSION AND OTHER POST-RETIREMENT BENEFITS

Eligible employees of CDA and employees of the State of Maryland are covered under the retirement plans of the State Retirement and Pension System of Maryland (the System) and are also entitled to certain healthcare benefits upon retirement. CDA's only obligation for retirement and post-employment benefits is its required annual contribution, which was paid in full by CDA to the State of Maryland prior to year end. The liability for the employees is recorded by the general fund of the State of Maryland and is not allocated to CDA. The System prepares a separate audited Comprehensive Annual Financial Report which can be obtained from the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202 or by visiting the website at www.sra.state.md.us.

NOTE 13 - SUBSEQUENT EVENTS

Events that occur after the date of the statement of net position 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 position are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the date of the statement of net position require disclosure in the accompanying notes. Management evaluated the activity of CDA through September 30, 2015 (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, 2015.

Subsequent to the year ended June 30, 2015, the following activity took place:

On July 20, 2015, CDA redeemed the following bonds:
Series 2013 F $3,950

On September 8, 2015, CDA redeemed the following bonds:
Series 1996 A $100

Community Development Administration
Housing Revenue Bonds

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

June 30, 2015 and 2014
(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 Position.

For investments (obligations of the U.S. Treasury) held by the Fund as of June 30, 2015, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and amortized cost:

Fiscal year ended June 30,	Annual increases/ decreases	Cumulative total
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
2011	$ (280)	$ 1,599
2012	$ 1,283	$ 2,882
2013	$ (730)	$ 2,152
2014	$ (27)	$ 2,125
2015	$ 36	$ 2,161

Community Development Administration
Housing Revenue Bonds

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

June 30, 2015 and 2014
(Unaudited)

For mortgage-backed securities held by the Fund as of June 30, 2015, 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
2011	$ (7,348)	$ 12,495
2012	$ 6,303	$ 18,798
2013	$ (8,491)	$ 10,307
2014	$ (5,694)	$ 4,613
2015	$ (1,650)	$ 2,963