COMMUNITY DEVELOPMENT ADMINISTRATION
HOUSING REVENUE BONDS

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

COMMUNITY DEVELOPMENT ADMINISTRATION
HOUSING REVENUE BONDS
YEARS ENDED JUNE 30, 2018 AND 2017

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

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

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, which comprise the statements of net position as of June 30, 2018 and 2017 and the related statements of revenues, expenses and changes in net position, and cash flows, for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 auditors' 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 financial position of the Fund as of June 30, 2018 and 2017, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Financial Statement Presentation

As discussed in Note 1, the financial statements present only the Fund 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, 2018 and 2017, and the changes in its net position and its cash flows, in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Other 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 21–22, 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 do not express an opinion, or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 28, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Fund's 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
September 28, 2018

COMMUNITY DEVELOPMENT ADMINISTRATION
HOUSING REVENUE BONDS
STATEMENTS OF NET POSITION
(in thousands)
JUNE 30, 2018 AND 2017

	2018	2017
RESTRICTED ASSETS		
RESTRICTED CURRENT ASSETS		
Cash and Cash Equivalents on Deposit	$ 119,083	$ 89,209
Mortgage-Backed Securities	922	951
Mortgage Loans:		
Single Family	2	2
Multi-Family Construction and Permanent Financing	2,236	2,331
Accrued Interest and Other Receivables	1,383	1,159
Total Restricted Current Assets	123,626	93,652
RESTRICTED LONG-TERM ASSETS		
Investments	6,922	7,380
Mortgage-Backed Securities, Net of Current Portion	45,163	54,052
Mortgage Loans, Net of Current Portion and Allowance:		
Single Family	7	9
Multi-Family Construction and Permanent Financing	222,230	205,528
Total Restricted Long-Term Assets	274,322	266,969
Total Restricted Assets	$ 397,948	$ 360,621
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accrued Interest Payable	$ 4,754	$ 4,433
Accounts Payable	87	150
Bonds Payable	14,675	2,300
Due to Multi-Family Projects	1,416	26,271
Deposits by Borrowers	4,511	4,670
Total Current Liabilities	25,443	37,824
LONG-TERM LIABILITIES		
Bonds Payable, Net of Current Portion	305,495	257,540
Deposits by Borrowers, Net of Current Portion	16,049	14,049
Total Long-Term Liabilities	321,544	271,589
Total Liabilities	346,987	309,413
NET POSITION		
Restricted	50,961	51,208
Total Liabilities and Net Position	$ 397,948	$ 360,621

See accompanying 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, 2018 AND 2017

	2018	2017
OPERATING REVENUE		
Interest on Mortgage Loans	$ 10,170	$ 8,906
Interest on Mortgage-Backed Securities	2,548	2,827
Interest Income on Investments	1,154	551
Decrease in Fair Value of Investments	(454)	(666)
Fee Income	781	687
Total Operating Revenue	14,199	12,305
OPERATING EXPENSES		
Interest Expense on Bonds	9,914	8,484
Professional Fees and Other Operating Expenses	509	521
Bond Issuance Costs	103	-
Total Operating Expenses	10,526	9,005
Operating Income	3,673	3,300
NONOPERATING EXPENSES		
Decrease in Fair Value of Mortgage-Backed Securities	(1,920)	(2,551)
Transfer of Funds, as Permitted by the Resolution	(2,000)	(2,000)
CHANGE IN NET POSITION	(247)	(1,251)
NET POSITION - RESTRICTED AT BEGINNING OF YEAR	51,208	52,459
NET POSITION - RESTRICTED AT END OF YEAR	$ 50,961	$ 51,208

See accompanying Notes to Financial Statements.

COMMUNITY DEVELOPMENT ADMINISTRATION
HOUSING REVENUE BONDS
STATEMENTS OF CASH FLOWS
(in thousands)
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Principal and Interest Received on Mortgage Loans	$ 15,063	$ 21,851
Principal and Interest Received on Mortgage-Backed Securities	9,577	3,758
Escrow Funds Received	9,912	8,041
Escrow Funds Paid	(8,071)	(4,512)
Loan Fees Received	781	687
Purchase of Mortgage Loans	(21,657)	(18,776)
Disbursement of Loans to Projects	(24,855)	-
Professional Fees and Other Operating Expenses	(515)	(513)
Other Reimbursements	(57)	142
Net Cash (Used) Provided by Operating Activities	(19,822)	10,678
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Maturities or Sales of Investments	-	2,384
Interest Received on Investments	1,062	584
Net Cash Provided by Investing Activities	1,062	2,968
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from the Sale of Bonds	71,185	46,450
Payments on Bond Principal	(10,855)	(12,995)
Bond Issuance Costs	(103)	-
Interest on Bonds	(9,593)	(8,075)
Transfers Among Funds	(2,000)	(2,000)
Net Cash Provided by Financing Activities	48,634	23,380
NET INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT	29,874	37,026
CASH AND CASH EQUIVALENTS ON DEPOSIT - BEGINNING OF YEAR	89,209	52,183
CASH AND CASH EQUIVALENTS ON DEPOSIT - END OF YEAR	$ 119,083	$ 89,209

See accompanying Notes to Financial Statements.

COMMUNITY DEVELOPMENT ADMINISTRATION
HOUSING REVENUE BONDS
STATEMENTS OF CASH FLOWS (CONTINUED)
(in thousands)
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
RECONCILIATION OF OPERATING INCOME TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$ 3,673	$ 3,300
Adjustments to Reconcile Operating Income to Net Cash (Used) Provided by Operating Activities:		
Amortization of Investment Premiums	4	28
Decrease in Fair Value of Investments	454	666
Bond Issuance Costs	103	-
Interest Received on Investments	(1,062)	(584)
Interest on Bonds	9,593	8,075
(Increase) Decrease in Assets:		
Mortgage Loans	(16,605)	(32,038)
Mortgage-Backed Securities	6,998	927
Accrued Interest and Other Receivables	(224)	(55)
Increase (Decrease) in Liabilities:		
Accrued Interest Payable	321	409
Accounts Payable	(63)	150
Due to Multi-Family Projects	(24,855)	26,271
Deposits by Borrowers	1,841	3,529
Net Cash (Used) Provided by Operating Activities	$ (19,822)	$ 10,678

See accompanying 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, 2018 and 2017, 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).

Basis of Accounting and Measurement Focus

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

Generally Accepted Accounting Principles

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

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

Since CDA is an enterprise fund included in the State of Maryland's Comprehensive Annual Financial Report, a separate Management's Discussion and Analysis is not included in these 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018 and 2017, 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.

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. 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)

Due to Multi-Family Projects

On some multi-family mortgage loans CDA records the total loan amount when the loan closes and collects interest from the multi-family projects on the full loan amount from the date of closing. Due to Multi-Family Projects represents the undrawn loan amount which is held by CDA as an escrow until the funds are needed by the projects.

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. CDA has set up other escrows for construction interest which are classified based on loan interest due as to whether it is a current or long-term liability. 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, 2018 and 2017, 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.

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.

(in thousands)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 within 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.

Reclassifications

Certain reclassifications have been made in the 2017 financial statements to conform to the classifications used in 2018. These relate to the reclassification of certain operating revenues and have no effect on net position or the change in net position.

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, 2018 and 2017, are evaluated in accordance with GASB accounting guidance for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Assets	2018	2017
Cash and Cash Equivalents:		
BlackRock Liquidity FedFund Administration Shares	$ 119,083	$ 89,209
Investments:		
Obligations of the U.S. Treasury	6,922	7,380
Mortgage-Backed Securities:		
GNMA Mortgage-Backed Securities	46,085	55,003
Total	$ 172,090	$ 151,592

(in thousands)

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

As of June 30, 2018, 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	More Than 15
BlackRock Liquidity FedFund Administration Shares	$ 119,083	$ 119,083	$ 119,083	$ -	$ -	$ -
Obligations of the U.S. Treasury	5,472	6,922	-	-	6,922	-
GNMA Mortgage-Backed Securities	45,361	46,085	-	-	-	46,085
Total	$ 169,916	$ 172,090	$ 119,083	$ -	$ 6,922	$ 46,085

As of June 30, 2017, 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	More Than 15
BlackRock Liquidity FedFund Administration Shares	$ 89,209	$ 89,209	$ 89,209	$ -	$ -	$ -
Obligations of the U.S. Treasury	5,476	7,380	-	-	7,380	-
GNMA Mortgage-Backed Securities	52,359	55,003	-	-	-	55,003
Total	$ 147,044	$ 151,592	$ 89,209	$ -	$ 7,380	$ 55,003

The BlackRock Liquidity FedFund Administration Shares invests primarily in cash, U.S. Treasury bills, notes, and other obligations issued or guaranteed as to principal and interest by the U.S. Government, its agencies or instrumentalities, and repurchase agreements secured by such obligations or cash. It is operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. It can reasonably be expected to have a fair value that will be unaffected by interest rate changes because the interest rates are variable and the principal can be recovered on demand. As noted above, as of June 30, 2018 and 2017, the cost of the money market mutual fund approximated fair value.

(in thousands)

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

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither CDA's Investment Policy nor the 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, 2018 and 2017, all counterparty ratings were at least equal to the ratings on the Fund's bonds. As of June 30, 2018 and 2017, 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% or more of total investments in accordance with accounting guidance issued by GASB.

As of June 30, 2018, 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
BlackRock Liquidity FedFund Administration Shares	$ 119,083	69.20%	Aaa		Moody's
Government National Mortgage Association (GNMA) Mortgage-Backed Securities	46,085	26.78%		Direct U.S. Obligations	
Obligations of the U.S. Treasury	6,922	4.02%		Direct U.S. Obligations	
Total	$ 172,090	100.00%			

(in thousands)

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

Credit Risk and Concentration of Credit Risk (continued)

As of June 30, 2017, 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
BlackRock Liquidity FedFund Administration Shares	$ 89,209	58.85%	Aaa		Moody's
Government National Mortgage Association (GNMA) Mortgage-Backed Securities	55,003	36.28%		Direct U.S. Obligations	
Obligations of the U.S. Treasury	7,380	4.87%		Direct U.S. Obligations	
Total	$ 151,592	100.00%			

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, 2018 and 2017, 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.

Fair Value Measurements

CDA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Fund has the following recurring fair value measurements as of June 30, 2018 and 2017:

- U.S. Treasury Bonds and/or U.S. Government Agencies of $6,922 and $7,380, respectively, are valued using quoted market prices (Level 1)
- GNMA mortgage-backed securities of $46,085 and $55,003, respectively, are valued using the matrix pricing technique (Level 2)

(in thousands)

NOTE 4 MORTGAGE LOANS

All multi-family 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 National Mortgage Association (FNMA), GNMA, or bank letters of credit. As of June 30, 2018 and 2017, interest rates on such loans range from 1.80% to 7.00% and 1.80% to 7.23%, respectively, with remaining loan terms ranging from less than 1 year to 40 years. For the years ended June 30, 2018 and 2017, an allowance for loan losses in the amount of $35 has been established for uninsured loans.

NOTE 5 ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2018 and 2017 were as follows:

	2018	2017
Accrued Mortgage Loan Interest	$ 922	$ 828
Accrued Mortgage-Backed Securities Interest	203	234
Accrued Investment Interest	183	88
Negative Arbitrage Due from Mortgagors	75	9
Total	$ 1,383	$ 1,159

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%.

(in thousands)

NOTE 6 BONDS PAYABLE (CONTINUED)

The following is a summary of the bond activity for the year ended June 30, 2018 and bonds payable as of June 30, 2018:

	Issue Dated	Range of Interest Rates	Range of Maturities	Bonds Payable at June 30, 2017	Bond Activity: New Bonds Issued	Bond Activity: Scheduled Maturity Payments	Bond Activity: Bonds Redeemed	Bonds Payable at June 30, 2018
Housing Revenue Bonds								
Series 1996 A	11/01/96	5.95%	7/1/2023	$ 1,665	$ -	$ (190)	$ (1,475)	$ -
Series 1996 B	11/01/96	5.95%	7/1/2028	965	-	(70)	(895)	-
Series 2006 C	04/27/06	4.15% - 4.75%	2017 - 2036	330	-	(10)	(320)	-
Series 2006 D	09/27/06	4.91%	7/1/2048	4,080	-	(50)	-	4,030
Series 2007 B	08/30/07	5.51%	1/1/2038	4,400	-	(85)	-	4,315
Series 2007 C	12/20/07	5.38%	1/1/2043	1,405	-	(20)	-	1,385
Series 2008 A	05/29/08	5.24%	7/1/2038	4,975	-	(130)	-	4,845
Series 2008 B	05/29/08	5.63%	7/1/2049	9,660	-	(110)	-	9,550
Series 2008 C	09/19/08	5.60%	7/1/2048	6,910	-	(80)	-	6,830
Series 2008 D	12/18/08	5.25% - 6.75%	2018 - 2039	3,470	-	(70)	-	3,400
Series 2009 A	11/24/09	5.25%	7/1/2041	6,220	-	(145)	-	6,075
Series 2012 A	07/26/12	1.50% - 4.375%	2017 - 2054	8,965	-	(120)	-	8,845
Series 2012 B	08/30/12	1.40% - 4.125%	2017 - 2054	4,325	-	(60)	-	4,265
Series 2012 D	11/07/12	1.20% - 3.875%	2017 - 2054	4,500	-	(70)	-	4,430
Series 2013 A	02/28/13	1.10% - 4.00%	2017 - 2054	10,550	-	(150)	-	10,400
Series 2013 B	07/25/13	1.60% - 5.15%	2017 - 2055	10,530	-	(125)	(885)	9,520
Series 2013 D	09/19/13	1.60% - 5.65%	2017 - 2055	5,050	-	(50)	(5,000)	-
Series 2013 E	11/07/13	Variable Rate	7/1/2045	41,795	-	-	-	41,795
Series 2013 F	12/12/13	1.20% - 5.25%	2017 - 2055	12,175	-	(130)	-	12,045
Series 2014 A	02/27/14	0.90% - 5.00%	2017 - 2055	4,705	-	(55)	-	4,650
Series 2014 B	05/21/14	1.00% - 4.45%	2017 - 2055	1,255	-	(15)	-	1,240
Series 2014 C	08/21/14	0.80% - 4.05%	2017 - 2046	2,340	-	(50)	-	2,290
Series 2014 D	12/17/14	0.80% - 4.20%	2017 - 2056	9,895	-	(130)	-	9,765
Series 2015 A	05/28/15	0.90% - 4.55%	2017 - 2057	7,960	-	(90)	-	7,870
Series 2015 B	10/07/15	0.85% - 4.50%	2018 - 2057	45,265	-	(275)	-	44,990
Series 2016 A	12/14/16	1.30% - 4.40%	2018 - 2058	15,730	-	-	-	15,730
Series 2017 A	04/13/17	1.35% - 3.95%	2019 - 2058	18,720	-	-	-	18,720
Series 2017 B	05/10/17	1.40% - 3.75%	2019 - 2059	12,000	-	-	-	12,000
Series 2017 C	12/18/17	1.55% - 3.80%	2019 - 2059	-	28,755	-	-	28,755
Series 2018 A	05/31/18	1.70% - 4.25%	2019 - 2060	-	42,430	-	-	42,430
Total				$ 259,840	$ 71,185	$ (2,280)	$ (8,575)	$ 320,170

(in thousands)

NOTE 6 BONDS PAYABLE (CONTINUED)

The following is a summary of the bond activity for the year ended June 30, 2017 and bonds payable as of June 30, 2017:

	Issue Dated	Range of Interest Rates	Range of Maturities	Bonds Payable at June 30, 2016	Bond Activity: New Bonds Issued	Bond Activity: Scheduled Maturity Payments	Bond Activity: Bonds Redeemed	Bonds Payable at June 30, 2017
Housing Revenue Bonds								
Series 1996 A	11/01/96	5.875% - 5.95%	2016 - 2023	$ 2,375	$ -	$ (710)	$ -	$ 1,665
Series 1996 B	11/01/96	5.875% - 5.95%	2016 - 2028	1,025	-	(60)	-	965
Series 2006 C	04/27/06	4.10% - 4.75%	2016 - 2036	1,125	-	(50)	(745)	330
Series 2006 D	09/27/06	4.91%	7/1/2048	4,130	-	(50)	-	4,080
Series 2007 B	08/30/07	5.51%	1/1/2038	4,480	-	(80)	-	4,400
Series 2007 C	12/20/07	5.38%	1/1/2043	1,425	-	(20)	-	1,405
Series 2008 A	05/29/08	5.24%	7/1/2038	5,100	-	(125)	-	4,975
Series 2008 B	05/29/08	5.63%	7/1/2049	9,765	-	(105)	-	9,660
Series 2008 C	09/19/08	5.60%	7/1/2048	6,990	-	(80)	-	6,910
Series 2008 D	12/18/08	5.25% - 6.75%	2018 - 2039	3,540	-	(70)	-	3,470
Series 2009 A	11/24/09	5.25%	7/1/2041	6,495	-	(275)	-	6,220
Series 2012 A	07/26/12	1.10% - 4.375%	2016 - 2054	9,085	-	(120)	-	8,965
Series 2012 B	08/30/12	1.10% - 4.125%	2016 - 2054	4,385	-	(60)	-	4,325
Series 2012 D	11/07/12	0.90% - 3.875%	2016 - 2054	4,570	-	(70)	-	4,500
Series 2013 A	02/28/13	0.85% - 4.00%	2016 - 2054	10,700	-	(150)	-	10,550
Series 2013 B	07/25/13	1.30% - 5.15%	2016 - 2055	10,655	-	(125)	-	10,530
Series 2013 D	09/19/13	1.10% - 5.65%	2016 - 2055	5,100	-	(50)	-	5,050
Series 2013 E	11/07/13	Variable Rate	7/1/2045	41,795	-	-	-	41,795
Series 2013 F	12/12/13	0.75% - 5.25%	2016 - 2055	12,305	-	(130)	-	12,175
Series 2014 A	02/27/14	0.55% - 5.00%	2016 - 2055	4,760	-	(55)	-	4,705
Series 2014 B	05/21/14	0.50% - 4.45%	2016 - 2055	1,270	-	(15)	-	1,255
Series 2014 C	08/21/14	0.45% - 4.05%	2016 - 2046	3,700	-	(1,360)	-	2,340
Series 2014 D	12/17/14	0.55% - 4.20%	2016 - 2056	10,015	-	(120)	-	9,895
Series 2015 A	05/28/15	0.80% - 4.55%	2017 - 2057	13,395	-	(940)	(4,495)	7,960
Series 2015 B	10/07/15	0.85% - 4.50%	2018 - 2057	48,200	-	-	(2,935)	45,265
Series 2016 A	12/14/16	1.30% - 4.40%	2018 - 2058	-	15,730	-	-	15,730
Series 2017 A	04/13/17	1.35% - 3.95%	2019 - 2058	-	18,720	-	-	18,720
Series 2017 B	05/10/17	1.40% - 3.75%	2019 - 2059	-	12,000	-	-	12,000
Total				$ 226,385	$ 46,450	$ (4,820)	$ (8,175)	$ 259,840

(in thousands)

NOTE 7 DEBT SERVICE REQUIREMENTS

As of June 30, 2018, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2018) and interest payments for each of the next five years and in five-year increments thereafter, were as follows:

Year Ending June 30,	Interest	Principal
2019	$ 10,871	$ 14,675
2020	11,182	33,645
2021	10,576	3,565
2022	10,471	3,680
2023	10,357	3,610
2024 - 2028	49,837	19,020
2029 - 2033	45,732	22,405
2034 - 2038	40,281	28,480
2039 - 2043	33,594	29,285
2044 - 2048	24,820	74,575
2049 - 2053	15,220	34,245
2054 - 2058	7,833	27,590
2059 - 2060	640	25,395
Total	$ 271,414	$ 320,170

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, 2018 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, 2017 the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2017) and interest payments for each of the next five years and in five-year increments thereafter, were as follows:

Year Ending June 30,	Interest	Principal
2018	$ 9,589	$ 2,300
2019	9,459	14,930
2020	9,123	8,350
2021	9,031	3,105
2022	8,914	3,215
2023 - 2027	42,696	16,155
2028 - 2032	39,079	18,755
2033 - 2037	34,373	23,365
2038 - 2042	28,423	26,075
2043 - 2047	21,766	68,680
2048 - 2052	13,457	28,415
2053 - 2057	7,056	23,865
2058 - 2060	1,283	22,630
Total	$ 234,249	$ 259,840

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, 2017 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, 2018, CDA issued and redeemed the following bonds as part of an economic refunding:

> On May 31, 2018, CDA issued $42,430 of Series 2018 A bonds which refunded all of Series 1996 A and Series 1996 B bonds on June 18, 2018. This refunding reduced total debt service payments for the remaining life of the bonds and resulted in an economic gain of $315.

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. During the fiscal year ended June 30, 2017, CDA did not issue any refunding bonds.

(in thousands)

NOTE 9 LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended June 30, 2018 and 2017 were as follows:

	2018	2017
Bonds Payable:		
Beginning Balance at June 30	$ 259,840	$ 226,385
Additions	71,185	46,450
Reductions	(10,855)	(12,995)
Ending Balance at June 30	320,170	259,840
Less: Due Within One Year	(14,675)	(2,300)
Total Long-Term Bonds Payable	305,495	257,540
Deposits by Borrowers:		
Beginning Balance at June 30	18,719	15,190
Additions	9,912	8,041
Reductions	(8,071)	(4,512)
Ending Balance at June 30	20,560	18,719
Less: Due Within One Year	(4,511)	(4,670)
Total Long-Term Deposits by Borrowers	16,049	14,049
Total Long-Term Liabilities	$ 321,544	$ 271,589

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, 2018 and 2017, the Fund transferred the following amounts, as permitted, among Funds:

	2018	2017
Excess Revenue Transferred to the General Bond Reserve Fund	$ (2,000)	$ (2,000)

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

CDA has identified the following activity that occurred subsequent to June 30, 2018.

Subsequent to the year ended June 30, 2018, CDA redeemed $2,360 of Series 2016 A bonds on July 30, 2018.

COMMUNITY DEVELOPMENT ADMINISTRATION
HOUSING REVENUE BONDS
SUPPLEMENTAL DISCLOSURE OF CHANGES IN FAIR VALUE OF INVESTMENTS AND MORTGAGE-BACKED SECURITIES
(in thousands)
JUNE 30, 2018 AND 2017

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, 2018, 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
2016	$ 409	$ 2,570
2017	$ (666)	$ 1,904
2018	$ (454)	$ 1,450

SUPPLEMENTAL DISCLOSURE OF CHANGES IN FAIR VALUE OF INVESTMENTS AND MORTGAGE-BACKED SECURITIES (CONTINUED)
(in thousands)
JUNE 30, 2018 AND 2017

For mortgage-backed securities held by the Fund as of June 30, 2018, 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
2016	$ 2,232	$ 5,195
2017	$ (2,551)	$ 2,644
2018	$ (1,920)	$ 724