Reznick Group

COMBINED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS

JUNE 30, 2008

Community Development Administration
Infrastructure Program Funds

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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 combined financial statements of the Community Development Administration Infrastructure Program Funds (the Funds) of the Department of Housing and Community Development of the State of Maryland as of and for the year ended June 30, 2008, as listed in the table of contents. These combined financial statements are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the combined financial statements present only the Community Development Administration Infrastructure Program Funds and do not purport to, and do not, present fairly the financial position of the Department of Housing and Community Development of the State of Maryland as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the combined financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the Community Development Administration Infrastructure Program Funds of the Department of Housing and Community Development of the State of Maryland as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Reznick Group, P.C.

Baltimore, Maryland
September 26, 2008

Atlanta ■ Austin ■ Baltimore ■ Bethesda ■ Birmingham ■ Charlotte ■ Chicago ■ Los Angeles ■ Sacramento ■ Tysons Corner

Community Development Administration
Infrastructure Program Funds

COMBINED STATEMENT OF NET ASSETS
(in thousands)

June 30, 2008
(with comparative combined totals as of June 30, 2007)

	Infrastructure Financing Bonds (AMBAC Insured)	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Combined 2008	Combined 2007
RESTRICTED ASSETS					
Restricted current assets					
Cash and cash equivalents on deposit with trustee	$ 73	$ 820	$ 30,769	$ 31,662	$ 19,063
Community facilities loans	60	3,277	4,400	7,737	6,881
Accrued interest and other receivables	3	419	214	636	669
Total restricted current assets	136	4,516	35,383	40,035	26,613
Restricted long-term assets					
Community facilities loans, net of current portion	190	38,343	88,207	126,740	113,015
Other receivables, net of current portion	-	321	-	321	388
Total restricted long-term assets	190	38,664	88,207	127,061	113,403
Total restricted assets	$ 326	$ 43,180	$ 123,590	$ 167,096	$ 140,016
LIABILITIES AND NET ASSETS					
Current liabilities					
Accrued interest payable	$ 1	$ 180	$ 309	$ 490	$ 454
Accounts payable	-	2	-	2	23
Bonds payable	60	3,470	4,400	7,930	8,430
Due to local governments	-	-	30,326	30,326	16,036
Total current liabilities	61	3,652	35,035	38,748	24,943
Long-term liabilities					
Bonds payable, net of current portion	190	38,685	88,325	127,200	113,600
Other liabilities - advance trustee fees	18	194	14	226	218
Total long-term liabilities	208	38,879	88,339	127,426	113,818
Total liabilities	269	42,531	123,374	166,174	138,761
NET ASSETS					
Restricted	57	649	216	922	1,255
Total liabilities and net assets	$ 326	$ 43,180	$ 123,590	$ 167,096	$ 140,016

See notes to combined financial statements

Community Development Administration
Infrastructure Program Funds

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

Year ended June 30, 2008
(with comparative combined totals as of June 30, 2007)

	Infrastructure Financing Bonds (AMBAC Insured)	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Combined 2008	Combined 2007
Operating revenue					
Interest on community facilities loans	$ 37	$ 2,311	$ 3,503	$ 5,851	$ 5,246
Interest income on cash equivalents	15	39	33	87	134
Fee income	-	-	40	40	27
	52	2,350	3,576	5,978	5,407
Operating expenses					
Interest expense on bonds	46	2,331	3,492	5,869	5,260
Trustee fees	2	-	-	2	7
	48	2,331	3,492	5,871	5,267
Operating income	4	19	84	107	140
Transfers of funds, net, as permitted by the Resolution	(440)	-	-	(440)	-
CHANGES IN NET ASSETS	(436)	19	84	(333)	140
Net assets - restricted at beginning of year	493	630	132	1,255	1,115
Net assets - restricted at end of year	$ 57	$ 649	$ 216	$ 922	$ 1,255

See notes to combined financial statements

Community Development Administration
Infrastructure Program Funds

COMBINED STATEMENT OF CASH FLOWS
(in thousands)

Year ended June 30, 2008
(with comparative combined totals as of June 30, 2007)

	Infrastructure Financing Bonds (AMBAC Insured)	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Combined 2008	Combined 2007
Cash flows from operating activities					
Principal and interest received on community facilities loans	$ 1,032	$ 7,187	$ 7,728	$ 15,947	$ 13,160
Origination of community facilities loans	-	-	(10,285)	(10,285)	(14,968)
Advance trustee fees received	2	44	36	82	79
Trustee fees paid	(6)	(36)	(34)	(76)	(75)
Loan fees received	-	-	29	29	47
Other reimbursements	-	(21)	-	(21)	23
Net cash provided by (used in) operating activities	1,028	7,174	(2,526)	5,676	(1,734)
Cash flows from investing activities					
Interest received on cash equivalents	16	44	36	96	128
Net cash provided by investing activities	16	44	36	96	128
Cash flows from noncapital financing activities					
Proceeds from sale of bonds	-	-	24,575	24,575	11,460
Payments on bond principal	(985)	(6,230)	(4,260)	(11,475)	(6,415)
Interest on bonds	(51)	(2,357)	(3,425)	(5,833)	(5,299)
Transfers among Funds	(440)	-	-	(440)	-
Net cash (used in) provided by noncapital financing activities	(1,476)	(8,587)	16,890	6,827	(254)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	(432)	(1,369)	14,400	12,599	(1,860)
Cash and cash equivalents on deposit with trustee at beginning of year	505	2,189	16,369	19,063	20,923
Cash and cash equivalents on deposit with trustee at end of year	$ 73	$ 820	$ 30,769	$ 31,662	$ 19,063

(continued)

Community Development Administration
Infrastructure Program Funds

COMBINED STATEMENT OF CASH FLOWS - CONTINUED
(in thousands)

Year ended June 30, 2008
(with comparative combined totals as of June 30, 2007)

	Infrastructure Financing Bonds (AMBAC Insured)	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Combined	
				2008	2007
Reconciliation of operating income to net cash provided by (used in) operating activities					
Operating income	$ 4	$ 19	$ 84	$ 107	$ 140
Adjustments to reconcile operating income to net cash provided by (used in) operating activities					
Decrease (increase) in community facilities loans	985	4,760	(20,315)	(14,570)	(3,576)
Decrease (increase) in accrued interest and other receivables	11	121	(32)	100	24
(Decrease) increase in accrued interest payable	(5)	(26)	67	36	(39)
(Decrease) increase in accounts payable	-	(21)	-	(21)	23
(Decrease) increase in due to local governments and other liabilities	(2)	8	14,292	14,298	(3,497)
Amortization of deferred income on loans	-	-	(11)	(11)	(9)
Loan fees deferred	-	-	-	-	29
Interest received on cash and cash equivalents	(16)	(44)	(36)	(96)	(128)
Interest on bonds	51	2,357	3,425	5,833	5,299
Net cash provided by (used in) operating activities	$ 1,028	$ 7,174	$ (2,526)	$ 5,676	$ (1,734)

See notes to combined financial statements

NOTES TO COMBINED FINANCIAL STATEMENTS
(in thousands)

June 30, 2008

NOTE 1 - AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION

The Community Development Administration (CDA) is authorized to issue Infrastructure Program Bonds pursuant to Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland to provide a mechanism for financing the infrastructure needs of local governments. CDA is in the Division of Development Finance in the Department of Housing and Community Development (DHCD) of the State of Maryland.

The accompanying combined financial statements only include CDA's Infrastructure Program Funds (the Funds). CDA's other programs are not included. However, CDA has also separately issued combined financial statements for the Revenue Obligation Funds. Both the Infrastructure Program Funds and the Revenue Obligation Funds are enterprise funds of the State of Maryland and are included in the State of Maryland's Comprehensive Annual Financial Report.

Infrastructure Program Funds include three fund groups: Infrastructure Financing Bonds (AMBAC Insured), Infrastructure Financing Bonds (MBIA Insured), and Local Government Infrastructure Bonds (Ambac Insured). Within each fund group are separate accounts maintained for each obligation in accordance with the respective resolutions and series resolutions. All bonds in the Infrastructure Program Funds were issued to provide funds for construction and permanent financing to local governments for public facilities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Infrastructure Program Funds are accounted for as enterprise funds. Accordingly, the accompanying combined financial statements have been prepared using the accrual method of accounting and on the basis of accounting principles generally accepted in the United States of America (GAAP).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Generally Accepted Accounting Principles

CDA reports its financial activities by applying Standards of Governmental Accounting and Financial Reporting as promulgated by the Governmental Accounting Standards Board (GASB). 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.

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 Funds are restricted as to their use as all net assets are pledged to bondholders.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2008, all of the Funds' cash equivalents are invested in a money market mutual fund which is more fully described in Note 3.

Community Facilities Loans

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

Allowance for Loan Losses

Community facilities loans are secured by the full faith and credit of the applicable local government. Therefore, CDA has determined that no allowance for loan losses was necessary as of June 30, 2008.

Accrued Interest and Other Receivables

Accrued interest includes both interest on cash deposits and interest on loans. As of June 30, 2008, all loans were current. Therefore, all accrued interest on loans was recorded during the year. Other receivables include additional principal due from local governments on refunded bonds. See Note 5 for additional information.

Bonds Payable

Bonds payable are carried at their unpaid principal balances. There are no premiums or discounts to amortize. See Notes 6, 7, 8, and 9 for additional information.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due to Local Governments

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

Fee Income

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

Administrative Support

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

The employees of CDA are covered by the Maryland State Retirement and Pension System and the costs of employees' retirement benefits are included in the salaries and related costs charged to CDA's General Bond Reserve Fund. See Note 10 for additional information.

Revenue and Expenses

CDA distinguishes operating revenue and expenses from non-operating items in conformity with GASB Statement No. 34. Operating revenue and expenses are identified as those activities that are directly related to financing public facilities for local governments. All of the Funds' activities are considered to be operating.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Combined Totals

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

NOTE 3 - CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE

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

As of June 30, 2008, the Funds had $31,662 invested in a money market mutual fund (Federated Treasury Obligations Fund) which is classified as cash and cash equivalents. The following represents the GASB Statement No. 40 evaluation of this asset for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

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

Interest Rate Risk

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

The Federated Treasury Obligations Fund invests primarily in repurchase agreements collateralized by Treasury securities and U.S. Treasuries. It is operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. It can reasonably be expected to have a fair value that will be unaffected by interest rate changes because the interest rates are variable and the principal can be recovered on demand. As of June 30, 2008, the cost of this money market mutual fund approximated fair value and its maturity is less than one year.

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither CDA's Investment Policy nor the resolutions require investment agreements or deposits to be collateralized. CDA's Investment Policy places no limit on the amount that CDA may invest in any one issuer or counterparty. According to the Funds' resolutions, securities must be rated at the highest investment grade by any national rating agency. U.S. dollar denominated accounts and bankers' acceptances which have a rating on their short-term certificates of deposit must be in the two highest ratings by any nationally recognized rating agency. GASB Statement No. 40 requires disclosure by amount and investment issuer if investments in any one issuer represent 5 percent or more of total investments. Investments in mutual funds are excluded from this requirement.

As of June 30, 2008, the Federated Treasury Obligations Fund was rated AAAm by Standard and Poor's and Aaa by Moody's Investors Service.

(in thousands)

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, CDA will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. As of June 30, 2008, the Funds' investments were not subject to custodial credit risk under GASB Statement No. 40. This money market fund is held in trust by the trustee, kept separate from the assets of the bank and from other trust accounts and is held in CDA's name.

NOTE 4 - COMMUNITY FACILITIES LOANS

Community facilities loans are secured by the full faith and credit of the applicable local government. As such, no allowance for loan losses was necessary as of June 30, 2008. Interest rates on such loans range from 2.73% to 6.81%, with remaining loan terms ranging from less than 1 year to 29 years.

NOTE 5 - ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2008, were as follows:

	Infrastructure Financing Bonds (AMBAC Insured)	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Combined
Accrued interest on community facilities loans	$ 2	$ 359	$ 213	$ 574
Accrued interest on cash deposits	1	1	1	3
Additional loan principal as a result of bond refundings	-	380	-	380
Total	$ 3	$ 740	$ 214	$ 957

(in thousands)

NOTE 6 - BONDS PAYABLE

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

The provisions of the various bond resolutions of the Funds require or allow for the special redemption of bonds at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of community facilities loans. All outstanding bonds are subject to redemption at the option of CDA, in whole or in part at any time, after certain dates, as specified in the respective series resolutions. The prescribed optional redemption premiums range from 0% to 1% of the principal amount. All bonds have fixed interest rates and all bonds are tax-exempt except for Infrastructure Financing Bonds (MBIA Insured) 2001 Series B.

The following is a summary of bond activity for the year ended June 30, 2008, and bonds payable as of June 30, 2008:

					Bond Activity			
	Issue Dated	Range of Interest Rates	Range of Maturities	Bonds Payable at June 30, 2007	New bonds Issued	Scheduled Maturity Payments	Bonds Redeemed	Bonds Payable at June 30, 2008
Infrastructure Financing Bonds (AMBAC Insured)								
1995 Series A	04/01/95	5.80% - 6.20%	2008 - 2025	$ 1,235	$ -	$ (60)	$ (925)	$ 250
Total				$ 1,235	$ -	$ (60)	$ (925)	$ 250
Infrastructure Financing Bonds (MBIA Insured)								
1996 Series A	05/01/96	5.40% - 5.90%	2008 - 2026	$ 1,145	$ -	$ (210)	$ -	$ 935
1997 Series A	04/15/97	5.25% - 5.75%	2008 - 2027	5,755	-	(230)	(2,755)	2,770
1998 Series A	02/15/98	4.375% - 5.00%	2008 - 2018	2,960	-	(420)	-	2,540
1998 Series B	06/01/98	4.50% - 5.20%	2008 - 2028	17,425	-	(1,525)	-	15,900
1998 Series C	06/01/98	4.45% - 5.15%	2007 - 2020	950	-	(95)	-	855
1999 Series A	03/01/99	4.25% - 5.00%	2008 - 2029	5,575	-	(220)	-	5,355
2000 Series A	03/01/00	5.25% - 5.875%	2008 - 2030	6,015	-	(355)	-	5,660
2001 Series A	03/01/01	4.00% - 5.00%	2008 - 2031	6,895	-	(340)	-	6,555
2001 Series B	03/01/01	6.25% - 6.80%	2011 - 2021	1,665	-	(80)	-	1,585
Total				$ 48,385	$ -	$ (3,475)	$ (2,755)	$ 42,155

(in thousands)

NOTE 6 - BONDS PAYABLE (Continued)

	Issue Dated	Range of Interest Rates	Range of Maturities	Bonds Payable at June 30, 2007	Bond Activity: New bonds Issued	Bond Activity: Scheduled Maturity Payments	Bond Activity: Bonds Redeemed	Bonds Payable at June 30, 2008
Local Government Infrastructure Bonds (Ambac Insured)								
2002 Series A	03/01/02	3.50% - 5.00%	2008 - 2032	$ 10,080	$ -	$ (380)	$ -	$ 9,700
2002 Series B	10/01/02	2.625% - 4.375%	2008 - 2022	2,900	-	(155)	-	2,745
2003 Series A	03/01/03	2.75% - 4.50%	2008 - 2023	12,185	-	(625)	-	11,560
2004 Series A	04/22/04	2.45% - 4.875%	2008 - 2034	14,070	-	(800)	-	13,270
2004 Series B	11/18/04	3.00% - 4.50%	2008 - 2034	4,455	-	(120)	-	4,335
2005 Series A	05/26/05	3.75% - 4.40%	2008 - 2030	8,775	-	(300)	-	8,475
2006 Series A	04/05/06	3.50% - 4.25%	2008 - 2026	8,485	-	(470)	-	8,015
2007 Series A	05/31/07	3.75% - 4.25%	2008 - 2037	11,460	-	(410)	-	11,050
2007 Series B	11/14/07	3.50% - 4.25%	2008 - 2027	-	24,575	(1,000)	-	23,575
Total				$ 72,410	$ 24,575	$ (4,260)	$ -	$ 92,725

NOTE 7 - DEBT SERVICE REQUIREMENTS

As of June 30, 2008, the required payments for bonds (including mandatory sinking fund payments) and interest payments for each of the next five years and in five-year increments thereafter, are as follows:

For the year ended June 30,	Infrastructure Financing Bonds (AMBAC Insured) Interest	Infrastructure Financing Bonds (AMBAC Insured) Principal	Infrastructure Financing Bonds (MBIA Insured) Interest	Infrastructure Financing Bonds (MBIA Insured) Principal	Local Government Infrastructure Bonds (Ambac Insured) Interest	Local Government Infrastructure Bonds (Ambac Insured) Principal
2009	$ 15	$ 60	$ 2,149	$ 3,470	$ 3,710	$ 4,400
2010	12	60	1,991	3,205	3,557	4,545
2011	8	25	1,836	2,865	3,404	4,710
2012	6	25	1,699	2,530	3,240	4,770
2013	5	25	1,574	2,480	3,070	4,845
2014 - 2018	5	55	6,054	12,210	12,511	25,545
2019 - 2023	-	-	3,035	8,565	7,210	25,840
2024 - 2028	-	-	1,183	5,865	2,593	13,215
2029 - 2033	-	-	77	965	694	4,035
2034 - 2038	-	-	-	-	63	820
Total	$ 51	$ 250	$ 19,598	$ 42,155	$ 40,052	$ 92,725

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2008

NOTE 8 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2008 were as follows:

	Infrastructure Financing Bonds (AMBAC Insured)	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Combined
Bonds payable				
Beginning balance at 6/30/2007	$ 1,235	$ 48,385	$ 72,410	$ 122,030
Additions	-	-	24,575	24,575
Reductions	(985)	(6,230)	(4,260)	(11,475)
Ending balance at 6/30/2008	250	42,155	92,725	135,130
Less due within one year	(60)	(3,470)	(4,400)	(7,930)
Total long-term bonds payable	190	38,685	88,325	127,200
Other liabilities - advance trustee fees				
Beginning balance at 6/30/2007	20	186	12	218
Additions	2	44	36	82
Reductions	(4)	(36)	(34)	(74)
Ending balance at 6/30/2008	18	194	14	226
Total long-term other liabilities - advance trustee fees	18	194	14	226
Total long-term liabilities	$ 208	$ 38,879	$ 88,339	$ 127,426

NOTE 9 - BOND INSURANCE

All outstanding bonds in the Infrastructure Program Funds are insured. The Local Government Infrastructure Bonds 2002 Series A through 2007 Series B are insured by Ambac Assurance Corporation and the Infrastructure Financing Bonds 1995 Series A are insured by AMBAC Indemnity Corporation. The Infrastructure Financing Bonds 1996 Series A through 2001 Series B are insured by MBIA Insurance Corporation. See Note 6 for list of outstanding bonds.

The provisions of the policies require the insurer to pay that portion of the principal and interest on the bonds which become due for payment but are not paid by CDA. The insurance generally extends for the term of the bonds and cannot be canceled by the insurer.

NOTE 10 - PENSION AND OTHER POST-RETIREMENT BENEFITS

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

NOTE 11 - SUBSEQUENT EVENTS

On July 25, 2008, CDA redeemed $150 of Infrastructure Financing Bonds (MBIA Insured) 1998 Series B bonds.