

COMBINED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS**

JUNE 30, 2004

Community Development Administration
Infrastructure Program Funds

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INDEPENDENT AUDITORS' REPORT

Office of the Secretary
Department of Housing and Community Development

We have audited the accompanying combined financial statements of the Community Development Administration Infrastructure Program Funds (the Funds) of the Department of Housing and Community Development of the State of Maryland as of and for the year ended June 30, 2004, 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note A, 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, 2004, and the changes in its net assets and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the 2004 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, 2004, and the changes in its net assets and its cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



Baltimore, Maryland
September 28, 2004

Community Development Administration
Infrastructure Program Funds

COMBINED STATEMENT OF NET ASSETS
(in thousands)

June 30, 2004
(with comparative combined totals as of June 30, 2003)

	Infrastructure Financing Bonds (AMBAC Insured)	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Combined	
				2004	2003
RESTRICTED ASSETS					
Restricted current assets					
Cash and cash equivalents on deposit with trustee	\$ 654	\$ 437	\$ 21,051	\$ 22,142	\$ 18,586
Community facilities loans	540	3,705	1,825	6,070	5,047
Accrued interest and other receivables	58	656	215	929	862
Total restricted current assets	1,252	4,798	23,091	29,141	24,495
Restricted long-term assets					
Community facilities loans, net of current portion	5,255	59,305	43,015	107,575	99,746
Other receivables, net of current portion	-	626	-	626	730
Total restricted long-term assets	5,255	59,931	43,015	108,201	100,476
Total restricted assets	\$ 6,507	\$ 64,729	\$ 66,106	\$ 137,342	\$ 124,971
LIABILITIES AND NET ASSETS					
Current liabilities					
Bonds payable	\$ 540	\$ 3,705	\$ 1,825	\$ 6,070	\$ 5,160
Accrued interest payable	29	269	208	506	419
Other liabilities - due to local government	-	-	20,889	20,889	17,699
Accounts payable	4	-	118	122	-
Total current liabilities	573	3,974	23,040	27,587	23,278
Long-term liabilities					
Bonds payable, net of current portion	5,460	60,035	43,015	108,510	100,475
Other liabilities - advance trustee fees	18	145	5	168	147
Total long-term liabilities	5,478	60,180	43,020	108,678	100,622
Total liabilities	6,051	64,154	66,060	136,265	123,900
NET ASSETS					
Restricted	456	575	46	1,077	1,071
Total liabilities and net assets	\$ 6,507	\$ 64,729	\$ 66,106	\$ 137,342	\$ 124,971

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, 2004
(with comparative combined totals as of June 30, 2003)

	Infrastructure Financing Bonds (AMBAC Insured)	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Combined	
				2004	2003
Operating revenue					
Interest on community facilities loans	\$ 485	\$ 3,376	\$ 1,242	\$ 5,103	\$ 4,784
Interest income on cash equivalents	4	7	4	15	15
	<u>489</u>	<u>3,383</u>	<u>1,246</u>	<u>5,118</u>	<u>4,799</u>
Operating expenses					
Interest expense on bonds	486	3,375	1,243	5,104	4,785
Trustee fees	8	-	-	8	8
	<u>494</u>	<u>3,375</u>	<u>1,243</u>	<u>5,112</u>	<u>4,793</u>
Operating (loss) income	<u>(5)</u>	<u>8</u>	<u>3</u>	<u>6</u>	<u>6</u>
CHANGES IN NET ASSETS	(5)	8	3	6	6
Net assets at beginning of year	<u>461</u>	<u>567</u>	<u>43</u>	<u>1,071</u>	<u>1,065</u>
Net assets at end of year	<u>\$ 456</u>	<u>\$ 575</u>	<u>\$ 46</u>	<u>\$ 1,077</u>	<u>\$ 1,071</u>

See notes to combined financial statements

Community Development Administration
Infrastructure Program Funds

COMBINED STATEMENT OF CASH FLOWS
(in thousands)

Year ended June 30, 2004
(with comparative combined totals as of June 30, 2003)

	Infrastructure	Infrastructure	Local	Combined	
	Financing Bonds (AMBAC Insured)	Financing Bonds (MBIA Insured)	Government Infrastructure Bonds (Ambac Insured)	2004	2003
Cash flows from operating activities					
Principal and interest received on community facilities loans	\$ 3,448	\$ 7,038	\$ 2,177	\$ 12,663	\$ 8,924
Origination of community facilities loans	-	(441)	(12,627)	(13,068)	(12,967)
Advance trustee fees received	6	54	12	72	72
Trustee fees paid	(12)	(35)	(12)	(59)	(51)
Other fees	4	-	-	4	-
Net cash provided by (used in) operating activities	<u>3,446</u>	<u>6,616</u>	<u>(10,450)</u>	<u>(388)</u>	<u>(4,022)</u>
Cash flows from investing activities					
Interest received on cash equivalents	<u>4</u>	<u>7</u>	<u>4</u>	<u>15</u>	<u>16</u>
Net cash provided by investing activities	<u>4</u>	<u>7</u>	<u>4</u>	<u>15</u>	<u>16</u>
Cash flows from noncapital financing activities					
Proceeds from sale of bonds	-	-	16,375	16,375	18,115
Payments on bond principal	(2,730)	(3,650)	(1,050)	(7,430)	(4,170)
Interest on bonds	(499)	(3,388)	(1,129)	(5,016)	(4,746)
Net cash (used in) provided by noncapital financing activities	<u>(3,229)</u>	<u>(7,038)</u>	<u>14,196</u>	<u>3,929</u>	<u>9,199</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	221	(415)	3,750	3,556	5,193
Cash and cash equivalents on deposit with trustee at beginning of year	<u>433</u>	<u>852</u>	<u>17,301</u>	<u>18,586</u>	<u>13,393</u>
Cash and cash equivalents on deposit with trustee at end of year	<u>\$ 654</u>	<u>\$ 437</u>	<u>\$ 21,051</u>	<u>\$ 22,142</u>	<u>\$ 18,586</u>

(continued)

Community Development Administration
Infrastructure Program Funds

COMBINED STATEMENT OF CASH FLOWS - CONTINUED
(in thousands)

Year ended June 30, 2004
(with comparative combined totals as of June 30, 2003)

	Infrastructure Financing Bonds (AMBAC Insured)	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Combined	
				2004	2003
Reconciliation of operating (loss) income to net cash provided by (used in) operating activities					
Operating (loss) income	\$ (5)	\$ 8	\$ 3	\$ 6	\$ 6
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities					
Decrease (increase) in community facilities loans	2,935	3,538	(15,325)	(8,852)	(14,069)
Decrease (increase) in accrued interest and other receivables	28	125	(116)	37	94
(Decrease) increase in accrued interest payable	(13)	(14)	114	87	40
Increase in accounts payable	4	-	118	122	-
Increase (decrease) in other liabilities	2	(422)	3,631	3,211	5,177
Interest received on cash and cash equivalents	(4)	(7)	(4)	(15)	(16)
Interest on bonds	499	3,388	1,129	5,016	4,746
Net cash provided by (used in) operating activities	<u>\$ 3,446</u>	<u>\$ 6,616</u>	<u>\$ (10,450)</u>	<u>\$ (388)</u>	<u>\$ (4,022)</u>

See notes to combined financial statements

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2004

NOTE A - AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION

The Community Development Administration (CDA) is authorized to issue Infrastructure Program Bonds pursuant to Sections 2-201 through 2-208 of Article 83B 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 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 funds 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 B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accounts are organized on the basis of funds, each of which is a separate accounting entity. The Funds are set up primarily in accordance with CDA's enabling legislation and the various bond resolutions. The Funds use the accrual basis of accounting.

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE B - 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.

Cash and Cash Equivalents on Deposit with Trustee

Cash equivalents may include commercial paper, money market funds, repurchase agreements, investment agreements and any other investments, primarily U.S. Treasury and agencies, which have maturities of 90 or less days at the time of purchase. As of June 30, 2004, all of CDA's cash equivalents are invested in a money market mutual fund which is more fully described in Note C.

Community Facilities Loans

Community facilities loans are carried at their unpaid principal balances. See Note D for additional information on community facilities loans.

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2004.

Accrued Interest and Other Receivables

Accrued interest includes both interest on cash deposits and interest on loans. As of June 30, 2004, all loans were current. Therefore, all accrued interest on loans was recorded during the year. Other receivables includes additional principal due from local governments on refunded bonds. See Note E for additional information.

Bonds Payable

Bonds payable are carried at their unpaid principal balances. There are no premiums or discounts to amortize. See Notes F, G, H and J for additional information.

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 (the System) and the costs of employees' retirement benefits are included in the salaries and related costs charged to CDA's General Bond Reserve Fund. See Note K for additional information.

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Expenses

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

Use of Estimates

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

Reclassifications

Certain 2003 amounts have been reclassified to conform to 2004 financial statement presentation.

NOTE C - CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE

Proceeds from bonds are invested in authorized investments as defined in the respective resolutions 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, political subdivisions in the United States, bankers' acceptances, repurchase agreements, corporate debt securities and certificates of deposit with foreign or domestic banks. All CDA accounts held in trust by the trustee are kept separate from the assets of the bank and from other trust accounts.

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

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

As of June 30, 2004, the Funds had \$22,142 invested in a money market mutual fund (Federated Treasury Obligations Fund) which is classified as cash and cash equivalents. This fund invests exclusively in U.S. Treasuries and in repurchase agreements collateralized by Treasury securities. It is rated AAAM by Standard & Poor's and Aaa by Moody's Investors Services.

As of June 30, 2004, the cost of this money market mutual fund approximates fair value.

The money market mutual fund is not categorized by credit risk because it is not evidenced by securities that exist in physical or book entry form.

NOTE D - 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, 2004. Interest rates on such loans range from 2.73% to 6.81%, with remaining loan terms ranging from less than 1 year to 30 years.

NOTE E - ACCRUED INTEREST AND OTHER CURRENT RECEIVABLES

Accrued interest and other current receivables as of June 30, 2004, 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	\$ 58	\$ 552	\$ 215	\$ 825
Additional loan principal as a result of bond refundings	-	104	-	104
Total	<u>\$ 58</u>	<u>\$ 656</u>	<u>\$ 215</u>	<u>\$ 929</u>

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE F - 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 require or allow for the redemption of bonds 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 redemption prices range from 100% to 102% 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, 2004, and bonds payable as of June 30, 2004:

	Issue Dated	Range of Interest Rates	Range of Maturities	Bonds Payable at June 30, 2003	Bond Activity			Bonds Payable at June 30, 2004
					New bonds Issued	Scheduled Maturity Payments	Bonds Redeemed	
Infrastructure Financing								
Bonds (AMBAC Insured)								
1992 Series A	2/1/1992	6.625%	2012	\$ 600	\$ -	\$ (50)	\$ (550)	\$ -
1994 Series A	2/1/1994	4.95%-5.70%	2004-2024	5,790	-	(220)	(1,720)	3,850
1995 Series A	4/1/1995	5.45%-6.20%	2004-2025	2,340	-	(190)	-	2,150
				<u>\$ 8,730</u>	<u>\$ -</u>	<u>\$ (460)</u>	<u>\$ (2,270)</u>	<u>\$ 6,000</u>
Infrastructure Financing								
Bonds (MBIA Insured)								
1996 Series A	5/1/1996	5.00%-5.90%	2004-2026	\$ 6,610	\$ -	\$ (325)	\$ -	\$ 6,285
1997 Series A	4/15/1997	5.05%-5.75%	2004-2027	7,610	-	(430)	-	7,180
1998 Series A	2/15/1998	4.125%-5.00%	2004-2018	4,470	-	(355)	-	4,115
1998 Series B	6/1/1998	4.25%-5.20%	2004-2028	23,295	-	(1,495)	-	21,800
1998 Series C	6/1/1998	4.15%-5.15%	2003-2020	1,610	-	(180)	-	1,430
1999 Series A	3/1/1999	4.20%-5.00%	2004-2029	6,380	-	(190)	-	6,190
2000 Series A	3/1/2000	5.125%-5.875%	2004-2030	7,275	-	(295)	-	6,980
2001 Series A	3/1/2001	4.00%-5.00%	2004-2031	8,210	-	(320)	-	7,890
2001 Series B	3/1/2001	6.25%-6.80%	2006-2021	1,930	-	(60)	-	1,870
				<u>\$ 67,390</u>	<u>\$ -</u>	<u>\$ (3,650)</u>	<u>\$ -</u>	<u>\$ 63,740</u>
Local Government								
Infrastructure Bonds								
(Ambac insured)								
2002 Series A	3/1/2002	3.00%-5.00%	2004-2032	\$ 11,470	\$ -	\$ (330)	\$ -	\$ 11,140
2002 Series B	10/1/2002	2.25%-4.375%	2004-2022	3,485	-	(140)	-	3,345
2003 Series A	3/1/2003	2.00%-4.50%	2004-2023	14,560	-	(580)	-	13,980
2004 Series A	4/22/2004	2.00%-4.875%	2005-2034	-	16,375	-	-	16,375
				<u>\$ 29,515</u>	<u>\$ 16,375</u>	<u>\$ (1,050)</u>	<u>\$ -</u>	<u>\$ 44,840</u>

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE G - DEBT SERVICE REQUIREMENTS

As of June 30, 2004, 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:

Year ended June 30,	Infrastructure Financing Bonds (AMBAC Insured)		Infrastructure Financing Bonds (MBIA Insured)		Local Government Infrastructure Bonds (Ambac Insured)	
	Interest	Principal	Interest	Principal	Interest	Principal
2005	\$ 332	\$ 540	\$ 3,226	\$ 3,705	\$ 1,774	\$ 1,825
2006	313	270	3,057	3,835	1,668	1,870
2007	299	295	2,884	3,695	1,626	1,910
2008	283	310	2,711	3,770	1,581	1,960
2009	266	320	2,534	3,635	1,527	2,015
2010 - 2014	1,059	1,600	10,199	15,240	6,614	10,885
2015 - 2019	603	1,495	6,483	14,110	4,500	11,240
2020 - 2024	212	1,120	3,131	9,205	2,087	9,265
2025 - 2029	3	50	963	6,170	763	2,020
2030 - 2034	-	-	24	375	233	1,850
Total	<u>\$ 3,370</u>	<u>\$ 6,000</u>	<u>\$ 35,212</u>	<u>\$ 63,740</u>	<u>\$ 22,373</u>	<u>\$ 44,840</u>

NOTE H - BOND REFUNDINGS

For current refundings of debt in an optional redemption, CDA replaces previously issued bonds with lower cost debt. For the year ending June 30, 2004, CDA issued Local Government Infrastructure Bonds (Ambac Insured) 2004 Series A in the amount of \$16,375. Part of the proceeds of this issue refunded Infrastructure Financing Bonds (AMBAC Insured) 1992 Series A and 1994 Series A in the amounts of \$550 and \$1,720, respectively. This refunding did not result in any economic gain to CDA because the reduction in bond debt service is passed along to the local governments in lower loan payments.

In accordance with GASB No. 23 *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities*, a deferral of the difference between the reacquisition price and the net carrying amount of the old debt should be offset to the new bonds on the accompanying Combined Statement of Net Assets. Because there were no deferred bond issuance costs or premiums on the refunded bonds, the offset to the refunding bonds was zero.

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE I - LONG-TERM OBLIGATIONS

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

	Infrastructure Financing Bonds (AMBAC Insured)	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Combined
Long-term bonds payable				
Beginning balance	\$ 8,270	\$ 63,740	\$ 28,465	\$ 100,475
Additions	-	-	16,375	16,375
Reductions	(2,270)	-	-	(2,270)
Less due within one year	<u>(540)</u>	<u>(3,705)</u>	<u>(1,825)</u>	<u>(6,070)</u>
Total long-term bonds payable	<u>5,460</u>	<u>60,035</u>	<u>43,015</u>	<u>108,510</u>
Other long-term liabilities - advance trustee fees				
Beginning balance	16	126	5	147
Additions	6	54	12	72
Net reductions for one year	<u>(4)</u>	<u>(35)</u>	<u>(12)</u>	<u>(51)</u>
Total advance trustee fees	<u>18</u>	<u>145</u>	<u>5</u>	<u>168</u>
Total long-term liabilities	<u>\$ 5,478</u>	<u>\$ 60,180</u>	<u>\$ 43,020</u>	<u>\$ 108,678</u>

NOTE J - BOND INSURANCE

All outstanding bonds in the Infrastructure Program Funds are insured. The Local Government Infrastructure Bonds 2002 Series A through 2004 Series A are insured by Ambac Assurance Corporation and the Infrastructure Financing Bonds 1994 Series A and 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. 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.

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE K - PENSION AND OTHER POST-RETIREMENT BENEFITS

Eligible employees of CDA and employees of the State of Maryland are covered under the retirement plans of the State Retirement and Pension System of Maryland (System) and are also entitled to certain healthcare benefits upon retirement. CDA's only 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 L - SUBSEQUENT EVENT

Subsequent to the year ended June 30, 2004, CDA redeemed 1994 Series A bonds in the amount of \$205 on July 7, 2004.