Reznick Group

COMBINED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS

JUNE 30, 2005

Community Development Administration
Infrastructure Program Funds

TABLE OF CONTENTS

Reznick Group

Reznick Group, P.C.
500 East Pratt Street
Suite 200
Baltimore, MD 21202-3100

Tel: (410) 783-4900
Fax: (410) 727-0460
www.reznickgroup.com

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, 2005, 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 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, 2005, 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 2005 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, 2005, 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 15, 2005

Atlanta ■ Baltimore ■ Bethesda ■ Charlotte ■ Chicago ■ Sacramento

Community Development Administration
Infrastructure Program Funds

COMBINED STATEMENT OF NET ASSETS
(in thousands)

June 30, 2005
(with comparative combined totals as of June 30, 2004)

	Infrastructure Financing Bonds (AMBAC Insured)	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Combined 2005	Combined 2004
RESTRICTED ASSETS					
Restricted current assets					
Cash and cash equivalents on deposit with trustee	$ 453	$ 475	$ 25,136	$ 26,064	$ 22,142
Community facilities loans	268	3,835	2,260	6,363	6,070
Accrued interest and other receivables	54	601	117	772	929
Total restricted current assets	775	4,911	27,513	33,199	29,141
Restricted long-term assets					
Community facilities loans, net of current portion	5,193	55,574	54,711	115,478	107,575
Other receivables, net of current portion	-	536	-	536	626
Total restricted long-term assets	5,193	56,110	54,711	116,014	108,201
Total restricted assets	$ 5,968	$ 61,021	$ 82,224	$ 149,213	$ 137,342
LIABILITIES AND NET ASSETS					
Current liabilities					
Bonds payable	$ 270	$ 3,835	$ 2,260	$ 6,365	$ 6,070
Accrued interest payable	26	255	191	472	506
Other liabilities - due to local governments	-	-	24,998	24,998	20,889
Accounts payable	-	-	-	-	122
Total current liabilities	296	4,090	27,449	31,835	27,587
Long-term liabilities					
Bonds payable, net of current portion	5,190	56,200	54,780	116,170	108,510
Other liabilities - advance trustee fees	19	161	6	186	168
Total long-term liabilities	5,209	56,361	54,786	116,356	108,678
Total liabilities	5,505	60,451	82,235	148,191	136,265
NET ASSETS					
Restricted	463	570	(11)	1,022	1,077
Total liabilities and net assets	$ 5,968	$ 61,021	$ 82,224	$ 149,213	$ 137,342

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, 2005
(with comparative combined totals as of June 30, 2004)

	Infrastructure Financing Bonds (AMBAC Insured)	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Combined 2005	Combined 2004
Operating revenue					
Interest on community facilities loans	$ 335	$ 3,183	$ 1,855	$ 5,373	$ 5,103
Interest income on cash equivalents	10	23	12	45	15
Fee income	-	-	1	1	-
	345	3,206	1,868	5,419	5,118
Operating expenses					
Interest expense on bonds	330	3,211	1,855	5,396	5,104
Trustee fees	8	-	-	8	8
	338	3,211	1,855	5,404	5,112
Operating income (loss)	7	(5)	13	15	6
Transfers of funds, net, as permitted by the Resolution	-	-	(70)	(70)	-
CHANGES IN NET ASSETS	7	(5)	(57)	(55)	6
Net assets - restricted at beginning of year	456	575	46	1,077	1,071
Net assets - restricted at end of year	$ 463	$ 570	$ (11)	$ 1,022	$ 1,077

See notes to combined financial statements

Community Development Administration
Infrastructure Program Funds

COMBINED STATEMENT OF CASH FLOWS
(in thousands)

Year ended June 30, 2005
(with comparative combined totals as of June 30, 2004)

	Infrastructure Financing Bonds (AMBAC Insured)	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Combined 2005	Combined 2004
Cash flows from operating activities					
Principal and interest received on community facilities loans	$ 673	$ 6,930	$ 3,833	$ 11,436	$ 12,663
Origination of community facilities loans	-	-	(10,089)	(10,089)	(13,068)
Advance trustee fees received	5	52	19	76	72
Trustee fees paid	(16)	(36)	(18)	(70)	(59)
Loan fees received	-	-	70	70	-
Other fees	-	-	-	-	4
Net cash provided by (used in) operating activities	662	6,946	(6,185)	1,423	(388)
Cash flows from investing activities					
Interest received on cash equivalents	10	22	12	44	15
Net cash provided by investing activities	10	22	12	44	15
Cash flows from noncapital financing activities					
Proceeds from sale of bonds	-	-	14,080	14,080	16,375
Payments on bond principal	(540)	(3,705)	(1,880)	(6,125)	(7,430)
Interest on bonds	(333)	(3,225)	(1,872)	(5,430)	(5,016)
Transfers among Funds	-	-	(70)	(70)	-
Net cash (used in) provided by noncapital financing activities	(873)	(6,930)	10,258	2,455	3,929
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	(201)	38	4,085	3,922	3,556
Cash and cash equivalents on deposit with trustee at beginning of year	654	437	21,051	22,142	18,586
Cash and cash equivalents on deposit with trustee at end of year	$ 453	$ 475	$ 25,136	$ 26,064	$ 22,142

(continued)

Community Development Administration
Infrastructure Program Funds

COMBINED STATEMENT OF CASH FLOWS - CONTINUED
(in thousands)

Year ended June 30, 2005
(with comparative combined totals as of June 30, 2004)

	Infrastructure Financing Bonds (AMBAC Insured)	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Combined 2005	Combined 2004
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	$ 7	$ (5)	$ 13	$ 15	$ 6
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Decrease (increase) in community facilities loans	334	3,601	(12,200)	(8,265)	(8,852)
Decrease in accrued interest and other receivables	4	145	98	247	37
(Decrease) increase in accrued interest payable	(3)	(14)	(17)	(34)	87
(Decrease) increase in accounts payable	(4)	-	(118)	(122)	122
Increase in other liabilities	1	16	4,110	4,127	3,211
Amortization of deferred income on loans	-	-	(1)	(1)	-
Loan fees deferred	-	-	70	70	-
Interest received on cash and cash equivalents	(10)	(22)	(12)	(44)	(15)
Interest on bonds	333	3,225	1,872	5,430	5,016
Net cash provided by (used in) operating activities	$ 662	$ 6,946	$ (6,185)	$ 1,423	$ (388)

See notes to combined financial statements

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS
(in thousands)

June 30, 2005

NOTE 1 - 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 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

<u>Basis of Presentation</u>

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.

Recent Accounting Pronouncements

Effective July 1, 2004, CDA adopted GASB Statement No. 40 *Deposit and Investment Risk Disclosures*, an amendment of GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. GASB Statement No. 40 requires disclosure of information regarding investments: credit

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

risk, interest rate risk, concentration of credit risk and custodial credit risk. This new statement does not have any impact on the Funds' financial position or results of operations. The disclosures are in Note 3.

Cash and Cash Equivalents on Deposit with Trustee

Cash equivalents may include money market funds, repurchase agreements, investment agreements and any other investments, primarily obligations of the U.S. Treasury and U.S. Government Agencies, which have maturities of 90 or less days at the time of purchase. As of June 30, 2005, all of CDA's 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, 2005.

Accrued Interest and Other Receivables

Accrued interest includes both interest on cash deposits and interest on loans. As of June 30, 2005, 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 5 for additional information.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Fee Income

CDA earns 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 (the System) and the costs of employees' retirement benefits are included in the salaries and related costs charged to CDA's General Bond Reserve Fund. See Note 11 for additional information.

Revenue and Expenses

CDA distinguishes operating revenue and expenses from 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 CDA's 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.

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.

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.

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

As of June 30, 2005, the Funds had $26,064 invested in a money market mutual fund (Federated Treasury Obligations Fund) which is classified as cash and cash equivalents. The following represents the GASB 40 evaluation of this asset for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

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 exclusively in U.S. Treasuries and in repurchase agreements collateralized by Treasury securities. It is operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. It can reasonably be expected to have a fair value that will be unaffected by interest rate changes because the interest rates are variable and the principal can be recovered on demand. As of June 30, 2005, 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 fund. According to CDA's 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 of any nationally recognized rating agency.

As of June 30, 2005, 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. 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, 2005. 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 CURRENT RECEIVABLES

Accrued interest and other current receivables as of June 30, 2005, 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	$ 53	$ 510	$ 116	$ 679
Accrued interest on cash deposits	1	1	1	3
Additional loan principal as a result of bond refundings	-	90	-	90
Total	$ 54	$ 601	$ 117	$ 772

Community Development Administration
Infrastructure Program Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2005

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 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 optional redemption premiums range from 0% to 2% 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, 2005, and bonds payable as of June 30, 2005:

	Issue Dated	Range of Interest Rates	Range of Maturities	Bonds Payable at June 30, 2004	Bond Activity: New bonds Issued	Bond Activity: Scheduled Maturity Payments	Bond Activity: Bonds Redeemed	Bonds Payable at June 30, 2005
Infrastructure Financing Bonds (AMBAC Insured)								
1994 Series A	2/1/1994	5.05%-5.70%	2005-2024	$ 3,850	$ -	$ (145)	$ (205)	$ 3,500
1995 Series A	4/1/1995	5.50%-6.20%	2005-2025	2,150	-	(190)	-	1,960
Infrastructure Financing Bonds (AMBAC Insured)				$ 6,000	$ -	$ (335)	$ (205)	$ 5,460
Infrastructure Financing Bonds (MBIA Insured)								
1996 Series A	5/1/1996	5.10%-5.90%	2005-2026	$ 6,285	$ -	$ (345)	$ -	$ 5,940
1997 Series A	4/15/1997	5.10%-5.75%	2005-2027	7,180	-	(450)	-	6,730
1998 Series A	2/15/1998	4.125%-5.00%	2005-2018	4,115	-	(370)	-	3,745
1998 Series B	6/1/1998	4.30%-5.20%	2005-2028	21,800	-	(1,455)	-	20,345
1998 Series C	6/1/1998	4.25%-5.15%	2004-2020	1,430	-	(190)	-	1,240
1999 Series A	3/1/1999	4.20%-5.00%	2005-2029	6,190	-	(195)	-	5,995
2000 Series A	3/1/2000	5.25%-5.875%	2005-2030	6,980	-	(305)	-	6,675
2001 Series A	3/1/2001	4.00%-5.00%	2005-2031	7,890	-	(330)	-	7,560
2001 Series B	3/1/2001	6.25%-6.80%	2006-2021	1,870	-	(65)	-	1,805
Infrastructure Financing Bonds (MBIA Insured)				$ 63,740	$ -	$ (3,705)	$ -	$ 60,035

(in thousands)

NOTE 6 - BONDS PAYABLE (Continued)

	Issue Dated	Range of Interest Rates	Range of Maturities	Bonds Payable at June 30, 2004	Bond Activity: New bonds Issued	Bond Activity: Scheduled Maturity Payments	Bond Activity: Bonds Redeemed	Bonds Payable at June 30, 2005
Local Government Infrastructure Bonds (Ambac Insured)								
2002 Series A	3/1/2002	3.00%-5.00%	2005-2032	$ 11,140	$ -	$ (340)	$ -	$ 10,800
2002 Series B	10/1/2002	2.25%-4.375%	2005-2022	3,345	-	(145)	-	3,200
2003 Series A	3/1/2003	2.00%-4.50%	2005-2023	13,980	-	(585)	-	13,395
2004 Series A	4/22/2004	2.00%-4.875%	2005-2034	16,375	-	(755)	-	15,620
2004 Series B	11/18/2004	3.00%-4.50%	2006-2034	-	4,735	(55)	-	4,680
2005 Series A	5/26/2005	3.75%-4.40%	2006-2030	-	9,345	-	-	9,345
Local Government Infrastructure Bonds (Ambac Insured)				$ 44,840	$ 14,080	$ (1,880)	$ -	$ 57,040

NOTE 7 - DEBT SERVICE REQUIREMENTS

As of June 30, 2005, 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) 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
2006	$ 313	$ 270	$ 3,058	$ 3,835	$ 2,235	$ 2,260
2007	299	295	2,883	3,695	2,173	2,315
2008	283	310	2,711	3,770	2,114	2,380
2009	265	320	2,535	3,635	2,045	2,450
2010	248	320	2,360	3,540	1,969	2,515
2011 - 2015	967	1,615	9,438	14,470	8,485	13,440
2016 - 2020	516	1,400	5,736	13,715	5,775	14,225
2021 - 2025	147	930	2,632	8,455	2,772	10,945
2026 - 2030	-	-	630	4,855	1,144	4,320
2031 - 2035	-	-	3	65	234	2,190
Total	$ 3,038	$ 5,460	$ 31,986	$ 60,035	$ 28,946	$ 57,040

(in thousands)

NOTE 8 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2005 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	$ 5,460	$ 60,035	$ 43,015	$ 108,510
Additions	-	-	14,080	14,080
Reductions	-	-	(55)	(55)
Less due within one year	(270)	(3,835)	(2,260)	(6,365)
Total long-term bonds payable	5,190	56,200	54,780	116,170
Other long-term liabilities - advance trustee fees				
Beginning balance	18	145	5	168
Additions	5	52	19	76
Reductions	(4)	(36)	(18)	(58)
Total advance trustee fees	19	161	6	186
Total long-term liabilities	$ 5,209	$ 56,361	$ 54,786	$ 116,356

NOTE 9 - BOND INSURANCE

All outstanding bonds in the Infrastructure Program Funds are insured. The Local Government Infrastructure Bonds 2002 Series A through 2005 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.

NOTE 9 - BOND INSURANCE (Continued)

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 - NET ASSETS, LOCAL GOVERNMENT INFRASTRUCTURE BONDS (AMBAC INSURED)

At June 30, 2005, the balance in net assets for the Local Government Infrastructure Bonds (Ambac Insured) was a negative $11. During 2005, this fund received loan financing fees in the amount of $70 which were transferred to the General Bond Reserve Fund, a separate fund in CDA's Revenue Obligation Funds. The $70 is recognized as deferred income in the Local Government Infrastructure Bonds (Ambac Insured) and amortized over the life of the loan as described in Note 2. As the deferred fees are amortized, the income will offset the amount transferred.

NOTE 11 - PENSION AND OTHER POST-RETIREMENT BENEFITS

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