COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS

COMBINED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS
YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Combined Financial Statements
We have audited the accompanying combined financial statements of the Community Development Administration Revenue Obligation 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, 2016, and the related notes to the combined financial statements as listed in the table of contents.

Management's Responsibility for the Combined Financial Statements
Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audit. We conducted our audit 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Funds as of June 30, 2016, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Period Combined Financial Statements

The combined financial statements of the Funds as of and for the year ended June 30, 2015, were audited by other auditors whose report dated September 30, 2015, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Financial Statement Presentation

As discussed in Note 1, the combined financial statements present only the 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, 2016, and the changes in its net position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Required Supplemental Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 30, 2016, on our consideration of the Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Funds' internal control over financial reporting and compliance.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplemental information on pages 38 through 39 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
September 30, 2016

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS
COMBINED STATEMENT OF NET POSITION
(in thousands)
JUNE 30, 2016
(with comparative combined totals as of June 30, 2015)

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2016	Combined 2015
RESTRICTED ASSETS					
RESTRICTED CURRENT ASSETS					
Cash and Cash Equivalents on Deposit	$ 52,183	$ 394,526	$ 21,290	$ 467,999	$ 378,857
Investments	2,408	14,712	14,028	31,148	97,432
Mortgage-Backed Securities	825	12,180	-	13,005	11,142
Mortgage Loans:					
Single Family	18	32,054	-	32,072	33,764
Multi-Family Construction and Permanent Financing	2,444	1,098	100	3,642	4,785
Accrued Interest and Other Receivables	1,104	18,944	226	20,274	22,805
Claims Receivable on Foreclosed and Other Loans, Net of Allowance	-	50,211	-	50,211	64,802
Real Estate Owned	-	13,659	-	13,659	16,389
Total Restricted Current Assets	58,982	537,384	35,644	632,010	629,976
RESTRICTED LONG-TERM ASSETS					
Investments, Net of Current Portion	8,050	12,224	4,588	24,862	35,793
Mortgage-Backed Securities, Net of Current Portion	57,656	124,420	-	182,076	161,854
Mortgage Loans, Net of Current Portion and Allowance:					
Single Family	6	1,092,902	-	1,092,908	1,229,411
Multi-Family Construction and Permanent Financing	173,364	14,463	6,136	193,963	157,735
Other Loan Receivable	-	-	750	750	750
Total Restricted Long-Term Assets	239,076	1,244,009	11,474	1,494,559	1,585,543
Total Restricted Assets	298,058	1,781,393	47,118	2,126,569	2,215,519
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflow of Fair Value on Interest Rate Swap Agreements	-	6,908	-	6,908	13,172
Total Restricted Assets and Deferred Outflows of Resources	$ 298,058	$ 1,788,301	$ 47,118	$ 2,133,477	$ 2,228,691

See accompanying Notes to Financial Statements

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS
COMBINED STATEMENT OF NET POSITION
(in thousands)
JUNE 30, 2016
(with comparative combined totals as of June 30, 2015)

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2016	Combined 2015
LIABILITIES					
CURRENT LIABILITIES					
Accrued Interest Payable	$ 4,024	$ 19,036	$ -	$ 23,060	$ 25,045
Accounts Payable	-	2,418	6,902	9,320	3,978
Accrued Workers' Compensation	-	-	9	9	9
Accrued Compensated Absences	-	-	772	772	810
Due to State Treasurer	-	-	6,529	6,529	2,531
Bonds Payable	9,315	58,655	-	67,970	103,270
Deposits by Borrowers	3,238	1,440	79	4,757	5,038
Total Current Liabilities	16,577	81,549	14,291	112,417	140,681
LONG-TERM LIABILITIES					
Accrued Workers' Compensation, Net of Current Portion	-	-	53	53	49
Accrued Compensated Absences, Net of Current Portion	-	-	199	199	68
Bonds Payable, Net of Current Portion	217,070	1,385,459	-	1,602,529	1,675,948
Deposits by Borrowers, Net of Current Portion	11,952	1,834	27	13,813	13,867
Interest Rate Swap Agreements	-	6,908	-	6,908	13,172
Total Long-Term Liabilities	229,022	1,394,201	279	1,623,502	1,703,104
Total Liabilities	245,599	1,475,750	14,570	1,735,919	1,843,785
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflow on Refunding of Bond Debt	-	113	-	113	121
NET POSITION					
Restricted	52,459	312,438	32,548	397,445	384,785
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 298,058	$ 1,788,301	$ 47,118	$ 2,133,477	$ 2,228,691

See accompanying Notes to Financial Statements

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS
COMBINED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
(in thousands)
YEAR ENDED JUNE 30, 2016
(with comparative combined totals as of June 30, 2015)

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2016	Combined 2015
OPERATING REVENUE					
Interest on Mortgage Loans	$ 7,909	$ 69,537	$ 407	$ 77,853	$ 86,415
Interest on Mortgage-Backed Securities	3,302	2,849	-	6,151	7,290
Increase in Fair Value of Mortgage-Backed Securities	-	20	-	20	-
Realized Gains on Sale of Mortgage-Backed Securities	-	21,259	-	21,259	14,906
Interest Income on Investments	685	1,317	510	2,512	1,710
Increase (Decrease) in Fair Value of Investments, Net	409	445	(180)	674	28
Fee Income	557	-	7,884	8,441	5,831
Gain on early Retirement of Debt	-	1,467	-	1,467	3,615
Recovery of Losses on Foreclosed Loans	-	-	-	-	2,159
Other Operating Revenue	1	3	153	157	1,875
Total Operating Revenue	12,863	96,897	8,774	118,534	123,829
OPERATING EXPENSES					
Interest Expense on Bonds	8,052	59,923	-	67,975	76,546
Professional Fees and Other Operating Expenses	507	10,332	580	11,419	11,200
Salaries, General and Administrative Costs	-	-	22,099	22,099	18,485
(Decrease) Increase in Provision for Loan Losses	-	(2,833)	-	(2,833)	5,132
Losses and Expenses on Real Estate Owned, Net	-	7,481	-	7,481	4,750
Loss on Foreclosure Claims, Net	-	5,060	-	5,060	1,966
Bond Issuance Costs	-	1,104	-	1,104	1,245
Total Operating Expenses	8,559	81,067	22,679	112,305	119,324
Operating Income (Loss)	4,304	15,830	(13,905)	6,229	4,505
NONOPERATING REVENUE (EXPENSES)					
Increase (Decrease) in Fair Value of Mortgage-Backed Securities	2,232	4,196	-	6,428	(1,147)
Transfers of Funds, Net, as Permitted by the Various Bond Indentures	(1,500)	(8,500)	10,003	3	335
CHANGES IN NET POSITION	5,036	11,526	(3,902)	12,660	3,693
NET POSITION - RESTRICTED AT BEGINNING OF YEAR	47,423	300,912	36,450	384,785	381,092
NET POSITION - RESTRICTED AT END OF YEAR	$ 52,459	$ 312,438	$ 32,548	$ 397,445	$ 384,785

See accompanying Notes to Financial Statements

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS
COMBINED STATEMENT OF CASH FLOWS
(in thousands)
YEAR ENDED JUNE 30, 2016
(with comparative combined totals as of June 30, 2015)

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2016	Combined 2015
CASH FLOWS FROM OPERATING ACTIVITIES					
Principal and Interest Received on Mortgage Loans	$ 23,689	$ 183,535	$ 541	$ 207,765	$ 225,624
Principal and Interest Received on Mortgage-Backed Securities	25,621	10,472	-	36,093	85,279
Escrow Funds Received	5,371	1,343	56	6,770	8,736
Escrow Funds Paid	(3,823)	(3,214)	(68)	(7,105)	(3,976)
Mortgage Insurance Claims Received	-	65,672	-	65,672	100,183
Foreclosure Expenses Paid	-	(15,596)	-	(15,596)	(7,470)
Loan Fees Received	557	-	7,897	8,454	5,832
Purchase of Mortgage Loans	(52,044)	(14,356)	(220)	(66,620)	(65,295)
Transfer of Mortgage Loans	-	(21)	21	-	-
Purchase of Mortgage-Backed Securities	-	(650,012)	-	(650,012)	(415,949)
Funds Received from Sale of Mortgage-Backed Securities	-	625,707	-	625,707	399,152
Professional Fees and Other Operating Expenses	(507)	(9,857)	(572)	(10,936)	(11,392)
Other Income Received	-	268	153	421	1,610
Salaries, General and Administrative Expenses	-	-	(18,004)	(18,004)	(16,245)
Other Reimbursements	(26)	257	4,386	4,617	(3,821)
Net Cash (Used in) Provided by Operating Activities	(1,162)	194,198	(5,810)	187,226	302,268
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from Maturities or Sales of Investments	2,503	102,015	12,904	117,422	25,001
Purchases of Investments	(4,996)	(29,980)	(4,996)	(39,972)	(101,988)
Interest Received on Investments	730	1,449	577	2,756	1,599
Net Cash (Used in) Provided by Investing Activities	(1,763)	73,484	8,485	80,206	(75,388)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Proceeds from Sale of Bonds	48,200	91,913	-	140,113	179,883
Payments on Bond Principal	(37,870)	(209,325)	-	(247,195)	(376,060)
Bond Issuance Costs	-	(1,073)	-	(1,073)	(1,245)
Interest on Bonds	(7,666)	(62,472)	-	(70,138)	(81,582)
Transfers Among Funds	(1,500)	(8,500)	10,003	3	335
Net Cash Provided by (Used in) Noncapital Financing Activities	1,164	(189,457)	10,003	(178,290)	(278,669)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT	(1,761)	78,225	12,678	89,142	(51,789)
CASH AND CASH EQUIVALENTS ON DEPOSIT - BEGINNING OF YEAR	53,944	316,301	8,612	378,857	430,646
CASH AND CASH EQUIVALENTS ON DEPOSIT - END OF YEAR	$ 52,183	$ 394,526	$ 21,290	$ 467,999	$ 378,857

See accompanying Notes to Financial Statements

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS
COMBINED STATEMENT OF CASH FLOWS
(in thousands)
YEAR ENDED JUNE 30, 2016
(with comparative combined totals as of June 30, 2015)

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2016	Combined 2015
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES					
Operating Income (Loss)	$ 4,304	$ 15,830	$ (13,905)	$ 6,229	$ 4,505
Adjustments to Reconcile Operating Income (Loss) to Net Cash (Used in)Provided by Operating Activities:					
Amortization of Investment Discounts and Premiums	90	257	92	439	11
Amortization of Bond Original Issue Discounts and Premiums	-	(178)	-	(178)	(212)
(Decrease) Increase in Provision for Loan Losses	-	(2,833)	-	(2,833)	5,132
Increase in Fair Value of Mortgage-Backed Securities	-	(20)	-	(20)	-
(Increase) Decrease in Fair Value of Investments	(409)	(445)	180	(674)	192
Gain on Early Retirement of Debt	-	(1,467)	-	(1,467)	(3,615)
Bond Issuance Costs	-	1,073	-	1,073	1,245
Interest Received on Investments	(730)	(1,449)	(577)	(2,756)	(1,599)
Interest on Bonds	7,666	62,472	-	70,138	81,582
(Increase) Decrease in Assets:					
Mortgage Loans	(36,145)	145,253	(61)	109,047	163,912
Mortgage-Backed Securities	22,216	(37,853)	-	(15,637)	46,008
Accrued Interest and Other Receivables	(61)	2,608	(16)	2,531	(1,745)
Claims Receivable on Foreclosed and Other Loans	-	11,487	-	11,487	(3,123)
Real Estate Owned	-	2,730	-	2,730	7,147
Increase (Decrease) in Liabilities:					
Accrued Interest Payable	386	(2,371)	-	(1,985)	(4,824)
Accounts Payable	(27)	975	4,394	5,342	872
Accrued Workers' Compensation and Compensated Absences	-	-	97	97	147
Due to State Treasurer	-	-	3,998	3,998	2,093
Rebate Liability	-	-	-	-	(220)
Deposits by Borrowers	1,548	(1,871)	(12)	(335)	4,760
Net Cash (Used in) Provided by Operating Activities	$ (1,162)	$ 194,198	$ (5,810)	$ 187,226	$ 302,268

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

Within each Fund in the Revenue Obligation Funds are separate accounts maintained for each obligation in accordance with the respective indentures. The following summarizes each of the Funds.

Fund	Purpose
Housing Revenue Bonds	To provide funds to finance or refinance loans for various types of housing. As of June 30, 2016, Housing Revenue Bonds have primarily financed multi-family projects.
Residential Revenue Bonds	To originate or purchase single family mortgage loans.
General Bond Reserve Fund	To provide funds for payment of principal and interest on bonds and notes in the Revenue Obligation Funds to the extent revenues and assets specifically pledged are not sufficient. This Fund also provides for the payment of operating expenses of CDA.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Revenue Obligation 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).

Basis of Accounting and Measurement Focus

The basis of accounting for the Funds is determined by measurement focus. The flow of economic resources measurement focus and the accrual basis of accounting are used to account for the Funds. 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 Funds are included on the Combined Statements of Net Position. The Funds are required to follow all statements of the Governmental Accounting Standards Board (GASB).

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 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 Funds 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 combined 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 combined financial statements.

Cash and Cash Equivalents on Deposit

Cash equivalents may include money market funds, repurchase agreements, investment agreements and any other investments, primarily obligations of the U.S. Treasury and U.S. Government Agencies, which have maturities of 90 or less days at the time of purchase. As of June 30, 2016, the Funds' cash equivalents are primarily 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 and single family homes. 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 claims receivable. See Notes 4 and 15 for additional information on mortgage loans and mortgage insurance, respectively.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Claims Receivable on Foreclosed and Other Loans

Claims receivable on foreclosed and other loans include insured single family loans that are in foreclosure or other single family loans with pending insurance claims, recorded net of allowance. These loans are primarily insured by U.S. Government Agencies or private mortgage insurers. Foreclosed loans insured by private mortgage insurers are held in this account until the insurer has made a final determination as to claim payment or transfer of the property to CDA.

Real Estate Owned

Real estate owned represents real estate acquired through foreclosure or deeds-in-lieu and is stated at the lower of cost or fair value less estimated costs to sell. Expenses incurred related to real estate owned are reported on the Combined Statement of Revenue, Expenses and Changes in Net Position.

Allowance for Loan Losses

Substantially all single family mortgage loans of the Funds are insured or guaranteed by agencies of the U.S. Government, the Maryland Housing Fund (MHF), or private mortgage insurers. Most primary coverage levels range from 25% to 100% of the loan. CDA has established an allowance for loan losses on the uninsured portions of multi-family loans and on single family loans with private mortgage insurance. CDA has also established an allowance for loan losses on single family loans with private mortgage insurance that are in foreclosure. Management believes the allowance established is adequate based on prior experience and evaluations from DHCD's asset management group as well as a current assessment of probability and risk of loss due to default or deteriorating economic conditions. See Note 4 for additional information on allowance for loan losses.

Bond Issuance Costs

Bond issuance costs are recognized and expensed in the period incurred.

Due from (to) Other Funds

Due from (to) other Funds records the pending transfers of cash between Funds which is primarily a result of receipts due to one Fund, but received by another. As of June 30, 2016, there were no pending cash transfers due between Funds.

Bonds Payable

Bonds payable are carried at their unpaid principal balances, net of unamortized original issue discounts or premiums. However, in an economic refunding, any costs incurred from the refunding of bonds would be reported as deferred outflows or inflows of resources on the Combined Statement of Net Position. See Notes 6, 7, 8, 9, 10 and 12 for additional information on bonds.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits by Borrowers

This account consists of escrows and reserves held by CDA on behalf of multi-family housing developments. CDA invests these deposits and, for reserves, allows earnings to accrue to the benefit of the mortgagor. Escrows represent amounts held by CDA for mortgage insurance and hazard insurance premiums and real estate taxes, all of which are generally paid annually and which are classified as a current liability. Based on the current year's reserve disbursements, CDA has estimated the current reserve liability. The balance of the reserves is classified as long-term. See Note 12 for further information on changes in long-term obligations.

Rebate Liability on Investments

Regulations governing the issuance of tax-exempt debt place limitations on permitted investment yield on borrowed funds. Based on these regulations, CDA is required to periodically rebate excess earnings from investments to the United States Treasury. In addition, the liability also includes an estimate of the rebate obligation related to unrealized gains as a result of recording investments at fair value. Rebate liability is more fully described in Note 11.

Interest Rate Exchange Agreements (Swaps)

Interest rate exchange agreements (swaps) are derivative instruments which are entered into as cash flow hedges to reduce exposure to identified financial risks associated with assets, liabilities or expected transactions or to lower the costs of borrowings and are considered to be hedging derivative instruments. Swaps are reported at fair value in the Combined Statement of Net Position and are tested quarterly for hedge effectiveness. Effectiveness is established if the changes in cash flows of the swaps substantially offset the changes in cash flows of the hedgeable items. The changes in fair values of the swaps that are determined to be effective hedges will be recognized as deferred inflows or outflows of resources in the Combined Statement of Net Position. The changes in fair value of the swaps that are determined not to be effective hedges will be reported in the Combined Statement of Revenue, Expenses and Changes in Net Position. CDA's swaps are more fully described in Note 9.

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, 2016, all mortgage loan yields are in compliance with the Code.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Tax credit fees and administrative fees are recorded as earned.

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. The General Bond Reserve Fund records these expenses as invoiced by DHCD for the fiscal year. For the year ended June 30, 2016, the total costs for salaries and related costs and for general and administrative costs charged to the General Bond Reserve Fund was $22,099.

The employees of CDA are covered by the Maryland State Retirement and Pension System. See Note 16 for additional information.

Revenue and Expenses

CDA distinguishes operating revenue and expenses from non-operating 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 Funds' 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. Mortgage-backed securities that are part of the TBA program are classified as operating which is more fully described in Note 3.

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 combined 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 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

CDA implemented GASB Statement No. 72, *Fair Value Measurement and Application*, for the year ending June 30, 2016. The objective of this Statement is to enhance the comparability of financial statements among government and related entities by establishing a consistent hierarchy of fair value measurement techniques. CDA included all required disclosures in the notes to the financial statements.

CDA implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* for the year ending June 30, 2016. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP). This Statement reduced the GAAP hierarchy to two categories of authoritative GAAP and raises the category of GASB Implementation Guides in the GAAP hierarchy. The implementation of this Statement did not have a material impact on the financial position of the Funds.

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 respective indentures 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 notes, 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.

(in thousands)

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

The following assets, reported at fair value and held by CDA at June 30, 2016, are evaluated in accordance with GASB accounting guidance for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Cash and Cash Equivalents:				
Federated Prime Cash Obligations Fund	$ 52,183	$ 376,857	$ 21,290	$ 450,330
Demand Deposit Account	-	17,669	-	17,669
Investments:				
Obligations of the U.S. Treasury	8,050	-	6,217	14,267
Obligations of the U.S. Government Agencies	2,408	24,528	12,399	39,335
Repurchase Agreements and Investment Agreements	-	2,408	-	2,408
Mortgage-Backed Securities:				
Government National Mortgage Association (GNMA)	58,481	108,512	-	166,993
Federal National Mortgage Association (FNMA)	-	28,088	-	28,088
Total Cash and Cash Equivalents, Investments and Mortgage-Backed Securities	$ 121,122	$ 558,062	$ 39,906	$ 719,090

(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, 2016, the amortized cost, fair value and maturities for these assets were as follows:

			Maturities (in Years)				
Asset	Amortized Cost	Fair Value	Less Than 1	1 - 5	6 - 10	11 - 15	More Than 15
Federated Prime Cash Obligations Fund	$ 450,330	$ 450,330	$ 450,330	$ -	$ -	$ -	$ -
Demand Deposit Account	17,669	17,669	17,669	-	-	-	-
Obligations of the U.S. Treasury	10,622	14,267	1,629	1,775	2,813	8,050	-
Obligations of U.S. Government Agencies	36,560	39,335	29,519	3,135	-	3,604	3,077
Repurchase Agreements/ Investment Agreements	2,408	2,408	-	-	-	1,232	1,176
GNMA Mortgage-Backed Securities	159,229	166,993	-	-	-	-	166,993
FNMA Mortgage-Backed Securities	27,131	28,088	-	-	-	-	28,088
Total	$ 703,949	$ 719,090	$ 499,147	$ 4,910	$ 2,813	$ 12,886	$ 199,334

The Federated Prime Cash Obligations Fund invests primarily in short-term, high-quality, fixed-income securities issued by banks, corporations and the U.S. Government. It is operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. It can reasonably be expected to have a fair value that will be unaffected by interest rate changes because the interest rates are variable and the principal can be recovered on demand. As noted above, as of June 30, 2016, 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 trust indentures 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 CDA's indentures and 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 in a specific indenture 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, 2016, all counterparty ratings were at least equal to the ratings on the bonds. The ratings on Housing Revenue Bonds and Residential Revenue Bonds as of June 30, 2016 were Aa2 by Moody's Investors Service. The ratings on Housing Revenue Bonds and Residential Revenue Bonds as of June 30, 2016 were AA+ and AA, respectively, by Fitch Ratings. The following table provides credit quality rating information for the investment portfolio and individual issuers, if they represent 5 percent or more of total investments, in accordance with accounting guidance issued by GASB.

As of June 30, 2016, credit ratings and allocation by type of investments for the following assets were:

Asset	Fair Value	Percentage of Total Investments	Money Market Fund Rating	Securities Credit Rating	Rating Agency
Federated Prime Cash Obligations Fund	$ 450,330	62.63%	Aaa		Moody's
Demand Deposit Account:					
Counterparty Rated Aa1 by Moody's	17,669	2.46%			
Government National Mortgage Association (GNMA) Mortgage-Backed Securities	166,993	23.22%		Direct U.S. Obligations	
Federal National Mortgage Association (FNMA) Mortgage-Backed Securities	28,088	3.91%		Aaa	Moody's
Obligations of the U.S. Treasury	14,267	1.98%		Direct U.S. Obligations	
Obligations of U.S. Government Agencies:					
Federal Home Loan Bank	12,480	1.74%		Aaa	Moody's
Other U.S. Government Agencies	26,855	3.73%		Aaa	Moody's
				Underlying Securities Credit Rating	
Collateralized Repurchase Agreements and Investment Agreements:					
Counterparty Rated Aaa by Moody's	2,408	0.33%		Direct U.S. Obligations	
Total	$ 719,090	100.00%			

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

The market value of the underlying collateralized securities in repurchase agreements and investment agreements is maintained at a minimum of 102 percent of the principal of and accrued interest on the invested funds by marking to market at least weekly and using an immediate under value cure provision.

In order to facilitate a transaction with a liquidity provider, CDA has invested in a demand deposit account that is classified as cash and cash equivalents. This investment is backed by an Irrevocable Standby Letter of Credit dated July 26, 2012, that was established by the Federal Home Loan Bank of Pittsburgh, and is automatically extended each year until July 26, 2017. This date corresponds with the termination date of the standby purchase agreement.

Mortgage-backed Securities and Certificates

All mortgage-backed securities and certificates held by CDA are guaranteed by the Government National Mortgage Association (GNMA) or the Federal National Mortgage Association (FNMA or Fannie Mae).

GNMA mortgage-backed securities are instrumentalities of the United States Government and 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.

Fannie Mae mortgage-backed certificates are “guaranteed mortgage pass-through certificates” which supplement amounts received by a trust created under a trust agreement as required permitting timely payments of principal and interest on the certificates to CDA. The certificates and payments of principal and interest on the certificates are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae.

As an investor of GNMA I mortgage-backed securities (MBS), CDA receives separate principal and interest payments on the 15th of each month; however, for GNMA II MBS, CDA receives the total principal and interest from a central paying agent on the 20th of each month. For all Fannie Mae certificates, CDA receives the total principal and interest from the trust on the 25th of each month. All mortgages backing a GNMA I MBS have the same mortgage rate equal to 50 basis points greater than the coupon, with 44 basis points of servicing fee and 6 basis points of guaranty fee. Similarly, GNMA II MBS also have 6 basis points of guaranty fee, but the mortgage rate for the loans backing the security can vary between 25 to 75 basis points greater than the coupon which may result in a variety of servicing fees. All Fannie Mae certificates have a guaranty fee of 47.5 basis points and a servicing fee of 25 basis points. CDA also participates from time to time in the Fannie Mae buy-up or buy-down of the guaranty fee created in the pooling process in order to maximize pooling of certificates for efficiency and effectiveness.

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

In January 2012, CDA expanded the sources of financing for its mortgage-backed securities program through the ongoing sale of forward contracts of GNMA mortgage-backed securities and Fannie Mae certificates. These securities are comprised of single family mortgage loans originated by CDA's network of approved lender partners. As part of this program, CDA periodically enters into forward contracts to sell GNMA mortgage-backed securities and Fannie Mae certificates to investors before the securities are ready for delivery (referred to as "to-be-announced" or "TBA Mortgage-Backed Security Contract"). These forward contracts are settled monthly, using funds held in Residential Revenue Bonds' additional collateral account, prior to being sold into the secondary market. As of June 30, 2016, CDA entered into TBA Mortgage-Backed Security Contracts with a notional amount of $80,913 outstanding. The increase/decrease in the fair value of GNMA mortgage-backed securities and Fannie Mae certificates that are part of the TBA program is classified as operating revenue on the Combined Statement of Revenue, Expenses and Changes in Net Position.

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, 2016, The Funds' 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; Level 3 inputs are significant unobservable inputs.

The Funds have the following recurring fair value measurements as of June 30, 2016:

- U.S. Government Agencies and U.S. Treasury Bonds of $53,602 are valued using quoted market prices (Level 1).
- GNMA and FNMA mortgage-backed securities of $195,081 are valued using the matrix pricing technique (Level 2).
- Pay-fixed, receive-variable interest rate swap agreements of $6,908 are valued using the matrix pricing technique (Level 2).

(in thousands)

NOTE 4 MORTGAGE LOANS

Substantially all single family mortgage loans are secured by first liens on the related property. Approximately 97% of all single family mortgage loans are credit enhanced through the Federal Housing Administration (FHA) mortgage insurance programs, the Veterans Administration and USDA/RD guarantee programs, Maryland Housing Fund (MHF) or by private mortgage insurance policies. As of June 30, 2016, interest rates on first lien single family loans range from 0.0% to 10.4% with remaining loan terms ranging from less than 1 year to 37 years.

Approximately 99% of all multi-family construction and permanent mortgage loans outstanding are insured or credit enhanced by FHA, MHF, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (FNMA), GNMA or bank letters of credit. As of June 30, 2016, interest rates on the loans range from 0.75% to 7.85% with remaining loan terms ranging from less than 3 months to 40 years.

For the year ended June 30, 2016, the mortgage loan and claims receivable balances, net of the allowances for loan losses on the uninsured portions of multi-family loans and on single family loans with private mortgage insurance, including loans in foreclosure and other loans with pending insurance claims, were as follows:

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Mortgage Loans	$ 175,867	$ 1,151,477	$ 6,236	$ 1,333,580
Allowance for Loan Losses	(35)	(10,960)	-	(10,995)
Mortgage Loans, Net of Allowance	$ 175,832	$ 1,140,517	$ 6,236	$ 1,322,585
Claims Receivable on Foreclosed and Other Loans	$ -	$ 62,455	$ -	$ 62,455
Allowance for Loan Losses	-	(12,244)	-	(12,244)
Claims Receivable on Foreclosed and Other Loans, Net of Allowance	$ -	$ 50,211	$ -	$ 50,211

For the year ended June 30, 2016, the allowances for loan losses decreased by $14,573. This was due to a decrease in provision for loan losses in the amount of $2,833 and charge-offs in the amount of $11,740.

(in thousands)

NOTE 5 ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2016, were as follows:

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Accrued Mortgage Loan Interest	$ 733	$ 12,429	$ 39	$ 13,201
Accrued Mortgage-Backed Securities Interest	238	309	-	547
Accrued Investment Interest	93	425	165	683
Negative Arbitrage due from Mortgagors	40	-	-	40
Funds Due from Mortgage Insurers for Loan Modifications	-	229	-	229
Reimbursement Due for State-Funded Loans	-	2,571	-	2,571
Reimbursement Due For Pre-Foreclosure Costs Incurred on Mortgage Loans	-	2,864	-	2,864
Miscellaneous Loan and Other Billings	-	117	22	139
Total	$ 1,104	$ 18,944	$ 226	$ 20,274

NOTE 6 SHORT-TERM DEBT

CDA issues short-term debt to preserve volume cap when prepayments and payments from mortgages exceed the demand for new mortgages. Proceeds of the short-term debt are used to refund and to pay at maturity prior series of bonds. At the time of the refunding, prepayments and repayments of mortgage loans financed by these prior bonds are transferred to accounts in the short-term series. CDA expects to make these funds available to purchase mortgage loans upon the maturity or earlier redemption of the short-term bonds with proceeds of additional long-term bonds. By issuing the short-term debt, CDA more closely matches the rates on the short-term debt with the rates on short-term investments. When there is sufficient mortgage demand, CDA issues long-term refunding bonds to redeem the short-term debt and the prepayments and repayments are used to fund new mortgages. For the year ended June 30, 2016, CDA did not issue any short-term debt.

NOTE 7 BONDS PAYABLE

The bonds and notes issued by CDA are special obligations of CDA and are payable from the revenue and special funds of the applicable indentures. These bonds and notes 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 indentures 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 indentures, 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 Combined Statement of Revenue, Expenses and Changes in Net Position. If unamortized original issue discounts exceed unamortized original issue premiums, CDA records a loss.

The following lists those bonds which are at variable rates and the terms by which the variable rates change. All other bonds have fixed interest rates.

<u>Housing Revenue Bonds</u>

Series 2013 E

The 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 the bonds bear interest at a rate in excess of 12%.

<u>Residential Revenue Bonds</u>

2006 Series G and J; 2007 Series F, J and M; 2008 Series D; 2012 Series B; and 2014 Series F

The 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 the bonds bear interest at a rate in excess of 12%.

The following bonds are taxable. All other bonds are tax-exempt.

<u>Housing Revenue Bonds</u>
Series 2013 E

<u>Residential Revenue Bonds</u>
2006 Series S
2007 Series B, E and I
2012 Series A and B
2014 Series E and F
2015 Series B

(in thousands)

NOTE 7 BONDS PAYABLE (CONTINUED)

The following is a summary of the bond activity for Housing Revenue Bonds for the year ended June 30, 2016, and bonds payable as of June 30, 2016:

	Issue Dated	Range of Interest Rates	Range of Maturities	Bonds Payable at June 30, 2015	Bond Activity: New Bonds Issued	Bond Activity: Scheduled Maturity Payments	Bond Activity: Bonds Redeemed	Bonds Payable at June 30, 2016
Housing Revenue Bonds								
Series 1996 A	11/01/96	5.875% - 5.95%	2016 - 2023	$ 3,595	$ -	$ (1,120)	$ (100)	$ 2,375
Series 1996 B	11/01/96	5.875% - 5.95%	2016 - 2028	1,085	-	(60)	-	1,025
Series 2005 A	02/17/05	4.25% - 4.85%	2015 - 2047	4,650	-	(60)	(4,590)	-
Series 2006 C	04/27/06	4.05% - 4.75%	2015 - 2036	1,790	-	(50)	(615)	1,125
Series 2006 D	09/27/06	4.91%	7/1/2048	4,180	-	(50)	-	4,130
Series 2007 A	06/14/07	4.20% - 4.95%	2015 - 2049	16,815	-	(195)	(16,620)	-
Series 2007 B	08/30/07	5.51%	1/1/2038	4,555	-	(75)	-	4,480
Series 2007 C	12/20/07	5.38%	1/1/2043	1,445	-	(20)	-	1,425
Series 2008 A	05/29/08	5.24%	7/1/2038	5,220	-	(120)	-	5,100
Series 2008 B	05/29/08	5.63%	7/1/2049	9,870	-	(105)	-	9,765
Series 2008 C	09/19/08	5.60%	7/1/2048	7,065	-	(75)	-	6,990
Series 2008 D	12/18/08	5.25% - 6.75%	2018 - 2039	3,600	-	(60)	-	3,540
Series 2009 A	11/24/09	5.25%	7/1/2041	6,755	-	(260)	-	6,495
Series 2012 A	07/26/12	0.85% - 4.375%	2015 - 2054	9,205	-	(120)	-	9,085
Series 2012 B	08/30/12	0.85% - 4.125%	2015 - 2054	4,445	-	(60)	-	4,385
Series 2012 D	11/07/12	0.65% - 3.875%	2015 - 2054	4,635	-	(65)	-	4,570
Series 2013 A	02/28/13	0.65% - 4.00%	2015 - 2054	10,850	-	(150)	-	10,700
Series 2013 B	07/25/13	0.70% - 5.15%	2015 - 2055	10,945	-	(290)	-	10,655
Series 2013 C	07/25/13	0.90% - 5.50%	2015 - 2045	3,965	-	(225)	(3,740)	-
Series 2013 D	09/19/13	0.60% - 5.65%	2015 - 2055	7,585	-	(2,485)	-	5,100
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	16,255	-	-	(3,950)	12,305
Series 2014 A	02/27/14	0.30% - 5.00%	2015 - 2055	4,805	-	(45)	-	4,760
Series 2014 B	05/21/14	0.50% - 4.45%	2016 - 2055	3,790	-	-	(2,520)	1,270
Series 2014 C	08/21/14	0.45% - 4.05%	2016 - 2046	3,700	-	-	-	3,700
Series 2014 D	12/17/14	0.45% - 4.20%	2016 - 2056	10,060	-	(45)	-	10,015
Series 2015 A	05/28/15	0.80% - 4.55%	2017 - 2057	13,395	-	-	-	13,395
Series 2015 B	10/07/15	0.85% - 4.50%	2018 - 2057	-	48,200	-	-	48,200
Total				$ 216,055	$ 48,200	$ (5,735)	$ (32,135)	$ 226,385

(in thousands)

NOTE 7 BONDS PAYABLE (CONTINUED)

The following is a summary of the bond activity for Residential Revenue Bonds for the year ended June 30, 2016, and the debt outstanding and bonds payable as of June 30, 2016:

	Issue Dated	Range of Interest Rates	Range of Maturities	Debt Outstanding at June 30, 2015	Bond Activity: New Bonds Issued	Bond Activity: Scheduled Maturity Payments	Bond Activity: Bonds Redeemed	Debt Outstanding at June 30, 2016	Bond Premium/ Discount Deferred	Bonds Payable at June 30, 2016
Residential Revenue Bonds										
2006 Series A	02/23/06	4.00% - 4.10%	2015 - 2017	$ 4,065	$ -	$ (1,305)	$ (2,760)	$ -	$ -	$ -
2006 Series B	02/23/06	4.75% - 4.90%	2025 - 2037	30,430	-	-	(30,430)	-	-	-
2006 Series E	05/24/06	4.20% - 4.35%	2015 - 2017	8,020	-	(2,570)	(2,240)	3,210	-	3,210
2006 Series G	05/24/06	Variable Rate	9/1/2040	40,000	-	-	-	40,000	-	40,000
2006 Series H	07/13/06	4.05% - 4.15%	2015 - 2017	6,055	-	(1,935)	-	4,120	-	4,120
2006 Series I	07/13/06	4.45% - 4.90%	2015 - 2029	68,555	-	(1,930)	(16,185)	50,440	-	50,440
2006 Series J	07/13/06	Variable Rate	9/1/2040	60,000	-	-	-	60,000	-	60,000
2006 Series K	09/14/06	4.05% - 4.15%	2015 - 2017	5,165	-	(1,650)	(1,110)	2,405	-	2,405
2006 Series L	09/14/06	4.50% - 4.95%	2015 - 2038	107,610	-	(1,740)	(3,625)	102,245	-	102,245
2006 Series O	12/13/06	3.75% - 3.85%	2015 - 2017	3,410	-	(1,090)	-	2,320	-	2,320
2006 Series P	12/13/06	4.20% - 4.70%	2015 - 2037	49,545	-	(1,830)	(1,855)	45,860	-	45,860
2006 Series S	12/13/06	6.07%	9/1/2037	14,420	-	-	(1,400)	13,020	-	13,020
2007 Series A	03/28/07	4.25% - 5.75%	2016 - 2047	164,065	-	-	(14,415)	149,650	1,156	150,806
2007 Series B	03/28/07	6.00%	9/1/2037	17,470	-	-	(2,390)	15,080	-	15,080
2007 Series C	06/20/07	3.85% - 3.95%	2015 - 2017	16,785	-	-	(10,585)	6,200	-	6,200
2007 Series D	06/20/07	4.65% - 5.50%	2022 - 2048	117,265	-	-	(2,680)	114,585	26	114,611
2007 Series E	06/20/07	5.30% - 6.11%	2015 - 2042	37,760	-	(505)	(3,340)	33,915	-	33,915
2007 Series F	06/20/07	Variable Rate	9/1/2031	25,445	-	-	(4,240)	21,205	-	21,205
2007 Series G	08/09/07	4.20% - 4.30%	2015 - 2017	21,205	-	-	(13,830)	7,375	-	7,375
2007 Series H	08/09/07	4.95% - 5.15%	2022 - 2042	55,685	-	-	(12,005)	43,680	-	43,680
2007 Series I	08/09/07	5.80% - 6.56%	2015 - 2043	44,640	-	(1,360)	(6,875)	36,405	-	36,405
2007 Series J	08/09/07	Variable Rate	9/1/2031	32,800	-	-	(4,700)	28,100	-	28,100
2007 Series K	12/12/07	3.65% - 3.85%	2015 - 2017	7,795	-	-	(4,855)	2,940	-	2,940
2007 Series M	12/12/07	Variable Rate	9/1/2043	29,050	-	-	-	29,050	-	29,050
2008 Series A	06/19/08	3.75% - 4.00%	2015 - 2017	27,475	-	-	(14,455)	13,020	-	13,020
2008 Series B	09/04/08	3.90% - 4.05%	2015 - 2016	4,645	-	(2,340)	(2,305)	-	-	-
2008 Series D	09/04/08	Variable Rate	9/1/2038	49,890	-	-	-	49,890	-	49,890
2008 Series E	12/17/08	4.125% - 4.55%	2015 - 2017	7,605	-	-	(4,185)	3,420	-	3,420
2009 Series A	09/24/09	2.80% - 5.05%	2015 - 2039	36,065	-	(830)	(855)	34,380	-	34,380
2009 Series B	10/08/09	2.50% - 4.75%	2015 - 2039	40,400	-	(970)	(685)	38,745	-	38,745
2009 Series C	10/27/09	2.35% - 4.55%	2015 - 2039	14,350	-	(345)	(290)	13,715	-	13,715
2010 Series A	06/09/10	3.95% - 4.45%	2018 - 2021	23,280	-	-	(830)	22,450	-	22,450
2011 Series A	05/05/11	2.00% - 5.375%	2015 - 2041	54,335	-	(1,105)	(4,645)	48,585	473	49,058
2011 Series B	05/05/11	3.25%	3/1/2036	20,000	-	-	-	20,000	(81)	19,919
2012 Series A	08/23/12	1.244% - 4.00%	2015 - 2025	30,390	-	(3,140)	(2,145)	25,105	302	25,407
2012 Series B	08/23/12	Variable Rate	9/1/2033	45,000	-	-	-	45,000	884	45,884
2014 Series A	02/20/14	0.40% - 4.30%	2015 - 2032	57,230	-	(1,485)	-	55,745	-	55,745
2014 Series B	02/20/14	0.50% - 3.25%	2015 - 2044	31,110	-	(1,405)	(2,795)	26,910	-	26,910
2014 Series C	09/25/14	0.15% - 4.00%	2015 - 2044	47,805	-	(1,910)	(1,020)	44,875	1,088	45,963
2014 Series D	09/25/14	0.60% - 4.00%	2016 - 2036	22,965	-	-	(1,305)	21,660	1,229	22,889
2014 Series E	09/25/14	0.70% - 4.478%	2015 - 2040	51,670	-	(1,550)	(2,195)	47,925	-	47,925
2014 Series F	09/25/14	Variable Rate	9/1/2044	25,000	-	-	(445)	24,555	-	24,555
2015 Series A	12/03/15	0.25% - 3.95%	2016 - 2045	-	24,235	(135)	-	24,100	482	24,582
2015 Series B	12/03/15	1.00% - 4.515%	2016 - 2041	-	67,190	(520)	-	66,670	-	66,670
Total				$ 1,556,455	$ 91,425	$ (31,650)	$ (177,675)	$ 1,438,555	$ 5,559	$ 1,444,114

(in thousands)

NOTE 8 DEBT SERVICE REQUIREMENTS

As of June 30, 2016, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2016 and excluding the effect of unamortized discounts/premiums as shown in Note 7) and interest payments for each of the next five years and in 5-year increments thereafter, are as follows:

	Housing Revenue Bonds		Residential Revenue Bonds	
Year Ended June 30,	Interest	Principal	Interest	Principal
2017	$ 8,037	$ 9,315	$ 50,601	$ 58,655
2018	7,877	5,265	48,666	75,115
2019	7,788	2,645	46,396	51,310
2020	7,708	2,545	44,527	50,030
2021	7,623	3,035	42,571	44,905
2022 - 2026	36,302	15,665	185,039	236,025
2027 - 2031	32,897	17,645	138,224	244,765
2032 - 2036	28,506	21,895	93,947	294,810
2037 - 2041	22,839	25,350	49,042	229,495
2042 - 2046	17,017	67,025	12,723	147,875
2047 - 2051	10,019	27,245	266	5,570
2052 - 2056	3,787	25,105	-	-
2057 - 2061	160	3,650	-	-
Total	$ 190,560	$ 226,385	$ 712,002	$ 1,438,555

The interest calculations on outstanding variable rate bonds in the amounts of $41,795 in Housing Revenue Bonds and $297,800 in Residential Revenue Bonds are based on the variable rates in effect on June 30, 2016 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. See Note 9 for information on interest rate exchange agreements (swaps) associated with the variable rate debt in Residential Revenue Bonds.

NOTE 9 INTEREST RATE EXCHANGE AGREEMENTS (SWAPS)

Objective of the Swaps

As a means to lower its borrowing costs, CDA issues variable rate bonds. In order to protect against the potential increases in interest rates, CDA has entered into pay-fixed, receive-variable interest rate swap agreements in connection with certain variable rate bond series. CDA anticipates that the net swap payments and interest payments on underlying bonds will be lower than what CDA would have paid if it had issued fixed rate debt at the time of the underlying bond issuances. All of CDA's swaps are intended to be cash flow hedges.

(in thousands)

NOTE 9 INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (CONTINUED)

Terms and Fair Value

The terms, including the fair values of the outstanding swaps as of June 30, 2016, are provided in the table below. The counterparty credit ratings for all outstanding swaps as of June 30, 2016 are listed under the Credit Risk section. For each of the outstanding swap agreements the variable rates are reset monthly, and it is the intent of CDA to match the maturity of the swaps with the maturity of the underlying bonds. The fair values are based on the market values and are affirmed by an independent advisor who used valuation methods and assumptions in accordance with accounting guidance issued by GASB.

Swap Counter-Party	Associated Bond Issue	Original Notional Amount	Outstanding Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received (1)	Fair Value	Swap Final Termination Date
The Bank of New York Mellon (BNYM)	2006 Series G	$40,000	$40,000	5/24/2006	4.4030%	64% of LIBOR plus .29%	($757)	9/1/2040 (2)(12)(13)
JP Morgan Chase Bank, N.A. (JPM)	2006 Series J	$40,000	$10,000	7/13/2006	4.4030%	64% of LIBOR plus .29%	($189)	9/1/2040 (2)(6)(13)
Merrill Lynch Derivative Products AG (MLDP)	2007 Series F	$46,485 (amended)	$21,205	10/27/2009 (amended)	4.4300% (amended)	64% of LIBOR plus .22% (amended)	($769)	3/1/2026 (3)(5)(8)(11)
Merrill Lynch Derivative Products AG (MLDP)	2007 Series J	$56,680 (amended)	$28,100	9/1/2009 (amended)	4.8350% (amended)	64% of LIBOR plus .22% (amended)	($1,129)	9/1/2025 (3)(5)(8)(9)
The Bank of New York Mellon (BNYM)	2007 Series M	$26,990 (amended)	$9,100	10/8/2009 (amended)	4.3350% (amended)	64% of LIBOR plus .22% (amended)	($489)	9/1/2043 (4)(5)(10)
Merrill Lynch Derivative Products AG (MLDP)	2008 Series D	$50,000	$49,890	9/4/2008	3.6880%	64% of LIBOR plus .31%	($3,575)	9/1/2038 (5)(7)(8)(14)

NOTE 9 INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (CONTINUED)

Notes to 2016 Table

(1) "LIBOR" means the 1 month London Interbank Offered Rate.

(2) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on March 1, 2016 and on each September 1 and March 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.

(3) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on March 1, 2017 and on each September 1 and March 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.

(4) CDA has the option to terminate a portion of this interest rate swap transaction without any termination payment up to the Maximum Optional Early Termination Amounts on each March 1 and September 1 until September 1, 2017. CDA has exercised its option to partially terminate the notional amount of this interest rate swap in the amount of $2,060 effective September 1, 2009, $1,515 effective March 1, 2010, $1,735 effective September 1, 2010, $1,700 effective March 1, 2011, $1,425 effective September 1, 2011, $1,185 effective March 1, 2012, $975 effective September 1, 2012, $790 effective March 1, 2013, $610 effective September 1, 2013, $470 effective March 1, 2014, $340 effective September 1, 2014, $235 effective March 1, 2015, $120 effective September 1, 2015 and $45 effective March 1, 2016. CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2017 and on each March 1 and September 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.

(5) The outstanding notional amount reflects the amount that has been amortized as of March 1, 2016. On September 1, 2010, 2008 Series D had a scheduled amortization of the notional amount which corresponded to a scheduled mandatory sinking fund redemption of outstanding bonds on such date.

(6) On May 14, 2009, all swap agreements with Bear Stearns Financial Products Inc. were assigned to JPMorgan Chase Bank, N.A. All terms and conditions of the contracts remain in force.

(7) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2018 and on each March 1 and September 1 thereafter (Optional Par Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.

(8) On January 1, 2009, Bank of America Corporation acquired Merrill Lynch & Co., Inc. Notwithstanding this acquisition, Merrill Lynch Derivative Products AG remains in existence and continues as a swap provider on this swap agreement.

(9) On September 24, 2009, 2007 Series J bonds, with an outstanding balance of $58,680, were remarketed and the related swap agreement was amended effective September 1, 2009.

(10) On October 8, 2009, 2007 Series M bonds, with an outstanding balance of $29,050, were remarketed and the related swap agreement with an outstanding balance of $26,990 was amended effective October 8, 2009 (refer to note 4 above). The Bank of New York Mellon replaced UBS AG as counterparty to the agreement.

(11) On October 27, 2009, 2007 Series F bonds, with an outstanding balance of $46,485, were remarketed and the related swap agreement was amended effective October 27, 2009.

(12) The Bank of New York Mellon entered into a Novation Transaction dated April 10, 2014 whereby The Bank of New York Mellon replaced UBS AG as counterparty to the agreement. All terms and conditions of the contract remains in force.

(13) Subsequent to June 30, 2016, CDA exercised its option and terminated these interest rate swaps, in whole, effective September 1, 2016.

(14) Also, subsequent to June 30, 2016, CDA redeemed $1,615 of 2008 Series D variable rate debt on September 1, 2016. This has created a mismatch between the notional amount of the swap and the 2008 Series D variable rate debt outstanding. The swap notional amount of $1,615 is being deemed terminated with respect to the 2008 Series D debt and integrated in the same amount with an unhedged portion of 2007 Series M.

(in thousands)

NOTE 9 INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (CONTINUED)

Basis Risk

The swaps would expose CDA to basis risk should the relationship between the London Interbank Offered Rate and the Securities Industry and Financial Markets Association Rate converge. If a change occurs that results in the rates moving towards convergence, the expected cost savings may not be realized. In order to mitigate this risk, prior to the execution of the swap agreements, CDA and its independent financial advisor reviewed historical trading differentials between the Securities Industry and Financial Markets Association Rate and the London Interbank Offered Rate.

Credit Risk

Credit risk is the risk that a swap counterparty will not fulfill its obligations. The fair value of the swaps represented CDA's credit exposure to each counterparty as of June 30, 2016. CDA was not exposed to credit risk under the swap agreements with JPM, MLDP or BNYM since the fair value of each counterparty's swap portfolio was negative. However, should the valuation of any of the individual swaps change, and the fair values turn positive, CDA may become exposed to credit risk in the amount of the swaps' fair values. To mitigate the potential for credit risk, the fair value of the swaps will be fully collateralized by the counterparties if a counterparty's credit quality falls below the designated credit rating thresholds.

The credit rating details for each swap counterparty, including credit rating thresholds, and the total fair value amounts as of June 30, 2016 are summarized below:

Swap Counterparty	Outstanding Notional Amount	Current Credit Rating	Collateral Posting Credit Rating Threshold	Fair Value
JP Morgan Chase Bank, N.A. (JPM)	$10,000	Aa2 from Moody's A+ from Standard and Poor's	A1 or below from Moody's or A+ or below from Standard and Poor's	($189)
Merrill Lynch Derivative Products AG (MLDP)	$99,195	Aa3 from Moody's AA- from Standard and Poor's	A1 or below from Moody's or A+ or below from Standard and Poor's or Fitch	($5,473)
The Bank of New York Mellon (BNYM)	$49,100	Aa1 from Moody's AA from Fitch	A1 or below from Moody's or A+ or below from Fitch	($1,246)

NOTE 9 INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (CONTINUED)

Termination Risk

Termination risk is the risk that, due to some event or exercise of a right, the swaps may terminate prior to the scheduled expiration which could result in a payment due from CDA. Furthermore, if a swap is terminated, the underlying variable rate bonds may be exposed to the rising variable interest rates.

According to the termination provisions of the swap agreements, CDA or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The counterparty can terminate the contract if the ratings on the related bonds fall below the credit rating thresholds. In addition, CDA has an option to terminate the swaps in part or in whole without any payment except for accrued interest on the respective Optional Termination Dates. Regardless of the above, CDA has a unilateral right to terminate swaps at any time upon adequate notification to the counterparty. If at the time of such termination a swap has a negative fair value, CDA would be liable to the counterparty for a payment equal to the swap's fair value along with any accrued interest.

Rollover Risk

CDA is exposed to rollover risk on the swap agreements if the agreement terminates prior to the maturity of the associated debt. CDA evaluates the range of reasonably expected repayment patterns for the financed assets to best match the swap schedule. Terminating an existing swap may enable CDA to enter a new swap or other financing mechanism that may be better tailored to the actual financed assets and repayment experience. It is the intent of CDA to match the maturity of the swaps with the maturity of the underlying bonds.

Amortization Risk

Amortization risk is the risk that the actual redemption pattern of the bonds may differ from the swap schedule, producing a mismatch between the principal amount of the bonds outstanding and the outstanding notional amount of the swap. To address this risk, CDA has structured all swap transactions to provide for optional termination on the respective Optional Termination Dates and automatic incremental amortization of the swap notional amounts. Mortgage loan prepayments can also be directed to the variable rate series to match the outstanding notional swap amount to the outstanding amount of the underlying bonds.

Tax Risk

Tax risk is the risk that the value of tax exemption may decline through tax law changes and that variable interest rates would then rise toward taxable levels and the expected cost savings of the swaps may not be realized.

Counterparty Risk

Counterparty risk is the risk that a counterparty will fail to make required payments. In order to limit this type of risk, CDA diversifies its exposure across several counterparties.

(in thousands)

NOTE 9 INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (CONTINUED)

Swap Payments and Associated Debt

The following table provides a summary of debt service requirements for hedged variable rate bonds and net swap payments for the next five years and in 5-year increments thereafter. The interest calculations are based on the variable rates in effect on June 30, 2016, and may not be indicative of the actual interest expense that will be incurred. As rates vary, variable rate bond interest payments and net swap payments will vary.

	Hedged Variable Rate Bonds		Interest Rate	
Year Ending June 30,	Principal	Interest	Swaps, Net	Total
2017	$ 7,445	$ 647	$ 5,715	$ 13,807
2018	1,935	679	5,278	7,892
2019	3,195	666	4,818	8,679
2020	1,350	656	4,437	6,443
2021	1,525	647	4,144	6,316
2022 - 2026	9,540	3,120	17,329	29,989
2027 - 2031	64,360	2,808	13,559	80,727
2032 - 2036	29,480	1,396	8,797	39,673
2037 - 2041	31,030	545	2,937	34,512
2042 - 2046	8,435	85	32	8,552
Total	$ 158,295	$ 11,249	$ 67,046	$ 236,590

Fair Values

The table below summarizes the total fair values for CDA's interest rate exchange agreements at June 30, 2015 and June 30, 2016, and the changes in fair values for the year ended June 30, 2016.

	Total Fair Value at June 30, 2015	Total Fair Value at June 30, 2016	Change in Fair Value for the Period
Interest Rate Exchange Agreements:			
Cash Flow Hedges	$ (13,172)	$ (6,908)	$ 6,264
Investment Derivatives	-	-	-
Total	$ (13,172)	$ (6,908)	$ 6,264

(in thousands)

NOTE 9 INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (CONTINUED)

In accordance with accounting guidance issued by GASB, the fair value balances of derivative instruments (interest rate exchange agreements) outstanding at June 30, 2016, classified by type, and the changes in fair value of such derivative instruments as presented on the combined financial statements for the period ended June 30, 2016, are as follows:

	Change in Fair Value		Fair Value at June 30, 2016		Outstanding Notional
	Classification	Amount	Classification	Amount	Amounts
Cash Flow Hedges:					
Pay Fixed Interest Rate Swaps	Deferred Outflow	$ 6,264	Debt	$ 6,908	$ 158,295
Investment Derivatives:					
Pay Fixed Interest Rate Swaps	Investment Revenue	$ -	Investment	$ -	$ -

As of June 30, 2016, all of CDA's swaps meet the criteria for effectiveness and the swap fair values are classified as deferred outflow.

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on each future net settlement on the swaps.

NOTE 10 BOND REFUNDINGS

Certain refundings of debt are due to the prepayments of single family mortgage loans. In these cases, CDA transfers the proceeds of the refunding bonds to a redemption account to redeem previously issued bonds and, simultaneously, transfers the prepayments of single family mortgage loans financed by these prior bonds to the refunding bonds' accounts for the purpose of originating new loans. This recycling of prepayments enables CDA to originate new loans that are not subject to the limitations of the IRS volume cap. CDA does not pay call premiums on these special redemptions, and the refundings are not undertaken to reduce interest rates, revise payment schedules or modify restrictions related to the old debt. CDA writes off any unamortized original issue premiums, net of any unamortized original issue discounts, as a gain on early retirement of debt in the accompanying Combined Statement of Revenue, Expenses and Changes in Net Position. If unamortized original issue discounts exceed unamortized original issue premiums, CDA records a loss.

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.

(in thousands)

NOTE 10 BOND REFUNDINGS (CONTINUED)

For the year ended June 30, 2016, CDA issued $91,425 of Residential Revenue Bonds 2015 Series A and B bonds on December 3, 2015. The 2015 Series B bonds refunded $33,190 of 2006 Series A and B bonds, in full, on January 4, 2016. This economic refunding resulted in savings of approximately $4.3 million. The following table summarizes the bonds that were issued and refunded:

New Bonds Issued			Bonds Refunded	
Bonds Issued	Amount Issued	Amount Refunded	Bonds Refunded	Amount Refunded
2015 Series A	$ 24,235	$ -		$ -
2015 Series B	$ 67,190	$ 33,190	2006 Series A	$ 2,760
			2006 Series B	$ 30,430

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 Combined Statement 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 of June 30, 2016, there were no unamortized bond premiums or discounts to defer due to the refunding of the Residential Revenue Bonds described above.

NOTE 11 REBATE LIABILITY

In accordance with the Internal Revenue Service Code (the Code), CDA may record a rebate liability for excess investment earnings in tax-exempt bond issues. The excess investment earnings arise due to actual investment yields earned by CDA being greater than yields permitted to be retained by CDA under the Code. The Code requires 90% of such excess investment earnings to be remitted to the United States Treasury every five years and in full at the final redemption of the bonds. Interest income on the Combined Statement of Revenue, Expenses and Changes in Net Position is reduced by the rebate liability due to excess investment earnings. The increase/decrease in fair value of investments on the Combined Statement of Revenue, Expenses and Changes in Net Position is adjusted by the change in the estimated rebate liability due to change in fair value of investments. CDA has no rebate liability from interest income or from unrealized gains on mortgage-backed securities. As of June 30, 2016, there was no rebate liability to record for excess investment earnings in tax-exempt bond issues.

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS
NOTES TO COMBINED FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2016

NOTE 12 LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2016, were as follows:

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Workers' Compensation:				
Beginning Balance at June 30, 2015	$ -	$ -	$ 58	$ 58
Additions	-	-	21	21
Reductions	-	-	(17)	(17)
Ending Balance at June 30, 2016	-	-	62	62
Less Due Within One Year	-	-	(9)	(9)
Total Long-Term Workers' Compensation	-	-	53	53
Compensated Absences:				
Beginning Balance at June 30, 2015	-	-	878	878
Additions	-	-	697	697
Reductions	-	-	(604)	(604)
Ending Balance at June 30, 2016	-	-	971	971
Less Due Within One Year	-	-	(772)	(772)
Total Long-Term Compensated Absences	-	-	199	199
Bonds Payable:				
Beginning Balance at June 30, 2015	216,055	1,563,163	-	1,779,218
Additions	48,200	91,913	-	140,113
Reductions	(37,870)	(209,325)	-	(247,195)
Change in Deferred Amounts for Issuance Discounts/Premiums	-	(1,637)	-	(1,637)
Ending Balance at June 30, 2016	226,385	1,444,114	-	1,670,499
Less Due Within One Year	(9,315)	(58,655)	-	(67,970)
Total Long-Term Bonds Payable	217,070	1,385,459	-	1,602,529
Deposits by Borrowers:				
Beginning Balance at June 30, 2015	13,642	5,145	118	18,905
Additions	5,371	1,343	56	6,770
Reductions	(3,823)	(3,214)	(68)	(7,105)
Ending Balance at June 30, 2016	15,190	3,274	106	18,570
Less Due Within One Year	(3,238)	(1,440)	(79)	(4,757)
Total Long-Term Deposits by Borrowers	11,952	1,834	27	13,813
Interest Rate Swap Agreements:				
Beginning Balance at June 30, 2015	-	13,172	-	13,172
Additions	-	-	-	-
Reductions	-	(6,264)	-	(6,264)
Ending Balance at June 30, 2016	-	6,908	-	6,908
Total Long-Term Interest Rate Swap Agreements	-	6,908	-	6,908
Total Long-Term Liabilities	$ 229,022	$ 1,394,201	$ 279	$ 1,623,502

(in thousands)

NOTE 13 INTERFUND ACTIVITY

In accordance with the various bond indentures, net position in each of the Funds are restricted and pledged to bondholders. However, restricted assets may be transferred to other Funds, subject to the provisions of the respective indentures. Generally, an officer of CDA must authorize such withdrawals and a cash flow analysis must demonstrate that sufficient monies remain in the indenture to meet the obligations of the Funds in current and future years. A cash flow analysis is not required for the General Bond Reserve Fund (GBRF) because there are no bonds outstanding in GBRF as of June 30, 2016.

During the year ended June 30, 2016, CDA transferred the following amounts, as permitted, among Funds:

	Transfers Among Funds			
	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Excess Revenue Transferred to the General Bond Reserve fund	$ (1,500)	$ (8,500)	$ 10,000	$ -
Funds Required for the Debt Service Reserve Account Transferred to Local Government Infrastructure Bonds 2015 Series A-2	-	-	(332)	(332)
Administrative Fees on Mortgage Loans Transferred from Multi-Family Mortgage Revenue Bonds	-	-	335	335
Transfers of Funds, Net, as Permitted by the Various Bond Indentures	$ (1,500)	$ (8,500)	$ 10,003	$ 3

NOTE 14 OTHER OUTSTANDING BONDS ISSUED BY CDA (CONDUIT BONDS)

CDA has issued the following bonds that are not included in the combined financial statements of the Funds. The Multifamily Development Revenue Bonds are secured solely by the properties and related revenues of the projects and the applicable credit enhancements. The Capital Fund Securitization Bonds are insured and are repayable by the Department of Housing and Urban Development (HUD) directly to the trustee from funds that the participating public housing authorities would have received under its Annual Contributions Contract. The Local Government Infrastructure Bonds (Mayor and City Council of Cumberland Issue) are secured solely from the revenues and property pledged under this resolution. Neither the faith and credit of CDA nor the assets of the Funds have been pledged as security for these bonds. Accordingly, these obligations are excluded from CDA's combined financial statements.

(in thousands)

NOTE 14 OTHER OUTSTANDING BONDS ISSUED BY CDA (CONDUIT BONDS) (CONTINUED)

	Amount Issued	Outstanding at June 30, 2016
Multifamily Development Revenue Bonds		
Series 1999 A (GNMA - Selborne House)	$ 2,150	$ 1,835
Series 2001 C (Parklane Apartments)	$ 9,800	$ 9,800
Series 2001 D (Princess Anne Townhouses)	$ 4,350	$ 2,810
Series 2001 E (Princess Anne Townhouses)	$ 2,875	$ 2,270
Series 2001 G (Waters Tower Senior Apartments)	$ 4,045	$ 3,185
Series 2002 B (Broadway Homes)	$ 5,045	$ 1,925
Series 2002 C (Orchard Mews Apartments)	$ 5,845	$ 3,875
Series 2003 A (Barrington Apartments)	$ 40,000	$ 39,905
Series 2005 A (Fort Washington Manor Sr. Housing)	$ 14,000	$ 12,210
Series 2005 B (Washington Gardens)	$ 5,000	$ 2,075
Series 2006 A (Barclay Greenmount Apartments)	$ 4,535	$ 3,300
Series 2006 B (Charles Landing South Apartments)	$ 3,375	$ 3,375
Series 2007 A (Brunswick House Apartments)	$ 3,000	$ 1,925
Series 2007 B (Park View at Catonsville)	$ 5,200	$ 4,750
Series 2008 A (Walker Mews Apartments)	$ 11,700	$ 11,700
Series 2008 B (Shakespeare Park Apartments)	$ 7,200	$ 7,200
Series 2008 C (The Residences at Ellicott Gardens)	$ 9,105	$ 6,175
Series 2008 D (Crusader Arms Apartments)	$ 3,885	$ 2,660
Series 2008 E (Monte Verde Apartments)	$ 15,200	$ 15,200
Series 2008 F (Hopkins Village Apartments)	$ 9,100	$ 9,100
Series 2008 G (Kirkwood House Apartments)	$ 16,000	$ 16,000
Series 2009 A (Sharp Leadenhall Apartments)	$ 16,950	$ 14,250
Series 2012 A (Park View at Bladensburg)	$ 3,500	$ 3,310
Series 2013 G (Glen Manor Apartments)	$ 13,640	$ 13,640
Series 2014 B-1 (Memorial Apartments)	$ 12,700	$ 12,700
Series 2014 B-2 (Memorial Apartments)	$ 13,300	$ 13,300
Series 2014 E (Silver Spring Library Residences)	$ 22,000	$ 22,000
Series 2014 F (Old Town Manor)	$ 6,000	$ 6,000
Series 2014 G (Windsor Valley I & II)	$ 16,500	$ 16,500
Series 2014 I (Marlborough Apartments)	$ 27,590	$ 26,935
Series 2015 A (Conifer Village at Oakcrest)	$ 13,000	$ 13,000
Series 2015 B (Madera Apartments)	$ 3,750	$ 3,750
Series 2015 C (Commons of Avalon)	$ 12,850	$ 12,850
Series 2015 D (Cumberland Arms Apartments)	$ 6,315	$ 6,315
Series 2015 E (Basilica Place Apartments)	$ 11,900	$ 11,900
Series 2015 F (Bernard E. Mason Apartments)	$ 18,020	$ 18,020
Series 2015 G (Lakeview Tower)	$ 19,190	$ 19,190
Series 2015 H (Bel Park Tower)	$ 15,600	$ 15,600
Series 2015 I (Allendale Apartments)	$ 13,200	$ 13,200
Series 2015 J (Riverwatch Apartments)	$ 11,750	$ 11,750
Series 2015 K (Tabco Towers)	$ 21,000	$ 21,000
Series 2015 L (Hollins House)	$ 12,000	$ 12,000
Series 2015 N (Wyman House)	$ 14,600	$ 14,600
Series 2015 O (The Brentwood)	$ 15,935	$ 15,935
Series 2016 A (Primrose Place Apartments)	$ 9,900	$ 9,900
Series 2016 B (Rainier Manor Phase II)	$ 6,570	$ 6,570
Series 2016 D (Arnold Gardens Apartments)	$ 6,800	$ 6,800
Series 2016 E (Calvin Mowbray Park & Stephen Camper Park)	$ 14,700	$ 14,700
Capital Fund Securitization Revenue Bonds Series 2003	$ 94,295	$ 5,495
Local Government Infrastructure Bonds 2011 Series A (Mayor and City Council of Cumberland Issue)	$ 12,275	$ 11,890

NOTE 14 OTHER OUTSTANDING BONDS ISSUED BY CDA (CONDUIT BONDS) (CONTINUED)

The Multifamily Development Revenue Bonds, the Capital Fund Securitization Revenue Bonds and the Local Government Infrastructure Bonds (Mayor and City Council of Cumberland Issue) are special obligations payable solely from the trust estate pledged under each indenture. These bonds do not constitute a debt of and are not guaranteed by the State of Maryland, any political subdivision thereof, CDA or the Department of Housing and Community Development.

Subsequent to the year ended June 30, 2016, CDA issued Multifamily Development Revenue Bonds Series 2016 C on August 19, 2016 in the amount of $8,250, Series 2016 F on July 28, 2016 in the amount of $17,300, Series 2016 G on August 12, 2016 in the amount of $24,000 and Series 2016 H on September 9, 2016 in the amount of $8,200. Also, subsequent to year end, CDA redeemed $16,500 of Multifamily Development Revenue Bonds Series 2014 G on September 1, 2016 and $1,615 of Capital Fund Securitization Revenue Bonds Series 2003 on July 1, 2016.

NOTE 15 MORTGAGE INSURANCE

Substantially all of the Funds' mortgage loans have mortgage insurance 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.

For a single family loan insured by an agency of the U.S. Government the primary mortgage insurance covers an amount substantially equal to the unpaid principal amount of the loan. Almost all other loans have primary mortgage insurance in an amount that is at least 25% of the loan amount. Approximately 3% of all first lien loans either did not have primary mortgage insurance due to their original loan-to-value ratios of less than 80% or have cancelled primary mortgage insurance due to their outstanding balance falling below 80% of the original loan amount. About 42% of all loans are insured by agencies of the U.S. Government in an amount substantially equal to the unpaid principal amount of the loan. Approximately 55% of total loans are insured by private mortgage insurers or MHF. Approximately 95% of the total loans insured by private mortgage insurers or MHF are covered at 35% of the loan amount. The remaining 5% of this group of loans is insured by two different private mortgage insurers who, due to financial constraints or receivership, are currently paying to CDA approximately three quarters of the 35% or 25% of the loan amount. An allowance for loan losses has been established for loans insured by private mortgage insurers. Premiums are paid by single family mortgagors.

(in thousands)

NOTE 16 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 17 SUBSEQUENT EVENTS

CDA has identified the following activity that occurred subsequent to June 30, 2016.

Subsequent to the year ended June 30, 2016, the following bond activity took place:

Residential Revenue Bonds

On August 31, 2016, CDA issued Residential Revenue Bonds 2016 Series A bonds in the amount of $325,800, of which $321,290 of bond proceeds was used to refund the following bonds on September 1, 2016:

2006 Series K	$1,795
2006 Series L	$101,470
2006 Series O	$1,185
2006 Series P	$44,745
2006 Series S	$12,530
2007 Series A	$145,190
2007 Series B	$14,375

(in thousands)

NOTE 17 SUBSEQUENT EVENTS (CONTINUED)

Also on September 1, 2016, CDA redeemed the following Residential Revenue Bonds:

2006 Series E	$5
2006 Series L	$775
2006 Series S	$490
2007 Series B	$705
2007 Series D	$1,410
2007 Series E	$2,050
2007 Series F	$2,270
2007 Series H	$920
2007 Series I	$680
2007 Series J	$2,895
2008 Series D	$1,615
2010 Series A	$545
2011 Series A	$2,085
2012 Series A	$875
2014 Series B	$965
2014 Series C	$180
2014 Series D	$235
2014 Series E	$1,015
2015 Series A	$175
2015 Series B	$550

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS
SUPPLEMENTAL DISCLOSURE OF COMBINED CHANGES
IN FAIR VALUE OF INVESTMENTS AND
MORTGAGE-BACKED SECURITIES
(in thousands)
JUNE 30, 2016

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 Combined Statement of Revenue, Expenses and Changes in Net Position.

For investments (obligations of the U.S. Treasury and U.S. Government Agencies) held by the Funds as of June 30, 2016, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and amortized cost:

Fiscal Year Period	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Cumulative FY 1996 and Prior Periods	$ -	$ -	$ 620	$ 620
FY 1997	(352)	-	175	(177)
FY 1998	832	-	90	922
FY 1999	(407)	-	(191)	(598)
FY 2000	48	(227)	(237)	(416)
FY 2001	193	551	244	988
FY 2002	157	97	405	659
FY 2003	889	544	519	1,952
FY 2004	(678)	(674)	(1,368)	(2,720)
FY 2005	897	403	(403)	897
FY 2006	(866)	(1,567)	(526)	(2,959)
FY 2007	48	1,062	437	1,547
FY 2008	444	785	445	1,674
FY 2009	202	46	(150)	98
FY 2010	472	2,747	(53)	3,166
FY 2011	(280)	(2,244)	1,898	(626)
FY 2012	1,283	1,374	449	3,106
FY 2013	(730)	(855)	(539)	(2,124)
FY 2014	(27)	243	(287)	(71)
FY 2015	36	43	(271)	(192)
FY 2016	409	445	(180)	674
Cumulative Total	$ 2,570	$ 2,773	$ 1,077	$ 6,420

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS
SUPPLEMENTAL DISCLOSURE OF COMBINED CHANGES
IN FAIR VALUE OF INVESTMENTS AND
MORTGAGE-BACKED SECURITIES
(in thousands)
JUNE 30, 2016

For mortgage-backed securities held by the Funds as of June 30, 2016, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and cost:

Fiscal Year Period	Housing Revenue Bonds	Residential Revenue Bonds	Combined
FY 2000	$ (3,825)	$ -	$ (3,825)
FY 2001	(3,291)	-	(3,291)
FY 2002	3,340	-	3,340
FY 2003	21,435	-	21,435
FY 2004	(11,126)	-	(11,126)
FY 2005	12,879	-	12,879
FY 2006	(27,704)	-	(27,704)
FY 2007	3,661	-	3,661
FY 2008	(5,987)	-	(5,987)
FY 2009	17,358	-	17,358
FY 2010	13,103	-	13,103
FY 2011	(7,348)	(585)	(7,933)
FY 2012	6,303	1,858	8,161
FY 2013	(8,491)	(5,593)	(14,084)
FY 2014	(5,694)	3,127	(2,567)
FY 2015	(1,650)	503	(1,147)
FY 2016	2,232	4,216	6,448
Cumulative Total	$ 5,195	$ 3,526	$ 8,721