COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS

COMBINED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS
YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

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

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, which comprise the combined statement of net position as of June 30, 2019, and the related combined statements of revenue, expenses and changes in net position, and cash flows, for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the 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 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 combined financial position of the Funds as of June 30, 2019, and the changes in its combined financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

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, 2019, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion on the combined financial statements was not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplemental information on pages 34 through 35 is presented for purposes of additional analysis and is not a required part of the combined financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion, or provide any assurance on it.

Report on Summarized Comparative Information

We have previously audited the Funds' 2018 combined financial statements, and we expressed an unmodified opinion on those combined financial statements in our report dated September 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent in all material respects, with the audited combined financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated September 27, 2019, 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 solely 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 the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Funds' internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
September 27, 2019

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS
COMBINED STATEMENT OF NET POSITION
(in thousands)
JUNE 30, 2019
(with comparative combined totals as of June 30, 2018)

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2019	Combined 2018
RESTRICTED ASSETS					
RESTRICTED CURRENT ASSETS					
Cash and Cash Equivalents on Deposit	$104,474	$ 396,710	$ 33,564	$ 534,748	$ 347,346
Investments	21,929	98,556	6,528	127,013	45,309
Mortgage-Backed Securities	397	36,699	-	37,096	14,564
Mortgage Loans:					
Single Family	2	30,902	-	30,904	28,820
Multi-Family Construction and Permanent Financing	2,733	931	215	3,879	3,630
Business Loans	-	-	139	139	136
Accrued Interest and Other Receivables	1,372	15,507	617	17,496	17,239
Claims Receivable on Foreclosed and Other Loans, Net of Allowance	-	17,222	-	17,222	21,836
Real Estate Owned	-	5,839	-	5,839	11,557
Total Restricted Current Assets	130,907	602,366	41,063	774,336	490,437
RESTRICTED LONG-TERM ASSETS					
Investments, Net of Current Portion	7,153	9,284	2,437	18,874	56,620
Mortgage-Backed Securities, Net of Current Portion	29,272	512,358	-	541,630	281,611
Mortgage Loans, Net of Current Portion and Allowance:					
Single Family	5	761,480	-	761,485	856,087
Multi-Family Construction and Permanent Financing	247,233	7,821	5,750	260,804	238,990
Business Loans	-	-	8,523	8,523	8,046
Other Loan Receivable	-	-	750	750	750
Total Restricted Long-Term Assets	283,663	1,290,943	17,460	1,592,066	1,442,104
Total Restricted Assets	414,570	1,893,309	58,523	2,366,402	1,932,541
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflow of Fair Value on Interest Rate Swap Agreements	-	-	-	-	171
Total Restricted Assets and Deferred Outflows of Resources	$414,570	$ 1,893,309	$ 58,523	$2,366,402	$1,932,712

See accompanying Notes to Financial Statements.

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS
COMBINED STATEMENT OF NET POSITION (CONTINUED)
(in thousands)
JUNE 30, 2019
(with comparative combined totals as of June 30, 2018)

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2019	Combined 2018
LIABILITIES					
CURRENT LIABILITIES					
Accrued Interest Payable	$ 5,206	$ 15,143	$ -	$ 20,349	$ 17,414
Accounts Payable	138	2,982	5,301	8,421	9,383
Accrued Workers' Compensation	-	-	21	21	15
Accrued Compensated Absences	-	-	1,088	1,088	899
Due to State Treasurer	-	-	3,558	3,558	4,620
Bonds Payable	30,529	41,195	-	71,724	55,205
Due to Multi-Family Projects	-	-	-	-	1,416
Deposits by Borrowers	5,069	1,168	33	6,270	5,674
Total Current Liabilities	40,942	60,488	10,001	111,431	94,626
LONG-TERM LIABILITIES					
Rebate Liability	40	-	-	40	-
Accrued Workers' Compensation, Net of Current Portion	-	-	119	119	86
Accrued Compensated Absences, Net of Current Portion	-	-	-	-	153
Bonds Payable, Net of Current Portion	301,210	1,518,014	-	1,819,224	1,437,134
Deposits by Borrowers, Net of Current Portion	19,751	985	41	20,777	17,979
Interest Rate Swap Agreements	-	-	-	-	171
Total Long-Term Liabilities	321,001	1,518,999	160	1,840,160	1,455,523
Total Liabilities	361,943	1,579,487	10,161	1,951,591	1,550,149
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflow on Refunding of Bond Debt	-	756	-	756	825
NET POSITION					
Restricted	52,627	313,066	48,362	414,055	381,738
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 414,570	$ 1,893,309	$ 58,523	$ 2,366,402	$ 1,932,712

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, 2019
(with comparative combined totals for the year ended June 30, 2018)

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2019	Combined 2018
OPERATING REVENUE					
Interest on Mortgage Loans	$ 11,188	$ 47,617	$ 885	$ 59,690	$ 64,229
Interest on Mortgage-Backed Securities	1,968	12,624	-	14,592	9,293
Realized Gains on Sale of Mortgage-Backed Securities	-	11,429	-	11,429	15,743
Interest Income on Investments, Net of Rebate	2,111	7,349	824	10,284	6,014
Increase (Decrease) in Fair Value of Investments	276	768	(14)	1,030	(1,588)
Fee Income	683	-	10,815	11,498	7,625
Gain on Early Retirement of Debt	-	1,138	-	1,138	1,317
Other Operating Revenue	29	5	54	88	106
Total Operating Revenue	16,255	80,930	12,564	109,749	102,739
OPERATING EXPENSES					
Interest Expense on Bonds	11,367	41,761	-	53,128	49,761
Professional Fees and Other Operating Expenses	517	14,305	154	14,976	14,262
Salaries, General and Administrative Costs	-	-	24,821	24,821	24,539
(Decrease) Increase in Provision for Loan Losses	-	(530)	-	(530)	46
Other Loan Losses and Write-Offs	-	49	-	49	-
Losses and Expenses on Real Estate Owned, Net	-	2,502	-	2,502	3,657
Loss on Foreclosure Claims, Net	-	252	-	252	7,728
Bond Issuance Costs	-	5,091	-	5,091	103
Total Operating Expenses	11,884	63,430	24,975	100,289	100,096
OPERATING INCOME (LOSS)	4,371	17,500	(12,411)	9,460	2,643
NONOPERATING (EXPENSES) INCOME					
(Decrease) Increase in Fair Value of Mortgage-Backed Securities	(705)	23,239	-	22,534	(6,013)
Transfers of Funds, as Permitted by the Resolutions	(2,000)	(15,000)	17,323	323	327
CHANGES IN NET POSITION	1,666	25,739	4,912	32,317	(3,043)
NET POSITION - RESTRICTED AT BEGINNING OF YEAR	50,961	287,327	43,450	381,738	384,781
NET POSITION - RESTRICTED AT END OF YEAR	$ 52,627	$ 313,066	$ 48,362	$ 414,055	$ 381,738

See accompanying Notes to Financial Statements.

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS
COMBINED STATEMENT OF CASH FLOWS
(in thousands)
YEAR ENDED JUNE 30, 2019
(with comparative combined totals for the year ended June 30, 2018)

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2019	Combined 2018
CASH FLOWS FROM OPERATING ACTIVITIES					
Principal and Interest Received on Mortgage Loans	$ 32,225	$ 121,160	$ 1,343	$ 154,728	$ 156,688
Principal and Interest Received on Mortgage-Backed Securities	17,749	33,143	-	50,892	29,382
Escrow Funds Received	9,986	1,041	57	11,084	11,176
Escrow Funds Paid	(5,726)	(1,922)	(42)	(7,690)	(9,256)
Mortgage Insurance Claims and Other Loan Proceeds Received	-	39,157	-	39,157	52,682
Foreclosure Expenses Paid	-	(4,312)	-	(4,312)	(8,047)
Loan Fees Received	683	-	10,522	11,205	7,585
Purchase of Mortgage Loans	(46,610)	(2,950)	(616)	(50,176)	(40,540)
Disbursements of Loans to Projects	(1,416)	-	-	(1,416)	(24,855)
Purchase of Mortgage-Backed Securities	-	(500,085)	-	(500,085)	(379,910)
Funds Received from Sale of Mortgage-Backed Securities	-	214,247	-	214,247	323,653
Professional Fees and Other Operating Expenses	(466)	(14,318)	(172)	(14,956)	(14,426)
Other Income Received	29	5	54	88	106
Salaries, General and Administrative Expenses	-	-	(25,808)	(25,808)	(31,435)
Other Disbursements	-	(674)	(1,103)	(1,777)	(768)
Net Cash Provided (Used) by Operating Activities	6,454	(115,508)	(15,765)	(124,819)	72,035
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from Maturities or Sales of Investments	13,860	77,336	36,499	127,695	653
Purchases of Investments	(35,495)	(101,858)	(31,985)	(169,338)	(80,958)
Arbitrage Rebates Refunded	-	132	-	132	-
Interest Received on Investments	1,918	6,130	663	8,711	5,730
Net Cash (Used) Provided by Investing Activities	(19,717)	(18,260)	5,177	(32,800)	(74,575)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Proceeds from Sale of Bonds	44,420	651,805	-	696,225	71,185
Payments on Bond Principal	(32,851)	(263,390)	-	(296,241)	(145,485)
Bond Issuance Costs	-	(4,787)	-	(4,787)	(196)
Interest on Bonds	(10,915)	(39,584)	-	(50,499)	(49,241)
Transfers Among Funds	(2,000)	(15,000)	17,323	323	327
Net Cash (Used) Provided by Noncapital Financing Activities	(1,346)	329,044	17,323	345,021	(123,410)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT	(14,609)	195,276	6,735	187,402	(125,950)
CASH AND CASH EQUIVALENTS ON DEPOSIT - BEGINNING OF YEAR	119,083	201,434	26,829	347,346	473,296
CASH AND CASH EQUIVALENTS ON DEPOSIT - END OF YEAR	$ 104,474	$ 396,710	$ 33,564	$ 534,748	$ 347,346

See accompanying Notes to Financial Statements.

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS
COMBINED STATEMENT OF CASH FLOWS (CONTINUED)
(in thousands)
YEAR ENDED JUNE 30, 2019
(with comparative combined totals for the year ended June 30, 2018)

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2019	Combined 2018
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income (Loss)	$ 4,371	$ 17,500	$ (12,411)	$ 9,460	$ 2,643
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Amortization of Investment Discounts and Premiums	(249)	(863)	(173)	(1,285)	(7)
Amortization of Bond Original Issue Discounts and Premiums	-	(306)	-	(306)	(171)
(Decrease) Increase in Provision for Loan Losses	-	(530)	-	(530)	46
(Increase) Decrease in Fair Value of Investments	(276)	(768)	14	(1,030)	1,588
Arbitrage Rebate Refunded	-	(132)	-	(132)	-
Gain on Early Retirement of Debt	-	(1,138)	-	(1,138)	(1,317)
Bond Issuance Costs	-	4,787	-	4,787	196
Interest Received on Investments	(1,918)	(6,130)	(663)	(8,711)	(5,730)
Interest on Bonds	10,915	39,584	-	50,499	49,241
(Increase) Decrease in Assets:					
Mortgage Loans	(25,498)	97,357	(173)	71,686	93,019
Mortgage-Backed Securities	15,711	(275,728)	-	(260,017)	(51,739)
Accrued Interest and Other Receivables	11	(2)	(266)	(257)	1,281
Claims Receivable on Foreclosed and Other Loans	-	3,433	-	3,433	16,287
Real Estate Owned	-	5,718	-	5,718	(3,322)
Increase (Decrease) in Liabilities:					
Accrued Interest Payable	452	2,483	-	2,935	691
Accounts Payable	51	108	(1,121)	(962)	(840)
Rebate Liability	40	-	-	40	-
Accrued Workers' Compensation and Compensated Absences	-	-	75	75	(209)
Due to State Treasurer	-	-	(1,062)	(1,062)	(6,687)
Due to Multi-Family Projects	(1,416)	-	-	(1,416)	(24,855)
Deposits by Borrowers	4,260	(881)	15	3,394	1,920
Net Cash Provided (Used) by Operating Activities	$ 6,454	$ (115,508)	$ (15,765)	$ (124,819)	$ 72,035

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, 2019, 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, 2019, 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 receivables. See Notes 4 and 14 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. CDA has also established an allowance for loan losses on single family loans 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.

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, and 11 for additional information on bonds.

Due to Multi-Family Projects

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

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. CDA has set up other escrows for construction interest which are classified based on loan interest due as to whether it is a current or long-term liability. See Note 11 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 may also include 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 10.

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, 2019, all mortgage loan yields are in compliance with the Code.

Interest on Mortgage Loans and Mortgage-Backed Securities

Interest on mortgage loans and mortgage-backed securities is calculated using the effective interest method.

Fee Income

CDA receives multi-family financing fees at loan origination. These fees are recognized as revenue in the period received as fee income. 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, 2019, the total costs for salaries and related costs and for general and administrative costs charged to the General Bond Reserve Fund was $24,821.

The employees of CDA are covered by the Maryland State Retirement and Pension System. See Note 15 for additional information.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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, 2019, 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:				
BlackRock Liquidity FedFund Administration Shares	$ 104,474	$ 389,493	$ 33,564	$ 527,531
Demand Deposit Account	-	7,217	-	7,217
Investments:				
Obligations of the U.S. Treasury	21,029	23,211	2,925	47,165
Obligations of the U.S. Government Agencies	8,053	82,221	6,040	96,314
Repurchase Agreements and Investment Agreements	-	2,408	-	2,408
Mortgage-Backed Securities:				
Government National Mortgage Association (GNMA)	29,669	299,225	-	328,894
Federal National Mortgage Association (FNMA)	-	226,882	-	226,882
Federal Home Loan Mortgage Corporation (FHLMC)	-	22,950	-	22,950
Total Cash and Cash Equivalents, Investments and Mortgage-Backed Securities	$ 163,225	$ 1,053,607	$ 42,529	$ 1,259,361

(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, 2019, 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
BlackRock Liquidity FedFund Administration Shares	$ 527,531	$ 527,531	$ 527,531	$ -	$ -	$ -	$ -
Demand Deposit Account	7,217	7,217	7,217	-	-	-	-
Obligations of the U.S. Treasury	44,997	47,165	37,575	2,437	7,153	-	-
Obligations of U.S. Government Agencies	94,334	96,314	89,438	-	-	6,876	-
Repurchase Agreements/ Investment Agreements	2,408	2,408	-	-	-	2,408	-
GNMA Mortgage-Backed Securities	319,587	328,894	-	-	-	-	328,894
FNMA Mortgage-Backed Securities	217,880	226,882	-	-	-	-	226,882
FHLMC Mortgage-Backed Securities	21,864	22,950	-	-	-	-	22,950
Total	$ 1,235,818	$ 1,259,361	$ 661,761	$ 2,437	$ 7,153	$ 9,284	$ 578,726

The BlackRock Liquidity FedFund Administration Shares invests primarily in cash, U.S. Treasury bills, notes, and other obligations issued or guaranteed as to principal and interest by the U.S. Government, its agencies or instrumentalities, and repurchase agreements secured by such obligations or cash. It is operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. It can reasonably be expected to have a fair value that will be unaffected by interest rate changes because the interest rates are variable and the principal can be recovered on demand. As noted above, as of June 30, 2019, 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, 2019, 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, 2019 were Aa2 by Moody's Investors Service. The ratings on Housing Revenue Bonds and Residential Revenue Bonds as of June 30, 2019 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% or more of total investments, in accordance with accounting guidance issued by GASB.

As of June 30, 2019, credit ratings and allocation by type of investments for the following assets were:

Asset	Fair Value	Percentage of Total Investments	Money Market Fund Rating	Securities Credit Rating	Rating Agency
BlackRock Liquidity FedFund Administration Shares	$ 527,531	41.89%	Aaa		Moody's
Government National Mortgage Association (GNMA) Mortgage-Backed Securities	328,894	26.12%		Direct U.S. Obligations	
Federal National Mortgage Association (FNMA) Mortgage-Backed Securities	226,882	18.02%		Aaa	Moody's
Obligations of U.S. Government Agencies	96,314	7.65%		Aaa	Moody's

The market value of the underlying collateralized securities in repurchase agreements and investment agreements is maintained at a minimum of 102% 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, 2019, that was established by the Federal Home Loan Bank of Pittsburgh, and is automatically extended each year until July 24, 2024. This date corresponds with the termination date of the standby purchase agreement.

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

Mortgage-Backed Securities

All mortgage-backed securities held by CDA are guaranteed by the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA or Fannie Mae), or the Federal Home Loan Corporation (Freddie Mac).

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 and Freddie Mac mortgage-backed securities are "guaranteed mortgage pass-through securities" which supplement amounts received by a trust created under a trust agreement as required permitting timely payments of principal and interest on the securities to CDA. The securities and payments of principal and interest on the securities 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 or Freddie Mac.

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. CDA receives the total principal and interest from the trustee on the 25th of each month for both Fannie Mae and Freddie Mac securities and on the 15th of each month for some Freddie Mac securities. 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 and Freddie Mac securities have a guaranty fee of approximately 44-45 basis points and a servicing fee of 25 basis points. CDA also participates from time to time in the Fannie Mae or Freddie Mac buy-up or buy-down of the guaranty fee created in the pooling process in order to maximize pooling of securities for efficiency and effectiveness.

In January 2012, CDA expanded the sources of financing for its mortgage-backed securities program through the ongoing sale of forward contracts of GNMA, Fannie Mae or Freddie Mac mortgage-backed securities. 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, Fannie Mae or Freddie Mac mortgage-backed securities 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, 2019, CDA entered into TBA Mortgage-Backed Security Contracts with a notional amount of $42,949 outstanding. The increase/decrease in the fair value of GNMA, Fannie Mae or Freddie Mac mortgage-backed securities that are part of the TBA program is classified as operating revenue on the Statements of Revenue, Expenses, and Changes in Net Position.

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, CDA will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. As of June 30, 2019 and 2018, 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, 2019:

- U.S. Government Agencies and U.S. Treasury Notes and Bonds of $143,479 are valued using quoted market prices (Level 1).
- GNMA, FNMA and FHLMC mortgage-backed securities of $578,726 are valued using the matrix pricing technique (Level 2).

NOTE 4 MORTGAGE LOANS

Substantially all single-family mortgage loans are secured by first liens on the related property. Approximately 96% 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, 2019, interest rates on first lien single-family loans range from 0.0% to 10.25% with remaining loan terms ranging from less than 1 year to 38 years.

Approximately 99% of all multi-family construction and permanent mortgage loans outstanding are insured or credit enhanced by FHA, MHF, Federal National Mortgage Association (FNMA), GNMA, or bank letters of credit. As of June 30, 2019, interest rates on the loans range from 1.93% to 8.25% with remaining loan terms ranging from less than 1 year to 40 years.

(in thousands)

NOTE 4 MORTGAGE LOANS (CONTINUED)

For the year ended June 30, 2019, 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, 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	$ 250,008	$ 806,696	$ 14,627	$ 1,071,331
Allowance for Loan Losses	(35)	(5,562)	-	(5,597)
Mortgage Loans, Net of Allowance	$ 249,973	$ 801,134	$ 14,627	$ 1,065,734
Claims Receivable on Foreclosed and Other Loans	$ -	$ 19,478	$ -	$ 19,478
Allowance for Loan Losses	-	(2,256)	-	(2,256)
Claims Receivable on Foreclosed and Other Loans, Net of Allowance	$ -	$ 17,222	$ -	$ 17,222

NOTE 5 ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2019 were as follows:

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Accrued Mortgage Loan Interest	$ 1,017	$ 6,723	$ 172	$ 7,912
Accrued Mortgage-Backed Securities Interest	133	1,707	-	1,840
Accrued Investment Interest	168	804	86	1,058
Negative Arbitrage due from Mortgagors	54	-	-	54
Funds Due from Mortgage Insurers for Loan Modifications	-	141	-	141
Reimbursement Due for State-Funded Loans	-	2,454	-	2,454
Reimbursement Due For Pre-Foreclosure Costs Incurred on Mortgage Loans	-	3,678	-	3,678
Miscellaneous Loan and Other Billings	-	-	359	359
Total	$ 1,372	$ 15,507	$ 617	$ 17,496

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, 2019, 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.

Housing Revenue Bonds

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%.

Residential Revenue Bonds

2006 Series G and J; 2007 Series 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%.

(in thousands)

NOTE 7 BONDS PAYABLE (CONTINUED)

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

Housing Revenue Bonds
Series 2013 E

Residential Revenue Bonds
2012 Series A and B
2014 Series E and F
2015 Series B
2016 Series A
2017 Series A

The following is a summary of the bond activity for Housing Revenue Bonds for the year ended June 30, 2019, and bonds payable as of June 30, 2019:

	Issue Dated	Range of Interest Rates	Range of Maturities	Bonds Payable at June 30, 2018	Bond Activity: New Bonds Issued	Bond Activity: Scheduled Maturity Payments	Bond Activity: Bonds Redeemed	Bonds Payable at June 30, 2019
Housing Revenue Bonds								
Series 2006 D	09/27/06	4.91%	7/1/2048	$ 4,030	$ -	$ (60)	$ (885)	$ 3,085
Series 2007 B	08/30/07	5.51%	1/1/2038	4,315	-	(90)	-	4,225
Series 2007 C	12/20/07	5.38%	1/1/2043	1,385	-	(25)	-	1,360
Series 2008 A	05/29/08	5.24%	7/1/2038	4,845	-	(105)	(4,740)	-
Series 2008 B	05/29/08	5.63%	7/1/2049	9,550	-	(55)	(9,495)	-
Series 2008 C	09/19/08	5.60%	7/1/2048	6,830	-	(90)	-	6,740
Series 2008 D	12/18/08	5.25% - 6.75%	2018 - 2039	3,400	-	(75)	-	3,325
Series 2009 A	11/24/09	5.25%	7/1/2041	6,075	-	(135)	-	5,940
Series 2012 A	07/26/12	1.85% - 4.375%	2018 - 2054	8,845	-	(120)	-	8,725
Series 2012 B	08/30/12	1.70% - 4.125%	2018 - 2054	4,265	-	(60)	-	4,205
Series 2012 D	11/07/12	1.50% - 3.875%	2018 - 2054	4,430	-	(70)	-	4,360
Series 2013 A	02/28/13	1.35% - 4.00%	2018 - 2054	10,400	-	(150)	-	10,250
Series 2013 B	07/25/13	2.10% - 5.15%	2018 - 2055	9,520	-	(120)	-	9,400
Series 2013 E	11/07/13	Variable Rate	7/1/2045	41,795	-	-	-	41,795
Series 2013 F	12/12/13	1.55% - 5.25%	2018 - 2055	12,045	-	(135)	-	11,910
Series 2014 A	02/27/14	1.35% - 5.00%	2018 - 2055	4,650	-	(55)	-	4,595
Series 2014 B	05/21/14	1.35% - 4.45%	2018 - 2055	1,240	-	(15)	-	1,225
Series 2014 C	08/21/14	1.125% - 4.05%	2018 - 2046	2,290	-	(50)	-	2,240
Series 2014 D	12/17/14	1.125% - 4.20%	2018 - 2056	9,765	-	(135)	-	9,630
Series 2015 A	05/28/15	1.20% - 4.55%	2018 - 2057	7,870	-	(90)	-	7,780
Series 2015 B	10/07/15	0.95% - 4.50%	2018 - 2057	44,990	-	(550)	-	44,440
Series 2016 A	12/14/16	1.30% - 4.40%	2018 - 2058	15,730	-	(6,085)	(2,360)	7,285
Series 2017 A	04/13/17	1.35% - 3.95%	2019 - 2058	18,720	-	(3,860)	(86)	14,774
Series 2017 B	05/10/17	1.40% - 3.75%	2019 - 2059	12,000	-	-	(15)	11,985
Series 2017 C	12/18/17	1.55% - 3.80%	2019 - 2059	28,755	-	-	(3,045)	25,710
Series 2018 A	05/31/18	1.70% - 4.25%	2019 - 2060	42,430	-	(95)	-	42,335
Series 2019 A	01/17/19	1.875% - 4.20%	2021 - 2061	-	14,715	-	-	14,715
Series 2019 B	04/18/19	1.65% - 3.90%	2021 - 2061	-	10,040	-	-	10,040
Series 2019 C	06/27/19	1.40% - 3.65%	2021 - 2061	-	19,665	-	-	19,665
Total				$ 320,170	$ 44,420	$ (12,225)	$ (20,626)	$ 331,739

(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, 2019, and the debt outstanding and bonds payable as of June 30, 2019:

					Bond Activity					
	Issue Dated	Range of Interest Rates	Range of Maturities	Debt Outstanding at June 30, 2018	New Bonds Issued	Scheduled Maturity Payments	Bonds Redeemed	Debt Outstanding at June 30, 2019	Bond Premium/ Discount Deferred	Bonds Payable at June 30, 2019
Residential Revenue Bonds										
2006 Series G	05/24/06	Variable Rate	9/1/2040	$ 34,065	$ -	$ -	$ (3,690)	$ 30,375	$ -	$ 30,375
2006 Series I	07/13/06	4.80%	9/1/2021	14,705	-	(3,605)	(2,440)	8,660	-	8,660
2006 Series J	07/13/06	Variable Rate	9/1/2040	60,000	-	-	-	60,000	-	60,000
2007 Series M	12/12/07	Variable Rate	9/1/2043	29,050	-	-	(29,050)	-	-	-
2008 Series D	09/04/08	Variable Rate	9/1/2038	42,475	-	(2,040)	(40,435)	-	-	-
2009 Series A	09/24/09	3.70% - 5.05%	2019 - 2039	32,590	-	-	(32,590)	-	-	-
2009 Series B	10/08/09	3.35% - 4.75%	2018 - 2039	37,415	-	(1,055)	(36,360)	-	-	-
2009 Series C	10/27/09	3.15% - 4.55%	2018 - 2039	13,285	-	(375)	(12,910)	-	-	-
2010 Series A	06/09/10	4.125% - 4.30%	2019 - 2020	13,920	-	-	(12,095)	1,825	-	1,825
2011 Series A	05/05/11	3.375% - 5.000%	2018 - 2041	19,055	-	(515)	(4,320)	14,220	108	14,328
2011 Series B	05/05/11	1.18%	3/1/2036	20,000	-	-	-	20,000	(72)	19,928
2012 Series A	08/23/12	2.362% - 4.00%	2018 - 2025	14,950	-	(2,715)	(1,700)	10,535	105	10,640
2012 Series B	08/23/12	Variable Rate	9/1/2033	45,000	-	-	-	45,000	-	45,000
2014 Series A	02/20/14	1.40% - 4.30%	2018 - 2032	50,510	-	(2,890)	-	47,620	-	47,620
2014 Series B	02/20/14	3.25%	9/1/2044	17,520	-	-	(3,425)	14,095	432	14,527
2014 Series C	09/25/14	2.15% - 4.00%	2021 - 2044	41,215	-	-	(1,370)	39,845	643	40,488
2014 Series D	09/25/14	1.450% - 4.00%	2018 - 2036	15,475	-	(1,715)	(1,750)	12,010	693	12,703
2014 Series E	09/25/14	2.107% - 4.478%	2018 - 2040	35,645	-	(1,615)	(3,200)	30,830	-	30,830
2014 Series F	09/25/14	Variable Rate	9/1/2044	24,555	-	-	-	24,555	-	24,555
2015 Series A	12/03/15	1.10% - 3.95%	2018 - 2045	20,915	-	(570)	(815)	19,530	296	19,826
2015 Series B	12/03/15	1.841% - 4.515%	2018 - 2041	54,520	-	(1,810)	(5,060)	47,650	-	47,650
2016 Series A	08/31/16	1.408% - 3.797%	2018 - 2047	288,830	-	(6,575)	(15,820)	266,435	1,816	268,251
2017 Series A	04/27/17	1.546% - 4.416%	2018 - 2048	241,420	-	(5,195)	(19,415)	216,810	-	216,810
2018 Series A	11/08/18	2.00% - 4.500%	2019 - 2048	-	239,565	(3,210)	(1,910)	234,445	4,223	238,668
2018 Series B	11/08/18	4.50%	9/1/2048	-	40,435	-	(1,150)	39,285	2,265	41,550
2019 Series A	03/13/19	1.55% - 4.250%	2019 - 2049	-	140,000	-	-	140,000	3,982	143,982
2019 Series B	06/13/19	1.50% - 4.000%	2020 - 2049	-	210,000	-	-	210,000	10,993	220,993
Total				$ 1,167,115	$ 630,000	$ (33,885)	$ (229,505)	$ 1,533,725	$ 25,484	$1,559,209

(in thousands)

NOTE 8 DEBT SERVICE REQUIREMENTS

As of June 30, 2019, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2019 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 five-year increments thereafter, are as follows:

	Housing Revenue Bonds		Residential Revenue Bonds	
Year Ending June 30,	Interest	Principal	Interest	Principal
2020	$ 11,478	$ 30,529	$ 49,764	$ 41,195
2021	11,319	6,623	50,928	45,640
2022	11,129	8,928	49,788	43,935
2023	10,977	3,998	48,667	44,340
2024	10,857	3,953	47,455	44,685
2025 - 2029	52,203	21,577	215,344	259,290
2030 - 2034	47,811	25,355	163,080	341,650
2035 - 2039	41,965	31,625	104,238	325,480
2040 - 2044	34,925	34,032	53,270	228,265
2045 - 2049	23,888	80,776	17,328	149,780
2050 - 2054	13,658	44,293	194	9,465
2055 - 2059	4,528	33,955	-	-
2060 - 2061	285	6,095	-	-
Total	$ 275,023	$ 331,739	$ 800,056	$ 1,533,725

The interest calculations on outstanding variable rate bonds in the amounts of $41,795 in Housing Revenue Bonds and $159,930 in Residential Revenue Bonds are based on the variable rates in effect on June 30, 2019 and are not indicative of the actual interest expense that will be incurred in future years. As rates vary, variable rate bond interest payments will vary.

NOTE 9 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 9 BOND REFUNDINGS (CONTINUED)

During the fiscal year ended June 30, 2019, CDA issued and redeemed the following bonds as part of an economic refunding:

CDA issued 2018 Series AB bonds on November 8, 2018 in the amount of $286,753 (amount includes a bond premium of $6,753). The 2018 Series AB bonds refunded $151,345 of bonds, in full, on November 9, 2018. This economic refunding resulted in savings of approximately $6,305, net of cost of issuance. 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
2018 Series AB	$ 286,753	$ 151,345	2007 Series M	$ 29,050
	(includes issue premium)		2009 Series A	32,590
			2009 Series B	36,360
			2009 Series C	12,910
			2008 Series D	40,435

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 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 a result of the refundings described above, CDA did not have to defer any refunding debt costs associated with the refunded bonds.

NOTE 10 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. For the year ended June 30, 2019, CDA had a rebate liability of $40 to record for excess investment earnings in tax-exempt bond issues.

(in thousands)

NOTE 11 LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2019 were as follows:

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Rebate Liability				
Beginning Balance at June 30, 2018	$ -	$ -	$ -	$ -
Additions	40	-	-	40
Reductions	-	-	-	-
Ending Balance at June 30, 2019	40	-	-	40
Less: Due Within One Year	-	-	-	-
Total Long-Term Rebate Liability	40	-	-	40
Workers' Compensation:				
Beginning Balance at June 30, 2018	-	-	101	101
Additions	-	-	53	53
Reductions	-	-	(14)	(14)
Ending Balance at June 30, 2019	-	-	140	140
Less Due Within One Year	-	-	(21)	(21)
Total Long-Term Workers' Compensation	-	-	119	119
Compensated Absences:				
Beginning Balance at June 30, 2018	-	-	1,052	1,052
Additions	-	-	36	36
Reductions	-	-	-	-
Ending Balance at June 30, 2019	-	-	1,088	1,088
Less Due Within One Year	-	-	(1,088)	(1,088)

(in thousands)

NOTE 11 LONG-TERM OBLIGATIONS (CONTINUED)

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Bonds Payable:				
Beginning Balance at June 30, 2018	320,170	1,172,169	-	1,492,339
Additions	44,420	630,000	-	674,420
Reductions	(32,851)	(263,390)	-	(296,241)
Change in Deferred Amounts for Issuance Discounts/Premiums	-	20,430	-	20,430
Ending Balance at June 30, 2019	331,739	1,559,209	-	1,890,948
Less Due Within One Year	(30,529)	(41,195)	-	(71,724)
Total Long-Term Bonds Payable	301,210	1,518,014	-	1,819,224
Deposits by Borrowers:				
Beginning Balance at June 30, 2018	20,560	3,034	59	23,653
Additions	9,986	1,041	57	11,084
Reductions	(5,726)	(1,922)	(42)	(7,690)
Ending Balance at June 30, 2019	24,820	2,153	74	27,047
Less Due Within One Year	(5,069)	(1,168)	(33)	(6,270)
Total Long-Term Deposits by Borrowers	19,751	985	41	20,777
Interest Rate Swap Agreements:				
Beginning Balance at June 30, 2018	-	171	-	171
Additions	-	-	-	-
Reductions	-	(171)	-	(171)
Ending Balance at June 30, 2019	-	-	-	-
Total Long-Term Interest Rate Swap Agreements	-	-	-	-
Total Long-Term Liabilities	$ 321,001	$ 1,518,999	$ 160	$ 1,840,160

(in thousands)

NOTE 12 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, 2019.

During the year ended June 30, 2019, 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	$ (2,000)	$ (15,000)	$ 17,000	$ -
Administrative Fees on Mortgage Loans Transferred from Multi-Family Mortgage Revenue Bonds	-	-	323	323
Transfers of Funds, Net, as Permitted by the Various Bond Indentures	$ (2,000)	$ (15,000)	$ 17,323	$ 323

NOTE 13 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 Multi-Family 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 13 OTHER OUTSTANDING BONDS ISSUED BY CDA (CONDUIT BONDS) (CONTINUED)

	Amount Issued	Outstanding at June 30, 2019
Multi-Family Development Revenue Bonds		
Series 1999 A (GNMA - Selborne House)	$ 2,150	$ 1,725
Series 2001 G (Waters Tower Senior Apartments)	4,045	2,860
Series 2002 C (Orchard Mews Apartments)	5,845	3,185
Series 2003 A (Barrington Apartments)	40,000	39,905
Series 2005 A (Fort Washington Manor Sr. Housing)	14,000	11,225
Series 2005 B (Washington Gardens)	5,000	1,890
Series 2006 A (Barclay Greenmount Apartments)	4,535	3,005
Series 2006 B (Charles Landing South Apartments)	3,375	3,275
Series 2007 A (Brunswick House Apartments)	3,000	1,875
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 (MonteVerde Apartments)	15,200	13,970
Series 2008 G (Kirkwood House Apartments)	16,000	16,000
Series 2009 A (Sharp Leadenhall Apartments)	16,950	12,140
Series 2012 A (Park View at Bladensburg)	3,500	3,060
Series 2013 G (Glen Manor Apartments)	13,640	11,480
Series 2014 I (Marlborough Apartments)	27,590	23,090
Series 2015 D (Cumberland Arms Apartments)	6,315	3,360
Series 2017 E (Westminster House)	21,000	21,000
Series 2017 G (Bolton North)	25,200	24,585
Series 2018 A (Zion Towers)	30,000	30,000
Series 2018 B (Adams Crossing Phase 3)	5,360	5,360
Series 2018 C (Village at Lakeview)	19,200	19,200
Series 2018 D (Monument East)	22,700	22,700
Series 2018 E (Park Square Homes I)	7,500	7,500
Series 2018 F (Orchard Park at Ballenger Run)	21,000	21,000
Series 2018 G (Heritage Crossing II)	7,600	7,600
Series 2018 H (Lakeview at Victoria Park)	9,000	9,000
Series 2018 I (Willow Manor at Fairland)	10,000	10,000
Series 2019 A (Bay Country Apartments)	14,750	14,750
Series 2019 B (Headen House Apartments)	19,500	19,500
Series 2019 C (Huntington Apartments)	29,500	29,500
Series 2019 D (Park View at Taylor)	8,820	8,820
Series 2019 E (Park View at Woodlawn)	7,450	7,450
Capital Fund Securitization Revenue Bonds Series 2003	$ 94,295	$ 2,300
Local Government Infrastructure Bonds 2011 Series A (Mayor and City Council of Cumberland Issue)	$ 12,275	$ 9,825

The Multi-Family 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.

NOTE 14 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 the single-family loan portfolio, approximately 41% of the mortgage loans are insured by agencies of the U.S. Government in 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 4% 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.

Approximately 55% of mortgage loans are insured by private mortgage insurers or MHF. Approximately 96% of the mortgage loans insured by private mortgage insurers or MHF are covered at 35% of the loan amount, while 4% of the loans are covered at 25%. There are two private mortgage insurers who, due to financial constraints or receivership, are currently paying to CDA approximately three quarters of the amount determined to be due. These two private mortgage insurers represent 4% of the mortgage loans insured by private mortgage insurers or MHF. An allowance for loan losses has been established for loans insured by private mortgage insurers. Premiums are paid by single family mortgagors.

NOTE 15 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 16 SUBSEQUENT EVENTS

CDA has identified the following activity that occurred subsequent to June 30, 2019.

Subsequent to the year ended June 30, 2019, CDA issued $30,440 of Housing Revenue Bonds Series 2019 D bonds on August 8, 2019.

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS
SUPPLEMENTAL DISCLOSURE OF COMBINED CHANGES IN FAIR VALUE OF INVESTMENTS AND MORTGAGE-BACKED SECURITIES
(in thousands)
JUNE 30, 2019

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, 2019, 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
FY 2017	(666)	(646)	(403)	(1,715)
FY 2018	(454)	(866)	(268)	(1,588)
FY 2019	276	768	(14)	1,030
Cumulative Total	$ 1,726	$ 2,029	$ 392	$ 4,147

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS
SUPPLEMENTAL DISCLOSURE OF COMBINED CHANGES IN FAIR VALUE OF INVESTMENTS AND MORTGAGE-BACKED SECURITIES (CONTINUED)
(in thousands)
JUNE 30, 2019

For mortgage-backed securities held by the Funds as of June 30, 2019, 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
FY 2017	(2,551)	(3,294)	(5,845)
FY 2018	(1,920)	(4,093)	(6,013)
FY 2019	(705)	23,239	22,534
Cumulative Total	$ 19	$ 19,378	$ 19,397