



**Community Development Administration
Residential Revenue Bond Program Fund**

**Financial statements
As of June 30, 2001 and 2000
Together with report of independent public accountants**





Report of independent public accountants

To the Office of the Secretary of the
Department of Housing and Community Development:

We have audited the accompanying balance sheets of the Community Development Administration Residential Revenue Bond Program Fund (the Fund) as of June 30, 2001 and 2000, and the related statements of revenues, expenses and changes in fund equity and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Development Administration Residential Revenue Bond Program Fund as of June 30, 2001 and 2000, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The disclosure of change in fair values of investments held on June 30, 2001, presented as supplementary information on page 14, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has not been subjected to the auditing procedures applied in our audits of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink that reads "Arthur Andersen LLP". The signature is written in a cursive, flowing style.

Baltimore, Maryland
September 21, 2001

**Community Development Administration
Residential Revenue Bond Program Fund**

Table of contents

Balance sheets	
As of June 30, 2001 and 2000.....	1
Statements of revenues, expenses and changes in fund equity	
For the years ended June 30, 2001 and 2000.....	2
Statements of cash flows	
For the years ended June 30, 2001 and 2000.....	3
Notes to financial statements	
June 30, 2001 and 2000.....	4
Supplemental disclosure of change in fair value of investments (unaudited)	
June 30, 2001	14

**Community Development Administration
Residential Revenue Bond Program Fund**

**Balance sheets
As of June 30, 2001 and 2000
(in thousands)**

	2001	2000
Assets:		
Cash on deposit with trustee	\$ 28,193	\$ 14,227
Investments	350,284	397,893
Mortgage loans – single-family	601,317	386,861
Accrued interest and other receivables, net	10,390	7,931
Deferred bond issuance costs	8,070	5,482
Total assets	\$ 998,254	\$ 812,394
Liabilities and fund equity:		
Accrued interest payable	\$ 15,478	\$ 11,267
Accounts payable	505	463
Bonds payable	934,852	762,036
Due to other funds	14,520	20,068
Total liabilities	965,355	793,834
Commitments and contingencies		
Fund equity:		
Total fund equity	32,899	18,560
Total liabilities and fund equity	\$ 998,254	\$ 812,394

The accompanying notes are an integral part of these balance sheets.

**Community Development Administration
Residential Revenue Bond Program Fund**

**Statements of revenues, expenses and changes in fund equity
For the years ended June 30, 2001 and 2000
(in thousands)**

	2001	2000
Revenues:		
Interest on mortgage loans	\$ 32,092	\$ 17,195
Interest on investments	20,809	15,736
Other income	137	78
Loan fees	196	87
Increase (decrease) in fair value of investments	551	(227)
Total revenues	<u>53,785</u>	<u>32,869</u>
Expenses:		
Interest on bonds payable	43,414	26,712
Trustee, legal and mortgage servicing costs	1,632	942
Amortization of bond issuance costs	410	302
Other expense	80	911
Total expenses	<u>45,536</u>	<u>28,867</u>
Income before extraordinary item	8,249	4,002
Extraordinary item – loss on early extinguishment of bonds payable	<u>(72)</u>	<u>(62)</u>
Net income	8,177	3,940
Transfers of funds, net, at CDA's discretion, in accordance with the General Certificate of Revenue Bond Authorization and the Certificate of General Authorization	6,162	755
Fund equity, beginning of year	<u>18,560</u>	<u>13,865</u>
Fund equity, end of year	<u>\$ 32,899</u>	<u>\$ 18,560</u>

The accompanying notes are an integral part of these statements.

Community Development Administration Residential Revenue Bond Program Fund

Statements of cash flows For the years ended June 30, 2001 and 2000 (in thousands)

	2001	2000
Cash flows from operating activities:		
Net income	\$ 8,177	\$ 3,940
Adjustments to reconcile net income to net cash used in operating activities—		
(Increase) decrease in fair value of investments	(551)	227
Purchase and origination of mortgage loans	(231,629)	(218,931)
Interest on investments	(20,809)	(15,736)
Repayment of mortgage loans	15,562	5,529
Increase in accrued interest and other receivables	(2,459)	(3,195)
Increase (decrease) in accounts payable	42	(9)
Deferred loan fees collected	1,806	1,683
Decrease in due to other funds	(5,548)	(6,527)
Amortization of investment premiums or discounts	(24)	(57)
Amortization of deferred loan fees	(196)	(87)
Amortization of deferred bond issuance costs	410	302
Interest expense	43,414	26,712
Net cash used in operating activities	(191,805)	(206,149)
Cash flows from investing activities:		
Proceeds from maturity and sale of investments	466,763	384,614
Purchase of investments	(363,924)	(469,431)
Transfer of investments	(54,653)	(45,908)
Interest on investments	20,809	15,736
Net cash provided by (used in) investing activities	68,995	(114,989)
Cash flows from noncapital financing activities:		
Proceeds from the sale of bonds	348,865	464,751
Principal payments	(176,045)	(107,795)
Decrease in deferred bond issuance costs due to redemption of related bonds	72	62
Bond issuance costs	(3,069)	(2,979)
Interest payments	(39,209)	(21,243)
Transfers of funds	6,162	755
Net cash provided by noncapital financing activities	136,776	333,551
Net increase in cash on deposit with trustee	13,966	12,413
Cash on deposit with trustee, beginning of year	14,227	1,814
Cash on deposit with trustee, end of year	\$ 28,193	\$ 14,227

The accompanying notes are an integral part of these statements.

Community Development Administration Residential Revenue Bond Program Fund

Notes to financial statements June 30, 2001 and 2000 (in thousands)

1. 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 Article 83B, Sections 2-201 through 2-208) 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 financial statements only include CDA's Residential Revenue Bond Program Fund (the Fund). CDA's other programs are not included. The Fund was established to issue bonds to primarily originate or purchase single-family mortgage loans.

2. Summary of significant accounting policies:

Basis of presentation

The Fund is set up primarily in accordance with CDA's enabling legislation and the various note and bond certificates. The Fund is an enterprise fund of the State of Maryland and uses the accrual basis of accounting.

Investments

Investments are stated at fair value, based on quoted market prices. The cost of securities sold is determined by the specific identification method.

Loan fees

Loan fees are deferred over the life of the related loans and amortized using the effective interest rate method.

Bond issuance costs

Expenses incurred in issuing bonds are capitalized and amortized on a straight-line basis over the lives of the respective bond issues.

Allowance for loan losses

Substantially all the mortgage loans of the Fund are insured or guaranteed by agencies of the U.S. government. As such, no allowance for loan losses was necessary as of June 30, 2001 and 2000.

Administrative support

In addition to expenses incurred directly by the Fund, CDA receives certain support services from other divisions of DHCD. The cost of these services has 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 years ended June 30, 2001 and 2000, the allocation to CDA's General Bond Reserve Fund was:

	<u>2001</u>	<u>2000</u>
Salaries and related costs	\$ 6,051	\$ 5,719
General and administrative expenses	<u>1,808</u>	<u>1,857</u>
	<u>\$ 7,859</u>	<u>\$ 7,576</u>

The employees of CDA are covered by the Maryland State Retirement and Pension System (the System). Additional information about the System is presented in the State of Maryland's Comprehensive Annual Financial Report and in the Consolidated Annual Report of the Maryland State Retirement and Pension Systems.

The retirement benefit cost of employees is included in the salaries and related costs allocation discussed above. This allocation includes the Fund's total liability relating to the System as of June 30, 2001 and 2000.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 revenues, expenses, gains and losses during the reporting period. Actual results could differ from these estimates.

3. Cash and investments:

Proceeds from bonds are invested in authorized investments as defined in the indenture until required for purchasing or originating mortgage loans, funding reserves, redeeming outstanding bonds and notes, and funding program expenses. Authorized investments include obligations of the U.S. Treasury, U.S. government agencies and corporations, political subdivisions of the U.S., bankers acceptances, repurchase agreements, corporate debt securities and certificates of deposit with foreign or domestic banks. All CDA accounts held in trust by the trustee are kept separate from the assets of the bank and from other trust accounts.

Cash

As of June 30, 2001 and 2000, the Fund had \$28,193 and \$14,227, respectively, invested in a money market mutual fund (ARK U.S. Government Cash Management Corporate II Class Fund) which is classified as cash. This fund invests exclusively in obligations of the U.S. Government and its agencies and instrumentalities and in repurchase agreements. It is rated AAA by Standard & Poor's and Aaa by Moody's Investor Services.

As of June 30, 2001 and 2000, the cost of this money market mutual fund approximates fair value.

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

Investments

Obligations of U.S. government agencies are held in CDA's account by the trustee.

The repurchase agreements also include guaranteed investment contracts. For all these investments, collateral is held by the trustee of the fund group or its agent. The agreements and contracts are at fixed interest rates, with maturities ranging from less than one year up to 31 years.

As of June 30, 2001 and 2000, the amortized cost and fair value of the Fund's investments, by type of investment, were as follows:

	2001		2000	
	Fair value	Amortized cost	Fair value	Amortized cost
Obligations of U.S. government agencies	\$ 62,241	\$ 61,917	\$ 167,020	\$ 167,247
Securities held under repurchase agreements or guaranteed investment contracts	<u>288,043</u>	<u>288,043</u>	<u>230,873</u>	<u>230,873</u>
	<u>\$ 350,284</u>	<u>\$ 349,960</u>	<u>\$ 397,893</u>	<u>\$ 398,120</u>

Category of risk

Investments are classified as to credit risk by the three categories described below:

Category 1 – Insured or registered, with securities held by CDA or its agent in CDA's name.

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department in CDA's name.

Category 3 – Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in CDA's name.

All investments of the Fund are classified as Category 1.

4. Mortgage loans:

Substantially all the mortgage loans are secured by first liens on the related property and are insured or guaranteed by agencies of the U.S. government. As of June 30, 2001, interest rates on such loans range from 4.0 to 7.5 percent, with remaining loan terms ranging up from 26 to 30 years.

5. Bonds payable:

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

The following table summarizes the outstanding debt of the Fund, as of June 30, 2001 and 2000:

2001

1997 Series A dated August 1, 1997. \$17,325 term bonds due March 1, 2017, with interest at 5.60%.	\$ 17,325
1997 Series B dated August 1, 1997. \$15,405 due serially from 2001 to 2009, with interest rates of 4.60% to 5.25%; \$7,120 term bonds due September 1, 2019, with interest at 5.05%; \$26,975 term bonds due September 1, 2025, with interest at 5.875%; \$24,045 term bonds due September 1, 2029, with interest at 5.875%.	73,545
1998 Series A dated January 1, 1998. \$2,445 due serially from 2010 to 2014, with interest rates of 4.70% to 5.00%; \$2,195 term bonds due September 1, 2017, with interest at 5.05%.	4,640
1998 Series B dated January 1, 1998. \$16,822 due serially, net of \$62 unamortized premium, from 2001 to 2012, with interest rates of 4.05% to 5.00%; \$9,115 term bonds due September 1, 2018, with interest at 4.50%; \$16,470 term bonds due September 1, 2023, with interest at 5.30%; \$11,630 term bonds due March 1, 2030, with interest at 5.35%; \$17,250 term bonds due September 1, 2030, with interest at 5.35%.	71,287
1998 Series D dated December 1, 1998. \$12,330 due serially from 2001 to 2010, with interest rates of 3.8% to 4.65%; \$14,460 term bonds due March 1, 2018, with interest at 5.15%; \$11,390 term bonds due September 1, 2022, with interest at 4.5%; \$2,835 term bonds due March 1, 2029, with interest at 5.25%; \$19,750 term bonds due September 1, 2029, with interest at 5.25%.	60,765
1999 Series C dated May 1, 1999. \$915 due serially from 2011 to 2012, with interest rates of 4.7% to 4.8%; \$1,750 term bonds due September 1, 2015, with interest at 4.95%.	2,665

1999 Series D dated May 1, 1999. \$10,855 due serially from 2001 to 2012, with interest rates of 3.7% to 5.0%; \$9,955 term bonds due September 1, 2019, with interest at 5.25%; \$12,175 term bonds due September 1, 2024, with interest at 5.375%; \$9,875 term bonds due March 1, 2028, with interest at 4.8%; \$7,845 term bonds due March 1, 2031, with interest at 5.4%; \$6,183 term bonds, net of unamortized discount of \$42, due September 1, 2031, with interest at 5.4%.	\$ 56,888
1999 Series E dated August 1, 1999. \$14,745 due serially from 2005 to 2013, with interest rates of 4.6% to 5.45%; \$8,035 term bonds due September 1, 2017, with interest at 5.7%.	22,780
1999 Series F dated August 1, 1999. \$3,660 due serially from 2002 to 2004, with interest rates of 4.5% to 4.7%; \$6,470 term bonds due September 1, 2019, with interest at 5.9%; \$12,445 term bonds due September 1, 2023, with interest at 5.375%; \$24,425 term bonds due September 1, 2029, with interest at 5.95%; \$9,380 term bonds due September 1, 2031, with interest at 5.95%.	56,380
1999 Series H dated December 1, 1999. \$11,780 due serially from 2002 to 2012, with interest rates of 4.6% to 5.65%; \$8,275 term bonds due September 1, 2017, with interest at 6.0%; \$6,285 term bonds due September 1, 2020, with interest at 6.125%; \$13,255 term bonds due September 1, 2025, with interest at 6.15%; \$4,982 term bonds net of unamortized discount of \$18 due March 1, 2027, with interest at 6.2%; \$10,315 term bonds due March 1, 2031, with interest at 6.25%; \$4,955 term bonds due March 1, 2031, with interest at 6.25%.	59,847
2000 Series A dated March 1, 2000. \$7,965 due serially from 2007 to 2012, with interest rates of 5.15% to 5.5%.	7,965
2000 Series B dated March 1, 2000. \$6,335 due serially from 2002 to 2007, with interest rates of 4.8% to 5.35%; \$17,675 term bonds due September 1, 2020, with interest at 6.05%; \$13,500 term bonds due September 1, 2025, with interest at 5.55%; \$5,000 term bonds due September 1, 2031, with interest at 6.15%; \$29,430 term bonds due September 1, 2032, with interest at 6.15%.	71,940
2000 Series C dated June 1, 2000. \$6,090 due serially from 2010 to 2013, with interest rates of 5.45% to 5.7%.	6,090
2000 Series D dated June 1, 2000. \$9,810 due serially from 2002 to 2010, with interest rates of 5.1% to 5.7%; \$15,705 term bonds due September 1, 2020, with interest at 6.2%; \$48,365 term bonds due September 1, 2032, with interest at 6.25%.	73,880
2000 Series F dated August 1, 2000. \$15,190 due serially from 2004 to 2014, with interest rates of 4.35% to 5.20%.	15,190

2000 Series G dated August 1, 2000. \$2,785 due serially from 2002 to 2004, with interest rates of 4.50% to 4.60%; \$17,535 term bonds due September 1, 2021, with interest at 5.85%; \$27,135 term bonds due September 1, 2029, with interest at 5.95%; \$17,345 term bonds due September 1, 2032, with interest at 5.95%.	\$ 64,800
2000 Series H dated December 1, 2000. \$14,840 due serially from 2003 to 2015, with interest rates of 4.60% to 5.55%; \$13,555 term bonds due September 1, 2022, with interest at 5.70%; \$5,000 term bonds due September 1, 2031, with interest at 5.80%; \$26,605 term bonds due September 1, 2032, with interest of 5.80%.	60,000
2001 Series A dated March 1, 2001. \$16,205 due serially from 2003 to 2015, with interest rates of 3.65% to 4.95%; \$2,680 term bonds due September 1, 2017, with interest at 5.00%.	18,885
2001 Series B dated March 1, 2001. \$1,885 due serially from 2011 to 2015, with interest rates of 4.65% to 5.10%; \$13,290 term bonds due September 1, 2022, with interest at 5.375%; \$8,430 term bonds due September 1, 2025, with interest at 4.50%; \$27,195 term bonds due September 1, 2032, with interest of 5.45%.	50,800
2001 Series C dated March 28, 2001. \$11,220 short-term bonds due March 28, 2002, with interest at 3.20%.	11,220
2001 Series D dated March 28, 2001. \$47,960 short-term bonds due March 28, 2002, with interest at 3.25%.	47,960
2001 Series E dated June 1, 2001. \$13,775 due serially from 2003 to 2012, with interest rates of 3.30% to 4.65%.	13,775
2001 Series F dated June 1, 2001. \$745 due in 2003, with interest at 3.50%; \$8,040 term bonds due September 1, 2016, with interest at 5.30%; \$15,840 term bonds due September 1, 2022, with interest at 5.50%; \$19,600 term bonds due September 1, 2028, with interest at 5.60%; \$22,000 term bonds due September 1, 2032, with interest at 5.60%.	66,225
Total	<u>\$ 934,852</u>

2000

1997 Series A dated August 1, 1997. \$17,325 term bonds due March 1, 2017, with interest at 5.60%.	\$ 17,325
1997 Series B dated August 1, 1997. \$16,955 due serially from 2000 to 2009, with interest rates of 4.40% to 5.25%; \$8,765 term bonds due September 1, 2019, with interest at 5.05%; \$26,975 term bonds due September 1, 2025, with interest at 5.875%; \$26,360 term bonds due September 1, 2029, with interest at 5.875%.	79,055
1998 Series A dated January 1, 1998. \$2,445 due serially from 2010 to 2014, with interest rates of 4.70% to 5.00%; \$2,195 term bonds due September 1, 2017, with interest at 5.05%.	4,640

1998 Series B dated January 1, 1998. \$17,959 due serially, net of \$69 unamortized premium, from 2000 to 2012, with interest rates of 3.95% to 5.00%; \$10,200 term bonds due September 1, 2018, with interest at 4.50%; \$16,470 term bonds due September 1, 2023, with interest at 5.30%; \$11,815 term bonds due March 1, 2030, with interest at 5.35%; \$17,525 term bonds due September 1, 2030, with interest at 5.35%.	\$ 73,969
1998 Series D dated December 1, 1998. \$12,850 due serially from 2001 to 2010, with interest rates of 3.8% to 4.65%; \$14,460 term bonds due March 1, 2018, with interest at 5.15%; \$11,600 term bonds due September 1, 2022, with interest at 4.5%; \$2,945 term bonds due March 1, 2029, with interest at 5.25%; \$20,535 term bonds due September 1, 2029, with interest at 5.25%.	62,390
1999 Series C dated May 1, 1999. \$915 due serially from 2011 to 2012, with interest rates of 4.7% to 4.8%; \$1,750 term bonds due September 1, 2015, with interest at 4.95%.	2,665
1999 Series D dated May 1, 1999. \$10,855 due serially from 2001 to 2012, with interest rates of 3.7% to 5.0%; \$9,955 term bonds due September 1, 2019, with interest at 5.25%; \$12,175 term bonds due September 1, 2024, with interest at 5.375%; \$10,000 term bonds due March 1, 2028, with interest at 4.8%; \$7,975 term bonds due March 1, 2031, with interest at 5.4%; \$6,291 term bonds, net of unamortized discount of \$44, due September 1, 2031, with interest at 5.4%.	57,251
1999 Series E dated August 1, 1999. \$14,745 due serially from 2005 to 2013, with interest rates of 4.6% to 5.45%; \$8,035 term bonds due September 1, 2017, with interest at 5.7%	22,780
1999 Series F dated August 1, 1999. \$3,660 due serially from 2002 to 2004, with interest rates of 4.5% to 4.7%; \$6,470 term bonds due September 1, 2019, with interest at 5.9%; \$12,520 term bonds due September 1, 2023, with interest at 5.375%; \$24,425 term bonds due September 1, 2029, with interest at 5.95%; \$10,135 term bonds due September 1, 2031, with interest at 5.95%	57,210
1999 Series G dated August 31, 1999. \$76,585 bonds due August 30, 2000, with interest rate of 3.65%.	76,585
1999 Series H dated December 1, 1999. \$11,780 due serially from 2002 to 2012, with interest rates of 4.6% to 5.65%; \$8,275 term bonds due September 1, 2017, with interest at 6.0%; \$6,285 term bonds due September 1, 2020, with interest at 6.125%; \$13,255 term bonds due September 1, 2025, with interest at 6.15%; \$4,981 term bonds, net of unamortized discount of \$19 due March 1, 2027, with interest at 6.2%; \$10,405 term bonds due March 1, 2031, with interest at 6.25%; \$5,000 term bonds due March 1, 2031, with interest at 6.25%.	59,981
1999 Series I dated December 15, 1999. \$30,000 bonds due December 14, 2000, with interest rate of 4.05%.	30,000
2000 Series A dated March 1, 2000. \$7,965 due serially from 2007 to 2012, with interest rates of 5.15% to 5.5%.	7,965

2000 Series B dated March 1, 2000. \$6,335 due serially from 2002 to 2007, with interest rates of 4.8% to 5.35%; \$17,675 term bonds due September 1, 2020, with interest at 6.05%; \$13,500 term bonds due September 1, 2025, with interest at 5.55%; \$5,000 term bonds due September 1, 2031, with interest at 6.15%; \$29,525 term bonds due September 1, 2032, with interest at 6.15%.	\$ 72,035
2000 Series C dated June 1, 2000. \$6,090 due serially from 2010 to 2013, with interest rates of 5.45% to 5.7%.	6,090
2000 Series D dated June 1, 2000. \$9,810 due serially from 2002 to 2010, with interest rates of 5.1% to 5.7%; \$15,705 term bonds due September 1, 2020, with interest at 6.2%; \$48,395 term bonds due September 1, 2032, with interest at 6.25%.	73,910
2000 Series E dated June 14, 2000. \$58,185 bonds due June 14, 2001, with interest rate of 4.7%.	<u>58,185</u>
Total	<u>\$ 762,036</u>

As of June 30, 2001, the required principal payments including mandatory sinking fund payments for each of the next five years are as follows:

For the year ended June 30,				
<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 63,160	\$ 9,875	\$ 13,475	\$ 14,075	\$ 14,725

All outstanding bonds are subject to redemption at the option of CDA, as a whole or in part at any time after certain dates, as specified in the respective series certificates. The prescribed redemption prices range from 100 to 101.5 percent of the principal amount.

6. Redemption of bonds and extraordinary item:

The provisions of the bond certificates require or allow for the redemption of bonds through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans.

During the years ended June 30, 2001 and 2000, respectively, CDA redeemed Residential Revenue Bonds in the following series:

<u>2001</u>	<u>2000</u>
<ul style="list-style-type: none">• 1997 Series B• 1998 Series B• 1998 Series D• 1999 Series D• 1999 Series F• 1999 Series H• 1999 Series I• 2000 Series B• 2000 Series D• 2000 Series G	<ul style="list-style-type: none">• 1997 Series B• 1998 Series B• 1998 Series D• 1999 Series A• 1999 Series B• 1999 Series D• 1999 Series F

Certain refundings of debt are due to the prepayments of mortgage loans. In these cases, CDA transfers the proceeds of the refunding bonds into 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. CDA writes off any unamortized deferred issuance costs or original issue discounts, net of unamortized original issue premiums, as an extraordinary loss in the accompanying statements of revenues, expenses and changes in fund equity.

7. Commitments and contingencies:

As of June 30, 2001 and 2000, the Fund had excess arbitrage for certain Residential Revenue Bonds which are subject to rebate. The total arbitrage expense for 2001 and 2000 was \$43 and \$906, respectively, which is included in other expense in the statements of revenues, expenses and changes in fund equity. As of June 30, 2001 and 2000, an estimated liability of \$505 and \$463, respectively, for potential excess arbitrage subject to rebate has been recorded in accounts payable in the accompanying balance sheets.

8. Pension and other postretirement benefits:

Eligible employees of CDA and employees of the State of Maryland are covered under the retirement plans of the State Retirement and Pension System of Maryland (System) and are also entitled to certain healthcare benefits upon retirement. CDA's only liability for retirement and postemployment benefits is its required annual contribution, which it has fully funded during the years ended June 30, 2001 and 2000. The System prepares a separate audited Comprehensive Annual Financial Report which can be obtained from the State Retirement and Pension System of Maryland, 301 West Preston Street, Baltimore, Maryland 21201.

9. Subsequent events:

On August 1, 2001, CDA redeemed the following bonds:

1997 Series A	\$	60
1997 Series B		1,065
1998 Series B		545
1998 Series D		375
1999 Series D		300
1999 Series F		115
1999 Series H		210
2000 Series B		90
2000 Series D		125
2000 Series G		20
2000 Series H		5

**Community Development Administration
Residential Revenue Bond Program Fund**

**Supplemental disclosure of change in fair value of investments
June 30, 2001
(In thousands)
(Unaudited)**

During fiscal year 1997, CDA adopted the provisions of The Government Accounting Standards Board (GASB) Statement No. 31. This statement requires the financial statements of CDA to reflect investments at fair value, and the increase or decrease in fair value is included on the statement of revenues, expenses and changes in fund equity.

For investments held by CDA as of June 30, 2001, the following schedule summarizes the differences between fair value and amortized costs attributable for each of these years:

Cumulative FY 1996 and prior periods	\$ —
FY 1997	—
FY 1998	—
FY 1999	—
FY 2000	(227)
FY 2001	<u>551</u>
Cumulative total	<u><u>\$ 324</u></u>