FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

COMMUNITY DEVELOPMENT ADMINISTRATION
RESIDENTIAL REVENUE BONDS

JUNE 30, 2010 AND 2009

Community Development Administration
Residential Revenue Bonds

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Reznick Group
ACCOUNTING • TAX • BUSINESS ADVISORY

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INDEPENDENT AUDITORS' REPORT

Office of the Secretary
Department of Housing and Community Development

We have audited the accompanying financial statements of the Community Development Administration Residential Revenue Bonds (the Fund) of the Department of Housing and Community Development of the State of Maryland as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Community Development Administration Residential Revenue Bonds 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, 2010 and 2009, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Community Development Administration Residential Revenue Bonds of the Department of Housing and Community Development of the State of Maryland as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Disclosures of Change in Fair Value of Investments are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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.

Reznick Group, P.C.

Baltimore, Maryland
September 30, 2010

Community Development Administration
Residential Revenue Bonds

STATEMENTS OF NET ASSETS
(in thousands)

June 30, 2010 and 2009

	2010	2009
RESTRICTED ASSETS		
Restricted current assets		
Cash and cash equivalents on deposit with trustee	$ 251,263	$ 302,216
Investments	69,280	-
Single family mortgage loans	22,516	24,534
Multi-family mortgage loans	1,818	-
Accrued interest receivables	18,151	16,855
Claims receivable on foreclosed and other loan receivables, net of allowance	78,454	26,740
Real estate owned	6,585	2,131
Due from other Funds	39	-
Total restricted current assets	448,106	372,476
Restricted long-term assets		
Investments, net of current portion	34,530	26,083
Single family mortgage loans, net of current portion and allowance	2,008,583	2,055,400
Multi-family mortgage loans, net of current portion	41,149	-
Deferred bond issuance costs	15,287	14,578
Deferred outflow on interest rate swap agreements	32,630	-
Total restricted long-term assets	2,132,179	2,096,061
Total restricted assets	$ 2,580,285	$ 2,468,537
LIABILITIES AND NET ASSETS		
Current liabilities		
Accrued interest payable	$ 33,385	$ 36,425
Accounts payable	397	172
Rebate liability	725	64
Bonds payable	49,485	75,270
Deposits by borrowers	2,286	-
Due to other Funds	-	74
Total current liabilities	86,278	112,005
Long-term liabilities		
Rebate liability, net of current portion	934	2,800
Bonds payable, net of current portion	2,170,123	2,161,480
Deposits by borrowers, net of current portion	2,882	-
Interest rate swap agreements	32,630	-
Total long-term liabilities	2,206,569	2,164,280
Total liabilities	2,292,847	2,276,285
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Restricted	287,438	192,252
Total liabilities and net assets	$ 2,580,285	$ 2,468,537

See notes to financial statements

Community Development Administration
Residential Revenue Bonds

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
(in thousands)

Years ended June 30, 2010 and 2009

	2010	2009
Operating revenue		
Interest on mortgage loans	$ 124,540	$ 121,548
Interest income on investments, net of rebate	3,294	5,674
Increase in fair value of investments, net of rebate	2,709	73
Increase on interest rate swap agreement termination	15,305	-
Fee income	642	429
Gain on early retirement of debt	2,220	1,974
Other operating revenue	195	125
	148,905	129,823
Operating expenses		
Interest expense on bonds and short-term debt	102,544	109,418
Professional fees and other operating expenses	2,665	2,198
Provision for loan losses	8,058	7,844
Origination expenses	2,962	2,330
Real estate owned expenses	1,060	116
Loss (gain) on foreclosure claims, net	274	(11)
Loss on real estate owned, net	367	50
Amortization of bond issuance costs	504	522
	118,434	122,467
Operating income	30,471	7,356
Transfers of funds, net, as permitted by the various bond indentures	80,020	46,577
Changes in net assets	110,491	53,933
Net assets - restricted at beginning of year	192,252	138,319
Adjustment - interest rate exchange agreements (see Note 9)	(15,305)	-
Net assets - restricted at end of year	$ 287,438	$ 192,252

See notes to financial statements

Community Development Administration
Residential Revenue Bonds

STATEMENTS OF CASH FLOWS
(in thousands)

Years ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Principal and interest received on mortgage loans	$ 202,241	$ 204,873
Escrow funds received on multi-family loans	2,101	-
Escrow funds transferred on multi-family loans	5,566	-
Escrow funds paid on multi-family loans	(2,499)	-
Mortgage insurance claims received	38,242	10,665
Foreclosure expenses paid	(4,682)	(450)
Loan fees received	282	406
Loan fees disbursed	(1,226)	(5,939)
Purchase of mortgage loans	(110,300)	(322,129)
Transfer of single family loans, net of deferred fees	(12,643)	-
Transfer of multi-family loans, net of deferred fees	(50,425)	-
Professional fees and other operating expenses	(2,566)	(2,227)
Other income received	195	125
Other reimbursements	(158)	21
Net cash provided by (used in) operating activities	64,128	(114,655)
Cash flows from investing activities		
Proceeds from maturities or sales of investments	93,995	137,113
Purchases of investments	(164,420)	(24,957)
Transfer of investments	(5,564)	-
Arbitrage rebate refunded	-	27
Interest received on investments	2,607	6,000
Net cash (used in) provided by investing activities	(73,382)	118,183
Cash flows from noncapital financing activities		
Proceeds from sale of bonds	129,450	190,000
Payments on bond principal	(143,355)	(138,070)
Bond issuance costs	(1,894)	(1,557)
Interest on bonds and short-term debt	(105,920)	(107,450)
Transfers among Funds	80,020	46,577
Net cash used in noncapital financing activities	(41,699)	(10,500)
NET DECREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	(50,953)	(6,972)
Cash and cash equivalents on deposit with trustee at beginning of year	302,216	309,188
Cash and cash equivalents on deposit with trustee at end of year	$ 251,263	$ 302,216

(continued)

Community Development Administration
Residential Revenue Bonds

STATEMENTS OF CASH FLOWS - CONTINUED
(in thousands)

Years ended June 30, 2010 and 2009

	2010	2009
Reconciliation of operating income to net cash provided by (used in) operating activities		
Operating income	$ 30,471	$ 7,356
Adjustments to reconcile operating income to net cash provided by (used in) operating activities		
Decrease (increase) in assets		
Mortgage loans	3,124	(198,683)
Accrued interest receivables	(1,296)	(3,795)
Claims receivable on foreclosed and other loan receivables	(57,096)	(22,923)
Real estate owned	(6,219)	(1,903)
Due from other Funds	(39)	250
(Decrease) increase in liabilities		
Accrued interest payable	(3,040)	2,343
Accounts payable	225	(29)
Rebate liability	(1,205)	(1,177)
Deposits by borrowers	5,168	-
Due to other Funds	(74)	74
Amortizations		
Deferred income and expense on loans	2,320	1,901
Investment discounts and premiums	1,009	70
Bond original issue discounts and premiums	(336)	(375)
Deferred bond issuance costs	504	522
Loan fees and expenses deferred	(944)	(5,533)
Loan fees transferred	457	-
Provision for loan losses	8,058	7,844
Increase in fair value of investments	(2,747)	(46)
Arbitrage rebate refunded	-	(27)
Gain on early retirement of debt	(2,220)	(1,974)
Increase on interest rate swap agreement termination	(15,305)	-
Interest received on investments	(2,607)	(6,000)
Interest on bonds and short-term debt	105,920	107,450
Net cash provided by (used in) operating activities	$ 64,128	$ (114,655)

See 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 financial statements only include CDA's Residential Revenue Bonds (the Fund). CDA's other Funds are not included. The Fund was established to issue bonds primarily to originate or purchase single family mortgage loans.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Fund is accounted for as an enterprise fund. Accordingly, the accompanying 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).

Generally Accepted Accounting Principles

CDA reports its financial activities by applying Standards of Governmental Accounting and Financial Reporting as promulgated by the Governmental Accounting Standards Board (GASB). Consequently, CDA applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and ARBS of the Committee on Accounting Procedure issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In accordance with accounting guidance issued by GASB, net assets should be reported as restricted when constraints placed on net asset use are either: externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or are imposed by law through constitutional provisions or enabling legislation. Accordingly, all net assets of the Fund are restricted as to their use as all net assets are pledged to bondholders.

The Annual Financial Report may include a Management's Discussion and Analysis. Since CDA is an enterprise fund included in the State of Maryland's Comprehensive Annual Financial Report, a separate Management's Discussion and Analysis is not required in these financial statements. CDA prepares a Management's Discussion and Analysis for the General Accounting Division of the State of Maryland that is not part of these financial statements.

Cash and Cash Equivalents on Deposit with Trustee

Cash equivalents may include 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, 2010, the Fund's cash equivalents are invested in a money market mutual fund. As of June 30, 2009, cash equivalents were invested in a money market mutual fund and U.S. Government Agencies. Cash equivalents are 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Loans

Mortgage loans are carried at their unpaid principal balances, net of allowance and unamortized loan fees and expenses. Loan fees and expenses are deferred and amortized over the life of the related loans using the effective interest method. 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.

Accrued Interest Receivables

Accrued interest receivables include interest on loans and investments. On insured single family loans, interest ceases to accrue after foreclosure. On insured multi-family mortgage loans that are in default, CDA continues to accrue interest until receipt of a mortgage insurance claim. 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 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 Statements of Revenue, Expenses and Changes in Net Assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses

Substantially all of the single family mortgage loans of the Fund are insured or guaranteed by agencies of the U.S. Government, the Maryland Housing Fund (MHF), or private mortgage insurers. As of June 30, 2010 and 2009, CDA has established an allowance for loan losses on the uninsured portions of single family mortgage loans with private mortgage insurance. CDA has also established an allowance for loan losses on single family loans with private mortgage insurance that are in foreclosure. Management believes the allowance established is adequate based on prior experience and evaluations from DHCD's asset management group and a current assessment of probability and risk of loss due to default or deteriorating economic conditions. Multi-family mortgage loans of the Fund are insured or guaranteed; as such, no allowance for loans losses was necessary as of June 30, 2010. See Notes 4 and 14 for additional information.

Deferred Bond Issuance Costs

Costs incurred in issuing bonds are capitalized and amortized using the effective interest method for each respective bond issue. When bonds are redeemed early with mortgage prepayments, a proportionate share of the remaining unamortized costs is recognized as a loss on the Statements of Revenue, Expenses and Changes in Net Assets. If unamortized original issue premiums exceed unamortized deferred issuance costs and original issue discounts, CDA records a gain.

Due from (to) Other Funds

Due from (to) other Funds records the pending transfers of cash between Funds which is primarily a result of receipts due to one Fund, but received by another, as more fully described in Note 13.

Bonds Payable

Bonds payable are carried at their unpaid principal balances, net of original issue discounts or premiums. See Notes 6, 7, 8, 9, 10 and 12 for more information.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits by Borrowers

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

Rebate Liability on Investments

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest Rate Exchange Agreements (Swaps)

Interest rate exchange agreements (swaps) are derivative instruments which are entered into as cash flow hedges to reduce exposure to identified financial risks associated with assets, liabilities or expected transactions or to lower the costs of borrowings and are considered to be hedging derivative instruments. Swaps are reported at fair value in the Statement of Net Assets and are tested quarterly for hedge effectiveness. Effectiveness is established if the changes in cash flows of the swaps substantially offset the changes in cash flows of the hedgeable items. The changes in fair values of the swaps that are determined to be effective hedges will be recognized as deferred inflows or outflows in the Statement of Net Assets. The changes in fair value of the swaps that are determined not to be effective hedges will be reported in the Statement of Revenue, Expenses and Changes in Net Assets. Accounting guidance issued by GASB has been adopted by CDA effective as of July 1, 2009 and CDA has applied the principle retrospectively, which is the application of a different accounting principle to one or more previously issued financial statements at the beginning of the current period, as if that principle had always been used. This has resulted in the restatement of beginning net assets for the period ended June 30, 2010 to recognize the changes in fair value of CDA's swaps as deferrals. As a result of this restatement, beginning net assets as of July 1, 2009, were decreased by $15,305. CDA's swaps are more fully described in Note 9.

Mortgage Yield Limitations

All mortgage loans are subject to yield limitations under the Internal Revenue Service Code (the Code) in order for the associated bonds to maintain their tax-exempt status. At the time of bond issuance and over the term of the bonds, CDA determines and maintains compliance with the permitted mortgage yield on the loans. In certain bond refunding transactions, CDA transfers loans from prior series of bonds to the refunding series. CDA monitors the yield on these transferred loans to ensure that the composite yield over the term of the bonds is within the yield limitations of the Code. If at any time the composite yields on the transferred loans are out of compliance with the Code, CDA has certain remedies available to bring the yield into compliance. As of June 30, 2010 and 2009, all mortgage loan yields were in compliance with the Code.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest on Mortgage Loans

Interest on mortgage loans is calculated using the effective interest method.

Fee Income

CDA receives single family commitment fees and multi-family financing fees at loan origination. These fees are deferred and amortized over the life of the loan.

Origination Expenses

CDA pays originators of its single family loans an origination fee and a servicer release fee. On some single family loans CDA provides the borrowers with grants toward loan down payment and closing costs. These CDA expenses are deferred and amortized over the life of the loan.

Administrative Support

In addition to expenses incurred directly by the Fund, CDA receives certain support services from other divisions of DHCD. Support services and the operating expenses of CDA have been allocated to CDA's General Bond Reserve Fund and reported in the financial statements of CDA's Revenue Obligation Funds. The General Bond Reserve Fund records these expenses as invoiced by DHCD for the fiscal year.

The employees of CDA are covered by the Maryland State Retirement and Pension System and the costs of employees' retirement benefits are included in the salaries and related costs charged to CDA's General Bond Reserve Fund. See Note 15 for additional information.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Expenses

CDA distinguishes operating revenue and expenses from nonoperating items in conformity 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. All of the Fund's activities are considered to be operating.

Use of Estimates

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

Recent Accounting Pronouncements

In March 2009, GASB issued the Accounting Standards Codification (Codification). Effective upon issuance, the Codification is the single source of authoritative accounting principles recognized by GASB to be applied by governmental entities in the preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP). The Codification is intended to reorganize, rather than change, existing GAAP. Accordingly, all references to currently existing GAAP have been removed and have been replaced with plain English explanations of CDA's accounting policies. The adoption of the Codification did not have a material impact on CDA's financial position or results of operations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In May 2009, FASB issued guidance regarding subsequent events, which was subsequently updated in February 2010. This guidance established general standards of accounting for and disclosure of events that occur after the date of the statement of net assets but before financial statements are issued or are available to be issued. In particular, this guidance sets forth the period after the date of the statement of net assets during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the date of the statement of net assets in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the date of the statement of net assets. This guidance was effective for financial statements issued for fiscal years and interim periods ending after June 15, 2009, and was therefore adopted by CDA for the period ending June 30, 2010. The adoption did not have a significant impact on the subsequent events that CDA reports, either through recognition or disclosure, in the financial statements. In February 2010, FASB amended its guidance on subsequent events for entities that are not SEC filers to disclose the date that the financial statements were available to be issued. This amendment was effective immediately. See Note 17 regarding the date through which subsequent events have been evaluated.

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

Bond proceeds and revenues from mortgages and investments are invested in authorized investments as defined in the Residential Revenue Bond Resolution (the Resolution) and in CDA’s Investment Policy until required for purchasing 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, AND INVESTMENTS (Continued)

The following assets, reported at fair value and held by the Fund as of June 30, 2010 and 2009, are evaluated in accordance with GASB accounting guidance for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Assets	2010	2009
Cash and Cash Equivalents:		
Federated Treasury Obligations Fund	$ 251,263	$ 289,212
Obligations of U.S. Government Agencies	-	13,004
Investments:		
Obligations of the U.S. Treasury	7,629	-
Obligations of U.S. Government Agencies	78,031	8,096
Repurchase and Investment Agreements	18,150	17,987
Total	$ 355,073	$ 328,299

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.

(in thousands)

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

As of June 30, 2010, the amortized cost, fair value and maturities for these assets were as follows:

			Maturities (in years)				
Asset	Amortized Cost	Fair Value	Less than 1	1 - 5	6 - 10	11 - 15	More than 15
Federated Treasury Obligations Fund	$ 251,263	$ 251,263	$ 251,263	$ -	$ -	$ -	$ -
Obligations of the U.S. Treasury	5,562	7,629	-	547	4,274	2,808	-
Obligations of U.S. Government Agencies	76,331	78,031	69,280	-	2,484	-	6,267
Repurchase agreements/ Investment agreements	18,150	18,150	-	-	-	-	18,150
Total	$ 351,306	$ 355,073	$ 320,543	$ 547	$ 6,758	$ 2,808	$ 24,417

As of June 30, 2009, the amortized cost, fair value and maturities for these assets were as follows:

			Maturities (in years)				
Asset	Amortized Cost	Fair Value	Less than 1	1 - 5	6 - 10	11 - 15	More than 15
Federated Treasury Obligations Fund	$ 289,212	$ 289,212	$ 289,212	$ -	$ -	$ -	$ -
Obligations of U.S. Government Agencies	20,080	21,100	13,004	-	-	2,236	5,860
Repurchase agreements/ Investment agreements	17,987	17,987	-	-	-	-	17,987
Total	$ 327,279	$ 328,299	$ 302,216	$ -	$ -	$ 2,236	$ 23,847

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

The Federated Treasury Obligations Fund invests primarily in repurchase agreements collateralized by Treasury securities and U.S. Treasuries. 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, 2010 and 2009, the cost of the money market mutual fund approximated fair value.

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 Resolution requires 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 the Resolution and CDA's 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 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, 2010 and 2009, all counterparty ratings were at least equal to the ratings on the Fund's bonds. The ratings on Residential Revenue Bonds as of June 30, 2010 and 2009 were Aa2 by Moody's Investors Service and AA by Fitch Ratings. The following table provides credit quality rating information for the investment portfolio and individual issuers, if they represent 5 percent or more of total investments in accordance with accounting guidance issued by GASB.

(in thousands)

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

As of June 30, 2010, credit ratings and allocation by type of investments for the following assets were:

Asset	Fair Value	Percentage of total investments	Money market fund rating	Securities credit rating	Rating agency
Federated Treasury Obligations Fund	$ 251,263	70.76%	Aaa		Moody's
Obligations of the U.S. Treasury	7,629	2.15%		Direct U. S. Obligation	
Obligations of U.S. Government Agencies:					
Federal Home Loan Banks	40,022	11.27%		Aaa	Moody's
Federal Home Loan Mortgage Corporation	35,525	10.01%		Aaa	Moody's
Other government agencies	2,484	0.70%		Aaa	Moody's
Collateralized repurchase agreements and investment agreements:				Underlying securities credit rating	
WestLB rated Aa1 by Moody's*	18,150	5.11%		Aaa	Moody's
Total	$ 355,073	100.00%			

* WestLB AG is formerly known as "Westdeutsche Landesbank Gironzentrale." This investment agreement was entered into prior to July 19, 2001 and is therefore governed by guarantor liability in accordance with the agreement reached between the German Federal Government and the European Commission (Letter of Understanding I). The current rating of Aa1 by Moody's for this investment agreement is based on such guarantor liability. As of July 19, 2005, all contracts entered into with West LB AG between July 19, 2001 and July 18, 2005 which mature after December 31, 2015, and contracts entered into after July 18, 2005 are not covered by the guarantor liability, and therefore carry WestLB's current Moody's rating of A2.

(in thousands)

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

As of June 30, 2009, credit ratings and allocation by type of investments for the following assets were:

Asset	Fair Value	Percentage of total investments	Money market fund rating	Securities credit rating	Rating agency
Federated Treasury Obligations Fund	$ 289,212	88.09%	Aaa		Moody's
Obligations of U.S. Government Agencies:					
Federal Home Loan Banks	13,004	3.96%		Aaa	Moody's
Other government agencies	8,096	2.47%		Aaa	Moody's
Collateralized repurchase agreements and investment agreements:				Underlying securities credit rating	
WestLB rated Aa1 by Moody's*	17,987	5.48%		Aaa	Moody's
Total	$ 328,299	100.00%			

* WestLB AG is formerly known as "Westdeutsche Landesbank Gironzentrale." This investment agreement was entered into prior to July 19, 2001 and is therefore governed by guarantor liability in accordance with the agreement reached between the German Federal Government and the European Commission (Letter of Understanding I). The current rating of Aa1 by Moody's for this investment agreement is based on such guarantor liability. As of July 19, 2005, all contracts entered into with West LB AG between July 19, 2001 and July 18, 2005 which mature after December 31, 2015, and contracts entered into after July 18, 2005 are not covered by the guarantor liability, and therefore carry WestLB's current Moody's rating of A2.

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

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, 2010 and 2009, the Fund's 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.

(in thousands)

NOTE 4 - MORTGAGE LOANS

All single family mortgage loans of the Fund are secured by first liens on the related property. Substantially all the single family mortgage loans are credit enhanced through the FHA mortgage insurance programs, the Veterans Administration, USDA/RD guarantee programs, the Maryland Housing Fund (MHF) or by private mortgage insurers. As of June 30, 2010 and 2009, interest rates on such loans ranged from 3.0% to 9.25% and 4.0% to 7.75%, respectively. Remaining loan terms ranged from approximately 9 to 40 years and 18 to 40 years, respectively.

All of the Fund's multi-family mortgage loans are credit enhanced through FHA, FHLMC or MHF. Interest rates on such loans range from 5.25% to 12%. As of June 30, 2010 and 2009, remaining loan terms ranged from 3 to 23 years and 4 to 25 years, respectively.

For the years ended June 30, 2010 and 2009, the single family mortgage loan and claims receivable balances and changes in the allowance for loan losses on the uninsured portions of single family loans with private mortgage insurance, including loans in foreclosure and other loans with pending insurance claims, were as follows:

	2010	2009
Single family mortgage loans	$ 2,041,579	$ 2,089,503
Allowance for loan losses		
Beginning balance	9,569	4,597
Provision for loan losses	911	4,972
Ending balance	10,480	9,569
Single family mortgage loans, net	$ 2,031,099	$ 2,079,934
Claims receivable on foreclosed and other loans	$ 87,995	$ 29,612
Allowance for loan losses		
Beginning balance	2,872	-
Provision for loan losses	7,147	2,872
Charge offs	(478)	-
Ending balance	9,541	2,872
Claims receivable on foreclosed and other loans, net	$ 78,454	$ 26,740

(in thousands)

NOTE 5 - ACCRUED INTEREST RECEIVABLES

Accrued interest receivables as of June 30, 2010 and 2009 were as follows:

	2010	2009
Accrued mortgage loan interest	$ 17,199	$ 16,356
Accrued investment interest	952	499
	$ 18,151	$ 16,855

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 years ended June 30, 2010 and 2009, 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 Resolution. 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 Resolution 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 resolutions. The prescribed optional redemption premiums range from 0% to .5% of the principal amount.

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.

2003 Series C; 2004 Series C, F and I; 2005 Series C; 2006 Series G and J; 2007 Series F, J and M; and 2008 Series D

The rate is set weekly by a remarketing agent so that the market value of the bonds is as close as possible to 100% of the principal amount of the bonds. In no event will the bonds bear interest at a rate in excess of 12%.

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

2006 Series S and 2007 Series B, E and I

(in thousands)

NOTE 7 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2010, and the debt outstanding and bonds payable as of June 30, 2010:

					Bond Activity					
	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2009	New bonds issued	Scheduled maturity payments	Bonds redeemed	Debt Outstanding at June 30, 2010	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2010
Residential Revenue Bonds										
1998 Series A	01/01/98	4.70% - 5.05%	2010 - 2017	$ 3,570	$ -	$ -	$ (1,940)	$ 1,630	$ -	$ 1,630
1998 Series D	12/01/98	4.55% - 5.25%	2009 - 2029	30,575	-	(1,515)	(1,785)	27,275	-	27,275
1999 Series C	05/01/99	4.70% - 4.95%	2011 - 2015	2,665	-	-	-	2,665	-	2,665
1999 Series D	05/01/99	4.65% - 5.40%	2009 - 2031	29,010	-	(1,145)	(2,595)	25,270	(4)	25,266
1999 Series H	12/01/99	6.15%	2025	9,420	-	-	(9,420)	-	-	-
2000 Series F	08/01/00	4.70% - 4.90%	2009 - 2011	3,920	-	(1,425)	(1,980)	515	-	515
2001 Series A	03/01/01	4.30% - 5.00%	2009 - 2017	10,770	-	(950)	(995)	8,825	-	8,825
2001 Series B	03/01/01	4.65% - 5.45%	2011 - 2032	19,180	-	-	(10,850)	8,330	-	8,330
2001 Series E	06/01/01	4.35% - 4.65%	2009 - 2012	5,095	-	(1,530)	(2,785)	780	-	780
2001 Series G	08/15/01	4.00% - 4.20%	2009 - 2011	3,825	-	(1,015)	(1,375)	1,435	-	1,435
2001 Series H	08/15/01	4.40% - 5.35%	2011 - 2033	32,845	-	-	(795)	32,050	-	32,050
2003 Series A	11/01/03	2.875% - 4.05%	2009 - 2015	6,420	-	(825)	-	5,595	-	5,595
2003 Series B	11/01/03	4.75% - 5.00%	2019 - 2026	5,240	-	-	(785)	4,455	198	4,653
2003 Series C	12/09/03	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series A	05/13/04	3.00% - 4.20%	2009 - 2016	8,390	-	(930)	-	7,460	-	7,460
2004 Series B	05/13/04	5.00%	2023 - 2028	7,405	-	-	(1,095)	6,310	209	6,519
2004 Series C	05/13/04	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series D	08/12/04	3.25% - 4.40%	2009 - 2016	9,870	-	(1,085)	-	8,785	-	8,785
2004 Series E	08/12/04	5.15% - 5.25%	2023 - 2030	14,385	-	-	(1,265)	13,120	254	13,374
2004 Series F	08/12/04	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series G	11/10/04	2.55% - 3.65%	2009 - 2016	10,150	-	(1,145)	-	9,005	-	9,005
2004 Series H	11/10/04	4.55% - 5.00%	2023 - 2029	13,555	-	-	(1,750)	11,805	354	12,159
2004 Series I	11/10/04	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2005 Series A	03/30/05	2.95% - 3.90%	2009 - 2016	10,415	-	(1,160)	-	9,255	-	9,255
2005 Series B	03/30/05	4.55% - 5.25%	2023 - 2029	19,985	-	-	(1,360)	18,625	414	19,039
2005 Series C	03/30/05	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2005 Series D	11/10/05	3.25% - 4.05%	2009 - 2017	11,390	-	(1,100)	-	10,290	-	10,290
2005 Series E	11/10/05	4.75% - 5.50%	2025 - 2036	40,565	-	-	(1,820)	38,745	561	39,306
2006 Series A	02/23/06	3.375% - 4.10%	2009 - 2017	10,995	-	(1,065)	-	9,930	-	9,930
2006 Series B	02/23/06	4.75% - 5.50%	2025 - 2037	42,800	-	-	(1,190)	41,610	553	42,163
2006 Series E	05/24/06	3.60% - 4.35%	2009 - 2017	21,555	-	(2,060)	-	19,495	-	19,495
2006 Series F	05/24/06	4.80% - 6.00%	2021 - 2039	49,120	-	-	(3,195)	45,925	1,684	47,609
2006 Series G	05/24/06	Variable rate	2040	40,000	-	-	-	40,000	-	40,000
2006 Series H	07/13/06	3.70% - 4.15%	2009 - 2017	16,185	-	(1,540)	-	14,645	-	14,645
2006 Series I	07/13/06	3.875% - 6.00%	2009 - 2041	127,965	-	(1,535)	(7,380)	119,050	3,006	122,056
2006 Series J	07/13/06	Variable rate	2040	60,000	-	-	-	60,000	-	60,000
2006 Series K	09/14/06	3.65% - 4.15%	2009 - 2017	13,750	-	(1,295)	-	12,455	-	12,455
2006 Series L	09/14/06	3.90% - 5.75%	2009 - 2041	157,255	-	(1,375)	(7,435)	148,445	2,166	150,611
2006 Series O	12/13/06	3.45% - 3.85%	2009 - 2017	9,160	-	(875)	-	8,285	-	8,285
2006 Series P	12/13/06	3.85% - 5.75%	2009 - 2037	80,635	-	(1,445)	(2,195)	76,995	1,407	78,402
2006 Series S	12/13/06	6.07%	2037	23,410	-	-	(1,235)	22,175	-	22,175

(continued)

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010 and 2009

NOTE 7 - BONDS PAYABLE (Continued)

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2009	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2010	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2010
Residential Revenue Bonds (continued)										
2007 Series A	03/28/07	3.75% - 5.75%	2009 - 2047	$ 262,285	$ -	$ (1,535)	$ (10,660)	$ 250,090	$ 8,112	$ 258,202
2007 Series B	03/28/07	6.00%	2037	28,830	-	-	(1,415)	27,415	-	27,415
2007 Series C	06/20/07	3.60% - 3.95%	2009 - 2017	45,000	-	(3,585)	-	41,415	-	41,415
2007 Series D	06/20/07	4.65% - 5.50%	2022 - 2048	168,185	-	-	(6,685)	161,500	2,869	164,369
2007 Series E	06/20/07	4.93% - 6.11%	2009 - 2042	48,170	-	(1,215)	-	46,955	-	46,955
2007 Series F	06/20/07	Variable rate	2031	48,240	-	-	(3,935)	44,305	-	44,305
2007 Series G	08/09/07	3.70% - 4.30%	2009 - 2017	56,480	-	(5,320)	(280)	50,880	-	50,880
2007 Series H	08/09/07	4.95% - 5.20%	2022 - 2048	62,515	-	-	(250)	62,265	-	62,265
2007 Series I	08/09/07	5.28% - 6.56%	2009 - 2043	61,930	-	(1,345)	-	60,585	-	60,585
2007 Series J	08/09/07	Variable rate	2031	60,415	-	-	(4,025)	56,390	-	56,390
2007 Series K	12/12/07	3.25% - 3.85%	2009 - 2017	29,795	-	(2,880)	(765)	26,150	-	26,150
2007 Series M	12/12/07	Variable rate	2043	29,550	-	-	(500)	29,050	-	29,050
2008 Series A	06/19/08	2.20% - 4.00%	2009 - 2017	59,530	-	(2,000)	(1,820)	55,710	-	55,710
2008 Series B	09/04/08	1.95% - 4.20%	2009 - 2017	19,770	-	(1,935)	(555)	17,280	-	17,280
2008 Series C	09/04/08	4.45% - 5.65%	2019 - 2048	79,560	-	-	(2,410)	77,150	-	77,150
2008 Series D	09/04/08	Variable rate	2038	50,000	-	-	-	50,000	-	50,000
2008 Series E	12/17/08	2.95% - 4.55%	2010 - 2017	21,500	-	-	-	21,500	-	21,500
2008 Series F	12/17/08	4.75% - 5.90%	2018 - 2038	18,500	-	-	-	18,500	-	18,500
2009 Series A	09/24/09	0.65% - 5.05%	2010 - 2039	-	40,000	-	-	40,000	-	40,000
2009 Series B	10/08/09	0.65% - 4.75%	2010 - 2039	-	45,000	-	-	45,000	-	45,000
2009 Series C	10/27/09	0.45% - 4.55%	2010 - 2039	-	15,985	-	-	15,985	-	15,985
2010 Series A	06/09/10	3.95% - 4.45%	2018 - 2021	-	28,465	-	-	28,465	-	28,465
Total				$ 2,211,730	$ 129,450	$ (44,830)	$ (98,525)	$ 2,197,825	$ 21,783	$ 2,219,608

(in thousands)

NOTE 7 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2009, and the debt outstanding and bonds payable as of June 30, 2009:

					Bond Activity					
	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2008	New bonds issued	Scheduled maturity payments	Bonds redeemed	Debt Outstanding at June 30, 2009	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2009
Residential Revenue Bonds										
1998 Series A	01/01/98	4.70% - 5.05%	2010 - 2017	$ 4,640	$ -	$ -	$ (1,070)	$ 3,570	$ -	$ 3,570
1998 Series B	01/01/98	4.85% - 5.30%	2008 - 2023	14,845	-	(1,610)	(13,235)	-	-	-
1998 Series D	12/01/98	4.45% - 5.25%	2008 - 2029	33,190	-	(1,440)	(1,175)	30,575	-	30,575
1999 Series C	05/01/99	4.70% - 4.95%	2011 - 2015	2,665	-	-	-	2,665	-	2,665
1999 Series D	05/01/99	4.55% - 5.40%	2008 - 2031	30,420	-	(1,100)	(310)	29,010	(7)	29,003
1999 Series H	12/01/99	6.15%	2025	9,640	-	-	(220)	9,420	-	9,420
2000 Series F	08/01/00	4.65% - 5.00%	2008 - 2012	6,190	-	(1,355)	(915)	3,920	-	3,920
2001 Series A	03/01/01	4.15% - 5.00%	2008 - 2017	11,685	-	(915)	-	10,770	-	10,770
2001 Series B	03/01/01	4.65% - 5.45%	2011 - 2032	25,785	-	-	(6,605)	19,180	-	19,180
2001 Series E	06/01/01	4.20% - 4.65%	2008 - 2012	7,795	-	(1,460)	(1,240)	5,095	-	5,095
2001 Series G	08/15/01	3.85% - 4.20%	2008 - 2011	4,795	-	(970)	-	3,825	-	3,825
2001 Series H	08/15/01	4.40% - 5.35%	2011 - 2033	34,060	-	-	(1,215)	32,845	-	32,845
2003 Series A	11/01/03	2.55% - 4.05%	2008 - 2015	7,225	-	(805)	-	6,420	-	6,420
2003 Series B	11/01/03	4.75% - 5.00%	2019 - 2026	6,365	-	-	(1,125)	5,240	236	5,476
2003 Series C	12/09/03	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series A	05/13/04	2.55% - 4.20%	2008 - 2016	9,300	-	(910)	-	8,390	-	8,390
2004 Series B	05/13/04	5.00%	2023 - 2028	9,485	-	-	(2,080)	7,405	242	7,647
2004 Series C	05/13/04	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series D	08/12/04	3.00% - 4.40%	2008 - 2016	10,925	-	(1,055)	-	9,870	-	9,870
2004 Series E	08/12/04	5.15% - 5.25%	2023 - 2030	16,770	-	-	(2,385)	14,385	296	14,681
2004 Series F	08/12/04	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series G	11/10/04	2.25% - 3.65%	2008 - 2016	11,270	-	(1,120)	-	10,150	-	10,150
2004 Series H	11/10/04	4.55% - 5.00%	2023 - 2029	16,080	-	-	(2,525)	13,555	414	13,969
2004 Series I	11/10/04	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2005 Series A	03/30/05	2.80% - 3.90%	2008 - 2016	11,540	-	(1,125)	-	10,415	-	10,415
2005 Series B	03/30/05	4.55% - 5.25%	2023 - 2029	21,925	-	-	(1,940)	19,985	492	20,477
2005 Series C	03/30/05	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2005 Series D	11/10/05	3.05% - 4.05%	2008 - 2017	12,455	-	(1,065)	-	11,390	-	11,390
2005 Series E	11/10/05	4.75% - 5.50%	2025 - 2036	41,625	-	-	(1,060)	40,565	684	41,249
2006 Series A	02/23/06	3.30% - 4.10%	2008 - 2017	12,020	-	(1,025)	-	10,995	-	10,995
2006 Series B	02/23/06	4.75% - 5.50%	2025 - 2037	44,965	-	-	(2,165)	42,800	634	43,434
2006 Series E	05/24/06	3.55% - 4.35%	2008 - 2017	23,540	-	(1,985)	-	21,555	-	21,555
2006 Series F	05/24/06	4.80% - 6.00%	2021 - 2039	52,635	-	-	(3,515)	49,120	1,949	51,069
2006 Series G	05/24/06	Variable rate	2040	40,000	-	-	-	40,000	-	40,000
2006 Series H	07/13/06	3.60% - 4.15%	2008 - 2017	17,670	-	(1,485)	-	16,185	-	16,185
2006 Series I	07/13/06	3.75% - 6.00%	2008 - 2041	135,845	-	(1,480)	(6,400)	127,965	3,526	131,491
2006 Series J	07/13/06	Variable rate	2040	60,000	-	-	-	60,000	-	60,000
2006 Series K	09/14/06	3.55% - 4.15%	2008 - 2017	15,000	-	(1,250)	-	13,750	-	13,750
2006 Series L	09/14/06	3.80% - 5.75%	2008 - 2041	161,665	-	(1,325)	(3,085)	157,255	2,588	159,843
2006 Series O	12/13/06	3.40% - 3.85%	2008 - 2017	10,000	-	(840)	-	9,160	-	9,160
2006 Series P	12/13/06	3.75% - 5.75%	2008 - 2037	83,715	-	(1,395)	(1,685)	80,635	1,590	82,225
2006 Series S	12/13/06	6.07%	2037	24,470	-	-	(1,060)	23,410	-	23,410

(continued)

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2010 and 2009

NOTE 7 - BONDS PAYABLE (Continued)

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2008	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2009	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2009
Residential Revenue Bonds (continued)										
2007 Series A	03/28/07	3.70% - 5.75%	2008 - 2047	$ 269,460	$ -	$ (1,690)	$ (5,485)	$ 262,285	$ 9,105	$ 271,390
2007 Series B	03/28/07	6.00%	2037	29,515	-	-	(685)	28,830	-	28,830
2007 Series C	06/20/07	3.60% - 3.95%	2009 - 2017	45,000	-	-	-	45,000	-	45,000
2007 Series D	06/20/07	3.80% - 5.50%	2008 - 2048	174,345	-	(2,170)	(3,990)	168,185	3,271	171,456
2007 Series E	06/20/07	4.88% - 6.11%	2008 - 2042	49,065	-	(895)	-	48,170	-	48,170
2007 Series F	06/20/07	Variable rate	2031	50,330	-	-	(2,090)	48,240	-	48,240
2007 Series G	08/09/07	3.60% - 4.30%	2008 - 2017	61,605	-	(5,125)	-	56,480	-	56,480
2007 Series H	08/09/07	3.85% - 5.20%	2008 - 2048	63,395	-	(290)	(590)	62,515	-	62,515
2007 Series I	08/09/07	5.23% - 6.56%	2008 - 2043	62,800	-	(870)	-	61,930	-	61,930
2007 Series J	08/09/07	Variable rate	2031	62,085	-	-	(1,670)	60,415	-	60,415
2007 Series K	12/12/07	3.25% - 3.85%	2009 - 2017	30,000	-	-	(205)	29,795	-	29,795
2007 Series L	12/12/07	3.37%	12/15/2008	30,000	-	(30,000)	-	-	-	-
2007 Series M	12/12/07	Variable rate	2043	30,000	-	-	(450)	29,550	-	29,550
2008 Series A	06/19/08	2.20% - 4.00%	2009 - 2017	60,000	-	-	(470)	59,530	-	59,530
2008 Series B	09/04/08	1.95% - 4.20%	2009 - 2017	-	19,770	-	-	19,770	-	19,770
2008 Series C	09/04/08	4.45% - 5.65%	2019 - 2048	-	80,230	-	(670)	79,560	-	79,560
2008 Series D	09/04/08	Variable rate	2038	-	50,000	-	-	50,000	-	50,000
2008 Series E	12/17/08	2.95% - 4.55%	2010 - 2017	-	21,500	-	-	21,500	-	21,500
2008 Series F	12/17/08	4.75% - 5.90%	2018 - 2038	-	18,500	-	-	18,500	-	18,500
Total				$ 2,159,800	$ 190,000	$ (66,755)	$ (71,315)	$ 2,211,730	$ 25,020	$ 2,236,750

(in thousands)

NOTE 8 - DEBT SERVICE REQUIREMENTS

As of June 30, 2010, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2010, and excluding the effect of unamortized discounts/premiums and other deferred costs as shown in Note 7) and interest payments for each of the next five years and in 5-year increments thereafter, were as follows:

Years ended June 30,	Interest	Principal
2011	$ 88,469	$ 49,485
2012	86,880	55,330
2013	84,770	57,620
2014	82,428	62,995
2015	79,848	65,995
2016 - 2020	355,861	345,670
2021 - 2025	287,657	269,370
2026 - 2030	227,064	262,850
2031 - 2035	162,825	400,710
2036 - 2040	82,860	436,515
2041 - 2045	24,124	171,755
2046 - 2050	1,779	19,530
Totals	$ 1,564,565	$ 2,197,825

The interest calculations on outstanding variable rate bonds in the amount of $379,745 are based on the variable rates in effect on June 30, 2010, and are not indicative of the actual interest expense that will be incurred in future years. As rates vary, variable rate bond interest payments will vary. See Note 9 for additional information on interest rate exchange agreements (swaps) associated with the variable rate debt in the Fund.

(in thousands)

NOTE 8 - DEBT SERVICE REQUIREMENTS (Continued)

As of June 30, 2009, the required principal payments for bonds (including mandatory sinking fund payments and special and option redemptions that occurred subsequent to June 30, 2009 and excluding the effect of unamortized discounts/premiums and other deferred costs as shown in Note 7) and interest payments for each of the next five years and in 5-year increments thereafter, were as follows:

Years ended June 30,	Interest	Principal
2010	$ 93,451	$ 75,270
2011	90,257	49,435
2012	88,299	54,600
2013	86,170	55,595
2014	83,870	60,970
2015 - 2019	378,248	335,820
2020 - 2024	313,003	261,250
2025 - 2029	251,858	253,735
2030 - 2034	182,806	387,130
2035 - 2039	101,745	448,600
2040 - 2044	36,287	202,925
2045 - 2049	3,102	26,400
Totals	$ 1,709,096	$ 2,211,730

The interest calculations on outstanding variable rate bonds in the amount of $388,205 are based on the variable rates in effect on June 30, 2009, and are not indicative of the actual interest expense that will be incurred in future years. As rates vary, variable rate bond interest payments will vary. See Note 9 for additional information on interest rate exchange agreements (swaps) associated with the variable rate debt in the Fund.

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS)

Objective of the Swaps

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

Terms and Fair Value

The terms, including the fair values of the outstanding swaps as of June 30, 2010 and 2009, are provided in the tables on the following pages. The counterparty credit ratings for all outstanding swaps as of June 30, 2010 and 2009 are listed under the Credit Risk section. For each of the outstanding swap agreements the variable rates are reset monthly, and it is the intent of CDA to match the maturity of the swaps with the maturity of the underlying bonds. The fair values are based on the market values and are affirmed by an independent advisor who used valuation methods and assumptions in accordance with accounting guidance issued by GASB.

(in thousands)

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

As of June 30, 2010, the terms, including fair values of the outstanding swaps, were:

Swap Counter-party	Associated Bond Issue	Original Notional Amount	Outstanding Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received (1)	Fair Value	Swap Final Termination Date
JPMorgan Chase Bank, N.A. (JPM)	2004 Series I	$20,000	$20,000	9/1/2005	3.8525%	64% of LIBOR plus .29%	($1,185)	9/1/2035 (2)(7)
UBS AG	2006 Series G	$40,000	$40,000	5/24/2006	4.4030%	64% of LIBOR plus .29%	($4,560)	9/1/2040 (3)
JPMorgan Chase Bank, N.A. (JPM)	2006 Series J	$40,000	$40,000	7/13/2006	4.4030%	64% of LIBOR plus .29%	($4,540)	9/1/2040 (3)(7)
JPMorgan Chase Bank, N.A. (JPM)	2006 Series J	$20,000	$20,000	7/13/2006	4.4550%	64% of LIBOR plus .29%	($2,480)	9/1/2040 (3)(7)
Merrill Lynch Derivative Products AG (MLDP)	2007 Series F	$46,485 (amended)	$44,305	10/27/2009 (amended)	4.4300% (amended)	64% of LIBOR plus .22% (amended)	($5,285)	3/1/2026 (4)(6)(9)(12)
Merrill Lynch Derivative Products AG (MLDP)	2007 Series J	$58,680 (amended)	$56,390	9/1/2009 (amended)	4.8350% (amended)	64% of LIBOR plus .22% (amended)	($7,840)	9/1/2025 (4)(6)(9)(10)
The Bank of New York Mellon (BNYM)	2007 Series M	$26,990 (amended)	$24,860	10/8/2009 (amended)	4.3350% (amended)	64% of LIBOR plus .22% (amended)	($2,240)	9/1/2043 (5)(6)(11) (13)
Merrill Lynch Derivative Products AG (MLDP)	2008 Series D	$50,000	$50,000	9/4/2008	3.6880%	64% of LIBOR plus .31%	($4,500)	9/1/2038 (8)(9)

Notes to 2010 Table on next page

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

Notes to 2010 Table

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

(2) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2014 and on each March 1 and September 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.

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

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

(5) CDA has the option to terminate a portion of this interest rate swap transaction without any termination payment up to the Maximum Optional Early Termination Amounts on each March 1 and September 1 until September 1, 2017. CDA has exercised its option to partially terminate the notional amount of this interest rate swap in the amount of $2,060 effective September 1, 2009 and $1,515 effective March 1, 2010. CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2017 and on each March 1 and September 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.

(6) The outstanding notional amount reflects the amount that has been amortized as of March 1, 2010.

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

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

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

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

(11) On October 8, 2009, 2007 Series M bonds, with an outstanding balance of $29,050, were remarketed and the related swap agreement with an outstanding balance of $26,990 was amended effective October 8, 2009 (refer to note 5 above). The Bank of New York Mellon replaced UBS AG as counterparty to the agreement.

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

(13) Subsequent to June 30, 2010, CDA exercised its option and partially terminated the interest rate swap in the amount of $1,735 effective September 1, 2010.

(in thousands)

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

As of June 30, 2009, the terms, including fair values of the outstanding swaps, were:

Swap Counter-party	Associated Bond Issue	Original Notional Amount	Outstanding Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received (1)	Fair Value	Swap Final Termination Date
JPMorgan Chase Bank, N.A. (JPM)	2004 Series I	$20,000	$20,000	9/1/2005	3.8525%	64% of LIBOR plus .29%	($840)	9/1/2035 (2)(7)
UBS AG	2006 Series G	$40,000	$40,000	5/24/2006	4.4030%	64% of LIBOR plus .29%	($4,100)	9/1/2040 (3)
JPMorgan Chase Bank, N.A. (JPM)	2006 Series J	$40,000	$40,000	7/13/2006	4.4030%	64% of LIBOR plus .29%	($1,980)	9/1/2040 (3)(7)
JPMorgan Chase Bank, N.A. (JPM)	2006 Series J	$20,000	$20,000	7/13/2006	4.4550%	64% of LIBOR plus .29%	($4,105)	9/1/2040 (3)(7)
Merrill Lynch Derivative Products AG (MLDP)	2007 Series F	$50,625	$48,240	6/20/2007	5.2425%	LIBOR	($5,035)	3/1/2026 (4)(6)(9)
Merrill Lynch Derivative Products AG (MLDP)	2007 Series J	$62,200	$60,415	8/9/2007	5.7020%	LIBOR	($7,980)	9/1/2025 (4)(6)(9)
UBS AG	2007 Series M	$30,000	$29,550	12/12/2007	5.2150%	LIBOR	($2,290)	9/1/1943 (5)(6)
Merrill Lynch Derivative Products AG (MLDP)	2008 Series D	$50,000	$50,000	9/4/2008	3.6880%	64% of LIBOR plus .31%	($3,125)	9/1/2038 (8)(9)

Notes to 2009 Table on next page

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

Notes to 2009 Table

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

(2) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2014 and on each March 1 and September 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.

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

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

(5) CDA has the option to terminate a portion of this interest rate swap transaction without any termination payment up to the Maximum Optional Early Termination Amounts on each March 1 and September 1 until September 1, 2017. CDA has exercised its option to partially terminate the notional amount of this interest rate swap in the amount of $2,060 effective September 1, 2009. CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2017 and on each March 1 and September 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.

(6) The outstanding notional amount reflects the amount that has been amortized as of March 1, 2009.

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

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

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

Basis Risk

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

(in thousands)

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

Credit Risk

Credit risk is the risk that a swap counterparty will not fulfill its obligations. The fair value of the swaps represented CDA's credit exposure to each counterparty as of June 30, 2010 and 2009. As of June 30, 2010, CDA was not exposed to credit risk under the swap agreements with JPM, UBS AG, MLDP or BNYM since the fair value of each counterparty's swap portfolio was negative. However, should the valuation of any of the individual swaps change, and the fair values turn positive, CDA may become exposed to credit risk in the amount of the swaps' fair values. To mitigate the potential for credit risk, the fair value of the swaps will be fully collateralized by the counterparties if a counterparty's credit quality falls below the designated credit rating thresholds. As of June 30, 2009, CDA was not exposed to credit risk under the swap agreements with JPM, UBS AG or MLDP since the swaps had negative fair values.

The credit rating details for each swap counterparty, including credit rating thresholds, and the total fair value amounts as of June 30, 2010 are summarized below:

Swap Counterparty	Outstanding Notional Amount	Current Credit Rating	Collateral Posting Credit Rating Threshold	Fair Value
JPMorgan Chase Bank, N.A. (JPM)	$80,000	Aa1 from Moody's AA- from Standard and Poor's	A1 or below from Moody's or A+ or below from Standard and Poor's	($8,205)
UBS AG	$40,000	Aa3 from Moody's A+ from Standard and Poor's A+ from Fitch	A1 or below from Moody's or A+ or below from Standard and Poor's or Fitch	($4,560)
Merrill Lynch Derivative Products AG (MLDP)	$150,695	Aa3 from Moody's AAA from Standard and Poor's AAA from Fitch	A1 or below from Moody's or A+ or below from Standard and Poor's or Fitch	($17,625)
The Bank of New York Mellon (BNYM)	$24,860	Aaa from Moody's AA- from Fitch	A1 or below from Moody's or A+ or below from Fitch	($2,240)

(in thousands)

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

The credit rating details for each swap counterparty, including credit rating thresholds, and the total fair value amounts as of June 30, 2009 are summarized below:

Swap Counterparty	**Outstanding Notional Amount**	**Current Credit Rating**	**Collateral Posting Credit Rating Threshold**	**Fair Value**
JPMorgan Chase Bank, N.A. (JPM)	$80,000	Aa3 from Moody's A+ from Standard and Poor's	A1 or below from Moody's or A+ or below from Standard and Poor's	($6,925)
UBS AG	$69,550	Aa2 from Moody's A+ from Standard and Poor's A+ from Fitch	A1 or below from Moody's or A+ or below from Standard and Poor's or Fitch	($6,390)
Merrill Lynch Derivative Products AG (MLDP)	$158,655	Aaa from Moody's(1) AAA from Standard and Poor's AAA from Fitch	A1 or below from Moody's or A+ or below from Standard and Poor's or Fitch	($16,140)

(1) As of July 16, 2009, the rating for MLDP was changed to Aa1.

Termination Risk

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

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

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

Rollover Risk

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

Amortization Risk

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

(in thousands)

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

Tax Risk

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

Counterparty Risk

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

Swap Payments and Associated Debt

As of June 30, 2010, the following table provides a summary of debt service requirements for hedged variable rate bonds and net swap payments for the next five years and in 5-year increments thereafter. The interest calculations are based on the variable rates in effect on June 30, 2010, and may not be indicative of the actual interest expense that will be incurred. As rates vary, variable rate bond interest payments and net swap payments will vary.

Year ending June 30,	Hedged Variable Rate Bonds Principal	Hedged Variable Rate Bonds Interest	Interest Rate Swaps, Net	Total
2011	$ 110	$ 901	$ 11,303	$ 12,314
2012	-	919	10,818	11,737
2013	-	915	10,365	11,280
2014	-	916	9,958	10,874
2015	-	916	9,588	10,504
2016 - 2020	6,695	4,552	41,814	53,061
2021 - 2025	9,560	4,385	33,236	47,181
2026 - 2030	21,555	4,175	28,606	54,336
2031 - 2035	148,505	2,554	20,628	171,687
2036 - 2040	77,365	997	8,944	87,306
2041 - 2045	31,765	247	912	32,924
Totals	$ 295,555	$ 21,477	$ 186,172	$ 503,204

(in thousands)

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

As of June 30, 2009, the following table provides a summary of debt service requirements for hedged variable rate bonds and net swap payments for the next five years and in 5-year increments thereafter. The interest calculations are based on the variable rates in effect on June 30, 2009, and may not be indicative of the actual interest expense that will be incurred. As rates vary, variable rate bond interest payments and net swap payments will vary.

Year ending June 30,	Hedged Variable Rate Bonds Principal	Hedged Variable Rate Bonds Interest	Interest Rate Swaps, Net	Total
2010	$ 3,990	$ 4,890	$ 13,053	$ 21,933
2011	110	4,214	12,642	16,966
2012	-	4,223	12,037	16,260
2013	-	4,204	11,479	15,683
2014	-	4,213	10,969	15,182
2015 - 2019	5,300	21,053	47,360	73,713
2020 - 2024	9,150	20,882	35,731	65,763
2025 - 2029	15,100	20,636	29,783	65,519
2030 - 2034	150,745	13,108	23,251	187,104
2035 - 2039	76,230	4,901	11,558	92,689
2040 - 2044	47,580	3,541	2,253	53,374
Totals	$ 308,205	$ 105,865	$ 210,116	$ 624,186

(in thousands)

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

Fair Values

The table below summarizes the total fair values for CDA's interest rate exchange agreements at June 30, 2009 and June 30, 2010, and the changes in fair values for the period ending June 30, 2010.

	Total Fair Value at June 30, 2009	Total Fair Value at June 30, 2010	Change in Fair Value for the Period
Interest Rate Exchange Agreements:			
Cash Flow Hedges	$ (14,150)	$ (32,630)	$ (18,480)
Investment Derivatives	(15,305)	-	15,305
Total	$ (29,455)	$ (32,630)	$ (3,175)

In accordance with accounting guidance issued by GASB, the fair value balances of derivative instruments (interest rate exchange agreements) outstanding at June 30, 2010, classified by type, and the changes in fair value of such derivative instruments as presented on the financial statements for the period ending June 30, 2010, are as follows:

	Change in Fair Value		Fair Value at June 30, 2010		Outstanding Notional Amounts
	Classification	Amount	Classification	Amount	
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	$ (18,480)	Debt	$ (32,630)	$ 295,555
Investment Derivatives:					
Pay fixed interest rate swaps	Investment Revenue	$ 15,305	Investment	$ -	$ -

At June 30, 2009, CDA determined that 2007 Series F, J and M interest rate swaps did not meet the criteria for effectiveness. Therefore, the swap fair values in the amount of $15,305 were classified as investment revenue.

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

As of June 30, 2010, CDA had terminated the original swap agreements for the 2007 Series F, J and M swaps. The new agreements were restructured based on the remarketing of the underlying bonds from taxable to tax-exempt. As of June 30, 2010, 2007 Series F, J and M swaps do meet the criteria for effectiveness and the swap fair values are classified as deferred outflow.

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

NOTE 10 - BOND REFUNDINGS

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

NOTE 10 - BOND REFUNDINGS (Continued)

For current refundings of debt in an optional redemption, CDA replaces previously issued bonds with lower cost debt. This type of transaction is commonly known as an economic refunding. 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 and issuance costs related to the old debt) as an offset to the new bonds on the accompanying Statements of Net Assets in accordance with accounting guidance issued by GASB. This deferral is amortized, using the effective interest method, over the remaining life of the old debt or the life of the new debt, whichever is shorter. For the year ended June 30, 2010, CDA issued Residential Revenue Bonds 2010 Series A on June 9, 2010 which refunded Single Family Program 1999 Third Series bonds. The 1999 Third Series bonds were not redeemed in full until July 9, 2010; therefore, the cost savings will be recognized next fiscal year including all deferrals as an offset to the new bonds.

NOTE 11 - REBATE LIABILITY

In accordance with the Internal Revenue Service Code (the Code), the Fund has recorded a rebate liability for excess investment earnings in tax-exempt bond and note issues. The excess investment earnings arise due to actual investment yields earned by the Fund being greater than yields permitted to be retained by the Fund 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 Statements of Revenue, Expenses and Changes in Net Assets is reduced by the rebate liability due to excess investment earnings. The increase/decrease in fair value of investments on the Statements of Revenue, Expenses and Changes in Net Assets is adjusted by the change in the estimated rebate liability due to change in fair value of investments.

(in thousands)

NOTE 11 - REBATE LIABILITY (Continued)

Rebate liability activity for the years ended June 30, 2010 and 2009 was as follows:

	2010	2009
Beginning rebate liability	$ 2,864	$ 4,041
Change in estimated liability due to excess investment earnings	(1,243)	(1,150)
Change in estimated liability due to change in fair value of investments	38	(27)
Ending rebate liability	$ 1,659	$ 2,864

Total rebate liability is allocated as follows:

	2010	2009
Estimated liability due to excess investment earnings	$ 1,601	$ 2,844
Estimated liability due to change in fair value of investments	58	20
Ending rebate liability	$ 1,659	$ 2,864

(in thousands)

NOTE 12 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended June 30, 2010 and 2009 were as follows:

	2010	2009
Rebate liability		
Beginning balance	$ 2,864	$ 4,041
Additions	38	-
Reductions	(1,243)	(1,177)
Ending balance	1,659	2,864
Less due within one year	(725)	(64)
Total long-term rebate liability	934	2,800
Bonds payable		
Beginning balance	2,236,750	2,187,680
Additions	129,450	190,000
Reductions	(143,355)	(138,070)
Change in deferred amounts for issuance discounts/premiums	(3,237)	(2,860)
Ending balance	2,219,608	2,236,750
Less due within one year	(49,485)	(75,270)
Total long-term bonds payable	2,170,123	2,161,480
Deposits by borrowers		
Beginning balance	-	-
Additions	7,667	-
Reductions	(2,499)	-
Ending balance	5,168	-
Less due within one year	(2,286)	-
Total long-term deposits by borrowers	2,882	-
Interest rate exchange agreements		
Beginning balance	-	-
Additions	32,630	-
Reductions	-	-
Ending balance	32,630	-
Total long-term interest rate exchange agreements	32,630	-
Total long-term liabilities	$ 2,206,569	$ 2,164,280

(in thousands)

NOTE 13 - INTERFUND ACTIVITY

In accordance with the Resolution, net assets in Residential Revenue Bonds are restricted and pledged to bondholders. However, restricted assets may be transferred to other Funds, subject to the provisions of the Resolution. Generally, an officer of CDA must authorize such withdrawals and a cash flow analysis must demonstrate that sufficient monies remain in the Resolution to meet the obligations of the Fund in current and future years.

During the years ended June 30, 2010 and 2009, the Fund transferred the following amounts, as permitted, among Funds:

	2010	2009
Excess revenue transferred from Single Family Program Bonds	$ 7,221	$ 21,000
Cost of issuance on bonds and other expenses transferred from Single Family Program Bonds	1,918	1,577
Transfer mortgage loans and mortgage loan-related activity from Single Family Program Bonds	12,765	-
Excess revenue transferred from Multi-Family Housing Revenue Bonds	7,655	12,000
Transfer mortgage loans and mortgage loan-related activity from Multi-Family Housing Revenue Bonds	50,504	-
Excess revenue transferred from Housing Revenue Bonds	-	12,000
Transfer to separate account in accordance with HUD agreement	(43)	-
	$ 80,020	$ 46,577

As of June 30, 2010 and 2009, due (to) from other Funds consisted of the following:

	2010	2009
Mortgage loan receipts for participation loans due to Single Family Program Bonds	$ (119)	$ (74)
Other mortgage loan receipts due from Single Family Program Bonds	158	-
	$ 39	$ (74)

NOTE 14 - MORTGAGE INSURANCE

All mortgage loans in the Fund 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.

About 41% of all single family loans in the Fund are insured by agencies of the U.S. Government in an amount substantially equal to the unpaid principal amount of the loan. Approximately 58% of total single family loans are insured by private mortgage insurers or MHF at 35% of the loan amount. In the opinion of management, these coverage levels are sufficient so that no pool insurance or reserves are required. An allowance for loan losses has been established for single family loans insured by private mortgage insurers. Premiums are paid by single family mortgagors or CDA.

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 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 - COMMITMENTS

As of June 30, 2010, CDA had approximately $34,577 in reservations for single family mortgages at interest rates ranging from 4.375% to 5.25%. CDA plans to purchase these loans with proceeds from the Fund.

(in thousands)

NOTE 17 - SUBSEQUENT EVENTS

Events that occur after the date of the statement of net assets but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the statement of net assets are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the date of the statement of net assets require disclosure in the accompanying notes. Management evaluated the activity of CDA through September 30, 2010 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements, except for the following activity that occurred subsequent to June 30, 2010.

Subsequent to the year ended June 30, 2010, the following bond activity took place:

On August 9, 2010, CDA redeemed the following bonds:

1998 Series A	$195
1998 Series D	$620
2000 Series F	$100
2001 Series B	$325
2001 Series E	$185
2003 Series B	$405
2004 Series B	$340
2004 Series E	$280
2004 Series H	$355
2005 Series B	$135
2006 Series B	$325
2006 Series F	$290
2006 Series I	$1,145
2006 Series P	$190
2007 Series A	$1,750
2007 Series D	$1,235
2008 Series F	$950

Community Development Administration
Residential Revenue Bonds

SUPPLEMENTAL DISCLOSURES OF CHANGE
IN FAIR VALUE OF INVESTMENTS
(in thousands)
(unaudited)

June 30, 2010 and 2009

In accordance with accounting guidance issued by GASB, CDA reflects investments at fair value, and the increase or decrease in fair value is included in the Statements of Revenue, Expenses and Changes in Net Assets.

For investments (obligations of the U.S. Treasury and U.S. Government Agencies) held by the Fund as of June 30, 2010, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and amortized cost:

Fiscal year ended June 30,	Annual increases /decreases	Cumulative total
2000	$ (227)	$ (227)
2001	$ 551	$ 324
2002	$ 97	$ 421
2003	$ 544	$ 965
2004	$ (674)	$ 291
2005	$ 403	$ 694
2006	$ (1,567)	$ (873)
2007	$ 1,062	$ 189
2008	$ 785	$ 974
2009	$ 46	$ 1,020
2010	$ 2,747	$ 3,767

Reconciliation to the Statements of Revenue, Expenses and Changes in Net Assets for the year ended June 30, 2010:

Increase in fair value of investments held at June 30, 2010	$ 2,747
Adjustment due to rebate liability (see Note 11)	(38)
Increase in fair value of investments, net of rebate, as reported on the Statements of Revenue, Expenses and Changes in Net Assets for the year ended June 30, 2010	$ 2,709

Community Development Administration
Residential Revenue Bonds

SUPPLEMENTAL DISCLOSURES OF CHANGE
IN FAIR VALUE OF INVESTMENTS - CONTINUED
(in thousands)
(unaudited)

June 30, 2010 and 2009

Reconciliation to the Statements of Revenue, Expenses and Changes in Net Assets for the year ended June 30, 2009:

Increase in fair value of investments held at June 30, 2009	$	46
Adjustment due to rebate liability (see Note 11)		27
Increase in fair value of investments, net of rebate, as reported on the Statements of Revenue, Expenses and Changes in Net Assets for the year ended June 30, 2009	$	73