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COMBINED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS

JUNE 30, 2012

Community Development Administration
Revenue Obligation Funds

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INDEPENDENT AUDITORS' REPORT

Office of the Secretary
Department of Housing and Community Development

We have audited the accompanying combined financial statements of the Community Development Administration Revenue Obligation Funds (the Funds) of the Department of Housing and Community Development of the State of Maryland as of and for the year ended June 30, 2012, as listed in the table of contents. These combined financial statements are the responsibility of the Funds' management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

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

As discussed in Note 1, the combined financial statements present only the Community Development Administration Revenue Obligation Funds and do not purport to, and do not, present fairly the financial position of the Department of Housing and Community Development of the State of Maryland as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Community Development Administration Revenue Obligation Funds of the Department of Housing and Community Development of the State of Maryland as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The Supplemental Disclosure of Combined Changes in Fair Value of Investments and Mortgage-Backed Securities, which is the responsibility of management, is presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information has not been subjected to the auditing procedures applied in our audit of the combined financial statements and, accordingly, we express no opinion or provide any assurance on it.

Reznick Group, P.C.

Baltimore, Maryland
September 28, 2012

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF NET ASSETS
(in thousands)

June 30, 2012
(with comparative combined totals as of June 30, 2011)

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2012	Combined 2011
RESTRICTED ASSETS					
Restricted current assets					
Cash and cash equivalents on deposit with trustee	$ 41,785	$ 329,651	$ 23,145	$ 394,581	$ 365,974
Mortgage-backed securities	4,009	426	-	4,435	4,775
Mortgage loans					
Single family	31	36,213	-	36,244	35,909
Multi-family construction and permanent financing	2,952	1,545	115	4,612	4,236
Accrued interest and other receivables	1,889	21,411	157	23,457	22,408
Due from State Treasurer	-	-	60	60	-
Claims receivable on foreclosed and other loans, net of allowance	-	87,028	-	87,028	92,742
Real estate owned	-	6,558	-	6,558	19,226
Total restricted current assets	50,666	482,832	23,477	556,975	545,270
Restricted long-term assets					
Investments	8,380	29,593	7,915	45,888	41,067
Mortgage-backed securities, net of current portion	331,982	17,026	-	349,008	421,470
Mortgage loans, net of current portion and allowance					
Single family	135	1,867,850	28	1,868,013	2,031,439
Multi-family construction and permanent financing	68,015	29,132	6,039	103,186	108,706
Accrued interest receivable, net of current portion	-	11	-	11	9
Other loan receivable	-	-	750	750	750
Deferred bond issuance costs	98	14,108	-	14,206	15,403
Deferred outflow on interest rate swap agreements (see Note 9)	-	35,862	-	35,862	26,475
Total restricted long-term assets	408,610	1,993,582	14,732	2,416,924	2,645,319
Total restricted assets	$ 459,276	$ 2,476,414	$ 38,209	$ 2,973,899	$ 3,190,589

(continued)

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF NET ASSETS - CONTINUED
(in thousands)

June 30, 2012
(with comparative combined totals as of June 30, 2011)

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2012	Combined 2011
LIABILITIES AND NET ASSETS					
Current liabilities					
Accrued interest payable	$ 10,043	$ 30,596	$ -	$ 40,639	$ 44,327
Accounts payable	41	1,403	368	1,812	859
Accrued workers' compensation	-	-	7	7	16
Accrued compensated absences	-	-	386	386	450
Due to State Treasurer	-	-	-	-	1,021
Rebate liability	-	59	-	59	637
Bonds payable	8,925	66,795	-	75,720	87,285
Deposits by borrowers	1,749	2,138	42	3,929	4,163
Total current liabilities	20,758	100,991	803	122,552	138,758
Long-term liabilities					
Accrued workers' compensation, net of current portion	-	-	40	40	89
Accrued compensated absences, net of current portion	-	-	232	232	239
Rebate liability, net of current portion	-	6,836	-	6,836	6,571
Bonds payable, net of current portion	375,259	1,961,603	-	2,336,862	2,549,219
Deposits by borrowers, net of current portion	6,331	2,396	27	8,754	7,742
Deferred income	4,008	-	-	4,008	4,616
Interest rate swap agreements (see Note 9)	-	35,862	-	35,862	26,475
Total long-term liabilities	385,598	2,006,697	299	2,392,594	2,594,951
Total liabilities	406,356	2,107,688	1,102	2,515,146	2,733,709
NET ASSETS					
Restricted	52,920	368,726	37,107	458,753	456,880
Total liabilities and net assets	$ 459,276	$ 2,476,414	$ 38,209	$ 2,973,899	$ 3,190,589

See notes to combined financial statements

Community Development Administration
Revenue Obligation Funds

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

Year ended June 30, 2012
(with comparative combined totals as of June 30, 2011)

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2012	Combined 2011
Operating revenue					
Interest on mortgage loans	$ 4,444	$ 117,437	$ 350	$ 122,231	$ 131,578
Interest on mortgage-backed securities	18,660	827	-	19,487	22,082
Increase in fair value of mortgage-backed securities	-	3,980	-	3,980	-
Interest income on investments, net of rebate	603	1,377	434	2,414	2,250
Increase (decrease) in fair value of investments, net of rebate	1,283	1,309	449	3,041	(568)
Fee and deferred income	643	510	2,816	3,969	3,929
Gain on sale of mortgage loans	-	-	-	-	513
Gain on early retirement of debt	-	5,866	-	5,866	750
Other operating revenue	31	1,212	157	1,400	595
	25,664	132,518	4,206	162,388	161,129
Operating expenses					
Interest expense on bonds	21,452	96,232	-	117,684	124,772
Professional fees and other operating expenses	219	6,940	152	7,311	4,919
Salaries and related costs	-	-	6,726	6,726	7,717
General and administrative costs	-	-	3,634	3,634	3,921
Provision for loan losses	-	16,965	-	16,965	5,169
Origination expenses	-	2,336	-	2,336	2,762
Losses and expenses on real estate owned, net	-	8,261	-	8,261	5,780
Loss on foreclosure claims, net	-	350	-	350	547
Amortization of bond issuance costs	9	582	-	591	571
	21,680	131,666	10,512	163,858	156,158
Operating income (loss)	3,984	852	(6,306)	(1,470)	4,971
Nonoperating revenue (expenses)					
Increase (decrease) in fair value of mortgage-backed securities	6,303	512	-	6,815	(7,933)
Total nonoperating revenue (expenses)	6,303	512	-	6,815	(7,933)
Transfers of funds, net, as permitted by the various bond indentures	(1,125)	(10,243)	7,896	(3,472)	(207)
CHANGES IN NET ASSETS	9,162	(8,879)	1,590	1,873	(3,169)
Net assets - restricted at beginning of year	43,758	377,605	35,517	456,880	460,049
Net assets - restricted at end of year	$ 52,920	$ 368,726	$ 37,107	$ 458,753	$ 456,880

See notes to combined financial statements

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF CASH FLOWS
(in thousands)

Year ended June 30, 2012
(with comparative combined totals as of June 30, 2011)

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2012	Combined 2011
Cash flows from operating activities					
Principal and interest received on mortgage loans	$ 9,049	$ 194,660	$ 440	$ 204,149	$ 233,986
Principal and interest received on mortgage-backed securities	60,978	1,450	-	62,428	80,210
Escrow funds received	2,622	1,999	56	4,677	5,416
Escrow funds paid	(2,126)	(1,718)	(55)	(3,899)	(8,551)
Mortgage insurance claims received	-	89,924	-	89,924	63,115
Foreclosure expenses paid	-	(8,626)	-	(8,626)	(8,318)
Loan fees and deferred income received	-	-	2,837	2,837	2,728
Loan fees disbursed	-	(18)	-	(18)	(1,374)
Purchase of mortgage loans	-	(3,245)	(1,086)	(4,331)	(119,960)
Purchase of mortgage-backed securities	-	(174,179)	-	(174,179)	(55,106)
Transfer of mortgage-backed securities	-	153,129	-	153,129	-
Funds received from sale of mortgage-backed securities	-	62,030	-	62,030	-
Funds received from sale of mortgage loans	-	-	-	-	15,488
Professional fees and other operating expenses	(195)	(6,787)	(152)	(7,134)	(4,728)
Other income received	31	1,212	157	1,400	595
Salaries and related costs	-	-	(8,254)	(8,254)	(8,735)
General and administrative costs	-	-	(3,316)	(3,316)	(3,924)
Other reimbursements	17	(395)	204	(174)	(1,330)
Net cash provided by (used in) operating activities	70,376	309,436	(9,169)	370,643	189,512
Cash flows from investing activities					
Proceeds from maturities or sales of investments	-	971	-	971	105,534
Purchases of investments	-	(2,695)	-	(2,695)	(2,777)
Arbitrage rebates paid	-	(646)	-	(646)	(815)
Interest received on investments	605	1,586	437	2,628	3,458
Net cash provided by (used in) investing activities	605	(784)	437	258	105,400
Cash flows from noncapital financing activities					
Proceeds from sale of bonds	-	-	-	-	132,193
Payments on bond principal	(45,945)	(171,080)	-	(217,025)	(274,252)
Bond issuance costs	-	(133)	-	(133)	(1,362)
Reimbursement of bond costs	-	-	-	-	34
Interest on bonds	(22,714)	(98,950)	-	(121,664)	(128,253)
Transfers among Funds	(1,125)	(10,243)	7,896	(3,472)	(207)
Net cash (used in) provided by noncapital financing activities	(69,784)	(280,406)	7,896	(342,294)	(271,847)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	1,197	28,246	(836)	28,607	23,065
Cash and cash equivalents on deposit with trustee at beginning of year	40,588	301,405	23,981	365,974	342,909
Cash and cash equivalents on deposit with trustee at end of year	$ 41,785	$ 329,651	$ 23,145	$ 394,581	$ 365,974

(continued)

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF CASH FLOWS - CONTINUED
(in thousands)

Year ended June 30, 2012
(with comparative combined totals as of June 30, 2011)

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2012	Combined 2011
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	$ 3,984	$ 852	$ (6,306)	$ (1,470)	$ 4,971
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Decrease (increase) in assets					
Mortgage loans	4,592	158,914	(980)	162,526	91,415
Mortgage-backed securities	42,113	38,850	-	80,963	2,905
Accrued interest and other receivables	216	(1,274)	7	(1,051)	(542)
Due from State Treasurer	-	-	(60)	(60)	-
Claims receivable on foreclosed and other loans	-	(7,315)	-	(7,315)	(19,535)
Real estate owned	-	12,668	-	12,668	(12,641)
Due from other Funds	-	-	-	-	39
(Decrease) increase in liabilities					
Accrued interest payable	(1,262)	(2,426)	-	(3,688)	(3,148)
Accounts payable	41	708	204	953	(766)
Accrued workers' compensation and compensated absences	-	-	(129)	(129)	(31)
Due to State Treasurer	-	-	(1,021)	(1,021)	(990)
Rebate liability	-	(313)	-	(313)	(444)
Deposits by borrowers	496	281	1	778	(3,135)
Deferred income	(608)	-	-	(608)	(613)
Due to other Funds	-	-	-	-	(39)
Amortizations					
Deferred income and expense on loans	(35)	1,826	-	1,791	2,041
Investment discounts and premiums	4	4	1	9	154
Bond original issue discounts and premiums	-	(292)	-	(292)	(333)
Deferred bond issuance costs	9	582	-	591	571
Loan fees and expenses deferred	-	(18)	-	(18)	(1,222)
Loan fees and expenses transferred and sold	-	-	-	-	200
Provision for loan losses	-	16,965	-	16,965	5,169
(Increase) decrease in fair value of investments	(1,283)	(1,374)	(449)	(3,106)	626
Arbitrage rebates paid	-	646	-	646	815
Increase in fair value of mortgage-backed securities	-	(3,980)	-	(3,980)	-
Realized gains on mortgage-backed securities sold	-	2,634	-	2,634	-
Gain on early retirement of debt	-	(5,866)	-	(5,866)	(750)
Interest received on investments	(605)	(1,586)	(437)	(2,628)	(3,458)
Interest on bonds	22,714	98,950	-	121,664	128,253
Net cash provided by (used in) operating activities	$ 70,376	$ 309,436	$ (9,169)	$ 370,643	$ 189,512

See notes to combined financial statements

NOTE 1 - AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION

The Community Development Administration (CDA) was created in 1970 by Sections 266 DD-1 to 266 DD-8 of Article 41 (now in Sections 4-101 through 4-255 of the Housing and Community Development Article) of the Annotated Code of Maryland to meet the shortage of adequate, safe and sanitary housing in the State of Maryland, particularly for persons or families of limited income. CDA is in the Division of Development Finance in the Department of Housing and Community Development (DHCD) of the State of Maryland.

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

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

Fund	Purpose
Housing Revenue Bonds	To provide funds to finance or refinance loans for various types of housing. As of June 30, 2012, Housing Revenue Bonds have primarily financed multi-family projects.
Residential Revenue Bonds	To originate or purchase single family mortgage loans.
General Bond Reserve Fund	To provide funds for payment of principal and interest on bonds and notes in the Revenue Obligation Funds to the extent revenues and assets specifically pledged are not sufficient. This Fund also provides for the payment of operating expenses of CDA.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Revenue Obligation Funds are accounted for as enterprise funds. Accordingly, the accompanying combined financial statements have been prepared using the accrual method of accounting and on the basis of accounting principles generally accepted in the United States of America (GAAP).

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.

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 Funds are restricted as to their use as all net assets are pledged to bondholders.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2012, all of the Funds' cash equivalents are invested in a money market mutual fund which is more fully described in Note 3.

Investments

Investments are principally governmental debt securities or investment agreements collateralized by governmental debt securities. Debt securities are stated at fair value, based on quoted market prices. Investments are classified as current or long-term based on the maturity date or call date. Callable investments are classified as current, if exercise of the call within the next fiscal year is probable. Investments are more fully described in Note 3.

Mortgage-Backed Securities

These guaranteed securities are issued in connection with mortgage loans on multi-family projects and single family homes. They are stated at fair value, based on quoted market prices. Mortgage-backed securities are more fully described in Note 3.

Mortgage Loans

Mortgage loans are carried at their unpaid principal balances, net of allowance 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 receivable. See Notes 4 and 15 for additional information on mortgage loans and mortgage insurance, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Interest and Other Receivables

Accrued interest and other receivables include interest on loans and investments. On insured multi-family mortgage loans that are in default, CDA continues to accrue interest until receipt of a mortgage insurance claim. On insured single family loans, interest ceases to accrue after foreclosure. See Note 5 for additional information.

Claims Receivable on Foreclosed and Other Loans

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

Real Estate Owned

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

Allowance for Loan Losses

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Combined Statement 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. However, in an economic refunding, CDA defers unamortized costs and redemption premiums as an offset to the new bonds as more fully described in Note 10.

Due from (to) Other Funds

Due from (to) other Funds records the pending transfers of cash between Funds which is primarily a result of receipts due to one Fund, but received by another. As of June 30, 2012, there were no pending cash transfers due between Funds.

Bonds Payable

Bonds payable are carried at their unpaid principal balances, net of unamortized deferred gain or loss for bonds refunded for economic purposes and original issue discounts or premiums. See Notes 6, 7, 8, 9, 10 and 12 for additional information.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Rebate Liability on Investments

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

Interest Rate Exchange Agreements (Swaps)

Interest rate exchange agreements (swaps) are derivative instruments which are entered into as cash flow hedges to reduce exposure to identified financial risks associated with assets, liabilities or expected transactions or to lower the costs of borrowings and are considered to be hedging derivative instruments. Swaps are reported at fair value in the Combined Statement of Net 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 Combined 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 Combined Statement of Revenue, Expenses and Changes in Net Assets. 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, 2012, all mortgage loan yields are in compliance with the Code.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest on Mortgage Loans and Mortgage-Backed Securities

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

Fee Income

CDA receives multi-family financing fees and single family commitment fees at loan origination. These fees are deferred and amortized over the life of the loan. Tax credit fees and administrative fees are recorded as earned.

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 Funds, CDA receives certain support services from other divisions of DHCD. Support services and the operating expenses of CDA have been allocated to CDA's General Bond Reserve Fund. The General Bond Reserve Fund records these expenses as invoiced by DHCD for the fiscal year.

For the year ended June 30, 2012, the total costs charged to the General Bond Reserve Fund were:

Salaries and related costs	$	6,726
General and administrative costs		3,634
	$	10,360

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 discussed above. See Note 16 for additional information.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Expenses

CDA distinguishes operating revenue and expenses from nonoperating items in accordance with accounting guidance issued by GASB. Operating revenue and expenses are identified as those activities that are directly related to financing affordable housing in the State of Maryland. CDA's activities are considered to be operating except for increases and decreases in the fair value of mortgage-backed securities that are held within the portfolio.

Use of Estimates

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

Combined Totals

The totals of similar accounts of the various Funds in the accompanying combined financial statements are presented for information purposes only. The totals represent an aggregation of the Funds and do not represent consolidated financial information, as interfund balances are not eliminated.

Recent Accounting Pronouncements

GASB has issued Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* which will be effective for CDA beginning with its year ending June 30, 2013 and Statement No. 65 *Items Previously Reported as Assets and Liabilities*, which will be effective for CDA beginning with its year ending June 30, 2014. CDA will implement these statements as necessary as of their effective date. While CDA is still in-process of determining the effect of implementing these GASB statements, they are not expected to have a material effect on the financial position of CDA.

(in thousands)

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED SECURITIES

Bond proceeds and revenues from mortgages, mortgage-backed securities and investments are invested in authorized investments as defined in the respective indentures and in CDA's Investment Policy until required for purchasing mortgage-backed securities or originating mortgage loans, funding reserves, paying bond debt service or redeeming outstanding bonds and notes, and funding program expenses. Authorized investments include obligations of the U.S. Treasury, U.S. Government Agencies, repurchase agreements, investment agreements, money market funds and certificates of deposit.

The following assets, reported at fair value and held by CDA at June 30, 2012, are evaluated in accordance with GASB accounting guidance for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

	Cash and Cash Equivalents		Total Cash and Cash Equivalents	Investments			Total Investments	Mortgage-backed Securities	
	Federated Prime Cash Obligations Fund	Obligations of U.S. Government Agencies		Obligations of the U.S. Treasury	Obligations of U.S. Government Agencies	Repurchase Agreements/ Investment Agreements		GNMA Mortgage -backed Securities	Total Cash, Investments and Mortgage-backed Securities
Housing Revenue Bonds	$ 41,785	$ -	$ 41,785	$ 8,380	$ -	$ -	$ 8,380	$ 335,991	$ 386,156
Residential Revenue Bonds	329,651	-	329,651	-	9,961	19,632	29,593	17,452	376,696
General Bond Reserve Fund	23,145	-	23,145	7,915	-	-	7,915	-	31,060
Total	$ 394,581	$ -	$ 394,581	$ 16,295	$ 9,961	$ 19,632	$ 45,888	$ 353,443	$ 793,912

(in thousands)

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses from rising interest rates, CDA's Investment Policy requires that the maturities of the investment portfolio are scheduled to meet the cash requirements for bond debt service, projected loan originations and ongoing operations.

As of June 30, 2012, the amortized cost, fair value and maturities for these assets were as follows:

			Maturities (in years)				
Asset	Amortized Cost	Fair Value	Less than 1	1 - 5	6 - 10	11 - 15	More than 15
Federated Prime Cash Obligations Fund	$ 394,581	$ 394,581	$ 394,581	$ -	$ -	$ -	$ -
Obligations of the U.S. Treasury	11,059	16,295	-	3,520	2,896	9,879	-
Obligations of U.S. Government Agencies	7,064	9,961	-	-	2,671	-	7,290
Repurchase agreements/ Investment agreements	19,632	19,632	-	-	-	-	19,632
Mortgage-backed Securities	333,372	353,443	-	-	-	-	353,443
Total	$ 765,708	$ 793,912	$ 394,581	$ 3,520	$ 5,567	$ 9,879	$ 380,365

The Federated Prime Cash Obligations Fund invests primarily in short-term, high-quality, fixed-income securities issued by banks, corporations and the U.S. Government. It is operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. It can reasonably be expected to have a fair value that will be unaffected by interest rate changes because the interest rates are variable and the principal can be recovered on demand. As noted above, as of June 30, 2012, the cost of the money market mutual fund approximated fair value.

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

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither CDA's Investment Policy nor the trust indentures require investment agreements or deposits to be collateralized. CDA's Investment Policy places no limit on the amount that CDA may invest in any one issuer or counterparty. According to CDA's indentures and Investment Policy, securities must be at a rating no lower than the rating on the bonds or, if an investment maintains only a short-term rating, a rating not less than F1/P-1; and financial institutions who are a counterparty to CDA in investment agreements must be rated at least comparable to the existing rating on CDA bonds unless counterparty ratings lower than the bond ratings are permitted in a specific indenture and do not affect the ratings on the bonds. In addition, certain investment and repurchase agreements require counterparty ratings no less than the ratings on the bonds. As of June 30, 2012, all counterparty ratings were at least equal to the ratings on the bonds. The ratings on Housing Revenue Bonds and Residential Revenue Bonds as of June 30, 2012 were Aa2 by Moody's Investors Service. The ratings on Housing Revenue Bonds and Residential Revenue Bonds were AA+ and AA, respectively, by Fitch Ratings as of June 30, 2012. 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, INVESTMENTS AND MORTGAGE-BACKED SECURITIES (Continued)

As of June 30, 2012, credit ratings and allocation by type of investments for the following assets were:

Asset	Fair Value	Percentage of total investments	Money market fund rating	Securities credit rating	Rating agency
Federated Prime Cash Obligations Fund	$ 394,581	49.70%	Aaa		Moody's
Government National Mortgage Association Mortgage-backed Securities	353,443	44.52%		Direct U.S. Obligations	
Obligations of the U.S. Treasury	16,295	2.05%		Direct U.S. Obligations	
Obligations of U.S. Government Agencies	9,961	1.26%		Aaa	Moody's
Collateralized repurchase agreements and investment agreements:				Underlying securities credit rating	
Counterparty rated Aaa by Moody's	19,632	2.47%		Aaa	Moody's
Total	$ 793,912	100.00%			

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.

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

All mortgage-backed securities held by CDA are guaranteed by the Government National Mortgage Association (GNMA), an instrumentality of the United States Government. GNMA securities are "fully modified pass-through" mortgage-backed securities which require monthly payments by a Federal Housing Administration (FHA) lender, as the issuer of the guaranteed security to CDA. GNMA guarantees timely payment of principal and interest on Guaranteed Securities.

As an investor of GNMA I mortgage-backed securities (MBS), CDA receives separate principal and interest payments on the 15th of each month; however, for GNMA II MBS, CDA receives the total principal and interest from a central paying agent on the 20th of each month. All mortgages backing a GNMA I MBS have the same mortgage rate equal to 50 basis points greater than the coupon, with 44 basis points of servicing fee and 6 basis points of guaranty fee. Similarly, GNMA II MBS also have 6 basis points of guaranty fee, but the mortgage rate for the loans backing the security can vary between 25 to 75 basis points greater than the coupon which may result in a variety of servicing fees.

In January 2012, CDA expanded the sources of financing for its mortgage-backed securities program through the ongoing sale of forward contracts of GNMA mortgage-backed securities. These securities are comprised of single family mortgage loans originated by CDA's network of approved lender partners. As part of this program, CDA periodically enters into forward contracts to sell GNMA mortgage-backed securities to investors before the securities are ready for delivery (referred to as "to-be-announced" or "TBA Mortgage-Backed Security Contract"). These forward contracts are settled monthly, using funds held in Residential Revenue Bonds' additional collateral account, prior to being sold into the secondary market. As of June 30, 2012, CDA entered into TBA Mortgage-Backed Security Contracts with a notional amount of $50,037 outstanding. The increase/decrease in the fair value of GNMA mortgage-backed securities that are part of the TBA program is classified as operating revenue on the Combined Statement of Revenue, Expenses and Changes in Net Assets.

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, CDA will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. As of June 30, 2012, CDA'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.

NOTE 4 - MORTGAGE LOANS

Substantially all single family mortgage loans are secured by first liens on the related property. Approximately 98% of all single family mortgage loans are credit enhanced through the FHA mortgage insurance programs, the Veterans Administration and USDA/RD guarantee programs, the Maryland Housing Fund (MHF) or by private mortgage insurance policies. As of June 30, 2012, interest rates on first lien single family loans range from 1.0% to 13.9%, with remaining loan terms ranging from less than 1 year to 40 years.

Approximately 99% of all multi-family construction and permanent mortgage loans outstanding are insured or credit enhanced by FHA, MHF, FHLMC, FNMA or GNMA. As of June 30, 2012, interest rates on the loans range from 3.7% to 12.0%, with remaining loan terms ranging from less than 2 years to 38 years.

(in thousands)

NOTE 4 - MORTGAGE LOANS (Continued)

For the year ended June 30, 2012, the mortgage loan and claims receivable balances and changes in the allowance for loan losses on the uninsured portions of multi-family loans and on single family loans with private mortgage insurance, including loans in foreclosure and other loans with pending insurance claims, were as follows:

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Mortgage loans	$ 71,176	$ 1,948,303	$ 6,182	$ 2,025,661
Allowance for loan losses				
Beginning balance	43	9,627	-	9,670
Provision for loan losses	-	3,936	-	3,936
Ending balance	43	13,563	-	13,606
Mortgage loans, net	$ 71,133	$ 1,934,740	$ 6,182	$ 2,012,055
Claims receivable on foreclosed and other loans	$ -	$ 105,150	$ -	$ 105,150
Allowance for loan losses				
Beginning balance	-	13,163	-	13,163
Provision for loan losses	-	13,029	-	13,029
Charge offs	-	(8,070)	-	(8,070)
Ending balance	-	18,122	-	18,122
Claims receivable on foreclosed and other loans, net	$ -	$ 87,028	$ -	$ 87,028

(in thousands)

NOTE 5 - ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2012, were as follows:

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Accrued mortgage loan interest	$ 387	$ 19,946	$ 33	$ 20,366
Accrued investment interest	48	587	106	741
Accrued mortgage-backed securities interest	1,454	50	-	1,504
Funds due from mortgage insurers for loan modifications	-	82	-	82
Reimbursement due for state-funded loans	-	498	-	498
Miscellaneous loan and other billings	-	259	18	277
	$ 1,889	$ 21,422	$ 157	$ 23,468

NOTE 6 - SHORT-TERM DEBT

CDA issues short-term debt to preserve volume cap when prepayments and payments from mortgages exceed the demand for new mortgages. Proceeds of the short-term debt are used to refund and to pay at maturity prior series of bonds. At the time of the refunding, prepayments and repayments of mortgage loans financed by these prior bonds are transferred to accounts in the short-term series. CDA expects to make these funds available to purchase mortgage loans upon the maturity or earlier redemption of the short-term bonds with proceeds of additional long-term bonds. By issuing the short-term debt, CDA more closely matches the rates on the short-term debt with the rates on short-term investments. When there is sufficient mortgage demand, CDA issues long-term refunding bonds to redeem the short-term debt and the prepayments and repayments are used to fund new mortgages. For the year ended June 30, 2012, CDA did not issue any short-term debt.

NOTE 7 - BONDS PAYABLE

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

The provisions of the various bond indentures require or allow for the special redemption of bonds at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans. All outstanding bonds are subject to optional redemption, in whole or in part at any time, after certain dates, as specified in the respective series indentures, at a redemption price equal to the principal amount thereof to be redeemed.

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.

Residential Revenue Bonds

2003 Series C; 2004 Series F and I; 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, except for 2007 Series J and M which were remarketed on March 8, 2012 converting the interest rate from a weekly mode to a daily mode. On July 26, 2012, 2007 Series J and M were remarketed again and the interest rate was converted back to a weekly mode. In no event will the bonds bear interest at a rate in excess of 12%.

2011 Series B

The rate is set weekly at an index rate equal to a SIFMA index, plus 0.95%. (SIFMA stands for the Securities Industry and Financial Markets Association). 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.

Residential Revenue Bonds 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, 2012, and the debt outstanding and bonds payable as of June 30, 2012:

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2011	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2012	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2012
Housing Revenue Bonds										
Series 1996 A	11/01/96	5.80% - 5.95%	2016 - 2023	$ 13,120	$ -	$ (1,630)	$ -	$ 11,490	$ -	$ 11,490
Series 1996 B	11/01/96	5.875% - 5.95%	2016 - 2028	1,425	-	(60)	-	1,365	-	1,365
Series 1999 A	02/01/99	4.60% - 5.35%	2011 - 2041	14,830	-	(200)	-	14,630	-	14,630
Series 1999 B	10/15/99	5.60% - 6.40%	2011 - 2042	9,440	-	(110)	(9,330)	-	-	-
Series 1999 D	12/01/99	5.90% - 6.35%	2013 - 2042	5,960	-	(260)	-	5,700	-	5,700
Series 2000 A	10/01/00	5.20% - 6.10%	2011 - 2042	25,545	-	(300)	-	25,245	-	25,245
Series 2001 A	07/01/01	4.85% - 5.625%	2011 - 2043	27,500	-	(365)	(12,310)	14,825	-	14,825
Series 2001 B	10/01/01	4.50% - 5.45%	2011 - 2043	42,645	-	(995)	(16,465)	25,185	-	25,185
Series 2002 A	03/01/02	4.80% - 5.70%	2011 - 2043	8,910	-	(100)	-	8,810	-	8,810
Series 2002 B	10/01/02	3.75% - 5.05%	2011 - 2045	31,515	-	(380)	-	31,135	-	31,135
Series 2002 C	10/01/02	3.75% - 5.00%	2011 - 2035	6,155	-	(120)	-	6,035	-	6,035
Series 2002 D	10/01/02	3.75% - 5.00%	2011 - 2035	7,635	-	(140)	-	7,495	-	7,495
Series 2003 A	04/01/03	3.85% - 5.22%	2011 - 2045	23,530	-	(260)	-	23,270	-	23,270
Series 2003 B	07/01/03	3.50% - 5.00%	2011 - 2045	16,580	-	(200)	-	16,380	-	16,380
Series 2003 C	09/01/03	4.00% - 5.90%	2011 - 2045	10,255	-	(105)	-	10,150	(6)	10,144
Series 2003 D	12/01/03	3.70% - 5.125%	2011 - 2045	11,480	-	(130)	-	11,350	-	11,350
Series 2004 B	03/31/04	3.05% - 4.70%	2011 - 2046	19,235	-	(235)	-	19,000	-	19,000
Series 2004 C	06/10/04	4.20% - 5.40%	2011 - 2047	34,290	-	(340)	-	33,950	-	33,950
Series 2004 D	11/23/04	4.35% - 5.00%	2015 - 2037	1,530	-	(80)	-	1,450	-	1,450
Series 2005 A	02/17/05	4.25% - 4.85%	2015 - 2047	6,135	-	(70)	-	6,065	-	6,065
Series 2005 B	04/21/05	3.90% - 5.10%	2011 - 2047	18,630	-	(205)	-	18,425	-	18,425
Series 2005 C	12/14/05	3.95% - 5.15%	2011 - 2047	12,600	-	(370)	-	12,230	-	12,230
Series 2006 A	04/27/06	4.05% - 5.05%	2011 - 2047	9,685	-	(110)	-	9,575	-	9,575
Series 2006 B	04/27/06	4.05% - 5.00%	2011 - 2039	2,945	-	(135)	-	2,810	-	2,810
Series 2006 C	04/27/06	3.70% - 4.75%	2011 - 2036	1,965	-	(40)	-	1,925	-	1,925
Series 2006 D	09/27/06	4.91%	7/1/2048	4,425	-	(115)	-	4,310	-	4,310
Series 2007 A	06/14/07	3.95% - 4.95%	2011 - 2049	21,175	-	(310)	-	20,865	-	20,865
Series 2007 B	08/30/07	5.51%	1/1/2038	4,810	-	(60)	-	4,750	-	4,750
Series 2007 C	12/20/07	5.38%	1/1/2043	1,510	-	(15)	-	1,495	-	1,495
Series 2008 A	05/29/08	5.24%	7/1/2038	5,630	-	(95)	-	5,535	-	5,535
Series 2008 B	05/29/08	5.63%	7/1/2049	10,230	-	(110)	-	10,120	-	10,120
Series 2008 C	09/19/08	5.60%	7/1/2048	7,380	-	-	-	7,380	-	7,380
Series 2008 D	12/18/08	4.125% - 6.75%	2013 - 2039	3,830	-	(50)	-	3,780	-	3,780
Series 2009 A	11/24/09	5.25%	7/1/2041	7,605	-	(145)	-	7,460	-	7,460
Total				$ 430,135	$ -	$ (7,840)	$ (38,105)	$ 384,190	$ (6)	$ 384,184

Community Development Administration
Revenue Obligation Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2012

NOTE 7 - BONDS PAYABLE (Continued)

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2011	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2012	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2012
Residential Revenue Bonds										
1998 Series A	01/01/98	4.80% - 4.90%	2011 - 2012	$ 485	$ -	$ (350)	$ (135)	$ -	$ -	$ -
1998 Series D	12/01/98	5.15% - 5.25%	2018 - 2029	25,765	-	(1,670)	(345)	23,750	-	23,750
1999 Series C	05/01/99	4.70% - 4.95%	2011 - 2015	2,665	-	(645)	-	2,020	-	2,020
1999 Series D	05/01/99	4.90% - 5.40%	2011 - 2031	24,900	-	(630)	(195)	24,075	(2)	24,073
2001 Series A	03/01/01	4.50% - 5.00%	2011 - 2017	8,825	-	(1,460)	-	7,365	-	7,365
2001 Series B	03/01/01	4.65% - 5.375%	2011 - 2022	7,095	-	(30)	(930)	6,135	-	6,135
2001 Series E	06/01/01	4.55%	9/1/2011	130	-	(130)	-	-	-	-
2001 Series G	08/15/01	4.20%	9/1/2011	1,435	-	(1,435)	-	-	-	-
2001 Series H	08/15/01	4.40% - 5.35%	2011 - 2033	31,500	-	(310)	(440)	30,750	-	30,750
2003 Series A	11/01/03	3.55% - 4.05%	2011 - 2015	4,745	-	(880)	-	3,865	-	3,865
2003 Series B	11/01/03	4.75% - 5.00%	2019 - 2026	3,440	-	-	(940)	2,500	90	2,590
2003 Series C	12/09/03	Variable rate	9/1/2035	20,000	-	-	-	20,000	-	20,000
2004 Series A	05/13/04	3.45% - 4.20%	2011 - 2016	6,500	-	(990)	-	5,510	-	5,510
2004 Series B	05/13/04	5.00%	2023 - 2028	4,800	-	-	(1,230)	3,570	84	3,654
2004 Series D	08/12/04	3.65% - 4.40%	2011 - 2016	7,665	-	(1,160)	-	6,505	-	6,505
2004 Series E	08/12/04	5.15% - 5.25%	2023 - 2030	10,960	-	-	(1,565)	9,395	105	9,500
2004 Series F	08/12/04	Variable rate	9/1/2035	20,000	-	-	-	20,000	-	20,000
2004 Series G	11/10/04	3.00% - 3.65%	2011 - 2016	7,835	-	(1,205)	-	6,630	-	6,630
2004 Series H	11/10/04	4.55% - 5.00%	2023 - 2029	10,920	-	-	(1,145)	9,775	228	10,003
2004 Series I	11/10/04	Variable rate	9/1/2035	20,000	-	-	-	20,000	-	20,000
2005 Series A	03/30/05	3.25% - 3.90%	2011 - 2016	8,065	-	(1,230)	-	6,835	-	6,835
2005 Series B	03/30/05	4.55% - 5.25%	2023 - 2029	17,255	-	-	(2,195)	15,060	214	15,274
2005 Series D	11/10/05	3.50% - 4.05%	2011 - 2017	9,160	-	(1,170)	-	7,990	-	7,990
2005 Series E	11/10/05	4.75% - 5.50%	2025 - 2036	37,615	-	-	(2,665)	34,950	322	35,272
2006 Series A	02/23/06	3.60% - 4.10%	2011 - 2017	8,835	-	(1,130)	-	7,705	-	7,705
2006 Series B	02/23/06	4.75% - 5.50%	2025 - 2037	40,900	-	-	(4,275)	36,625	275	36,900
2006 Series E	05/24/06	3.80% - 4.35%	2011 - 2017	17,365	-	(2,210)	-	15,155	-	15,155
2006 Series F	05/24/06	4.80% - 6.00%	2021 - 2039	43,130	-	-	(8,150)	34,980	855	35,835
2006 Series G	05/24/06	Variable rate	9/1/2040	40,000	-	-	-	40,000	-	40,000
2006 Series H	07/13/06	3.80% - 4.15%	2011 - 2017	13,055	-	(1,655)	-	11,400	-	11,400
2006 Series I	07/13/06	4.05% - 6.00%	2011 - 2041	113,990	-	(1,650)	(13,905)	98,435	1,617	100,052
2006 Series J	07/13/06	Variable rate	9/1/2040	60,000	-	-	-	60,000	-	60,000
2006 Series K	09/14/06	3.80% - 4.15%	2011 - 2017	11,110	-	(1,400)	-	9,710	-	9,710
2006 Series L	09/14/06	4.10% - 5.75%	2011 - 2041	144,400	-	(1,485)	(11,515)	131,400	1,122	132,522
2006 Series O	12/13/06	3.55% - 3.85%	2011 - 2017	7,380	-	(940)	-	6,440	-	6,440
2006 Series P	12/13/06	3.95% - 5.75%	2011 - 2037	73,995	-	(1,560)	(7,525)	64,910	728	65,638
2006 Series S	12/13/06	6.07%	9/1/2037	21,540	-	-	(1,715)	19,825	-	19,825

(continued)

(in thousands)

NOTE 7 - BONDS PAYABLE (Continued)

					Bond Activity					
	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2011	New bonds issued	Scheduled maturity payments	Bonds redeemed	Debt Outstanding at June 30, 2012	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2012
Residential Revenue Bonds (continued)										
2007 Series A	03/28/07	3.90% - 5.75%	2012 - 2047	$ 242,560	$ -	$ (1,730)	$ (28,030)	$ 212,800	$ 5,189	$ 217,989
2007 Series B	03/28/07	6.00%	9/1/2037	27,300	-	-	(3,685)	23,615	-	23,615
2007 Series C	06/20/07	3.70% - 3.95%	2011 - 2017	36,720	-	(4,880)	-	31,840	-	31,840
2007 Series D	06/20/07	4.65% - 5.50%	2022 - 2048	157,345	-	-	(14,255)	143,090	1,707	144,797
2007 Series E	06/20/07	5.04% - 6.11%	2011 - 2042	45,570	-	(1,405)	-	44,165	-	44,165
2007 Series F	06/20/07	Variable rate	9/1/2031	44,305	-	-	(2,285)	42,020	-	42,020
2007 Series G	08/09/07	3.90% - 4.30%	2011 - 2017	45,635	-	(5,745)	-	39,890	-	39,890
2007 Series H	08/09/07	4.95% - 5.20%	2022 - 2048	61,490	-	-	(2,110)	59,380	-	59,380
2007 Series I	08/09/07	5.51% - 6.56%	2011 - 2043	58,875	-	(1,745)	-	57,130	-	57,130
2007 Series J	08/09/07	Variable rate	9/1/2031	55,705	-	-	(2,210)	53,495	-	53,495
2007 Series K	12/12/07	3.35% - 3.85%	2011 - 2017	23,155	-	(3,085)	(585)	19,485	-	19,485
2007 Series M	12/12/07	Variable rate	9/1/2043	29,050	-	-	-	29,050	-	29,050
2008 Series A	06/19/08	2.95% - 4.00%	2011 - 2017	52,960	-	(4,000)	(110)	48,850	-	48,850
2008 Series B	09/04/08	2.95% - 4.20%	2011 - 2017	15,860	-	(2,035)	-	13,825	-	13,825
2008 Series C	09/04/08	4.45% - 5.65%	2019 - 2048	66,335	-	-	(1,365)	64,970	-	64,970
2008 Series D	09/04/08	Variable rate	9/1/2038	49,890	-	-	-	49,890	-	49,890
2008 Series E	12/17/08	3.35% - 4.55%	2011 - 2017	20,500	-	(2,500)	-	18,000	-	18,000
2008 Series F	12/17/08	4.75% - 5.40%	2018 - 2023	7,795	-	-	(205)	7,590	-	7,590
2009 Series A	09/24/09	1.10% - 5.05%	2011 - 2039	39,230	-	(770)	-	38,460	-	38,460
2009 Series B	10/08/09	1.00% - 4.75%	2011 - 2039	44,100	-	(905)	-	43,195	-	43,195
2009 Series C	10/27/09	0.90% - 4.55%	2011 - 2039	15,665	-	(325)	-	15,340	-	15,340
2010 Series A	06/09/10	3.95% - 4.45%	2018 - 2021	27,965	-	-	(1,325)	26,640	(279)	26,361
2010 Series B	12/16/10	5.125% - 5.25%	2030 - 2035	39,990	-	-	(470)	39,520	(349)	39,171
2011 Series A	05/05/11	0.375% - 5.375%	2012 - 2041	70,825	-	(1,050)	(75)	69,700	1,383	71,083
2011 Series B	05/05/11	Indexed Rate	3/1/2036	20,000	-	-	-	20,000	(96)	19,904
Total				$2,186,285	$ -	$ (55,500)	$ (115,580)	$2,015,205	$ 13,193	$2,028,398

(in thousands)

NOTE 8 - DEBT SERVICE REQUIREMENTS

As of June 30, 2012, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2012 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, are as follows:

For the Year	Housing Revenue Bonds		Residential Revenue Bonds	
Ended June 30,	Interest	Principal	Interest	Principal
2013	$ 19,917	$ 8,925	$ 80,697	$ 66,795
2014	19,507	7,885	78,273	64,550
2015	19,117	7,865	75,677	68,165
2016	18,727	9,460	72,828	72,035
2017	18,279	7,555	69,865	73,105
2018 - 2022	85,955	36,410	306,347	314,790
2023 - 2027	75,808	43,275	243,757	252,685
2028 - 2032	63,228	54,990	185,752	351,815
2033 - 2037	47,106	68,650	121,826	389,630
2038 - 2042	27,399	79,485	48,885	240,755
2043 - 2047	7,836	54,760	8,449	118,145
2048 - 2052	310	4,930	98	2,735
Totals	$ 403,189	$ 384,190	$ 1,292,454	$ 2,015,205

The interest calculations on outstanding variable rate bonds in the amounts of $354,455 in Residential Revenue Bonds are based on the variable rates in effect on June 30, 2012 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 Residential Revenue Bonds.

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS)

Objective of the Swaps

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

(in thousands)

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

Terms and Fair Value

The terms, including the fair values of the outstanding swaps as of June 30, 2012, are provided in the table below. The counterparty credit ratings for all outstanding swaps as of June 30, 2012 are listed under the Credit Risk section. For each of the outstanding swap agreements the variable rates are reset monthly, and it is the intent of CDA to match the maturity of the swaps with the maturity of the underlying bonds. The fair values are based on the market values and are affirmed by an independent advisor who used valuation methods and assumptions in accordance with accounting guidance issued by GASB.

Swap Counter-party	Associated Bond Issue	Original Notional Amount	Outstanding Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received (1)	Fair Value	Swap Final Termination Date
JPMorgan Chase Bank, N.A. (JPM)	2004 Series I	$20,000	$20,000	9/1/2005	3.8525%	64% of LIBOR plus .29%	($1,345)	9/1/2035 (2)(7)
UBS AG	2006 Series G	$40,000	$40,000	5/24/2006	4.4030%	64% of LIBOR plus .29%	($5,201)	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%	($5,184)	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%	($2,925)	9/1/2040 (3)(7)
Merrill Lynch Derivative Products AG (MLDP)	2007 Series F	$46,485 (amended)	$35,590	10/27/2009 (amended)	4.4300% (amended)	64% of LIBOR plus .22% (amended)	($4,986)	3/1/2026 (4)(6)(9)(12)
Merrill Lynch Derivative Products AG (MLDP)	2007 Series J	$58,680 (amended)	$45,635	9/1/2009 (amended)	4.8350% (amended)	64% of LIBOR plus .22% (amended)	($7,174)	9/1/2025 (4)(6)(9)(10)
The Bank of New York Mellon (BNYM)	2007 Series M	$26,990 (amended)	$16,115	10/8/2009 (amended)	4.3350% (amended)	64% of LIBOR plus .22% (amended)	($1,808)	9/1/2043 (5)(6)(11) (13)
Merrill Lynch Derivative Products AG (MLDP)	2008 Series D	$50,000	$49,890	9/4/2008	3.6880%	64% of LIBOR plus .31%	($7,239)	9/1/2038 (8)(9)

Notes to Table on next page

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

Notes to 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, $1,515 effective March 1, 2010, $1,735 effective September 1, 2010, $1,700 effective March 1, 2011, $1,425 effective September 1, 2011 and $1,185 effective March 1, 2012. 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, 2012.

(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, 2012, CDA exercised its option and partially terminated the interest rate swap in the amount of $975 effective September 1, 2012.

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

Basis Risk

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

Credit Risk

Credit risk is the risk that a swap counterparty will not fulfill its obligations. The fair value of the swaps represented CDA's credit exposure to each counterparty as of June 30, 2012. 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.

(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, 2012 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	($9,454)
UBS AG	$40,000	A2 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	($5,201)
Merrill Lynch Derivative Products AG (MLDP)	$131,115	Aa3 from Moody's AAA from Standard and Poor's	A1 or below from Moody's or A+ or below from Standard and Poor's or Fitch	($19,399)
The Bank of New York Mellon (BNYM)	$16,115	Aa1 from Moody's AA- from Fitch	A1 or below from Moody's or A+ or below from Fitch	($1,808)

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.

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.

(in thousands)

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

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

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, 2012, 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
2013	$ 7,000	$ 687	$ 10,251	$ 17,938
2014	-	667	9,852	10,519
2015	-	667	9,495	10,162
2016	-	668	9,162	9,830
2017	-	666	8,713	9,379
2018 - 2022	10,065	3,291	37,244	50,600
2023 - 2027	10,950	3,203	30,745	44,898
2028 - 2032	108,790	2,893	25,862	137,545
2033 - 2037	72,605	1,190	14,945	88,740
2038 - 2042	41,705	589	3,465	45,759
2043 - 2047	16,115	133	25	16,273
Totals	$ 267,230	$ 14,654	$ 159,759	$ 441,643

(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, 2011 and June 30, 2012, and the changes in fair values for the period ending June 30, 2012.

	Total Fair Value at June 30, 2011	Total Fair Value at June 30, 2012	Change in Fair Value for the Period
Interest Rate Exchange Agreements:			
Cash Flow Hedges	$ (26,475)	$ (35,862)	$ (9,387)
Investment Derivatives	-	-	-
Total	$ (26,475)	$ (35,862)	$ (9,387)

In accordance with accounting guidance issued by GASB, the fair value balances of derivative instruments (interest rate exchange agreements) outstanding at June 30, 2012, 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, 2012, are as follows:

	Change in Fair Value		Fair Value at June 30, 2012		Outstanding Notional
	Classification	Amount	Classification	Amount	Amounts
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	$ (9,387)	Debt	$ (35,862)	$ 267,230
Investment Derivatives:					
Pay fixed interest rate swaps	Investment Revenue	$ -	Investment	$ -	$ -

As of June 30, 2012, all of CDA's swaps meet the criteria for effectiveness and the swap fair values are classified as deferred outflow.

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

NOTE 10 - BOND REFUNDINGS

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

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 Combined Statement 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, 2012, CDA did not issue any refunding bonds for the purpose of lowering its cost of debt.

(in thousands)

NOTE 11 - REBATE LIABILITY

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

Rebate liability activity for the year ended June 30, 2012, was as follows:

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Rebate liability as of June 30, 2011	$ -	$ 7,208	$ -	$ 7,208
Change in estimated liability due to excess investment earnings	-	268	-	268
Change in estimated liability due to change in fair value of investments	-	65	-	65
Less - payments made	-	(646)	-	(646)
Rebate liability as of June 30, 2012	$ -	$ 6,895	$ -	$ 6,895

As of June 30, 2012, the rebate liability in the amount of $6,895 for Residential Revenue Bonds is allocated to estimated excess investment earnings in the amount of $6,830 and to estimated excess investment fair values in the amount of $65.

(in thousands)

NOTE 12 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2012, were as follows:

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Workers' compensation				
Beginning balance at 6/30/2011	$ -	$ -	$ 105	$ 105
Additions	-	-	-	-
Reductions	-	-	(58)	(58)
Ending balance at 6/30/2012	-	-	47	47
Less due within one year	-	-	(7)	(7)
Total long-term workers' compensation	-	-	40	40
Compensated absences				
Beginning balance at 6/30/2011	-	-	689	689
Additions	-	-	347	347
Reductions	-	-	(418)	(418)
Ending balance at 6/30/2012	-	-	618	618
Less due within one year	-	-	(386)	(386)
Total long-term compensated absences	-	-	232	232
Rebate liability				
Beginning balance at 6/30/2011	-	7,208	-	7,208
Additions	-	333	-	333
Reductions	-	(646)	-	(646)
Ending balance at 6/30/2012	-	6,895	-	6,895
Less due within one year	-	(59)	-	(59)
Total long-term rebate liability	-	6,836	-	6,836

(continued)

(in thousands)

NOTE 12 - LONG-TERM OBLIGATIONS (Continued)

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Bonds payable				
Beginning balance at 6/30/2011	$ 430,129	$ 2,206,375	$ -	$ 2,636,504
Additions	-	-	-	-
Reductions	(45,945)	(171,080)	-	(217,025)
Change in deferred amounts for issuance discounts/premiums	-	(6,949)	-	(6,949)
Change in deferred amounts on refundings	-	52	-	52
Ending balance at 6/30/2012	384,184	2,028,398	-	2,412,582
Less due within one year	(8,925)	(66,795)	-	(75,720)
Total long-term bonds payable	375,259	1,961,603	-	2,336,862
Deposits by borrowers				
Beginning balance at 6/30/2011	7,584	4,253	68	11,905
Additions	2,622	1,999	56	4,677
Reductions	(2,126)	(1,718)	(55)	(3,899)
Ending balance at 6/30/2012	8,080	4,534	69	12,683
Less due within one year	(1,749)	(2,138)	(42)	(3,929)
Total long-term deposits by borrowers	6,331	2,396	27	8,754
Deferred income				
Beginning balance at 6/30/2011	4,616	-	-	4,616
Additions	-	-	-	-
Reductions	(608)	-	-	(608)
Ending balance at 6/30/2012	4,008	-	-	4,008
Total long-term deferred income	4,008	-	-	4,008
Interest rate swap agreements				
Beginning balance at 6/30/2011	-	26,475	-	26,475
Additions	-	9,387	-	9,387
Reductions	-	-	-	-
Ending balance at 6/30/2012	-	35,862	-	35,862
Total long-term interest rate swap agreements	-	35,862	-	35,862
Total long-term liabilities	$ 385,598	$ 2,006,697	$ 299	$ 2,392,594

(in thousands)

NOTE 13 - INTERFUND ACTIVITY

In accordance with the various bond indentures, net assets in each of the Funds are restricted and pledged to bondholders. However, restricted assets may be transferred to other Funds, subject to the provisions of the respective indentures. Generally, an officer of CDA must authorize such withdrawals and a cash flow analysis must demonstrate that sufficient monies remain in the indenture to meet the obligations of the Funds in current and future years. A cash flow analysis is not required for the General Bond Reserve Fund (GBRF) because there are no bonds outstanding in GBRF as of June 30, 2012.

During the year ended June 30, 2012, CDA transferred the following amounts, as permitted, among Funds:

	Transfers among Funds			
	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Excess revenue	$ (1,125)	$ (6,875)	$ 8,000	$ -
Transfer funds to the Single Family Housing Revenue Bonds (NIBP Program) to fund cost of issuance on bonds and other expenses	-	(3,346)	-	(3,346)
Transfer funds from the Multi-Family Mortgage Revenue Bonds (NIBP Program) to reimburse cost of issuance on bonds and other expenses	-	-	28	28
Transfer funds to the Multi-Family Mortgage Revenue Bonds (NIBP Program) to fund debt service reserve and revenue accounts	-	-	(132)	(132)
Transfer to separate account in accordance with HUD agreement	-	(22)	-	(22)
	$ (1,125)	$ (10,243)	$ 7,896	$ (3,472)

(in thousands)

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

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

	Amount Issued	Outstanding at June 30, 2012
Multifamily Development Revenue Bonds		
1990 Issue B (Middle Branch Manor)	$ 12,350	$ 6,900
1990 Issue C (Harbor City Townhomes)	$ 4,150	$ 2,350
Series 1998 A (Auburn Manor)	$ 11,000	$ 8,260
Series 1999 A (GNMA - Selborne House)	$ 2,150	$ 1,945
Series 2000 C (Park Montgomery Apartments)	$ 6,170	$ 4,320
Series 2001 C (Parklane Apartments)	$ 9,800	$ 9,800
Series 2001 D (Princess Anne Townhouses)	$ 4,350	$ 3,345
Series 2001 E (Princess Anne Townhouses)	$ 2,875	$ 2,525
Series 2001 F (Waters Tower Senior Apartments)	$ 7,570	$ 5,760
Series 2001 G (Waters Tower Senior Apartments)	$ 4,045	$ 3,540
Series 2002 B (Broadway Homes)	$ 5,045	$ 2,135
Series 2002 C (Orchard Mews Apartments)	$ 5,845	$ 4,675
Series 2003 A (Barrington Apartments)	$ 40,000	$ 39,905
Series 2005 A (Fort Washington Manor Sr. Housing)	$ 14,000	$ 13,250
Series 2005 B (Washington Gardens)	$ 5,000	$ 2,330
Series 2006 A (Barclay Greenmount Apartments)	$ 4,535	$ 3,620
Series 2006 B (Charles Landing South Apartments)	$ 3,375	$ 3,375
Series 2007 A (Brunswick House Apartments)	$ 3,000	$ 1,980
Series 2007 B (Park View at Catonsville)	$ 5,200	$ 4,750
Series 2008 A (Walker Mews Apartments)	$ 11,700	$ 11,700
Series 2008 B (Shakespeare Park Apartments)	$ 7,200	$ 7,200
Series 2008 C (The Residences at Ellicott Gardens)	$ 9,105	$ 6,175

(in thousands)

NOTE 14 - OTHER OUTSTANDING BONDS ISSUED BY CDA (CONDUIT BONDS) (UNAUDITED) (Continued)

	Amount Issued	Outstanding at June 30, 2012
Multifamily Development Revenue Bonds (continued)		
Series 2008 D (Crusader Arms Apartments)	$ 3,885	$ 2,660
Series 2008 E (MonteVerde Apartments)	$ 15,200	$ 15,200
Series 2008 F (Hopkins Village Apartments)	$ 9,100	$ 9,100
Series 2008 G (Kirkwood House Apartments)	$ 16,000	$ 16,000
Series 2009 A (Sharp Leadenhall Apartments)	$ 16,950	$ 16,950
Multifamily Development Revenue Refunding Bonds		
Series 1997 (Avalon Lea Apartments)	$ 16,835	$ 16,835
Capital Fund Securitization Revenue Bonds		
Series 2003	$ 94,295	$ 69,480
Local Government Infrastructure Bonds		
2011 Series A (Mayor and City Council of Cumberland Issue)	$ 12,275	$ 12,275

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

NOTE 15 - MORTGAGE INSURANCE

Substantially all of CDA’s mortgage loans have mortgage insurance as described in Note 4.

Multi-family mortgagors pay premiums for mortgage insurance and insurance coverage is 100% of the unpaid principal balance of the loan.

NOTE 15 - MORTGAGE INSURANCE (Continued)

For a single family loan insured by an agency of the U.S. Government the primary mortgage insurance covers an amount substantially equal to the unpaid principal amount of the loan. Almost all other loans have primary mortgage insurance in an amount that is at least 25% of the loan amount. Approximately 2% of all first lien loans either did not have primary mortgage insurance due to their original loan-to-value ratios of less than 80% or have cancelled primary mortgage insurance due to their outstanding balance falling below 80% of the original loan amount. About 43% of all loans are insured by agencies of the U.S. Government in an amount substantially equal to the unpaid principal amount of the loan. Approximately 55% of total loans are insured by private mortgage insurers or MHF. Approximately 81% of the total loans insured by private mortgage insurers or MHF are covered at 35% of the loan amount. The remaining 19% of this group of loans is insured by three different private mortgage insurers who, due to financial constraints or receivership, are currently paying to CDA half of the 35% or approximately 18% of the loan amount. An allowance for loan losses has been established for loans insured by private mortgage insurers. Premiums are paid by single family mortgagors.

Under the Residential Revenue Bond indenture, CDA has entered into an agreement (the Reinsurance Agreement) with MHF effective January 1, 2011, in order to provide supplemental insurance coverage for all private mortgage insured loans and post-2005 MHF primary insured loans residing in the active portfolio as of December 31, 2010. Insured loans in the private mortgage insurance portfolio have 35% coverage from the private mortgage insurer. Upon receipt of the primary mortgage insurance claim, MHF will pay 100% of the remaining claim amount for all private mortgage insured loans and post-2005 MHF primary insured loans that have foreclosure dates occurring after December 31, 2010. Once the claim is paid by MHF, the property is transferred to MHF for disposal and is no longer an asset of CDA. Upon sale of the property and if the sale results in a loss, CDA and MHF will share equally in any such loss incurred. The Reinsurance Agreement shall terminate when the total amount of MHF net losses (the amount calculated after all claims are paid and expenses are realized) reaches $12,500 or on December 31, 2020, whichever occurs first.

(in thousands)

NOTE 16 - PENSION AND OTHER POST-RETIREMENT BENEFITS

Eligible employees of CDA and employees of the State of Maryland are covered under the retirement plans of the State Retirement and Pension System of Maryland (the System) and are also entitled to certain healthcare benefits upon retirement. CDA's only obligation for retirement and post-employment benefits is its required annual contribution, which was paid in full by CDA to the State of Maryland prior to year end. The System prepares a separate audited Comprehensive Annual Financial Report which can be obtained from the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202 or by visiting the website at www.sra.state.md.us.

NOTE 17 - SUBSEQUENT EVENTS

Events that occur after the date of the combined statement of net assets but before the combined 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 combined statement of net assets are recognized in the accompanying combined financial statements. Subsequent events which provide evidence about conditions that existed after the date of the combined statement of net assets require disclosure in the accompanying notes. Management evaluated the activity of CDA through September 28, 2012 (the date the combined financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the combined financial statements or disclosure in the notes to the combined financial statements, except for the following activity that occurred subsequent to June 30, 2012.

Subsequent to the year ended June 30, 2012, the following bond activity took place:

<u>Housing Revenue Bonds</u>

On July 26, 2012, CDA issued the following bonds:

Series 2012 A	$9,340

On August 6, 2012, CDA redeemed the following bonds:

Series 1996 A	$1,670

On August 30, 2012, CDA issued the following bonds:

Series 2012 B	$5,505

(in thousands)

NOTE 17 - SUBSEQUENT EVENTS (Continued)

Housing Revenue Bonds (continued)

On September 13, 2012, CDA issued the following bonds:

Series 2012 C	$7,200

Residential Revenue Bonds

On August 23, 2012, CDA issued the following bonds:

2012 Series A	$44,450
2012 Series B	$45,000

On September 4, 2012, CDA redeemed the following bonds:

2006 Series S	$145
2007 Series A	$200
2007 Series B	$170
2007 Series F	$2,865
2007 Series H	$30
2007 Series J	$4,135

Community Development Administration
Revenue Obligation Funds

SUPPLEMENTAL DISCLOSURE OF COMBINED CHANGES IN FAIR VALUE OF INVESTMENTS AND MORTGAGE-BACKED SECURITIES

(in thousands)

June 30, 2012
(Unaudited)

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

For investments (obligations of the U.S. Treasury and U.S. Government Agencies) held by CDA as of June 30, 2012, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and amortized cost:

Fiscal Year Period	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Cumulative FY 1996 and prior periods	$ -	$ -	$ 620	$ 620
FY 1997	(352)	-	175	(177)
FY 1998	832	-	90	922
FY 1999	(407)	-	(191)	(598)
FY 2000	48	(227)	(237)	(416)
FY 2001	193	551	244	988
FY 2002	157	97	405	659
FY 2003	889	544	519	1,952
FY 2004	(678)	(674)	(1,368)	(2,720)
FY 2005	897	403	(403)	897
FY 2006	(866)	(1,567)	(526)	(2,959)
FY 2007	48	1,062	437	1,547
FY 2008	444	785	445	1,674
FY 2009	202	46	(150)	98
FY 2010	472	2,747	(53)	3,166
FY 2011	(280)	(2,244)	1,898	(626)
FY 2012	1,283	1,374	449	3,106
Cumulative Total	$ 2,882	$ 2,897	$ 2,354	$ 8,133

Community Development Administration
Revenue Obligation Funds

SUPPLEMENTAL DISCLOSURE OF COMBINED CHANGES IN FAIR VALUE OF INVESTMENTS AND MORTGAGE-BACKED SECURITIES - CONTINUED
(in thousands)

June 30, 2012
(Unaudited)

Reconciliation to the Combined Statement of Revenue, Expenses and Changes in Net Assets:

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Increase in fair value of investments held at June 30, 2012	$ 1,283	$ 1,374	$ 449	$ 3,106
Adjustment due to change in rebate liability (see Note 11)	-	(65)	-	(65)
Increase in fair value of investments, net of rebate, as reported on the Combined Statement of Revenue, Expenses and Changes in Net Assets	$ 1,283	$ 1,309	$ 449	$ 3,041

Community Development Administration
Revenue Obligation Funds

SUPPLEMENTAL DISCLOSURE OF COMBINED
CHANGES IN FAIR VALUE OF INVESTMENTS AND
MORTGAGE-BACKED SECURITIES - CONTINUED
(in thousands)

June 30, 2012
(Unaudited)

For mortgage-backed securities held by CDA as of June 30, 2012, the following schedule summarizes annual increases/decreases in fair value:

Fiscal Year Period	Housing Revenue Bonds	Residential Revenue Bonds	Combined
FY 2000	$ (3,825)	$ -	$ (3,825)
FY 2001	(3,291)	-	(3,291)
FY 2002	3,340	-	3,340
FY 2003	21,435	-	21,435
FY 2004	(11,126)	-	(11,126)
FY 2005	12,879	-	12,879
FY 2006	(27,704)	-	(27,704)
FY 2007	3,661	-	3,661
FY 2008	(5,987)	-	(5,987)
FY 2009	17,358	-	17,358
FY 2010	13,103	-	13,103
FY 2011	(7,348)	(585)	(7,933)
FY 2012	6,303	1,858	8,161
Cumulative Total	$ 18,798	$ 1,273	$ 20,071