

**COMMUNITY DEVELOPMENT ADMINISTRATION  
INFRASTRUCTURE PROGRAM FUNDS**

**COMBINED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

**COMMUNITY DEVELOPMENT ADMINISTRATION  
INFRASTRUCTURE PROGRAM FUNDS  
YEAR ENDED JUNE 30, 2020**

**TABLE OF CONTENTS**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>COMBINED FINANCIAL STATEMENTS</b>	
<b>COMBINED STATEMENT OF NET POSITION</b>	<b>3</b>
<b>COMBINED STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN     NET POSITION</b>	<b>4</b>
<b>COMBINED STATEMENT OF CASH FLOWS</b>	<b>5</b>
<b>NOTES TO COMBINED FINANCIAL STATEMENTS</b>	<b>7</b>



## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combined financial statements of the Community Development Administration Infrastructure Program Funds (the Funds) of the Department of Housing and Community Development of the State of Maryland, which comprise the combined statement of net position as of June 30, 2020 and the related combined statements of revenue, expenses and changes in net position, and cash flows for the year ended, and the related notes to the combined financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Funds as of June 30, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of a Matter**

*Financial Statement Presentation*

As discussed in Note 1, the combined financial statements present only the financial position, changes in financial position and cash flows of the Funds and do not purport to, and do not, present fairly the financial position of the Department of Housing and Community Development of the State of Maryland as of and for the year ended June 30, 2020, and the changes in its net position and its cash flows, in conformity with accounting principles generally accepted in the United States of America. Our opinion on the basic financial statements was not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

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

*Prior-Year Comparative Information*

We have previously audited the Funds' 2019 financial statements, and we expressed an unmodified opinion on the financial statements of the Funds, in our report dated September 27, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2020, on our consideration of the Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Funds' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Funds' internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
September 29, 2020

**COMMUNITY DEVELOPMENT ADMINISTRATION  
INFRASTRUCTURE PROGRAM FUNDS  
COMBINED STATEMENT OF NET POSITION  
(in thousands)  
JUNE 30, 2020  
(with comparative combined totals as of June 30, 2019)**

	Local Government Infrastructure Bonds (Ambac Insured)	Local Government Infrastructure Bonds	Combined	
			2020	2019
<b>RESTRICTED ASSETS</b>				
<b>RESTRICTED CURRENT ASSETS</b>				
Cash and Cash Equivalents on Deposit	\$ 1,450	\$ 59,166	\$ 60,616	\$ 55,615
Investments	-	345	345	338
Community Facilities Loans	438	23,780	24,218	12,124
Accrued Interest and Other Receivables	16	820	836	569
Total Restricted Current Assets	<u>1,904</u>	<u>84,111</u>	<u>86,015</u>	<u>68,646</u>
<b>RESTRICTED LONG-TERM ASSETS</b>				
Investments, Net of Current Portion	-	-	-	343
Community Facilities Loans, Net of Current Portion	1,682	159,898	161,580	167,785
Total Restricted Long-Term Assets	<u>1,682</u>	<u>159,898</u>	<u>161,580</u>	<u>168,128</u>
Total Restricted Assets	<u>\$ 3,586</u>	<u>\$ 244,009</u>	<u>\$ 247,595</u>	<u>\$ 236,774</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Accrued Interest Payable	\$ 7	\$ 503	\$ 510	\$ 437
Accounts Payable	-	19	19	141
Bonds Payable	395	24,030	24,425	12,130
Advance Trustee Fees	24	88	112	104
Due to Local Governments	-	52,227	52,227	47,783
Total Current Liabilities	<u>426</u>	<u>76,867</u>	<u>77,293</u>	<u>60,595</u>
<b>LONG-TERM LIABILITIES</b>				
Bonds Payable, Net of Current Portion	1,615	163,694	165,309	171,230
Advance Trustee Fees, Net of Current	109	29	138	150
Other Liabilities	-	402	402	423
Total Long-Term Liabilities	<u>1,724</u>	<u>164,125</u>	<u>165,849</u>	<u>171,803</u>
Total Liabilities	2,150	240,992	243,142	232,398
<b>NET POSITION</b>				
Restricted	<u>1,436</u>	<u>3,017</u>	<u>4,453</u>	<u>4,376</u>
Total Liabilities and Net Position	<u>\$ 3,586</u>	<u>\$ 244,009</u>	<u>\$ 247,595</u>	<u>\$ 236,774</u>

See accompanying Notes to Combined Financial Statements.

**COMMUNITY DEVELOPMENT ADMINISTRATION  
INFRASTRUCTURE PROGRAM FUNDS  
COMBINED STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
(in thousands)  
YEAR ENDED JUNE 30, 2020  
(with comparative combined totals as of June 30, 2019)**

	Local Government Infrastructure Bonds (Ambac Insured)	Local Government Infrastructure Bonds	Combined	
			2020	2019
<b>OPERATING REVENUE</b>				
Interest on Community Facilities Loans	\$ 109	\$ 6,124	\$ 6,233	\$ 5,568
Interest on Cash Equivalents and Investments	17	105	122	223
Increase in Fair Value of Investments	-	-	-	7
Fee Income	-	94	94	113
Other Operating Revenue	10	-	10	11
Total Operating Revenue	<u>136</u>	<u>6,323</u>	<u>6,459</u>	<u>5,922</u>
<b>OPERATING EXPENSES</b>				
Interest Expense on Bonds	100	5,766	5,866	4,889
Bond Issuance Cost	-	471	471	1,728
Professional Fee and Other Operating Expenses	6	39	45	71
Total Operating Expenses	<u>106</u>	<u>6,276</u>	<u>6,382</u>	<u>6,688</u>
Operating Income (Loss)	<u>30</u>	<u>47</u>	<u>77</u>	<u>(766)</u>
<b>CHANGES IN NET POSITION</b>	30	47	77	(766)
<b>NET POSITION - RESTRICTED AT BEGINNING OF YEAR</b>	<u>1,406</u>	<u>2,970</u>	<u>4,376</u>	<u>5,142</u>
<b>NET POSITION - RESTRICTED AT END OF YEAR</b>	<u>\$ 1,436</u>	<u>\$ 3,017</u>	<u>\$ 4,453</u>	<u>\$ 4,376</u>

See accompanying Notes to Combined Financial Statements.

**COMMUNITY DEVELOPMENT ADMINISTRATION  
INFRASTRUCTURE PROGRAM FUNDS  
COMBINED STATEMENT OF CASH FLOWS  
(in thousands)  
YEAR ENDED JUNE 30, 2020  
(with comparative combined totals as of June 30, 2019)**

	Local Government Infrastructure Bonds (Ambac Insured)	Local Government Infrastructure Bonds	Combined	
			2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Principal and Interest Received on Community Facilities Loans	\$ 532	\$ 17,893	\$ 18,425	\$ 19,741
Origination of Community Facilities Loans	-	(14,055)	(14,055)	(32,188)
Advance Trustee Fees Received	3	102	105	94
Trustee Fees Paid	(23)	(82)	(105)	(103)
Loan Fees Received	-	94	94	113
Professional Fee and Other Operating Expenses	-	(46)	(46)	(55)
Other Disbursements	-	-	-	(6)
Net Cash Provided (Used) by Operating Activities	512	3,906	4,418	(12,404)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from Maturities or Sales of Investments	-	336	336	341
Interest Received on Cash Equivalents and Investments	20	118	138	216
Net Cash Provided by Investing Activities	20	454	474	557
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Proceeds from Sale of Bonds	-	19,060	19,060	22,986
Payments on Bond Principal	(370)	(12,060)	(12,430)	(14,175)
Bond Issuance Costs	-	(471)	(471)	(290)
Interest on Bonds	(101)	(5,949)	(6,050)	(5,401)
Net Cash (Used) Provided by Noncapital Financing Activities	(471)	580	109	3,120
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS ON DEPOSIT	61	4,940	5,001	(8,727)
CASH AND CASH EQUIVALENTS ON DEPOSIT - BEGINNING OF YEAR	1,389	54,226	55,615	64,342
CASH AND CASH EQUIVALENTS ON DEPOSIT - END OF YEAR	\$ 1,450	\$ 59,166	\$ 60,616	\$ 55,615

See accompanying Notes to Combined Financial Statements.

**COMMUNITY DEVELOPMENT ADMINISTRATION  
INFRASTRUCTURE PROGRAM FUNDS  
COMBINED STATEMENT OF CASH FLOWS (CONTINUED)  
(in thousands)  
YEAR ENDED JUNE 30, 2020  
(with comparative combined totals as of June 30, 2019)**

	Local Government Infrastructure Bonds (Ambac Insured)		Local Government Infrastructure Bonds		Combined			
					2020	2019		
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES								
Operating Income (Loss)	\$	30	\$	47	\$	77	\$	(766)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:								
Amortization of Bond Original Issue Premiums/Discounts		-		(256)		(256)		(510)
Amortization of Investment Discounts		-		-		-		(3)
Amortization of Premium on Notes Receivable		-		72		72		-
Increase in Fair Value of Investments		-		-		-		(7)
Interest Received on Cash Equivalents and Investments		(20)		(118)		(138)		(216)
Bond Issuance Costs		-		471		471		1,728
Interest on Bonds		101		5,949		6,050		5,401
Decrease (Increase) in Assets:								
Community Facilities Loans		420		(4,871)		(4,451)		(8,577)
Premium on Notes Receivable		-		(1,510)		(1,510)		-
Accrued Interest and Other Receivables		6		(273)		(267)		87
(Decrease) Increase in Liabilities:								
Accrued Interest Payable		(1)		74		73		(2)
Accounts Payable		-		(122)		(122)		135
Due to Local Governments		-		4,444		4,444		(9,667)
Advance Trustee Fees and Other Liabilities		(24)		(1)		(25)		(7)
Net Cash Provided (Used) by Operating Activities	\$	512	\$	3,906	\$	4,418	\$	(12,404)

See accompanying Notes to Combined Financial Statements.



**COMMUNITY DEVELOPMENT ADMINISTRATION  
INFRASTRUCTURE PROGRAM FUNDS  
NOTES TO COMBINED FINANCIAL STATEMENTS  
(in thousands)  
JUNE 30, 2020**

**NOTE 1 AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION**

The Community Development Administration (CDA) is authorized to issue Infrastructure Program Bonds pursuant to Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland to provide a mechanism for financing the infrastructure needs of local governments. 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 Infrastructure Program Funds (the Funds). CDA's other programs are not included. However, CDA has also separately issued combined financial statements for the Revenue Obligation Funds, and financial statements for the Single-Family Housing Revenue Bonds and Multi-Family Mortgage Revenue Bonds indentures. The Infrastructure Program Funds, Revenue Obligation 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.

Infrastructure Program Funds include two fund groups: Local Government Infrastructure Bonds (Ambac Insured) and Local Government Infrastructure Bonds (resolution adopted August 1, 2010). Within each fund group are separate accounts maintained for each obligation in accordance with the respective resolutions and series resolutions. All bonds in the Infrastructure Program Funds were issued to provide funds for construction and permanent financing to local governments for public facilities.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

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

**Basis of Accounting and Measurement Focus**

The basis of accounting for the Funds is determined by measurement focus. The flow of economic resources measurement focus and the accrual basis of accounting are used to account for the Funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All assets and liabilities associated with the operation of the Funds are included on the Statements of Net Position. The Funds are required to follow all statements of the Governmental Accounting Standards Board (GASB).

**COMMUNITY DEVELOPMENT ADMINISTRATION  
INFRASTRUCTURE PROGRAM FUNDS  
NOTES TO COMBINED FINANCIAL STATEMENTS  
(in thousands)  
JUNE 30, 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Generally Accepted Accounting Principles**

CDA reports its financial activities by applying Standards of Governmental Accounting and Financial Reporting as promulgated by GASB. Consequently, CDA applies all applicable GASB pronouncements.

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

Since CDA is an enterprise fund included in the State of Maryland's Comprehensive Annual Financial Report, a separate Management's Discussion and Analysis is not included in these combined financial statements.

**Cash and Cash Equivalents on Deposit**

Cash equivalents may include money market funds, repurchase agreements, investment agreements and any other investments, primarily obligations of the U.S. Treasury and U.S. Government Agencies, which have maturities of 90 or less days at the time of purchase. As of June 30, 2020, all of the Funds' cash equivalents were invested in a money market mutual fund which is more fully described in Note 3.

**Investments**

Investments are primarily U.S. Treasuries 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.

**Community Facilities Loans**

Community facilities loans are carried at their unpaid principal balances, net of unamortized premiums on notes receivable. See Note 4 for additional information on community facilities loans.

**Allowance for Loan Losses**

Community facilities loans are secured by the full faith and credit of the applicable local government. Therefore, CDA has determined that no allowance for loan losses was necessary as of June 30, 2020.

**Accrued Interest Receivable**

Accrued interest includes both interest on cash deposits and interest on loans. As of June 30, 2020, all loans were current. Therefore, all accrued interest on loans was recorded during the year.

**Bonds Payable**

Bonds payable are carried at their unpaid principal balances, net of unamortized bond premiums and discounts. See Notes 5, 6, 7, and 9 for additional information.

**COMMUNITY DEVELOPMENT ADMINISTRATION  
INFRASTRUCTURE PROGRAM FUNDS  
NOTES TO COMBINED FINANCIAL STATEMENTS  
(in thousands)  
JUNE 30, 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Due to Local Governments**

CDA records the total loan amount when the loan closes and collects interest from the local government on this full loan amount from the date of closing. Due to local governments represents the undrawn amount which is held by CDA as an escrow until the funds are needed by the local government.

**Fee Income**

CDA receives financing fees at loan origination. These fees are recognized as revenue in the period received as fee income.

**Discounts and Premiums**

Bond discounts and premiums are amortized using a method which approximates the effective interest method. Premiums on notes receivable are amortized on a straight-line basis over the life of the note receivable.

**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 and are 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. See Note 10 for additional information.

**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 public facilities for local governments. All of the Funds' 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 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.

**COMMUNITY DEVELOPMENT ADMINISTRATION  
INFRASTRUCTURE PROGRAM FUNDS  
NOTES TO COMBINED FINANCIAL STATEMENTS  
(in thousands)  
JUNE 30, 2020**

**NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS**

Proceeds from bonds and revenues from loans are invested in authorized investments as defined in the respective resolutions and CDA's Investment Policy until required for financing projects, redeeming outstanding bonds, and funding program expenses. Authorized investments include obligations of the U.S. Treasury, U.S. Government Agencies, investment agreements, money market funds, and any other investment as defined by the resolutions.

The following assets, reported at fair value and held by the Fund as of June 30, 2020, are evaluated in accordance with GASB accounting guidance for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Assets	2020
Cash and Cash Equivalents:	
BlackRock Liquidity FedFund Administration Shares	\$ 60,616
Investments:	
Obligation of U.S. Government Agencies	345
Total	\$ 60,961

**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, 2020, the amortized cost, fair value, and maturities for these assets were as follows:

Asset	Amortized Cost	Fair Value	Maturities (in Years)	
			Less Than 1	1 - 5
BlackRock Liquidity FedFund Administration Shares	\$ 60,616	\$ 60,616	\$ 60,616	\$ -
Obligations of U.S. Government Agencies	338	345	345	-
Total	\$ 60,954	\$ 60,961	\$ 60,961	\$ -

The BlackRock Liquidity FedFund Administration Shares invests primarily in cash, U.S. Treasury bills, notes, and other obligations issued or guaranteed as to principal and interest by the U.S. government, its agencies, or instrumentalities, and repurchase agreements secured by such obligations or cash. It is operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. It can reasonably be expected to have a fair value that will be unaffected by interest rate changes because the interest rates are variable and the principal can be recovered on demand. As noted above, as of June 30, 2020, the cost of the money market mutual fund approximated fair value.

**COMMUNITY DEVELOPMENT ADMINISTRATION  
INFRASTRUCTURE PROGRAM FUNDS  
NOTES TO COMBINED FINANCIAL STATEMENTS  
(in thousands)  
JUNE 30, 2020**

**NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS (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 resolutions 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 the Funds' resolutions, securities must be rated at the highest investment grade by any national rating agency. U.S. dollar denominated accounts and bankers' acceptances which have a rating on their short-term certificates of deposit must be in the two highest ratings by any nationally recognized rating agency. Accounting guidance issued by GASB requires disclosure by amount and investment issuer if investments in any one issuer represent 5% or more of total investments. Investments in mutual funds are excluded from this requirement.

The following table provides credit quality rating information for the investment portfolio and individual issuers, if they represent 5% or more of total investments in accordance with accounting guidance issued by GASB.

<u>Asset</u>	<u>Fair Value</u>	<u>Percentage of Total Investments</u>	<u>Money Market Fund Rating</u>	<u>Rating Agency</u>
BlackRock Liquidity FedFund Administration Shares	\$ 60,616	99.43%	Aaa	Moody's

**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, 2020, the Funds' investments were not subject to custodial credit risk under accounting guidance issued by GASB. The money market mutual fund and other investments are held in trust by the trustee, kept separate from the assets of the bank and from other trust accounts and is held in CDA's name.

**Fair Value Measurements**

CDA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments in money market funds are not subject to the fair value measurement requirements.

The Funds has the following recurring fair value measurement as of June 30, 2020:

- Obligations of U.S. Government Agencies of \$345 are valued using quoted market prices (Level 1).

**COMMUNITY DEVELOPMENT ADMINISTRATION  
INFRASTRUCTURE PROGRAM FUNDS  
NOTES TO COMBINED FINANCIAL STATEMENTS  
(in thousands)  
JUNE 30, 2020**

**NOTE 4 COMMUNITY FACILITIES LOANS**

Community facilities loans are secured by the full faith and credit of the applicable local government. As such, no allowance for loan losses was necessary as of June 30, 2020. Interest rates on such loans range from 1.65% to 5.09% with remaining loan terms ranging from less than 1 year to 28 years.

The Local Government Infrastructure Bonds 2019 Series B were issued at a premium, \$1,510 of which resulted in a related premium on the loans receivable issued in connection with the bond proceeds. The premium will be amortized on a straight-line basis over the life of each underlying loans receivable. Balance of loans receivable and the related premium as of June 30, 2020 were as follows:

	2020
Community Facilities Loans Receivable	\$ 184,360
Premium on Notes Receivable	1,510
Total Community Facilities Loans Receivable, Net of Premium	185,870
Less: Accumulated Amortization of Premium on Notes Receivable	(72)
Community Facilities Loans Receivable, Net of Unamortized Premium	\$ 185,798

**NOTE 5 BONDS PAYABLE**

The bonds issued by CDA are special obligations of CDA and are payable from the revenue and special funds of the applicable resolutions. These bonds 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 resolutions of the Funds 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 community facilities loans. All outstanding bonds are subject to redemption at the option of CDA, in whole or in part at any time, after certain dates, as specified in the respective series resolutions, at a redemption price equal to the principal amount thereof to be redeemed. All bonds have fixed interest rates and all bonds are tax-exempt.

**COMMUNITY DEVELOPMENT ADMINISTRATION  
INFRASTRUCTURE PROGRAM FUNDS  
NOTES TO COMBINED FINANCIAL STATEMENTS  
(in thousands)  
JUNE 30, 2020**

**NOTE 5 BONDS PAYABLE (CONTINUED)**

The following is a summary of bond activity for the year ended June 30, 2020, and debt outstanding and bonds payable as of June 30, 2020:

	Issue Dated	Range of Interest Rates	Range of Maturities	Bonds Payable at	Bond Activity			Bonds Payable
				June 30, 2019	New Bonds Issued	Scheduled Maturity Payments	Bonds Redeemed	at June 30, 2020
Local Government Infrastructure Bonds (Ambac Insured)								
2002 Series A	03/01/02	4.75% - 4.80%	2020 - 2022	\$ 110	\$ -	\$ (35)	\$ -	\$ 75
2004 Series A	04/22/04	4.50% - 4.875%	2021 - 2034	425	-	(45)	-	380
2004 Series B	11/18/04	4.00% - 4.20%	2020 - 2025	100	-	(20)	-	80
2005 Series A	05/26/05	4.00% - 4.25%	2020 - 2025	1,210	-	(200)	-	1,010
2006 Series A	04/05/06	4.00% - 4.25%	2020 - 2026	290	-	(35)	-	255
2007 Series B	11/14/07	4.00% - 4.25%	2020 - 2026	245	-	(35)	-	210
Total				<u>\$ 2,380</u>	<u>\$ -</u>	<u>\$ (370)</u>	<u>\$ -</u>	<u>\$ 2,010</u>

	Issue Dated	Range of Interest Rates	Range of Maturities	Debt Outstanding at	Bond Activity		Debt Outstanding at	Bond Premium/Discount	Bonds Payable
				June 30, 2019	New Bonds Issued	Scheduled Maturity Payments	June 30, 2020	Deferred	at June 30, 2020
Local Government Infrastructure Bonds									
2010 Series A-1	8/25/10	3.00% - 4.00%	2020 - 2030	\$ 11,075	\$ -	\$ (1,045)	\$ 10,030	\$ (24)	\$ 10,006
2010 Series A-2	8/25/10	3.00% - 4.00%	2020 - 2030	4,900	-	(455)	4,445	-	4,445
2012 Series A-1	5/17/12	2.35% - 3.50%	2020 - 2032	4,880	-	(620)	4,260	(2)	4,258
2012 Series A-2	5/17/12	2.20% - 3.60%	2020 - 2032	2,325	-	(280)	2,045	-	2,045
2012 Series B-1	12/19/12	1.65% - 3.125%	2020 - 2032	9,745	-	(775)	8,970	112	9,082
2012 Series B-2	12/19/12	1.70% - 3.125%	2020 - 2032	4,515	-	(355)	4,160	-	4,160
2013 Series A-1	10/3/13	2.60% - 5.00%	2020 - 2043	10,195	-	(615)	9,580	(28)	9,552
2013 Series A-2	10/3/13	2.65% - 5.05%	2020 - 2043	4,805	-	(260)	4,545	-	4,545
2014 Series A-1	8/28/14	1.75% - 3.50%	2020 - 2034	22,445	-	(1,350)	21,095	399	21,494
2014 Series A-2	8/28/14	1.75% - 5.00%	2020 - 2034	10,510	-	(580)	9,930	-	9,930
2015 Series A-1	8/27/15	3.00% - 3.75%	2020 - 2045	10,785	-	(685)	10,100	109	10,209
2015 Series A-2	8/27/15	3.00% - 3.75%	2020 - 2045	4,610	-	(290)	4,320	-	4,320
2016 Series A-1	8/31/16	1.00% - 2.90%	2020 - 2036	14,900	-	(1,160)	13,740	-	13,740
2016 Series A-2	8/31/16	1.05% - 2.95%	2020 - 2036	6,380	-	(495)	5,885	-	5,885
2017 Series A-1	8/2/17	2.00% - 4.00%	2020 - 2047	24,560	-	(1,545)	23,015	301	23,316
2017 Series A-2	8/2/17	2.00% - 4.00%	2020 - 2047	10,545	-	(665)	9,880	-	9,880
2018 Series A-1	8/30/18	2.00% - 5.00%	2020 - 2048	4,390	-	(190)	4,200	285	4,485
2018 Series A-2	8/30/18	2.00% - 4.00%	2020 - 2048	1,865	-	(80)	1,785	-	1,785
2019 Series A-1	6/27/19	2.10% - 3.90%	2020 - 2049	11,340	-	(220)	11,120	-	11,120
2019 Series A-2	6/27/19	2.20% - 4.00%	2020 - 2049	4,875	-	(95)	4,780	-	4,780
2019 Series B-1	11/21/19	3.00% - 4.00%	2020 - 2049	-	11,810	(210)	11,600	1,360	12,960
2019 Series B-2	11/21/19	3.00% - 4.00%	2020 - 2049	-	5,260	(90)	5,170	557	5,727
Total				<u>\$ 179,645</u>	<u>\$ 17,070</u>	<u>\$ (12,060)</u>	<u>\$ 184,655</u>	<u>\$ 3,069</u>	<u>\$ 187,724</u>

**COMMUNITY DEVELOPMENT ADMINISTRATION  
INFRASTRUCTURE PROGRAM FUNDS  
NOTES TO COMBINED FINANCIAL STATEMENTS  
(in thousands)  
JUNE 30, 2020**

**NOTE 6 DEBT SERVICE REQUIREMENTS**

As of June 30, 2020, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2020 and excluding the effect of unamortized bond premiums and discounts) and interest payments for each of the next five years and in five-year increments thereafter, are as follows:

<u>Year Ending June 30,</u>	Local Government Infrastructure Bonds (Ambac Insured)		Local Government Infrastructure Bonds	
	Interest	Principal	Interest	Principal
2021	\$ 86	\$ 395	\$ 5,682	\$ 24,030
2022	70	395	5,329	11,580
2023	53	345	5,054	10,520
2024	38	345	4,785	10,790
2025	23	305	4,499	10,655
2026-2030	36	140	17,890	47,760
2031-2035	11	85	10,007	36,200
2036-2040	-	-	5,471	13,040
2041-2045	-	-	3,097	12,150
2046-2049	-	-	739	7,930
Total	<u>\$ 317</u>	<u>\$ 2,010</u>	<u>\$ 62,553</u>	<u>\$ 184,655</u>



**COMMUNITY DEVELOPMENT ADMINISTRATION  
INFRASTRUCTURE PROGRAM FUNDS  
NOTES TO COMBINED FINANCIAL STATEMENTS  
(in thousands)  
JUNE 30, 2020**

**NOTE 7 LONG-TERM OBLIGATIONS**

Changes in long-term obligations for the year ended June 30, 2020 were as follows:

	Local Government Infrastructure Bonds (AMBAC Insured)	Local Government Infrastructure Bonds	Combined
<b>Bonds Payable:</b>			
Beginning Balance at June 30, 2019	\$ 2,380	\$ 180,980	\$ 183,360
Additions	-	17,070	17,070
Reductions	(370)	(12,060)	(12,430)
Change in Deferred Amounts for Issuance Premiums/Discounts	-	1,734	1,734
Ending Balance at June 30, 2020	<u>2,010</u>	<u>187,724</u>	<u>189,734</u>
Less: Due Within One Year	<u>(395)</u>	<u>(24,030)</u>	<u>(24,425)</u>
<b>Total Long-Term Bonds Payable</b>	<b>1,615</b>	<b>163,694</b>	<b>165,309</b>
<b>Other Liabilities - Advance Trustee Fees:</b>			
Beginning Balance at June 30, 2019	157	97	254
Additions	3	102	105
Reductions	(27)	(82)	(109)
Ending Balance at June 30, 2020	<u>133</u>	<u>117</u>	<u>250</u>
Less: Due Within One Year	<u>(24)</u>	<u>(88)</u>	<u>(112)</u>
<b>Total Long-Term Other Liabilities - Advance Trustee Fees</b>	<b>109</b>	<b>29</b>	<b>138</b>
<b>Other Liabilities:</b>			
Beginning Balance at June 30, 2019	-	423	423
Additions	-	-	-
Reductions	-	(21)	(21)
Ending Balance at June 30, 2020	<u>-</u>	<u>402</u>	<u>402</u>
<b>Total Long-Term Other Liabilities</b>	<b>-</b>	<b>402</b>	<b>402</b>
<b>Total Long-Term Liabilities</b>	<b>\$ 1,724</b>	<b>\$ 164,125</b>	<b>\$ 165,849</b>

**COMMUNITY DEVELOPMENT ADMINISTRATION  
INFRASTRUCTURE PROGRAM FUNDS  
NOTES TO COMBINED FINANCIAL STATEMENTS  
(in thousands)  
JUNE 30, 2020**

**NOTE 8 INTERFUND ACTIVITY**

In accordance with the various bond resolutions, net position in each of the Funds is restricted and pledged to bondholders. However, restricted assets may be transferred to other Funds, subject to the provisions of the respective resolutions. As of June 30, 2020, there were no interfund transfers.

**NOTE 9 BOND INSURANCE**

The Local Government Infrastructure Bonds 2002 Series A through 2007 Series B in the Infrastructure Program Funds are insured by Ambac Assurance Corporation. See Note 5 for list of outstanding bonds.

The provisions of the policies for the insured bonds require the insurer to pay that portion of the principal and interest on the bonds which become due for payment but are not paid by CDA. The insurance generally extends for the term of the bonds and cannot be canceled by the insurer.

**NOTE 10 PENSION AND OTHER POST-RETIREMENT BENEFITS**

Eligible employees of CDA and employees of the State of Maryland are covered under the retirement plans of the State Retirement and Pension System of Maryland (the System) and are also entitled to certain healthcare benefits upon retirement. CDA's only obligation for retirement and post-employment benefits is its required annual contribution, which was paid in full by CDA to the State of Maryland prior to year-end. The liability for the employees is recorded by the general fund of the State of Maryland and is not allocated to CDA. The System prepares a separate audited Comprehensive Annual Financial Report which can be obtained from the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202 or by visiting the website at [www.sra.state.md.us](http://www.sra.state.md.us).

**NOTE 11 SUBSEQUENT EVENTS**

Subsequent to the year ended June 30, 2020, CDA issued \$24,210 of Local Government Infrastructure Bonds 2020 Series A on August 20, 2020. CDA also redeemed \$1,255 and \$11,380 of 2010 Series A Local Government Infrastructure Bonds on August 15, 2020 and August 21, 2020, respectively.

Prior to the fiscal year end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to CDA activity, COVID-19 may impact various parts of its 2021 operations and financial results including, but not limited to, an increase in non-performing loans, an increase in loans in forbearance, an overall decrease in loan production, all of which would likely reduce revenues and increase expenses. Management believes that CDA is taking appropriate actions to mitigate the negative impact.

As of the end of the fiscal year, CDA did not observe any material impacts on the Funds' operations or their financial position from the pandemic public health crisis. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated at this time as these events are still developing.