

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS**

COMBINED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022



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**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
YEAR ENDED JUNE 30, 2022**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Community Development Administration Infrastructure Program Funds (the Fund) of the Department of Housing and Community Development of the State of Maryland, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund, as of June 30, 2022, and the changes in financial position, and, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Fund, 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, 2022, 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 combined financial statements was not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Department of Housing and Community Development's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matter

Prior-Year Comparative Information

We have previously audited the Fund's 2021 financial statements, and we expressed unmodified opinions on the financial statements in our report dated September 27, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2022, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
September 30, 2022

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
COMBINED STATEMENT OF NET POSITION
(in thousands)
JUNE 30, 2022
(with comparative combined totals as of June 30, 2021)**

	Local Government Infrastructure Bonds (Ambac Insured)	Local Government Infrastructure Bonds	Combined	
			2022	2021
RESTRICTED ASSETS				
RESTRICTED CURRENT ASSETS				
Cash and Cash Equivalents on Deposit	\$ -	\$ 56,932	\$ 56,932	\$ 44,209
Community Facilities Loans	-	12,805	12,805	41,470
Accrued Interest Receivables	-	666	666	860
Total Restricted Current Assets	-	70,403	70,403	86,539
RESTRICTED LONG-TERM ASSETS				
Community Facilities Loans, Net of Current Portion	-	158,956	158,956	142,889
Total Restricted Long-Term Assets	-	158,956	158,956	142,889
Total Restricted Assets	\$ -	\$ 229,359	\$ 229,359	\$ 229,428
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accrued Interest Payable	\$ -	\$ 480	\$ 480	\$ 516
Accounts Payable	-	31	31	19
Bonds Payable	-	12,055	12,055	41,155
Advance Trustee Fees	-	104	104	120
Due to Local Governments	-	47,818	47,818	35,253
Total Current Liabilities	-	60,488	60,488	77,063
LONG-TERM LIABILITIES				
Bonds Payable, Net of Current Portion	-	163,326	163,326	147,533
Advance Trustee Fees, Net of Current Portion	-	224	224	165
Other Liabilities	-	221	221	328
Total Long-Term Liabilities	-	163,771	163,771	148,026
Total Liabilities	-	224,259	224,259	225,089
NET POSITION				
Restricted by Bond Indenture	-	5,100	5,100	4,339
Total Liabilities and Net Position	\$ -	\$ 229,359	\$ 229,359	\$ 229,428

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, 2022
(with comparative combined totals as of June 30, 2021)**

	Local Government Infrastructure Bonds (Ambac Insured)	Local Government Infrastructure Bonds	Combined	
			2022	2021
OPERATING REVENUE				
Interest on Community Facilities Loans	\$ 62	\$ 5,442	\$ 5,504	\$ 6,364
Interest on Cash Equivalents and Investments	2	24	26	11
Gain on Early Retirement of Debt	-	213	213	46
Fee Income	-	151	151	142
Other Operating Revenue	94	509	603	12
Total Operating Revenue	158	6,339	6,497	6,575
OPERATING EXPENSES				
Interest Expense on Bonds	64	5,035	5,099	6,076
Bond Issuance Cost	-	581	581	550
Decrease in Fair Value of Investments	-	-	-	7
Professional Fee and Other Operating Expenses	7	49	56	56
Total Operating Expenses	71	5,665	5,736	6,689
Operating Income (Loss)	87	674	761	(114)
Transfer of Funds, as Permitted by the Resolution	(1,526)	1,526	-	-
CHANGES IN NET POSITION	(1,439)	2,200	761	(114)
NET POSITION - RESTRICTED AT BEGINNING OF YEAR	1,439	2,900	4,339	4,453
NET POSITION - RESTRICTED AT END OF YEAR	\$ -	\$ 5,100	\$ 5,100	\$ 4,339

See accompanying Notes to Combined Financial Statements.

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
COMBINED STATEMENT OF CASH FLOWS
(in thousands)
YEAR ENDED JUNE 30, 2022
(with comparative combined totals as of June 30, 2021)**

	Local Government Infrastructure Bonds (Ambac Insured)	Local Government Infrastructure Bonds	Combined	
			2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Principal and Interest Received on Community Facilities Loans	\$ 533	\$ 47,215	\$ 47,748	\$ 35,551
Origination of Community Facilities Loans	-	(16,987)	(16,987)	(44,822)
Advance Trustee Fees Received	3	251	254	156
Trustee Fees Paid	(17)	(100)	(117)	(116)
Loan Fees Received	-	151	151	142
Professional Fee and Other Operating Expenses	(7)	(49)	(56)	(50)
Other Operating Revenue	-	509	509	1
Net Cash Provided (Used) by Operating Activities	512	30,990	31,502	(9,138)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Maturities or Sales of Investments	-	-	-	338
Interest Received on Cash Equivalents and Investments	2	17	19	13
Net Cash Provided by Investing Activities	2	17	19	351
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from Sale of Bonds	-	30,296	30,296	28,816
Payments on Bond Principal	(1,615)	(41,160)	(42,775)	(29,375)
Bond Issuance Costs	-	(569)	(569)	(550)
Interest on Bonds	(70)	(5,680)	(5,750)	(6,511)
Transfer Among Funds	(302)	302	-	-
Net Cash Used by Noncapital Financing Activities	(1,987)	(16,811)	(18,798)	(7,620)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT	(1,473)	14,196	12,723	(16,407)
CASH AND CASH EQUIVALENTS ON DEPOSIT - BEGINNING OF YEAR	1,473	42,736	44,209	60,616
CASH AND CASH EQUIVALENTS ON DEPOSIT - END OF YEAR	\$ -	\$ 56,932	\$ 56,932	\$ 44,209

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, 2022
(with comparative combined totals as of June 30, 2021)**

	Local Government Infrastructure Bonds (Ambac Insured)	Local Government Infrastructure Bonds	Combined	
			2022	2021
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 87	\$ 674	\$ 761	\$ (114)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Amortization of Bond Original Issue Premiums/Discounts	-	(615)	(615)	(441)
Amortization of Premium on Notes Receivable	-	400	400	330
Decrease in Fair Value of Investments	-	-	-	7
Interest Received on Cash Equivalents and Investments	(2)	(17)	(19)	(13)
Bond Issuance Costs	-	569	569	550
Interest on Bonds	70	5,680	5,750	6,511
Gain on Early Retirement of Debt	-	(213)	(213)	(46)
Decrease (Increase) in Assets:				
Community Facilities Loans	458	14,267	14,725	5,076
Premium on Notes Receivable	-	(2,527)	(2,527)	(3,967)
Accrued Interest Receivables	13	181	194	(24)
(Decrease) Increase in Liabilities:				
Accrued Interest Payable	(6)	(30)	(36)	6
Accounts Payable	-	12	12	-
Due to Local Governments	-	12,565	12,565	(16,974)
Advance Trustee Fees and Other Liabilities	(108)	44	(64)	(39)
Net Cash Provided (Used) by Operating Activities	<u>\$ 512</u>	<u>\$ 30,990</u>	<u>\$ 31,502</u>	<u>\$ (9,138)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS				
Transfer of Community Facility Loans from (to)	<u>\$ 1,224</u>	<u>\$ (1,224)</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Combined Financial Statements.

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
NOTES TO COMBINED FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2022**

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 Annual Comprehensive 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).

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.

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
NOTES TO COMBINED FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Generally Accepted Accounting Principles (Continued)

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 Annual Comprehensive 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, 2022, the Local Government Infrastructure Bonds (Ambac Insured) Fund had no cash and cash equivalents. As of June 30, 2022, all of the Local Government Infrastructure Bonds Fund's 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. At June 30, 2022, there were no investments.

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, 2022. At June 30, 2022, the Local Government Infrastructure Bonds (Ambac Insured) Fund had no loans receivable.

Accrued Interest Receivable

Accrued interest includes both interest on cash deposits and interest on loans. As of June 30, 2022, all loans of the Local Government Infrastructure Bonds Fund were current. Therefore, all accrued interest on loans was recorded during the year. At June 30, 2022, the Local Government Infrastructure Bonds (Ambac Insured) Fund had no loans receivable.

Bonds Payable

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

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
NOTES TO COMBINED FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2022**

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 loans receivable are amortized on a straight-line basis over the life of the loan 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 9 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, 2022**

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, 2022, are evaluated in accordance with GASB accounting guidance for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Assets	2022
Cash and Cash Equivalents:	
BlackRock Liquidity FedFund Administration Shares	<u>\$ 56,932</u>

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, 2022, 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	\$ 56,932	\$ 56,932	\$ 56,932	\$ -

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, 2022, 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, 2022**

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.

Asset	Fair Value	Percentage of Total Investments	Money Market Fund Rating	Rating Agency
BlackRock Liquidity FedFund Administration Shares	\$ 56,932	100.00%	Aaa-mf	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, 2022, the Local Government Infrastructure Bonds Fund's investments were not subject to custodial credit risk under accounting guidance issued by GASB. The money market mutual fund is 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.

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
NOTES TO COMBINED FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2022**

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, 2022. Interest rates on such loans range from 0.96% to 5.09% with remaining loan terms ranging from less than 1 year to 29 years. As of June 30, 2022, there were no loans receivable in the Local Government Infrastructure Bonds (Ambac Insured) Fund.

The Local Government Infrastructure Bonds 2019 Series B, the Local Government Infrastructure Bonds 2020 Series A and the Local Government Infrastructure Bonds 2021 Series A were issued at a premium, which resulted in a related premium on the loans receivable issued in connection with the bond proceeds. The premiums will be amortized on a straight-line basis over the life of each underlying loan receivable. Balance of loans receivable and the related premiums as of June 30, 2022 were as follows:

	2022
Community Facilities Loans Receivable	\$ 164,559
Premium on Notes Receivable	8,004
Total Community Facilities Loans Receivable, Net of Premium	172,563
Less: Accumulated Amortization of Premium on Notes Receivable	(802)
Community Facilities Loans Receivable, Net of Unamortized Premium	\$ 171,761

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, 2022**

NOTE 5 BONDS PAYABLE (CONTINUED)

The following is a summary of bond activity for the year ended June 30, 2022, and debt outstanding and bonds payable as of June 30, 2022:

	Issue Dated	Range of Interest Rates	Range of Maturities	Bonds	Bond Activity			Bonds
				Payable at June 30, 2021	New Bonds Issued	Scheduled Maturity Payments	Bonds Redeemed	Payable at June 30, 2022
Local Government								
Infrastructure Bonds								
(Ambac Insured)								
2002 Series A	03/01/02	-	-	\$ 35	\$ -	\$ (35)	\$ -	\$ -
2004 Series A	04/22/04	-	-	340	-	(50)	(290)	-
2004 Series B	11/18/04	-	-	60	-	(20)	(40)	-
2005 Series A	05/26/05	-	-	800	-	(215)	(585)	-
2006 Series A	04/05/06	-	-	210	-	(40)	(170)	-
2007 Series B	11/14/07	-	-	170	-	(35)	(135)	-
Total				\$ 1,615	\$ -	\$ (395)	\$ (1,220)	\$ -

	Issue Dated	Range of Interest Rates	Range of Maturities	Debt	Bond Activity			Debt	Bond	Bonds
				Outstanding at June 30, 2021	New Bonds Issued	Scheduled Maturity Payments	Bonds Redeemed/Defeased	Outstanding at June 30, 2022	Premium/Discount Deferred	Payable at June 30, 2022
Local Government										
Infrastructure Bonds										
2010 Series A-1	8/25/10	3.125% - 3.375%	2023 - 2025	\$ 1,000	\$ -	\$ (250)	\$ -	\$ 750	\$ (7)	\$ 743
2010 Series A-2	8/25/10	3.25% - 3.50%	2023 - 2025	485	-	(115)	-	370	-	370
2012 Series A-1	5/17/12	3.00% - 3.50%	2023 - 2032	3,680	-	(545)	-	3,135	(2)	3,133
2012 Series A-2	5/17/12	3.00% - 3.60%	2023 - 2032	1,785	-	(250)	-	1,535	-	1,535
2012 Series B-1	12/19/12	2.20% - 3.125%	2023 - 2032	7,620	-	(810)	(3,210)	3,600	43	3,643
2012 Series B-2	12/19/12	2.25% - 3.125%	2023 - 2032	3,505	-	(370)	(1,655)	1,480	-	1,480
2013 Series A-1	10/3/13	3.40% - 5.00%	2023 - 2035	8,950	-	(645)	(6,480)	1,825	(1)	1,824
2013 Series A-2	10/3/13	3.45% - 5.05%	2023 - 2043	4,275	-	(275)	(2,900)	1,100	-	1,100
2014 Series A-1	8/28/14	2.55% - 3.50%	2023 - 2034	17,580	-	(1,440)	(9,440)	6,700	136	6,836
2014 Series A-2	8/28/14	2.55% - 5.00%	2023 - 2034	8,255	-	(620)	(4,250)	3,385	-	3,385
2015 Series A-1	8/27/15	3.00% - 4.00%	2023 - 2045	9,395	-	(725)	-	8,670	79	8,749
2015 Series A-2	8/27/15	3.00% - 4.00%	2023 - 2045	4,020	-	(310)	-	3,710	-	3,710
2016 Series A-1	8/31/16	1.65% - 2.90%	2023 - 2036	12,565	-	(1,185)	-	11,380	-	11,380
2016 Series A-2	8/31/16	1.70% - 2.95%	2023 - 2036	5,385	-	(505)	-	4,880	-	4,880
2017 Series A-1	8/2/17	2.00% - 4.00%	2023 - 2047	21,435	-	(1,615)	-	19,820	280	20,100
2017 Series A-2	8/2/17	2.00% - 4.00%	2023 - 2047	9,200	-	(690)	-	8,510	-	8,510
2018 Series A-1	8/30/18	3.00% - 5.00%	2023 - 2048	4,005	-	(200)	-	3,805	258	4,063
2018 Series A-2	8/30/18	3.00% - 4.00%	2023 - 2048	1,705	-	(85)	-	1,620	-	1,620
2019 Series A-1	6/27/19	2.28% - 3.90%	2023 - 2049	10,880	-	(245)	-	10,635	-	10,635
2019 Series A-2	6/27/19	2.38% - 4.00%	2023 - 2049	4,675	-	(105)	-	4,570	-	4,570
2019 Series B-1	11/21/19	4.00%	2023 - 2049	11,195	-	(415)	-	10,780	1,199	11,979
2019 Series B-2	11/21/19	4.00%	2023 - 2049	5,000	-	(180)	-	4,820	499	5,319
2020 Series A-1	8/20/20	4.00%	2023 - 2049	16,095	-	(870)	-	15,225	3,999	19,224
2020 Series A-2	8/20/20	4.00%	2023 - 2049	7,195	-	(375)	-	6,820	-	6,820
2021 Series A-1	12/2/21	3.00%-5.00%	2023 - 2051	-	18,980	(270)	-	18,710	3,023	21,733
2021 Series A-2	12/2/21	3.00%-5.00%	2023 - 2051	-	8,170	(130)	-	8,040	-	8,040
Total				\$ 179,885	\$ 27,150	\$ (13,225)	\$ (27,935)	\$ 165,875	\$ 9,506	\$ 175,381

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
NOTES TO COMBINED FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2022**

NOTE 6 DEBT SERVICE REQUIREMENTS

As of June 30, 2022, the required principal payments for bonds (including mandatory sinking fund payments, 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
2023	\$ -	\$ -	\$ 5,758	\$ 12,055
2024	-	-	5,411	10,365
2025	-	-	5,106	10,225
2026	-	-	4,784	9,810
2027	-	-	4,470	9,355
2028-2032	-	-	17,634	41,490
2033-2037	-	-	11,137	28,065
2038-2042	-	-	6,726	19,475
2043-2047	-	-	3,297	17,335
2048-2051	-	-	534	7,700
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,857</u>	<u>\$ 165,875</u>

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
NOTES TO COMBINED FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2022**

NOTE 7 LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2022 were as follows:

	Local Government Infrastructure Bonds (AMBAC Insured)	Local Government Infrastructure Bonds	Combined
Bonds Payable:			
Beginning Balance at June 30, 2021	\$ 1,615	\$ 187,073	\$ 188,688
Additions	-	30,296	30,296
Reductions	(1,615)	(41,160)	(42,775)
Change in Deferred Amounts for Issuance Premiums/Discounts	-	(828)	(828)
Ending Balance at June 30, 2022	-	175,381	175,381
Less: Due Within One Year	-	(12,055)	(12,055)
Total Long-Term Bonds Payable	-	163,326	163,326
Other Liabilities - Advance Trustee Fees:			
Beginning Balance at June 30, 2021	108	177	285
Additions	3	251	254
Reductions	(111)	(100)	(211)
Ending Balance at June 30, 2022	-	328	328
Less: Due Within One Year	-	(104)	(104)
Total Long-Term Other Liabilities - Advance Trustee Fees	-	224	224
Other Liabilities:			
Beginning Balance at June 30, 2021	-	328	328
Additions	-	-	-
Reductions	-	(107)	(107)
Ending Balance at June 30, 2022	-	221	221
Total Long-Term Other Liabilities	-	221	221
Total Long-Term Liabilities	\$ -	\$ 163,771	\$ 163,771

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
NOTES TO COMBINED FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2022**

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. During the year ended June 30, 2022, \$302 cash and \$1,224 loans receivable were transferred into the Local Government Infrastructure Bonds Fund from the Local Government Infrastructure Bonds (Ambac Insured) Fund.

NOTE 9 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 Annual Comprehensive 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.maryland.gov.

NOTE 10 CLOSURE OF THE LOCAL GOVERNMENT INFRASTRUCTURE BONDS (AMBAC INSURED) FUND

As of June 30, 2022, the Fund repaid all outstanding bonds payable in full and transferred all remaining assets to the Local Government Infrastructure Bonds Fund.

	<u>Carrying Value</u>
Transferred Assets	
Cash and Cash Equivalents on Depos \$	302
Community Facilities Loans	1,224
	<u>\$ 1,526</u>