Reznick Group

COMBINED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS

JUNE 30, 2006

Community Development Administration
Revenue Obligation Funds

TABLE OF CONTENTS

Reznick Group

Reznick Group, P.C.
500 East Pratt Street
Suite 200
Baltimore, MD 21202-3100

Tel: (410) 783-4900
Fax: (410) 727-0460
www.reznickgroup.com

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, 2006, 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 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, 2006, 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, 2006, 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.

Atlanta ■ Baltimore ■ Bethesda ■ Charlotte ■ Chicago ■ Sacramento ■ Tysons Corner

Reznick Group

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 is presented for purposes of additional analysis and is 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 basic combined financial statements and, accordingly, we express no opinion on it.

Reznick Group, P.C.

Baltimore, Maryland
September 14, 2006

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF NET ASSETS
(in thousands)

June 30, 2006
(with comparative combined totals as of June 30, 2005)

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2006	Combined 2005
RESTRICTED ASSETS							
Restricted current assets							
Cash and cash equivalents on deposit with trustee	$ 13,450	$ 56,141	$ 57,964	$ 95,268	$ 7,629	$ 230,452	$ 240,595
Investments	17,561	-	7,726	395,865	7,516	428,668	250,267
Mortgage-backed securities	-	-	2,841	-	-	2,841	2,175
Mortgage loans, net of allowance							
Single family	11,066	-	35	13,055	-	24,156	22,257
Multi-family construction and permanent financing	-	2,493	3,332	-	-	5,825	6,048
Energy and rehabilitation	-	-	-	-	52	52	54
Accrued interest and other receivables	3,901	1,177	2,982	13,585	369	22,014	22,094
Due from State Treasurer	-	-	-	-	1,526	1,526	-
Due from other Funds	287	-	-	-	-	287	312
Total restricted current assets	46,265	59,811	74,880	517,773	17,092	715,821	543,802
Restricted long-term assets							
Investments, net of current portion	64,738	10,656	7,281	28,931	20,938	132,544	214,453
Mortgage-backed securities, net of current portion	-	-	397,928	-	-	397,928	398,476
Mortgage loans, net of current portion							
Single family	212,605	-	425	703,629	58	916,717	916,384
Multi-family construction and permanent financing	-	82,672	87,813	-	1,334	171,819	212,391
Energy and rehabilitation	-	-	-	-	141	141	188
Deferred bond issuance costs	1,225	803	437	6,473	-	8,938	10,218
Total restricted long-term assets	278,568	94,131	493,884	739,033	22,471	1,628,087	1,752,110
Total restricted assets	$ 324,833	$ 153,942	$ 568,764	$ 1,256,806	$ 39,563	$ 2,343,908	$ 2,295,912

(continued)

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF NET ASSETS - CONTINUED
(in thousands)

June 30, 2006
(with comparative combined totals as of June 30, 2005)

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2006	Combined 2005
LIABILITIES AND NET ASSETS							
Current liabilities							
Accrued interest payable	$ 2,341	$ 374	$ 13,246	$ 15,058	$ -	$ 31,019	$ 30,020
Accounts payable	45	223	21	2,275	757	3,321	308
Accrued workers' compensation	-	-	-	-	7	7	5
Accrued compensated absences	-	-	-	-	270	270	290
Due to State Treasurer	-	-	-	-	-	-	398
Rebate liability	-	656	-	-	-	656	3,403
Bonds payable and short-term debt	23,860	20,110	6,405	345,570	-	395,945	274,205
Deposits by borrowers	-	4,083	4,846	-	-	8,929	10,912
Due to other Funds	-	-	-	287	-	287	312
Total current liabilities	26,246	25,446	24,518	363,190	1,034	440,434	319,853
Long-term liabilities							
Accrued workers' compensation, net of current portion	-	-	-	-	38	38	30
Accrued compensated absences, net of current portion	-	-	-	-	159	159	243
Rebate liability, net of current portion	6,115	920	-	40	-	7,075	14,747
Bonds payable, net of current portion	168,892	59,063	504,764	794,836	-	1,527,555	1,576,843
Deposits by borrowers, net of current portion	-	6,396	11,933	-	-	18,329	21,773
Deferred income	-	-	5,623	-	-	5,623	5,549
Total long-term liabilities	175,007	66,379	522,320	794,876	197	1,558,779	1,619,185
Total liabilities	201,253	91,825	546,838	1,158,066	1,231	1,999,213	1,939,038
COMMITMENTS AND CONTINGENCIES	-	-	-	-	-	-	-
NET ASSETS							
Restricted	123,580	62,117	21,926	98,740	38,332	344,695	356,874
Total liabilities and net assets	$ 324,833	$ 153,942	$ 568,764	$ 1,256,806	$ 39,563	$ 2,343,908	$ 2,295,912

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, 2006
(with comparative combined totals as of June 30, 2005)

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2006	Combined 2005
Operating revenue							
Interest on mortgage loans	$ 17,950	$ 8,687	$ 6,231	$ 35,089	$ 35	$ 67,992	$ 79,721
Interest on mortgage-backed securities	-	162	21,775	-	-	21,937	19,821
Interest income on investments, net of rebate	6,109	2,451	2,604	17,617	1,356	30,137	26,207
(Decrease) increase in fair value of mortgage-backed securities	-	(456)	(27,704)	-	-	(28,160)	12,209
(Decrease) increase in fair value of investments, net of rebate	(2,599)	(2,452)	(866)	(633)	(526)	(7,076)	6,777
Fee and deferred income	351	759	208	753	2,995	5,066	4,423
Other operating revenue	-	10	74	-	61	145	87
	21,811	9,161	2,322	52,826	3,921	90,041	149,245
Operating expenses							
Interest expense on bonds and short-term debt	12,747	4,408	26,190	41,148	-	84,493	93,841
Professional fees and other operating expenses	1,212	188	140	1,162	211	2,913	3,173
Salaries and related costs	-	-	-	-	5,710	5,710	6,150
General and administrative costs	-	-	-	-	2,692	2,692	2,513
Loss (gain) on foreclosure claims	187	-	-	(52)	-	135	(484)
Provision for loan losses	-	-	2	532	-	534	28
Origination expenses	-	-	-	541	-	541	270
Amortization of bond issuance costs	319	74	27	908	-	1,328	1,126
Loss on early retirement of debt	1,698	1,138	13	812	-	3,661	4,000
	16,163	5,808	26,372	45,051	8,613	102,007	110,617
Operating income (loss)	5,648	3,353	(24,050)	7,775	(4,692)	(11,966)	38,628
Transfers of funds, net, as permitted by the various bond indentures	(6,290)	(3,363)	779	2,376	6,285	(213)	(559)
CHANGES IN NET ASSETS	(642)	(10)	(23,271)	10,151	1,593	(12,179)	38,069
Net assets - restricted at beginning of year	124,222	62,127	45,197	88,589	36,739	356,874	318,805
Net assets - restricted at end of year	$ 123,580	$ 62,117	$ 21,926	$ 98,740	$ 38,332	$ 344,695	$ 356,874

See notes to combined financial statements

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF CASH FLOWS
(in thousands)

Year ended June 30, 2006
(with comparative combined totals as of June 30, 2005)

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2006	Combined 2005
Cash flows from operating activities							
Principal and interest received on mortgage loans	$ 91,801	$ 50,660	$ 16,831	$ 168,516	$ 104	$ 327,912	$ 390,059
Principal and interest received on mortgage-backed securities	-	14,819	24,601	-	-	39,420	22,712
Escrow funds received	-	5,494	5,392	-	-	10,886	12,522
Escrow funds paid	-	(7,374)	(8,877)	-	-	(16,251)	(17,473)
Mortgage insurance claims received	5,578	-	-	4,697	-	10,275	16,353
Foreclosure expenses paid	(1,199)	-	-	(817)	-	(2,016)	(1,619)
Loan fees and deferred income received	-	-	517	117	2,949	3,583	2,491
Loan fees disbursed	-	-	-	(2,690)	-	(2,690)	(1,740)
Purchase of mortgage loans	(63)	-	(9,745)	(208,872)	(416)	(219,096)	(152,313)
Purchase of mortgage-backed securities	-	-	(45,761)	-	-	(45,761)	(61,415)
Professional fees and other operating expenses	(1,167)	(188)	(140)	(1,090)	(269)	(2,854)	(3,116)
Other income received	-	10	74	-	61	145	80
Salaries and related costs	-	-	-	-	(7,374)	(7,374)	(6,659)
General and administrative costs	-	-	-	-	(3,046)	(3,046)	(3,049)
Other reimbursements	-	208	21	-	(90)	139	(593)
Net cash provided by (used in) operating activities	94,950	63,629	(17,087)	(40,139)	(8,081)	93,272	196,240
Cash flows from investing activities							
Proceeds from maturities or sales of investments	150,284	10,034	39,077	464,058	7,948	671,401	766,706
Purchases of investments	(98,636)	-	(13,985)	(656,216)	(7,617)	(776,454)	(606,032)
Arbitrage rebates paid	(7,290)	-	-	(445)	-	(7,735)	(6,468)
Interest received on investments	7,448	2,727	2,384	8,131	1,447	22,137	27,546
Net cash provided by (used in) investing activities	51,806	12,761	27,476	(184,472)	1,778	(90,651)	181,752
Cash flows from noncapital financing activities							
Proceeds from sale of bonds	-	-	31,705	559,557	-	591,262	381,630
Payments on bond principal	(135,290)	(43,153)	(15,010)	(327,080)	-	(520,533)	(630,110)
Advance deposit on bonds	-	-	-	2,200	-	2,200	-
Bond issuance costs	-	-	-	(2,376)	-	(2,376)	(1,940)
Reimbursement of bond costs	-	439	68	-	-	507	820
Interest on bonds and short-term debt	(14,571)	(4,588)	(25,764)	(38,688)	-	(83,611)	(95,436)
Transfers among Funds	(6,290)	(3,363)	779	2,376	6,285	(213)	(559)
Net cash (used in) provided by noncapital financing activities	(156,151)	(50,665)	(8,222)	195,989	6,285	(12,764)	(345,595)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	(9,395)	25,725	2,167	(28,622)	(18)	(10,143)	32,397
Cash and cash equivalents on deposit with trustee at beginning of year	22,845	30,416	55,797	123,890	7,647	240,595	208,198
Cash and cash equivalents on deposit with trustee at end of year	$ 13,450	$ 56,141	$ 57,964	$ 95,268	$ 7,629	$ 230,452	$ 240,595

(continued)

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF CASH FLOWS - CONTINUED
(in thousands)

Year ended June 30, 2006
(with comparative combined totals as of June 30, 2005)

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2006	Combined 2005
Reconciliation of operating income (loss) to net cash from operating activities							
Operating income (loss)	$ 5,648	$ 3,353	$ (24,050)	$ 7,775	$ (4,692)	$ (11,966)	$ 38,628
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Decrease (increase) in assets							
Mortgage loans	74,446	41,683	794	(74,210)	(972)	41,741	163,992
Mortgage-backed securities	-	14,657	(42,935)	-	-	(28,278)	(58,389)
Accrued interest and other receivables	4,505	636	(196)	(4,817)	(48)	80	9,708
Due from State Treasurer	-	-	-	-	(1,526)	(1,526)	-
Due from other Funds	25	-	-	-	-	25	625
(Decrease) increase in liabilities							
Accrued interest payable	(1,824)	(180)	426	2,577	-	999	(1,504)
Accounts payable	45	198	18	2,275	477	3,013	(1,101)
Accrued workers' compensation and vacation leave	-	-	-	-	(94)	(94)	(17)
Due to State Treasurer	-	-	-	-	(398)	(398)	(1,028)
Rebate liability	(9,576)	411	-	(1,254)	-	(10,419)	698
Deposits by borrowers	-	(1,978)	(3,449)	-	-	(5,427)	(5,203)
Deferred income	-	(155)	229	-	-	74	174
Due to other Funds	-	-	-	(25)	-	(25)	(625)
Amortizations							
Deferred income and expense on loans	(351)	(604)	(38)	(212)	(3)	(1,208)	(2,092)
Investment discounts and premiums	131	14	4	(2,179)	96	(1,934)	(639)
Bond original issue discounts and premiums	-	-	-	(117)	-	(117)	(91)
Deferred bond issuance costs	319	74	27	908	-	1,328	1,126
Loan fees and expenses deferred	-	-	118	(2,573)	-	(2,455)	(1,468)
Provision for loan losses	-	-	2	532	-	534	28
Decrease (increase) in fair value of mortgage-backed securities	-	456	27,704	-	-	28,160	(12,209)
Decrease in fair value of investments	16,085	3,336	866	1,567	526	22,380	15,436
Realized gains on investments sold	(10,614)	(1,271)	-	-	-	(11,885)	(28,167)
Arbitrage rebates paid	7,290	-	-	445	-	7,735	6,468
Advance deposit on bonds	-	-	-	(2,200)	-	(2,200)	-
Loss on early retirement of debt	1,698	1,138	13	812	-	3,661	4,000
Interest received on investments	(7,448)	(2,727)	(2,384)	(8,131)	(1,447)	(22,137)	(27,546)
Interest on bonds and short-term debt	14,571	4,588	25,764	38,688	-	83,611	95,436
Net cash provided by (used in) operating activities	$ 94,950	$ 63,629	$ (17,087)	$ (40,139)	$ (8,081)	$ 93,272	$ 196,240

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. Both the Revenue Obligation Funds and the Infrastructure Program Funds 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 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
Single Family Program Bonds	To originate or purchase single family mortgage loans.
Multi-Family Housing Revenue Bonds	To provide construction and permanent financing for multi-family housing projects.
Housing Revenue Bonds	To provide funds to finance or refinance loans for various types of housing. As of June 30, 2006, 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 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). CDA has adopted GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. 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.

CDA has adopted GASB Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis*. Under GASB Statement No. 34, 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)

Recent Accounting Pronouncements

Effective July 1, 2005, CDA adopted GASB Technical Bulletin No. 2003-1 *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets,* which requires disclosure of information about derivatives: objective for the derivative, the derivative's terms, fair value, and risk exposure. This GASB bulletin does not have any impact on the Funds' financial position or results of operations. The disclosures are more fully described in Note 9.

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, 2006, all of CDA's 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, 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. They are stated at fair value, based on quoted market prices. It is the intention of CDA to hold each of these securities to maturity or until the payoff of the related multi-family loan. Mortgage-backed securities are more fully described in Note 3.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Loans

Mortgage loans are carried at their unpaid principal balances, net of unamortized loan fees and expenses. Loan fees and expenses are deferred over the life of the related loans and amortized using the effective interest method. Any single family mortgage loan in foreclosure with a pending insurance claim is recorded as other receivables. See Notes 4 and 15 for additional information on mortgage loans and mortgage insurance, respectively.

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. Primary coverage levels range from 25% to 100% of the loan. CDA also has secondary pool insurance for loans in Single Family Program Bonds. 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. Management believes the allowance established is adequate based on prior experience and evaluations from DHCD's asset management group.

Accrued Interest and Other Receivables

Accrued interest and other receivables include interest on loans and investments and outstanding claims on insured mortgage loans. 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 and energy and rehabilitation loans, interest ceases to accrue after foreclosure. See Note 5 for additional information.

Deferred Bond Issuance Costs

Costs incurred in issuing bonds are capitalized and amortized using the effective interest method for each respective bond issue. When bonds are redeemed early with mortgage prepayments, a proportionate share of the remaining unamortized costs is recognized as a loss on the Combined Statement of Revenue, Expenses and Changes in Net Assets. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due from (to) Other Funds

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

Bonds Payable

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

Rebate Liability on Investments

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2006, all mortgage loan yields are in compliance with the Code.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2006, the total costs charged to the General Bond Reserve Fund were:

Salaries and related costs	$	5,710
General and administrative costs		2,692
	$	8,402

The employees of CDA are covered by the Maryland State Retirement and Pension System (the System) and the costs of employees' retirement benefits are included in the salaries and related costs discussed above. See Note 16 for additional information.

Revenue and Expenses

CDA distinguishes operating revenue and expenses from nonoperating items in conformity with GASB Statement No. 34. Operating revenue and expenses are identified as those activities that are directly related to financing affordable housing in the State of Maryland. All of CDA's activities are considered to be operating.

Use of Estimates

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

(in thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Combined Totals

The totals of similar accounts of the various Funds in the accompanying 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.

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, 2006, are evaluated in accordance with GASB 40 for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

	Cash and Cash Equivalents	Investments			Total Investments	Mortgage-backed Securities	
	Federated Treasury Obligations Fund	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
Single Family Program Funds	$ 13,450	$ 37,463	$ 2,446	$ 42,390	$ 82,299	$ -	$ 95,749
Multi-Family Housing Revenue Bonds	56,141	7,625	1,031	2,000	10,656	-	66,797
Housing Revenue Bonds	57,964	6,236	-	8,771	15,007	400,769	473,740
Residential Revenue Bonds	95,268	-	405,789	19,007	424,796	-	520,064
General Bond Reserve Fund	7,629	-	28,454	-	28,454	-	36,083
Total	$ 230,452	$ 51,324	$ 437,720	$ 72,168	$ 561,212	$ 400,769	$ 1,192,433

(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, 2006, the amortized cost, fair value and maturities for these assets were as follows:

			Maturities (in years)				
Asset	Amortized Cost	Fair Value	Less than 1	1 - 5	6 - 10	11 - 15	More than 15
Federated Treasury Obligations Fund	$ 230,452	$ 230,452	$ 230,452	$ -	$ -	$ -	$ -
Obligations of the U.S. Treasury	44,096	51,324	-	-	763	25,718	24,843
Obligations of U.S. Government Agencies	439,295	437,720	403,381	24,103	-	3,781	6,455
Repurchase agreements/ Investment agreements	72,168	72,168	3,508	5,263	2,000	42,390	19,007
Mortgage-backed Securities	409,061	400,769	-	-	-	-	400,769
Total	$ 1,195,072	$ 1,192,433	$ 637,341	$ 29,366	$ 2,763	$ 71,889	$ 451,074

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

The Federated Treasury Obligations Fund invests exclusively in U.S. Treasuries and in repurchase agreements collateralized by Treasury securities. 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, 2006, the cost of this money market mutual fund approximated fair value.

For mortgage-backed securities, it is the intention of CDA to hold the securities until the underlying loan is paid in full.

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, 2006, all counterparty ratings were at least equal to the ratings on the bonds except for two counterparties whose credit rating of Aa3 has not affected the Aa2 rating on CDA bonds. The ratings on Single Family Program Bonds, Multi-Family Housing Revenue Bonds, Housing Revenue Bonds, and Residential Revenue Bonds as of June 30, 2006 were Aa2 by Moody's Investors Service and AA by Fitch Ratings.

(in thousands)

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

As of June 30, 2006, credit ratings and allocation by type of investments for the following assets were:

Asset	Fair Value	Percentage of total investments	Money market fund rating	Securities credit rating	Rating agency
Federated Treasury Obligations Fund	$ 230,452	19.33%	Aaa		Moody's
Mortgage-backed Securities	400,769	33.61%		Direct U.S. Obligation	
Obligations of the U.S. Treasury	51,324	4.30%		Direct U.S. Obligation	
Obligations of U.S. Government Agencies:					
Federal Home Loan Banks	358,793	30.09%		Aaa	Moody's
Federal National Mortgage Association	32,859	2.76%		Aaa	Moody's
Other government agencies	46,068	3.86%		Aaa	Moody's
Collateralized repurchase agreements and investment agreements:				Underlying securities credit rating	
Counterparty rated Aa1 by Moody's	3,508	0.29%		Aaa	Moody's
Counterparty rated Aa2 by Moody's	52,850	4.43%		Aaa	Moody's
Counterparty rated AA by Standard & Poor's	8,547	0.72%		Aaa	Moody's
Counterparty rated Aa3 by Moody's	5,263	0.44%		Aaa	Moody's
Uncollateralized investment agreement:					
Counterparty rated Aa3 by Moody's	2,000	0.17%		N/A	
Total	$ 1,192,433	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.

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, 2006, CDA's investments were not subject to custodial credit risk under GASB Statement No. 40. 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. The uncollateralized investment agreement in the amount of $2,000 is registered in CDA's name.

NOTE 4 - MORTGAGE LOANS

Approximately 99% of all single family mortgage loans are secured by first liens on the related property and 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, 2006, interest rates on single family loans range from 3.0% to 13.9%, with remaining loan terms ranging from 3 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, 2006, interest rates on the loans range from 3.0% to 14.5%, with remaining loan terms ranging from approximately 2 to 40 years.

(in thousands)

NOTE 4 - MORTGAGE LOANS (Continued)

All energy and rehabilitation loans are insured by the MHF. Loans made or purchased in excess of $5 are secured by a deed of trust on the related property. As of June 30, 2006, interest rates on such loans range from 7.0% on owner-occupied residential properties to 10.0% on rental housing, with remaining loan terms ranging from less than one year to 4 years.

NOTE 5 - ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2006, were as follows:

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Accrued mortgage loan interest	$ 1,745	$ 577	$ 543	$ 3,762	$ 5	$ 6,632
Escrows due from multi-family mortgagors	-	326	299	-	-	625
Accrued investment interest	1,659	274	2,126	8,628	282	12,969
Claims due from mortgage insurers	494	-	-	1,193	2	1,689
Negative arbitrage due from mortgagors	-	-	14	-	-	14
Miscellaneous loan billings	3	-	-	2	80	85
	$ 3,901	$ 1,177	$ 2,982	$ 13,585	$ 369	$ 22,014

(in thousands)

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.

Short-term debt activity for the year ended June 30, 2006, in Residential Revenue Bonds, was as follows:

	Balance at June 30, 2005	Bond Activity		Balance at June 30, 2006
		Issued	Matured/ Redeemed	
Residential Revenue Bonds				
2004 Series J	$ 91,795	$ -	$ 91,795	$ -
2004 Series K	78,260	-	78,260	-
2005 Series F	-	91,795	-	91,795
2005 Series G	-	103,205	-	103,205
2006 Series C	-	95,120	-	95,120
2006 Series D	-	24,880	-	24,880
Totals	$ 170,055	$ 315,000	$ 170,055	$ 315,000

The outstanding short-term debt of $315,000 plus the principal payments due within one year of $30,570 equal the current portion of bonds payable and short-term debt of $345,570 for the Residential Revenue Bonds on the Combined Statement of Net Assets. For the year ended June 30, 2006, none of the other Funds had short-term debt activity.

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. The prescribed optional redemption premiums range from 0% to 2% of the principal amount.

The following lists those bonds which are at variable rates and the terms by which the variable rates change. All other bonds have fixed interest rates.

<u>Multi-Family Housing Revenue Bonds (Insured Mortgage Loans)</u>

2003 Series C

The variable rate is set quarterly and is equal to the Federal Home Loan Bank (FHLB) Discount Notes Funding Costs plus ½ of 1%.

2004 Series A

The bonds were offered as Auction Rate Certificates. Auctions to set the interest rate are generally held every 28 days. The maximum rate is 12% or such higher rate as the Administration may establish with a Rating Confirmation.

<u>Residential Revenue Bonds</u>

2003 Series C; 2004 Series C, F and I; 2005 Series C; and 2006 Series G

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

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

Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) 2003 Series C
Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) 2004 Series A

Community Development Administration
Revenue Obligation Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2006

NOTE 7 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2006, and the debt outstanding and bonds payable as of June 30, 2006:

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2005	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2006	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2006
Single Family Program Bonds										
1993 Third Series	10/01/93	4.85% - 5.25%	2006 - 2016	$ 11,865	$ -	$ (595)	$ (5,740)	$ 5,530	$ -	$ 5,530
1994 First Series	03/01/94	5.80%	2009	5,570	-	-	(5,570)	-	-	-
1996 Fifth Series	08/01/96	5.30% - 5.95%	2007 - 2016	14,890	-	-	(14,890)	-	-	-
1997 First Series	08/01/97	4.90% - 5.60%	2006 - 2018	67,865	-	(3,745)	(64,120)	-	-	-
1999 First Series	12/01/98	4.35% - 5.25%	2006 - 2029	18,140	-	(535)	(10,395)	7,210	-	7,210
1999 Second Series	12/01/98	4.40% - 5.00%	2009 - 2017	53,205	-	-	-	53,205	-	53,205
1999 Third Series	12/01/98	4.35% - 5.125%	2006 - 2021	51,545	-	(545)	(325)	50,675	-	50,675
2000 First Series	03/01/00	5.10% - 5.70%	2006 - 2015	18,160	-	-	(18,160)	-	-	-
2001 First Series	03/01/01	4.00% - 5.00%	2006 - 2017	45,775	-	(3,670)	(935)	41,170	(1,053)	40,117
2001 Second Series	03/01/01	4.35% - 4.65%	2008 - 2023	5,935	-	-	(2,080)	3,855	(104)	3,751
2002 First Series	02/01/02	4.45% - 4.60%	2012 - 2013	4,495	-	-	-	4,495	(83)	4,412
2002 Second Series	02/01/02	3.70% - 5.375%	2006 - 2024	32,660	-	(475)	(3,510)	28,675	(823)	27,852
Total				$ 330,105	$ -	$ (9,565)	$ (125,725)	$ 194,815	$ (2,063)	$ 192,752
Multi-Family Housing Revenue Bonds										
1995 Series B	12/01/95	5.00% - 5.65%	2006 - 2015	$ 3,180	$ -	$ -	$ (3,180)	$ -	$ -	$ -
1998 Series A	11/01/98	4.20% - 5.15%	2006 - 2029	6,180	-	(180)	-	6,000	-	6,000
2001 Series A	10/01/01	3.30% - 5.10%	2006 - 2028	1,935	-	(80)	(60)	1,795	(41)	1,754
2001 Series B	10/01/01	3.60% - 5.35%	2006 - 2032	15,330	-	(345)	(12,940)	2,045	(81)	1,964
2002 Series A	03/01/02	3.55% - 5.40%	2006 - 2033	8,840	-	(410)	-	8,430	(202)	8,228
2002 Series B	03/01/02	3.90% - 5.60%	2006 - 2033	12,075	-	-	(12,075)	-	-	-
2003 Series A	06/19/03	1.50% - 4.45%	2006 - 2034	31,375	-	(1,080)	(11,255)	19,040	(595)	18,445
2003 Series B	06/19/03	1.75% - 4.40%	2006 - 2023	1,855	-	(80)	-	1,775	(63)	1,712
2003 Series C	06/19/03	Variable Rate	2033	18,690	-	(680)	-	18,010	-	18,010
2004 Series A	03/31/04	Variable Rate	2036	24,455	-	(725)	-	23,730	(670)	23,060
Total				$ 123,915	$ -	$ (3,580)	$ (39,510)	$ 80,825	$ (1,652)	$ 79,173

Community Development Administration
Revenue Obligation Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2006

NOTE 7 - BONDS PAYABLE (Continued)

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2005	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2006	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2006
Housing Revenue Bonds										
Series 1996 A	11/01/96	5.00% - 5.95%	2005 - 2023	$ 56,950	$ -	$ (3,035)	$ (8,695)	$ 45,220	$ -	$ 45,220
Series 1996 B	11/01/96	5.00% - 5.95%	2005 - 2028	1,825	-	(50)	-	1,775	-	1,775
Series 1997 A	06/01/97	4.80% - 6.00%	2005 - 2039	35,545	-	(330)	-	35,215	-	35,215
Series 1997 B	09/01/97	4.70% - 5.75%	2005 - 2039	7,375	-	(65)	-	7,310	-	7,310
Series 1997 C	12/01/97	4.50% - 5.65%	2005 - 2039	13,450	-	(130)	-	13,320	-	13,320
Series 1998 A	04/01/98	4.50% - 5.625%	2005 - 2040	10,560	-	(110)	-	10,450	-	10,450
Series 1999 A	02/01/99	4.00% - 5.35%	2005 - 2041	15,850	-	(150)	-	15,700	-	15,700
Series 1999 B	10/15/99	4.90% - 6.40%	2005 - 2042	15,295	-	(180)	-	15,115	-	15,115
Series 1999 C	10/15/99	5.85% - 6.40%	2014 - 2040	510	-	(5)	-	505	-	505
Series 1999 D	12/01/99	5.00% - 6.35%	2005 - 2042	13,435	-	(330)	-	13,105	-	13,105
Series 2000 A	10/01/00	4.75% - 6.10%	2005 - 2042	27,045	-	(220)	-	26,825	-	26,825
Series 2001 A	07/01/01	3.95% - 5.625%	2005 - 2043	29,645	-	(215)	-	29,430	-	29,430
Series 2001 B	10/01/01	3.35% - 5.45%	2005 - 2043	46,810	-	(820)	-	45,990	-	45,990
Series 2002 A	03/01/02	3.60% - 5.70%	2005 - 2043	9,415	-	(75)	-	9,340	-	9,340
Series 2002 B	10/01/02	2.20% - 5.05%	2005 - 2045	33,570	-	(180)	-	33,390	-	33,390
Series 2002 C	10/01/02	2.20% - 5.00%	2005 - 2035	6,740	-	(80)	-	6,660	-	6,660
Series 2002 D	10/01/02	2.20% - 5.00%	2005 - 2035	8,280	-	(40)	-	8,240	-	8,240
Series 2003 A	04/01/03	3.00% - 5.22%	2008 - 2045	24,730	-	-	-	24,730	-	24,730
Series 2003 B	07/01/03	2.35% - 5.00%	2007 - 2045	17,660	-	-	-	17,660	-	17,660
Series 2003 C	09/01/03	2.70% - 5.90%	2007 - 2045	10,735	-	-	-	10,735	(6)	10,729
Series 2003 D	12/01/03	2.50% - 5.125%	2007 - 2045	12,080	-	-	-	12,080	-	12,080
Series 2004 A	01/01/04	2.30% - 5.10%	2007 - 2045	11,130	-	-	(265)	10,865	-	10,865
Series 2004 B	03/31/04	2.50% - 4.70%	2009 - 2046	20,320	-	-	-	20,320	-	20,320
Series 2004 C	06/10/04	4.00% - 5.40%	2010 - 2047	36,515	-	-	-	36,515	-	36,515
Series 2004 D	11/23/04	2.80% - 5.00%	2007 - 2037	3,270	-	(35)	-	3,235	-	3,235
Series 2005 A	02/17/05	4.25% - 4.85%	2015 - 2047	6,385	-	-	-	6,385	-	6,385
Series 2005 B	04/21/05	3.15% - 5.10%	2008 - 2047	19,355	-	-	-	19,355	-	19,355
Series 2005 C	12/14/05	3.625% - 5.15%	2008 - 2047	-	13,985	-	-	13,985	-	13,985
Series 2006 A	04/27/06	3.65% - 5.05%	2007 - 2047	-	10,800	-	-	10,800	-	10,800
Series 2006 B	04/27/06	3.65% - 5.00%	2007 - 2039	-	4,800	-	-	4,800	-	4,800
Series 2006 C	04/27/06	3.45% - 4.75%	2007 - 2036	-	2,120	-	-	2,120	-	2,120
Total				$ 494,480	$ 31,705	$ (6,050)	$ (8,960)	$ 511,175	$ (6)	$ 511,169

(in thousands)

NOTE 7 - BONDS PAYABLE (Continued)

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2005	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2006	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2006
Residential Revenue Bonds										
1997 Series A	08/01/97	5.60%	2017	$ 16,235	$ -	$ -	$ (11,310)	$ 4,925	$ -	$ 4,925
1997 Series B	08/01/97	4.95% - 5.875%	2005 - 2029	35,440	-	(965)	(34,475)	-	-	-
1998 Series A	01/01/98	4.70% - 5.05%	2010 - 2017	4,640	-	-	-	4,640	-	4,640
1998 Series B	01/01/98	4.45% - 5.35%	2005 - 2030	42,385	-	(1,395)	(5,290)	35,700	24	35,724
1998 Series D	12/01/98	4.25% - 5.25%	2005 - 2029	40,110	-	(1,270)	(890)	37,950	-	37,950
1999 Series C	05/01/99	4.70% - 4.95%	2011 - 2015	2,665	-	-	-	2,665	-	2,665
1999 Series D	05/01/99	4.25% - 5.40%	2005 - 2031	38,270	-	(955)	(2,955)	34,360	(13)	34,347
1999 Series E	08/01/99	4.60% - 5.70%	2005 - 2017	21,965	-	(1,335)	(5,905)	14,725	-	14,725
1999 Series F	08/01/99	5.375% - 5.95%	2019 - 2029	14,480	-	-	(14,480)	-	-	-
1999 Series H	12/01/99	6.15%	2025	11,630	-	-	(1,440)	10,190	-	10,190
2000 Series A	03/01/00	5.15% - 5.25%	2007 - 2009	2,760	-	-	(1,725)	1,035	-	1,035
2000 Series F	08/01/00	4.45% - 5.20%	2005 - 2014	14,360	-	(1,170)	(2,395)	10,795	-	10,795
2000 Series H	12/01/00	4.75% - 5.80%	2005 - 2032	43,385	-	(825)	(42,560)	-	-	-
2001 Series A	03/01/01	3.875% - 5.00%	2005 - 2017	14,290	-	(815)	(45)	13,430	-	13,430
2001 Series B	03/01/01	4.65% - 5.45%	2011 - 2032	32,805	-	-	(2,355)	30,450	-	30,450
2001 Series E	06/01/01	3.70% - 4.65%	2005 - 2012	12,065	-	(1,300)	-	10,765	-	10,765
2001 Series F	06/01/01	5.30% - 5.60%	2016 - 2032	60,590	-	-	(1,900)	58,690	-	58,690
2001 Series G	08/15/01	3.30% - 4.20%	2005 - 2011	7,530	-	(885)	-	6,645	-	6,645
2001 Series H	08/15/01	4.40% - 5.35%	2011 - 2033	38,475	-	-	(2,035)	36,440	-	36,440
2002 Series A	02/01/02	3.35% - 5.45%	2005 - 2033	7,515	-	(125)	(670)	6,720	-	6,720
2003 Series A	11/01/03	1.35% - 4.05%	2005 - 2015	9,550	-	(760)	-	8,790	-	8,790
2003 Series B	11/01/03	1.65% - 5.00%	2005 - 2026	14,390	-	(40)	(3,275)	11,075	527	11,602
2003 Series C	12/09/03	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series A	05/13/04	1.80% - 4.20%	2006 - 2016	10,710	-	-	-	10,710	-	10,710
2004 Series B	05/13/04	2.20% - 5.00%	2006 - 2028	18,535	-	-	(3,510)	15,025	534	15,559
2004 Series C	05/13/04	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series D	08/12/04	2.20% - 4.40%	2006 - 2016	12,960	-	-	-	12,960	-	12,960
2004 Series E	08/12/04	2.45% - 5.25%	2006 - 2030	26,880	-	-	(3,870)	23,010	585	23,595
2004 Series F	08/12/04	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series G	11/10/04	1.70% - 3.65%	2006 - 2016	13,445	-	-	-	13,445	-	13,445
2004 Series H	11/10/04	1.95% - 5.00%	2006 - 2029	26,495	-	-	(2,995)	23,500	831	24,331
2004 Series I	11/10/04	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series J	11/10/04	2.05%	12/5/05	91,795	-	(91,795)	-	-	-	-
2004 Series K	11/10/04	2.10%	12/5/05	78,260	-	(78,260)	-	-	-	-
2005 Series A	03/30/05	2.60% - 3.90%	2007 - 2016	12,640	-	-	-	12,640	-	12,640
2005 Series B	03/30/05	4.55% - 5.25%	2023 - 2029	27,360	-	-	(895)	26,465	850	27,315
2005 Series C	03/30/05	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2005 Series D	11/10/05	2.95% - 4.05%	2007 - 2017	-	13,485	-	-	13,485	-	13,485
2005 Series E	11/10/05	4.75% - 5.50%	2025 - 2036	-	46,515	-	(210)	46,305	1,011	47,316
2005 Series F	11/10/05	3.12%	11/24/06	-	91,795	-	-	91,795	-	91,795
2005 Series G	11/10/05	3.20%	11/24/06	-	103,205	-	-	103,205	-	103,205
2006 Series A	02/23/06	3.30% - 4.10%	2008 - 2017	-	12,020	-	-	12,020	-	12,020
2006 Series B	02/23/06	4.75% - 5.50%	2025 - 2037	-	47,980	-	-	47,980	931	48,911
2006 Series C	02/23/06	3.375%	3/7/07	-	95,120	-	-	95,120	-	95,120
2006 Series D	02/23/06	3.40%	3/7/07	-	24,880	-	-	24,880	-	24,880
2006 Series E	05/24/06	3.55% - 4.35%	2008 - 2017	-	23,540	-	-	23,540	-	23,540
2006 Series F	05/24/06	4.80% - 6.00%	2021 - 2039	-	56,460	-	-	56,460	2,591	59,051
2006 Series G	05/24/06	Variable rate	2040	-	40,000	-	-	40,000	-	40,000
Total				$ 904,615	$ 555,000	$ (181,895)	$ (145,185)	$ 1,132,535	$ 7,871	$ 1,140,406

(in thousands)

NOTE 8 - DEBT SERVICE REQUIREMENTS

As of June 30, 2006, the required principal payments for short-term debt and bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to year end 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	Single Family Program Bonds		Multi-Family Housing Revenue Bonds		Housing Revenue Bonds		Residential Revenue Bonds	
Ended June 30,	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2007	$ 9,102	$ 23,860	$ 3,247	$ 20,110	$ 26,630	$ 6,405	$ 45,405	$ 345,570
2008	8,261	12,670	2,921	2,670	26,548	10,560	37,132	16,455
2009	7,697	14,390	2,811	2,740	26,078	10,655	36,425	19,810
2010	7,062	15,060	2,697	2,820	25,610	10,140	35,658	20,390
2011	6,378	12,265	2,577	2,885	25,125	10,715	34,817	21,520
2012-2016	22,874	61,080	10,974	13,920	117,534	57,625	159,425	114,815
2017-2021	9,462	50,775	7,324	16,465	102,819	50,025	133,349	118,275
2022-2026	422	4,715	3,634	10,720	89,726	51,555	100,470	142,840
2027-2031	-	-	1,680	4,795	74,352	65,195	63,477	126,155
2032-2036	-	-	465	3,700	54,891	80,960	35,638	170,550
2037-2041	-	-	-	-	30,960	91,125	3,748	36,155
2042-2046	-	-	-	-	8,556	62,080	-	-
2047-2051	-	-	-	-	160	4,135	-	-
Totals	$ 71,258	$ 194,815	$ 38,330	$ 80,825	$ 608,989	$ 511,175	$ 685,544	$ 1,132,535

The interest calculations on outstanding variable rate bonds in the amounts of $41,740 in Multi-Family Housing Revenue Bonds and $140,000 in Residential Revenue Bonds are based on the variable rates in effect on June 30, 2006 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. CDA anticipates that the net swap payments and

(in thousands)

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

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 cash flow hedges.

Terms and Fair Value

The terms, including the fair values of the outstanding swaps as of June 30, 2006, are provided below. The counterparty credit ratings for all outstanding swaps as of June 30, 2006 are listed under the Credit Risk section. For each of the outstanding swap agreements the variable rates are reset monthly, and the final maturity dates of the underlying bonds and the final termination dates of the corresponding swap agreements are the same. The fair values presented below are based on the market values and are affirmed by an independent advisor who used valuation methods and assumptions in accordance with the GASB Technical Bulletin No. 2003-1.

Swap Counter-party	**Associated Bond Issue**	**Original Notional Amount**	**Outstanding Notional Amount**	**Effective Date**	**Fixed Rate Paid**	**Variable Rate Received**	**Fair Value**	**Swap Final Termination Date**
Bear Stearns Financial Products (BSFP)	2004 Series I	$20,000	$20,000	9/1/2005	3.8525%	64% of LIBOR plus 0.29%	$1,060	9/1/2035 (1)
UBS AG	2006 Series G	$40,000	$40,000	5/24/2006	4.403%	64% of LIBOR plus 0.29%	($178)	9/1/2040 (2)
Bear Stearns Financial Products (BSFP)	2006 Series J (3)	$40,000	$40,000	7/13/2006 (3)	4.403%	64% of LIBOR plus 0.29%	($201)	9/1/2040 (2)

Refer to page 30 for description of notes.

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

Notes:

(1) 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.

(2) 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.

(3) CDA entered into this interest rate swap agreement on May 25, 2006 in connection with the 2006 Series J variable rate bonds issued on July 13, 2006.

Basis Risk

The swaps would expose CDA to basis risk should the relationship between the London Interbank Offered Rate and the Bond Market 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 Bond Market 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, 2006. Should BSFP fail to perform according to the terms of the swap contracts, CDA would face a maximum possible loss equivalent to the swaps' fair value of $859. CDA was not exposed to credit risk under the swap agreement with UBS AG since the swap had a negative fair value. However, should the valuation of the swap change, and the fair value turn positive, CDA would be exposed to credit risk in the amount of the swap's fair value. 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.

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, 2006 are summarized below:

Swap Counterparty	Outstanding Notional Amount	Current Credit Rating	Collateral Posting Credit Rating Threshold	Fair Value
Bear Stearns Financial Products (BSFP)	$60,000	Aaa from Moody's AAA from Standard and Poor's	A1 or below from Moody's or A+ or below from Standard and Poor's	$859
UBS AG	$40,000	Aa2 from Moody's AA+ from Fitch	A1 or below from Moody's or A+ or below from Fitch	($178)

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.

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.

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

Rollover Risk

CDA is exposed to rollover risk on the swap agreements if one terminates prior to the maturity of the associated debt. Each of CDA's swap agreements has the same final termination date as the final maturity date 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.

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.

(in thousands)

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

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 five-year increments thereafter. The interest calculations are based on the variable rates in effect on June 30, 2006, 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
2007	$ -	$ 1,983	$ 302	$ 2,285
2008	-	2,408	360	2,768
2009	-	2,396	366	2,762
2010	-	2,402	366	2,768
2011	-	2,402	366	2,768
2012 - 2016	-	12,016	1,819	13,835
2017 - 2021	-	12,004	1,825	13,829
2022 - 2026	-	12,010	1,825	13,835
2027 - 2031	9,130	11,310	1,679	22,119
2032 - 2036	32,820	8,688	1,094	42,602
2037 - 2041	18,050	2,097	414	20,561
	$ 60,000	$ 69,716	$ 10,416	$ 140,132

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

NOTE 10 - BOND REFUNDINGS (Continued)

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.

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 GASB Statement No. 23 *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities*. This deferral is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. For the year ended June 30, 2006, CDA did not issue any refunding bonds for the purpose of lowering its cost of debt.

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 bonds and notes issued after 1981. 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.

Community Development Administration
Revenue Obligation Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2006

NOTE 11 - REBATE LIABILITY (Continued)

Rebate liability activity for the year ended June 30, 2006, was as follows:

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Rebate liability as of June 30, 2005	$ 15,691	$ 1,165	$ -	$ 1,294	$ -	$ 18,150
Change in estimated liability due to excess investment earnings	586	24	-	125	-	735
Change in estimated liability due to change in fair value of investments	(2,872)	387	-	(934)	-	(3,419)
Less - payments made	(7,290)	-	-	(445)	-	(7,735)
Rebate liability as of June 30, 2006	$ 6,115	$ 1,576	$ -	$ 40	$ -	$ 7,731

Total rebate liability is allocated as follows:

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Estimated liability due to excess investment earnings	$ 1,760	$ 53	$ -	$ 40	$ -	$ 1,853
Estimated liability due to change in fair value of investments	4,355	1,523	-	-	-	5,878
Rebate liability as of June 30, 2006	$ 6,115	$ 1,576	$ -	$ 40	$ -	$ 7,731

(in thousands)

NOTE 12 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2006, were as follows:

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Workers' compensation						
Beginning balance at 6/30/2005	$ -	$ -	$ -	$ -	$ 35	$ 35
Additions	-	-	-	-	13	13
Reductions	-	-	-	-	(3)	(3)
Ending balance at 6/30/2006	-	-	-	-	45	45
Less due within one year	-	-	-	-	(7)	(7)
Total long-term workers' compensation	-	-	-	-	38	38
Compensated absences						
Beginning balance at 6/30/2005	-	-	-	-	533	533
Additions	-	-	-	-	280	280
Reductions	-	-	-	-	(384)	(384)
Ending balance at 6/30/2006	-	-	-	-	429	429
Less due within one year	-	-	-	-	(270)	(270)
Total long-term compensated absences	-	-	-	-	159	159
Rebate liability						
Beginning balance at 6/30/2005	15,691	1,165	-	1,294	-	18,150
Additions	585	411	-	125	-	1,121
Reductions	(10,161)	-	-	(1,379)	-	(11,540)
Ending balance at 6/30/2006	6,115	1,576	-	40	-	7,731
Less due within one year	-	(656)	-	-	-	(656)
Total long-term rebate liability	6,115	920	-	40	-	7,075

(continued)

Community Development Administration
Revenue Obligation Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2006

NOTE 12 - LONG-TERM OBLIGATIONS (Continued)

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Bonds payable						
Beginning balance at 6/30/2005	$ 327,121	$ 121,044	$ 494,474	$ 908,409	$ -	$ 1,851,048
Additions	-	-	31,705	559,557	-	591,262
Reductions	(135,290)	(43,090)	(15,010)	(327,080)	-	(520,470)
Change in deferred amounts for issuance discounts/premiums	-	-	-	(480)	-	(480)
Change in deferred amounts on refundings	921	1,219	-	-	-	2,140
Ending balance at 6/30/2006	192,752	79,173	511,169	1,140,406	-	1,923,500
Less due within one year	(23,860)	(20,110)	(6,405)	(345,570)	-	(395,945)
Total long-term bonds payable	168,892	59,063	504,764	794,836	-	1,527,555
Deposits by borrowers						
Beginning balance at 6/30/2005	-	12,457	20,228	-	-	32,685
Additions	-	5,396	5,428	-	-	10,824
Reductions	-	(7,374)	(8,877)	-	-	(16,251)
Ending balance at 6/30/2006	-	10,479	16,779	-	-	27,258
Less due within one year	-	(4,083)	(4,846)	-	-	(8,929)
Total long-term deposits by borrowers	-	6,396	11,933	-	-	18,329
Deferred income						
Beginning balance at 6/30/2005	-	155	5,394	-	-	5,549
Additions	-	-	362	-	-	362
Reductions	-	(155)	(133)	-	-	(288)
Ending balance at 6/30/2006	-	-	5,623	-	-	5,623
Total long-term deferred income	-	-	5,623	-	-	5,623
Total long-term liabilities	$ 175,007	$ 66,379	$ 522,320	$ 794,876	$ 197	$ 1,558,779

(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 were no bonds outstanding in GBRF as of June 30, 2006.

During the year ended June 30, 2006, CDA transferred the following amounts, as permitted, among Funds:

	Transfers among Funds					
	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Single family commitment fees	$ -	$ -	$ -	$ (39)	$ 39	$ -
Multi-family financing fees	-	-	(246)	-	246	-
Excess revenue	(3,875)	(1,000)	(1,125)	-	6,000	-
Cost of issuance on bonds	(2,415)	-	-	2,415	-	-
Transfer surplus funds for loan originations	-	(2,150)	2,150	-	-	-
Transfer to separate account in accordance with HUD agreement	-	(213)	-	-	-	(213)
	$ (6,290)	$ (3,363)	$ 779	$ 2,376	$ 6,285	$ (213)

(in thousands)

NOTE 13 - INTERFUND ACTIVITY (Continued)

As of June 30, 2006, interfund balances consisted of the following:

	Due from (to) other Funds				
	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund
Servicer receipts for participation loans	$ 287	$ -	$ -	$ (287)	$ -

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 Draw Down Mortgage Revenue Bonds are secured by an investment equal to the debt outstanding. 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. 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 financial statements.

	Amount Issued	Outstanding at June 30, 2006
Multifamily Development Revenue Bonds		
1990 Issue B (Middle Branch Manor)	$ 12,350	$ 9,550
1990 Issue C (Harbor City Townhomes)	$ 4,150	$ 3,250
Series 1998 A (Auburn Manor)	$ 11,000	$ 9,815
Series 1999 A (GNMA - Selborne House)	$ 2,150	$ 2,070
Series 2000 A (Waters Landing II Apartments)	$ 11,000	$ 10,715
Series 2000 B-1 (Edgewater Village Apartments)	$ 7,640	$ 7,045
Series 2000 B-2 (Edgewater Village Apartments)	$ 3,125	$ 3,125
Series 2000 C (Park Montgomery Apartments)	$ 6,170	$ 5,495

(in thousands)

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

	Amount Issued		Outstanding at June 30, 2006	
Series 2001 C (Parklane Apartments)	$	9,800	$	9,800
Series 2001 D (Princess Anne Townhouses)	$	4,350	$	4,060
Series 2001 E (Princess Anne Townhouses)	$	2,875	$	2,795
Series 2001 F (Waters Tower Senior Apartments)	$	7,570	$	7,015
Series 2001 G (Waters Tower Senior Apartments)	$	4,045	$	3,925
Series 2002 B (Broadway Homes)	$	5,045	$	2,365
Series 2002 C (Orchard Mews Apartments)	$	5,845	$	5,715
Series 2003 A (Barrington Apartments)	$	40,000	$	40,000
Series 2005 A (Fort Washington Manor Sr. Housing)	$	14,000	$	14,000
Series 2005 B (Washington Gardens)	$	5,000	$	5,000
Multifamily Development Revenue Refunding Bonds				
Series 1997 (Avalon Lea Apartments)	$	16,835	$	16,835
Series 1997 (Avalon Ridge Apartments)	$	26,815	$	26,815
Series 1999 C (Westfield/Greens)	$	9,200	$	8,400
Draw Down Mortgage Revenue Bonds				
Series 2005-1 (AMT)	$	50	$	50
Series 2005-2 (Non-AMT)	$	160,900	$	37,470
Capital Fund Securitization Revenue Bonds				
Series 2003	$	94,295	$	93,480

The Multifamily Development Revenue Bonds, the Multifamily Development Revenue Refunding Bonds, the Draw Down Mortgage Revenue Bonds and the Capital Fund Securitization Revenue Bonds 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.

Subsequent to June 30, 2006, CDA issued Draw Down Mortgage Revenue Bonds in the amount of $30,150 on August 1, 2006. CDA also redeemed $17,670 of Draw Down Mortgage Revenue Bonds on August 1, 2006.

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.

For a loan insured by an agency of the U.S. Government in Single Family Program Bonds, 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. Less than 3% of all loans either did not have primary mortgage insurance due to their original loan-to-value ratios of less than 75% or have cancelled primary mortgage insurance due to their outstanding balance falling below 75% of the original loan amount. Single family mortgagors pay the premiums for primary mortgage insurance. For any losses not covered by primary mortgage insurance in Single Family Program Bonds, CDA has purchased pool insurance or established specific reserves. For each series of bonds, pool insurance coverage cannot exceed 10% of the amount of proceeds of the series of bonds. Maryland Housing Fund (MHF) has issued most of the pool insurance policies.

Loans insured by an agency of the U.S. Government in Residential Revenue Bonds are insured in an amount substantially equal to the unpaid principal amount of the loan. Approximately 17% of total loans are insured by private mortgage insurers or MHF at 35% of the loan amount. In the opinion of management, these coverage levels are sufficient so that no pool insurance or reserves are required. An allowance for loan losses has been established for loans insured by private mortgage insurers. Premiums are paid by single family mortgagors.

(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 (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 - COMMITMENTS

As of June 30, 2006, CDA had approximately $257,033 in reservations for single family mortgages at interest rates ranging from 4.875% to 6.75%. CDA plans to purchase these loans with proceeds from Residential Revenue Bonds. CDA also had commitments to purchase, from the proceeds of Housing Revenue Bonds, approximately $13,919 in GNMA mortgage-backed securities to finance mortgage loans on multi-family projects. The interest rates on the securities range from 5.11% to 5.90%.

NOTE 18 - SUBSEQUENT EVENTS

Subsequent to the year ended, June 30, 2006, the following bond activity took place:

<u>Single Family Program Bonds</u>

On September 1, 2006, CDA redeemed the following bonds:

1993 Third Series	$815
1999 First Series	$6,675
1999 Third Series	$725
2001 Second Series	$485
2002 Second Series	$375

(in thousands)

NOTE 18 - SUBSEQUENT EVENTS (Continued)

Multi-Family Housing Revenue Bonds

On July 21, 2006, CDA redeemed the following bonds:

1998 Series A	$2,425
2001 Series B	$2,045
2003 Series A	$1,150

On September 8, 2006, CDA redeemed the following bonds:

1998 Series A	$3,475
2001 Series A	$75
2002 Series A	$8,330

Residential Revenue Bonds

On July 13, 2006, CDA issued the following bonds:

2006 Series H	$17,670
2006 Series I	$142,330
2006 Series J	$60,000

On September 1, 2006, CDA redeemed the following bonds:

1997 Series A	$4,925
1999 Series E	$390
1999 Series H	$65
2000 Series A	$405
2000 Series F	$55
2001 Series F	$8,425
2001 Series H	$85
2002 Series A	$95
2003 Series B	$295
2004 Series B	$510
2004 Series E	$225
2004 Series H	$565
2005 Series B	$95
2005 Series E	$320

(in thousands)

NOTE 18 - SUBSEQUENT EVENTS (Continued)

Residential Revenue Bonds (Continued)

On September 14, 2006, CDA issued the following bonds:

2006 Series K	$15,000
2006 Series L	$165,000
2006 Series M	$76,795
2006 Series N	$103,205

Effective July 13, 2006, CDA entered into two interest rate exchange agreements (swaps): one for a notional amount of $40,000 on May 25, 2006 and the other for a notional amount of $20,000 on July 11, 2006. These agreements, synthetic fixed rate contracts, will hedge $60,000 in variable rate debt in Residential Revenue Bonds, 2006 Series J issued on July 13, 2006.

Community Development Administration
Revenue Obligation Funds

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

June 30, 2006
(Unaudited)

During fiscal year 1997, CDA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 31. This statement requires the financial statements of CDA to reflect 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, 2006, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and amortized cost:

Fiscal Year Period	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Cumulative FY 1996 and prior periods	$ 28,537	$ 1,972	$ -	$ -	$ 620	$ 31,129
FY 1997	3,461	415	(352)	-	175	3,699
FY 1998	18,225	3,431	832	-	90	22,578
FY 1999	(14,325)	(2,009)	(407)	-	(191)	(16,932)
FY 2000	(1,536)	(154)	48	(227)	(237)	(2,106)
FY 2001	1,356	1,192	193	551	244	3,536
FY 2002	3,372	(668)	157	97	405	3,363
FY 2003	18,005	755	889	544	519	20,712
FY 2004	(17,786)	(2,004)	(678)	(674)	(1,368)	(22,510)
FY 2005	(18,117)	1,784	897	403	(403)	(15,436)
FY 2006	(16,085)	(3,336)	(866)	(1,567)	(526)	(22,380)
Cumulative total	$ 5,107	$ 1,378	$ 713	$ (873)	$ (672)	$ 5,653

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, 2006
(Unaudited)

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

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Decrease in fair value of investments held at June 30, 2006	$ (16,085)	$ (3,336)	$ (866)	$ (1,567)	$ (526)	$ (22,380)
Realized gains on investments sold	10,614	1,271	-	-	-	11,885
Adjustment due to change in rebate liability (see Note 11)	2,872	(387)	-	934	-	3,419
Decrease in fair value of investments, net of rebate, as reported on the Combined Statement of Revenue, Expenses and Changes in Net Assets	$ (2,599)	$ (2,452)	$ (866)	$ (633)	$ (526)	$ (7,076)

For mortgage-backed securities held by CDA as of June 30, 2006, the following schedule summarizes annual increases/decreases in fair value:

Fiscal Year Period	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Combined
FY 2000	$ (452)	$ (3,825)	$ (4,277)
FY 2001	1,358	(3,291)	(1,933)
FY 2002	812	3,340	4,152
FY 2003	884	21,435	22,319
FY 2004	(1,476)	(11,126)	(12,602)
FY 2005	(670)	12,879	12,209
FY 2006	(456)	(27,704)	(28,160)
Cumulative total	$ -	$ (8,292)	$ (8,292)