Reznick Group

COMBINED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

COMMUNITY DEVELOPMENT ADMINISTRATION REVENUE OBLIGATION FUNDS

JUNE 30, 2007

Community Development Administration
Revenue Obligation Funds

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Reznick Group

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INDEPENDENT AUDITORS' REPORT

Office of the Secretary
Department of Housing and Community Development

We have audited the accompanying combined financial statements of the Community Development Administration Revenue Obligation Funds (the Funds) of the Department of Housing and Community Development of the State of Maryland as of and for the year ended June 30, 2007, 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, 2007, 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, 2007, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Reznick Group, P.C.

Baltimore, Maryland
September 27, 2007

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF NET ASSETS
(in thousands)

June 30, 2007
(with comparative combined totals as of June 30, 2006)

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2007	Combined 2006
RESTRICTED ASSETS							
Restricted current assets							
Cash and cash equivalents on deposit with trustee	$ 8,990	$ 30,049	$ 72,384	$ 543,151	$ 9,730	$ 664,304	$ 230,452
Investments	14,771	-	477	353,808	14,347	383,403	428,668
Mortgage-backed securities	-	-	3,471	-	-	3,471	2,841
Mortgage loans, net of allowance							
Single family	8,200	-	22	16,511	-	24,733	24,156
Multi-family construction and permanent financing	-	2,412	3,620	-	3,703	9,735	5,825
Energy and rehabilitation	-	-	-	-	45	45	52
Accrued interest and other receivables	2,961	784	2,851	20,965	319	27,880	22,014
Due from State Treasurer	-	-	-	-	-	-	1,526
Due from other Funds	195	-	337	-	-	532	287
Total restricted current assets	35,117	33,245	83,162	934,435	28,144	1,114,103	715,821
Restricted long-term assets							
Investments, net of current portion	56,610	10,652	6,279	27,681	14,951	116,173	132,544
Mortgage-backed securities, net of current portion	-	-	418,714	-	-	418,714	397,928
Mortgage loans, net of current portion							
Single family	172,883	-	357	1,364,514	42	1,537,796	916,717
Multi-family construction and permanent financing	-	70,942	90,226	-	1,262	162,430	171,819
Energy and rehabilitation	-	-	-	-	99	99	141
Deferred bond issuance costs	837	365	409	12,826	-	14,437	8,938
Total restricted long-term assets	230,330	81,959	515,985	1,405,021	16,354	2,249,649	1,628,087
Total restricted assets	$ 265,447	$ 115,204	$ 599,147	$ 2,339,456	$ 44,498	$ 3,363,752	$ 2,343,908

(continued)

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF NET ASSETS - CONTINUED
(in thousands)

June 30, 2007
(with comparative combined totals as of June 30, 2006)

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2007	Combined 2006
LIABILITIES AND NET ASSETS							
Current liabilities							
Accrued interest payable	$ 1,690	$ 119	$ 13,513	$ 27,890	$ -	$ 43,212	$ 31,019
Accounts payable	73	693	1	187	481	1,435	3,321
Accrued workers' compensation	-	-	-	-	5	5	7
Accrued compensated absences	-	-	-	-	335	335	270
Due to State Treasurer	-	-	-	-	1,746	1,746	-
Rebate liability	1,165	-	-	-	-	1,165	656
Bonds payable and short-term debt	16,590	1,700	9,170	338,665	-	366,125	395,945
Deposits by borrowers	-	3,070	4,037	-	-	7,107	8,929
Due to other Funds	-	-	-	195	337	532	287
Total current liabilities	19,518	5,582	26,721	366,937	2,904	421,662	440,434
Long-term liabilities							
Accrued workers' compensation, net of current portion	-	-	-	-	25	25	38
Accrued compensated absences, net of current portion	-	-	-	-	71	71	159
Rebate liability, net of current portion	5,523	472	-	3,501	-	9,496	7,075
Bonds payable, net of current portion	123,553	33,865	523,454	1,847,821	-	2,528,693	1,527,555
Deposits by borrowers, net of current portion	-	6,458	13,242	-	-	19,700	18,329
Deferred income	-	-	5,863	-	-	5,863	5,623
Total long-term liabilities	129,076	40,795	542,559	1,851,322	96	2,563,848	1,558,779
Total liabilities	148,594	46,377	569,280	2,218,259	3,000	2,985,510	1,999,213
COMMITMENTS AND CONTINGENCIES	-	-	-	-	-	-	-
NET ASSETS							
Restricted	116,853	68,827	29,867	121,197	41,498	378,242	344,695
Total liabilities and net assets	$ 265,447	$ 115,204	$ 599,147	$ 2,339,456	$ 44,498	$ 3,363,752	$ 2,343,908

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, 2007
(with comparative combined totals as of June 30, 2006)

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2007	Combined 2006
Operating revenue							
Interest on mortgage loans	$ 13,845	$ 6,224	$ 6,546	$ 56,475	$ 126	$ 83,216	$ 67,992
Interest on mortgage-backed securities	-	-	23,262	-	-	23,262	21,937
Interest income on investments, net of rebate	4,871	2,075	2,384	34,549	1,600	45,479	30,137
Increase (decrease) in fair value of investments, net of rebate	209	1,110	48	1,062	437	2,866	(7,076)
Fee and deferred income	191	209	213	503	2,213	3,329	5,066
Other operating revenue	-	676	1	-	8	685	145
	19,116	10,294	32,454	92,589	4,384	158,837	118,201
Operating expenses							
Interest expense on bonds and short-term debt	8,225	2,467	26,883	73,918	-	111,493	84,493
Professional fees and other operating expenses	1,005	180	172	1,409	255	3,021	2,913
Salaries and related costs	-	-	-	-	5,269	5,269	5,710
General and administrative costs	-	-	-	-	3,158	3,158	2,692
Loss on foreclosure claims	44	-	-	168	3	215	135
Provision for loan losses	-	-	-	731	-	731	534
Origination expenses	-	-	-	880	-	880	541
Amortization of bond issuance costs	251	45	25	1,913	-	2,234	1,328
Loss on early retirement of debt	1,038	716	2	18	-	1,774	3,661
	10,563	3,408	27,082	79,037	8,685	128,775	102,007
Operating income (loss)	8,553	6,886	5,372	13,552	(4,301)	30,062	16,194
Nonoperating revenue (expenses)							
Increase (decrease) in fair value of mortgage-backed securities	-	-	3,661	-	-	3,661	(28,160)
Total nonoperating revenue (expenses)	-	-	3,661	-	-	3,661	(28,160)
Transfers of funds, net, as permitted by the various bond indentures	(15,280)	(176)	(1,092)	8,905	7,467	(176)	(213)
CHANGES IN NET ASSETS	(6,727)	6,710	7,941	22,457	3,166	33,547	(12,179)
Net assets - restricted at beginning of year	123,580	62,117	21,926	98,740	38,332	344,695	356,874
Net assets - restricted at end of year	$ 116,853	$ 68,827	$ 29,867	$ 121,197	$ 41,498	$ 378,242	$ 344,695

See notes to combined financial statements

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF CASH FLOWS
(in thousands)

Year ended June 30, 2007
(with comparative combined totals as of June 30, 2006)

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2007	Combined 2006
Cash flows from operating activities							
Principal and interest received on mortgage loans	$ 56,409	$ 18,286	$ 11,448	$ 156,682	$ 179	$ 243,004	$ 327,912
Principal and interest received on mortgage-backed securities	-	-	26,474	-	-	26,474	39,420
Escrow funds received	-	4,756	5,619	-	-	10,375	10,886
Escrow funds paid	-	(5,381)	(4,820)	-	-	(10,201)	(16,251)
Mortgage insurance claims received	1,411	-	-	2,357	-	3,768	10,275
Foreclosure expenses paid	(276)	-	-	(456)	-	(732)	(2,016)
Loan fees and deferred income received	-	9	120	2,926	2,281	5,336	3,583
Loan fees disbursed	-	-	-	(7,314)	-	(7,314)	(2,690)
Purchase of mortgage loans	(165)	-	(7,602)	(767,055)	(4,259)	(779,081)	(219,096)
Purchase of mortgage-backed securities	-	-	(21,044)	-	-	(21,044)	(45,761)
Professional fees and other operating expenses	(977)	(180)	(172)	(1,294)	(261)	(2,884)	(2,854)
Other income received	-	676	1	-	8	685	145
Salaries and related costs	-	-	-	-	(2,593)	(2,593)	(7,374)
General and administrative costs	-	-	-	-	(2,600)	(2,600)	(3,046)
Other reimbursements	-	470	-	-	650	1,120	139
Net cash provided by (used in) operating activities	56,402	18,636	10,024	(614,154)	(6,595)	(535,687)	93,272
Cash flows from investing activities							
Proceeds from maturities or sales of investments	68,568	12,932	13,423	1,271,510	12,635	1,379,068	671,401
Purchases of investments	(57,683)	(12,744)	(4,999)	(1,218,618)	(12,931)	(1,306,975)	(776,454)
Arbitrage rebates paid	-	-	-	-	-	-	(7,735)
Interest received on investments	5,919	1,913	2,224	25,730	1,525	37,311	22,137
Net cash provided by (used in) investing activities	16,804	2,101	10,648	78,622	1,229	109,404	(90,651)
Cash flows from noncapital financing activities							
Proceeds from sale of bonds	-	-	30,435	1,463,147	-	1,493,582	591,262
Payments on bond principal	(53,510)	(44,145)	(8,980)	(416,155)	-	(522,790)	(520,533)
Advance deposit on bonds (applied)	-	-	-	(2,200)	-	(2,200)	2,200
Bond issuance costs	-	-	-	(8,916)	-	(8,916)	(2,376)
Reimbursement of bond costs	-	214	1	-	-	215	507
Interest on bonds and short-term debt	(8,876)	(2,722)	(26,616)	(61,366)	-	(99,580)	(83,611)
Transfers among Funds	(15,280)	(176)	(1,092)	8,905	7,467	(176)	(213)
Net cash (used in) provided by noncapital financing activities	(77,666)	(46,829)	(6,252)	983,415	7,467	860,135	(12,764)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	(4,460)	(26,092)	14,420	447,883	2,101	433,852	(10,143)
Cash and cash equivalents on deposit with trustee at beginning of year	13,450	56,141	57,964	95,268	7,629	230,452	240,595
Cash and cash equivalents on deposit with trustee at end of year	$ 8,990	$ 30,049	$ 72,384	$ 543,151	$ 9,730	$ 664,304	$ 230,452

(continued)

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF CASH FLOWS - CONTINUED
(in thousands)

Year ended June 30, 2007
(with comparative combined totals as of June 30, 2006)

	Single Family Program Bonds	Multi-Family Housing Revenue Bonds	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2007	Combined 2006
Reconciliation of operating income (loss) to net cash from operating activities							
Operating income (loss)	$ 8,553	$ 6,886	$ 5,372	$ 13,552	$ (4,301)	$ 30,062	$ 16,194
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Decrease (increase) in assets							
Mortgage loans	42,779	12,011	(2,624)	(661,061)	(3,563)	(612,458)	41,741
Mortgage-backed securities	-	-	(17,755)	-	-	(17,755)	(28,278)
Accrued interest and other receivables	940	393	131	(7,380)	50	(5,866)	80
Due from State Treasurer	-	-	-	-	1,526	1,526	(1,526)
Due from other Funds	92	-	(337)	-	-	(245)	25
(Decrease) increase in liabilities							
Accrued interest payable	(651)	(255)	267	12,832	-	12,193	999
Accounts payable	28	470	(20)	(2,088)	(276)	(1,886)	3,013
Accrued workers' compensation and vacation leave	-	-	-	-	(38)	(38)	(94)
Due to State Treasurer	-	-	-	-	1,746	1,746	(398)
Rebate liability	573	(1,104)	-	3,461	-	2,930	(10,419)
Deposits by borrowers	-	(951)	500	-	-	(451)	(5,427)
Deferred income	-	-	240	-	-	240	74
Due to other Funds	-	-	-	(92)	337	245	(25)
Amortizations							
Deferred income and expense on loans	(191)	(200)	(61)	377	(3)	(78)	(1,208)
Investment discounts and premiums	158	(187)	(125)	(8,523)	(111)	(8,788)	(1,934)
Bond original issue discounts and premiums	-	-	-	(280)	-	(280)	(117)
Deferred bond issuance costs	251	45	25	1,913	-	2,234	1,328
Loan fees and expenses deferred	-	-	65	(4,388)	-	(4,323)	(2,455)
Provision for loan losses	-	-	-	731	-	731	534
(Increase) decrease in fair value of investments	(125)	3	(48)	(1,062)	(437)	(1,669)	22,380
Realized gains on investments sold	-	-	-	-	-	-	(11,885)
Arbitrage rebates paid	-	-	-	-	-	-	7,735
Advance (deposit) on bonds applied	-	-	-	2,200	-	2,200	(2,200)
Loss on early retirement of debt	1,038	716	2	18	-	1,774	3,661
Interest received on investments	(5,919)	(1,913)	(2,224)	(25,730)	(1,525)	(37,311)	(22,137)
Interest on bonds and short-term debt	8,876	2,722	26,616	61,366	-	99,580	83,611
Net cash provided by (used in) operating activities	$ 56,402	$ 18,636	$ 10,024	$ (614,154)	$ (6,595)	$ (535,687)	$ 93,272

See notes to combined financial statements

Community Development Administration
Revenue Obligation Funds

NOTES TO COMBINED FINANCIAL STATEMENTS
(in thousands)

June 30, 2007

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, 2007, 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

On June 29, 2007, GASB published an exposure draft of the proposed Statement *Accounting and Financial Reporting for Derivative Instruments*, which will supersede GASB Technical Bulletin No. 2003-1 *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets.* This proposed Statement addresses recognition and measurement of derivative instruments and disclosure of information about derivative instruments. The disclosures of GASB Technical Bulletin No. 2003-1 have been incorporated in the proposed Statement, which will become effective for financial statements for periods beginning after June 15, 2009. CDA may elect to implement the proposed Statement earlier. The proposed Statement will require that all CDA interest rate exchange agreements (swaps) are reported at fair value in the Statement of Net Assets and that all swaps are tested for hedge effectiveness. Effectiveness is established if the changes in cash flows of the swaps substantially offset the changes in cash flows of the hedgeable items. The changes in fair values of the swaps, that are determined to be effective hedges, will be recognized as deferred inflows or outflows in the Statement of Net Assets. The changes in fair value of the swaps that are determined not to be effective hedges will be reported in the Statement of Revenue, Expenses and Changes in Net Assets. For the year ended June 30, 2007, CDA swaps are reported in accordance with GASB Technical Bulletin No. 2003-1 and 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, 2007, CDA's cash equivalents are invested in a money market mutual fund and U.S. Government Agencies which are more fully described in Note 3.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

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

Mortgage-Backed Securities

These guaranteed securities are issued in connection with mortgage loans on multi-family projects. 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.

Mortgage Loans

Mortgage loans are carried at their unpaid principal balances, net of unamortized loan fees and expenses. Loan fees and expenses are deferred and amortized over the life of the related loans using the effective interest method. Any single family mortgage loan in foreclosure with a pending insurance claim is recorded as 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 and a current assessment of probability and risk of loss due to default.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits by Borrowers

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

Rebate Liability on Investments

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

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, 2007, all mortgage loan yields are in compliance with the Code.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest on Mortgage Loans and Mortgage-Backed Securities

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

Fee Income

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

Origination Expenses

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

Administrative Support

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

For the year ended June 30, 2007, the total costs charged to the General Bond Reserve Fund were:

Salaries and related costs	$	5,269
General and administrative costs		3,158
	$	8,427

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. CDA's activities are considered to be operating except for increases and decreases in the fair value of mortgage-backed securities. It is the intention of CDA to hold these securities to maturity.

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 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.

Reclassifications

Certain 2006 amounts have been reclassified to conform to 2007 financial statement presentation.

(in thousands)

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

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

The following assets, reported at fair value and held by CDA at June 30, 2007, are evaluated in accordance with GASB Statement No. 40 for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

	Cash and Cash Equivalents		Total Cash and Cash Equivalents	Investments			Total Investments	Mortgage-backed Securities	
	Federated Treasury Obligations Fund	Obligations of U.S. Government Agencies		Obligations of the U.S. Treasury	Obligations of U.S. Government Agencies	Repurchase Agreements/ Investment Agreements		GNMA Mortgage -backed Securities	Total Cash, Investments and Mortgage-backed Securities
Single Family Program Funds	$ 8,990	$ -	$ 8,990	$ 37,420	$ 2,456	$ 31,505	$ 71,381	$ -	$ 80,371
Multi-Family Housing Revenue Bonds	30,049	-	30,049	7,622	1,030	2,000	10,652	-	40,701
Housing Revenue Bonds	72,384	-	72,384	6,280	-	476	6,756	422,185	501,325
Residential Revenue Bonds	292,963	250,188	543,151	-	361,344	20,145	381,489	-	924,640
General Bond Reserve Fund	5,687	4,043	9,730	-	29,298	-	29,298	-	39,028
Total	$ 410,073	$ 254,231	$ 664,304	$ 51,322	$ 394,128	$ 54,126	$ 499,576	$ 422,185	$ 1,586,065

(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, 2007, 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	$ 410,073	$ 410,073	$ 410,073	$ -	$ -	$ -	$ -
Obligations of the U.S. Treasury	43,970	51,322	-	-	3,369	22,964	24,989
Obligations of U.S. Government Agencies	648,389	648,359	622,386	15,691	-	3,815	6,467
Repurchase agreements/ Investment agreements	54,126	54,126	476	-	2,000	31,505	20,145
Mortgage-backed Securities	426,816	422,185	-	-	-	-	422,185
Total	$ 1,583,374	$ 1,586,065	$ 1,032,935	$ 15,691	$ 5,369	$ 58,284	$ 473,786

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

The Federated Treasury Obligations Fund invests primarily in repurchase agreements collateralized by Treasury securities and U.S. Treasuries. It is operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. It can reasonably be expected to have a fair value that will be unaffected by interest rate changes because the interest rates are variable and the principal can be recovered on demand. As noted above, as of June 30, 2007, 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, 2007, all counterparty ratings were at least equal to the ratings on the bonds except for one counterparty 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, 2007 were Aa2 by Moody's Investors Service and AA by Fitch Ratings. The following table provides credit quality rating information for the investment portfolio and individual issuers, if they represent 5 percent or more of total investments in accordance with GASB Statement No. 40.

(in thousands)

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

As of June 30, 2007, 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	$ 410,073	25.85%	Aaa		Moody's
Government National Mortgage Association Mortgage-backed Securities	422,185	26.62%		Direct U.S. Obligation	
Obligations of the U.S. Treasury	51,322	3.24%		Direct U.S. Obligation	
Obligations of U.S. Government Agencies:					
Federal Agricultural Mortgage Corporation	410,993	25.91%		Aaa	Moody's
Federal Home Loan Banks	150,291	9.48%		Aaa	Moody's
Federal National Mortgage Corporation	60,061	3.79%		Aaa	Moody's
Other government agencies	27,014	1.70%		Aaa	Moody's
Collateralized repurchase agreements and investment agreements:				Underlying securities credit rating	
Counterparty rated Aa1 by Moody's	44,967	2.83%		Aaa	Moody's
Counterparty rated Aa2 by Moody's	6,683	0.42%		Aaa	Moody's
Counterparty rated Aa3 by Moody's	476	0.03%		Aaa	Moody's
Uncollateralized investment agreement:					
Counterparty rated Aa2 by Moody's	2,000	0.13%		N/A	
Total	$ 1,586,065	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, 2007, 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

Substantially all single family mortgage loans are secured by first liens on the related property. Approximately 99% of all single family mortgage loans are credit enhanced through the FHA mortgage insurance programs, the Veterans Administration and USDA/RD guarantee programs, the Maryland Housing Fund (MHF) or by private mortgage insurance policies. As of June 30, 2007, interest rates on first lien single family loans range from 3.0% to 13.9%, with remaining loan terms ranging from 2 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, 2007, 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, 2007, 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 approximately 1 year to 3 years.

NOTE 5 - ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2007, 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	$ 1,359	$ 526	$ 599	$ 7,351	$ 64	$ 9,899
Accrued investment interest	1,426	258	2,250	12,385	246	16,565
Claims due from mortgage insurers	176	-	-	1,229	-	1,405
Negative arbitrage due from mortgagors	-	-	2	-	-	2
Miscellaneous loan billings	-	-	-	-	9	9
	$ 2,961	$ 784	$ 2,851	$ 20,965	$ 319	$ 27,880

(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, 2007, in Residential Revenue Bonds, was as follows:

	Balance at June 30, 2006	Bond Activity		Balance at June 30, 2007
		Issued	Matured/ Redeemed	
Residential Revenue Bonds				
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	-
2006 Series M	-	76,795	-	76,795
2006 Series N	-	103,205	-	103,205
2006 Series Q	-	95,120	-	95,120
2006 Series R	-	24,880	-	24,880
Totals	$ 315,000	$ 300,000	$ 315,000	$ 300,000

The outstanding short-term debt of $300,000 plus the principal payments due within one year of $38,665 equal the current portion of bonds payable and short-term debt of $338,665 for the Residential Revenue Bonds on the Combined Statement of Net Assets. For the year ended June 30, 2007, 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.

Multi-Family Housing Revenue Bonds (Insured Mortgage Loans)

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.

Residential Revenue Bonds

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

The rate is set weekly by a remarketing agent so that the market value of the bonds is as close as possible to 100% of the principal amount of the bonds. In no event will the bonds bear interest at a rate in excess of 12%, except for 2007 Series F which has a maximum interest rate of 15%.

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

Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) 2004 Series A
Residential Revenue Bonds 2006 Series S and 2007 Series B, E and F

Community Development Administration
Revenue Obligation Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2007

NOTE 7 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2007, and the debt outstanding and bonds payable as of June 30, 2007:

					Bond Activity					
	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2006	New bonds issued	Scheduled maturity payments	Bonds redeemed	Debt Outstanding at June 30, 2007	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2007
Single Family Program Bonds										
1993 Third Series	10/01/93	5.05% - 5.20%	2007 - 2009	$ 5,530	$ -	$ (3,180)	$ (2,350)	$ -	$ -	$ -
1999 First Series	12/01/98	4.40% - 5.15%	2007 - 2018	7,210	-	-	(7,210)	-	-	-
1999 Second Series	12/01/98	4.40% - 5.00%	2009 - 2017	53,205	-	-	(1,950)	51,255	-	51,255
1999 Third Series	12/01/98	4.40% - 5.125%	2007 - 2021	50,675	-	(5,500)	(2,300)	42,875	-	42,875
2001 First Series	03/01/01	4.05% - 5.00%	2007 - 2017	41,170	-	(3,820)	(165)	37,185	(925)	36,260
2001 Second Series	03/01/01	4.35% - 4.65%	2008 - 2023	3,855	-	-	(1,715)	2,140	(56)	2,084
2002 First Series	02/01/02	4.45% - 4.60%	2012 - 2013	4,495	-	-	-	4,495	(70)	4,425
2002 Second Series	02/01/02	4.05% - 5.375%	2007 - 2024	28,675	-	(1,750)	(23,570)	3,355	(111)	3,244
Total				$ 194,815	$ -	$ (14,250)	$ (39,260)	$ 141,305	$ (1,162)	$ 140,143

					Bond Activity					
	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2006	New bonds issued	Scheduled maturity payments	Bonds redeemed	Debt Outstanding at June 30, 2007	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2007
Multi-Family Housing Revenue Bonds										
1998 Series A	11/01/98	4.25% - 5.15%	2007 - 2029	$ 6,000	$ -	$ -	$ (5,900)	$ 100	$ -	$ 100
2001 Series A	10/01/01	3.55% - 5.10%	2007 - 2028	1,795	-	-	(1,695)	100	(3)	97
2001 Series B	10/01/01	3.85% - 5.35%	2007 - 2032	2,045	-	-	(2,045)	-	-	-
2002 Series A	03/01/02	3.90% - 5.40%	2007 - 2033	8,430	-	-	(8,330)	100	(4)	96
2003 Series A	06/19/03	1.90% - 4.45%	2007 - 2034	19,040	-	(1,015)	(1,210)	16,815	(538)	16,277
2003 Series B	06/19/03	2.10% - 4.40%	2007 - 2023	1,775	-	(80)	-	1,695	(61)	1,634
2003 Series C	06/19/03	Variable Rate	2033	18,010	-	-	(18,010)	-	-	-
2004 Series A	03/31/04	Variable Rate	2036	23,730	-	(710)	(5,150)	17,870	(509)	17,361
Total				$ 80,825	$ -	$ (1,805)	$ (42,340)	$ 36,680	$ (1,115)	$ 35,565

(in thousands)

NOTE 7 - BONDS PAYABLE (Continued)

					Bond Activity					
	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2006	New bonds issued	Scheduled maturity payments	Bonds redeemed	Debt Outstanding at June 30, 2007	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2007
Housing Revenue Bonds										
Series 1996 A	11/01/96	5.10% - 5.95%	2006 - 2023	$ 45,220	$ -	$ (2,945)	$ (160)	$ 42,115	$ -	$ 42,115
Series 1996 B	11/01/96	5.10% - 5.95%	2006 - 2028	1,775	-	(55)	(60)	1,660	-	1,660
Series 1997 A	06/01/97	4.90% - 6.00%	2006 - 2039	35,215	-	(345)	-	34,870	-	34,870
Series 1997 B	09/01/97	4.80% - 5.75%	2006 - 2039	7,310	-	(70)	-	7,240	-	7,240
Series 1997 C	12/01/97	4.60% - 5.65%	2006 - 2039	13,320	-	(140)	-	13,180	-	13,180
Series 1998 A	04/01/98	4.60% - 5.625%	2006 - 2040	10,450	-	(115)	-	10,335	-	10,335
Series 1999 A	02/01/99	4.10% - 5.35%	2006 - 2041	15,700	-	(160)	-	15,540	-	15,540
Series 1999 B	10/15/99	5.05% - 6.40%	2006 - 2042	15,115	-	(180)	-	14,935	-	14,935
Series 1999 C	10/15/99	5.85% - 6.40%	2014 - 2040	505	-	(5)	-	500	-	500
Series 1999 D	12/01/99	5.10% - 6.35%	2006 - 2042	13,105	-	(350)	-	12,755	-	12,755
Series 2000 A	10/01/00	4.80% - 6.10%	2006 - 2042	26,825	-	(235)	-	26,590	-	26,590
Series 2001 A	07/01/01	4.10% - 5.625%	2006 - 2043	29,430	-	(630)	-	28,800	-	28,800
Series 2001 B	10/01/01	3.60% - 5.45%	2006 - 2043	45,990	-	(740)	-	45,250	-	45,250
Series 2002 A	03/01/02	3.90% - 5.70%	2006 - 2043	9,340	-	(80)	-	9,260	-	9,260
Series 2002 B	10/01/02	2.50% - 5.05%	2006 - 2045	33,390	-	(115)	-	33,275	-	33,275
Series 2002 C	10/01/02	2.50% - 5.00%	2006 - 2035	6,660	-	(90)	-	6,570	-	6,570
Series 2002 D	10/01/02	2.50% - 5.00%	2006 - 2035	8,240	-	(105)	-	8,135	-	8,135
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	10,865	-	-	-	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	-	-	(975)	35,540	-	35,540
Series 2004 D	11/23/04	2.80% - 5.00%	2007 - 2037	3,235	-	(45)	(1,380)	1,810	-	1,810
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
Series 2006 D	09/27/06	4.04% - 4.91%	2008 - 2048	-	8,000	-	-	8,000	-	8,000
Series 2007 A	06/14/07	3.80% - 4.95%	2009 - 2049	-	22,435	-	-	22,435	-	22,435
Total				$ 511,175	$ 30,435	$ (6,405)	$ (2,575)	$ 532,630	$ (6)	$ 532,624

(in thousands)

NOTE 7 - BONDS PAYABLE (Continued)

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2006	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2007	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2007
Residential Revenue Bonds										
1997 Series A	08/01/97	5.60%	2017	$ 4,925	$ -	$ -	$ (4,925)	$ -	$ -	$ -
1998 Series A	01/01/98	4.70% - 5.05%	2010 - 2017	4,640	-	-	-	4,640	-	4,640
1998 Series B	01/01/98	4.50% - 5.35%	2006 - 2030	35,700	-	(1,465)	(1,485)	32,750	15	32,765
1998 Series D	12/01/98	4.30% - 5.25%	2006 - 2029	37,950	-	(1,330)	(1,615)	35,005	-	35,005
1999 Series C	05/01/99	4.70% - 4.95%	2011 - 2015	2,665	-	-	-	2,665	-	2,665
1999 Series D	05/01/99	4.35% - 5.40%	2006 - 2031	34,360	-	(1,000)	(1,225)	32,135	(11)	32,124
1999 Series E	08/01/99	4.80% - 5.70%	2006 - 2017	14,725	-	(1,400)	(1,955)	11,370	-	11,370
1999 Series H	12/01/99	6.15%	2025	10,190	-	-	(335)	9,855	-	9,855
2000 Series A	03/01/00	5.15% - 5.20%	2007 - 2008	1,035	-	-	(745)	290	-	290
2000 Series F	08/01/00	4.50% - 5.10%	2006 - 2013	10,795	-	(1,225)	(1,285)	8,285	-	8,285
2001 Series A	03/01/01	4.00% - 5.00%	2006 - 2017	13,430	-	(845)	(20)	12,565	-	12,565
2001 Series B	03/01/01	4.65% - 5.45%	2011 - 2032	30,450	-	-	(2,540)	27,910	-	27,910
2001 Series E	06/01/01	3.85% - 4.65%	2006 - 2012	10,765	-	(1,350)	-	9,415	-	9,415
2001 Series F	06/01/01	5.30% - 5.60%	2016 - 2032	58,690	-	-	(49,915)	8,775	-	8,775
2001 Series G	08/15/01	3.45% - 4.20%	2006 - 2011	6,645	-	(910)	-	5,735	-	5,735
2001 Series H	08/15/01	4.40% - 5.35%	2011 - 2033	36,440	-	-	(1,495)	34,945	-	34,945
2002 Series A	02/01/02	3.70% - 5.45%	2006 - 2033	6,720	-	(130)	(485)	6,105	-	6,105
2003 Series A	11/01/03	1.70% - 4.05%	2006 - 2015	8,790	-	(775)	-	8,015	-	8,015
2003 Series B	11/01/03	4.75% - 5.00%	2019 - 2026	11,075	-	-	(2,655)	8,420	435	8,855
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	-	(525)	-	10,185	-	10,185
2004 Series B	05/13/04	2.20% - 5.00%	2006 - 2028	15,025	-	(350)	(3,125)	11,550	445	11,995
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	-	(1,005)	-	11,955	-	11,955
2004 Series E	08/12/04	2.45% - 5.25%	2006 - 2030	23,010	-	(365)	(3,635)	19,010	482	19,492
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	-	(1,080)	-	12,365	-	12,365
2004 Series H	11/10/04	1.95% - 5.00%	2006 - 2029	23,500	-	(360)	(3,675)	19,465	693	20,158
2004 Series I	11/10/04	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
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	26,465	-	-	(1,835)	24,630	764	25,394
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	46,305	-	-	(2,030)	44,275	918	45,193
2005 Series F	11/10/05	3.12%	11/24/2006	91,795	-	(91,795)	-	-	-	-
2005 Series G	11/10/05	3.20%	11/24/2006	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	-	-	(615)	47,365	889	48,254
2006 Series C	02/23/06	3.375%	3/7/2007	95,120	-	(95,120)	-	-	-	-
2006 Series D	02/23/06	3.40%	3/7/2007	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	-	-	(370)	56,090	2,539	58,629
2006 Series G	05/24/06	Variable rate	2040	40,000	-	-	-	40,000	-	40,000

(continued)

(in thousands)

NOTE 7 - BONDS PAYABLE (Continued)

					Bond Activity					
	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2006	New bonds issued	Scheduled maturity payments	Bonds redeemed	Debt Outstanding at June 30, 2007	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2007
Residential Revenue Bonds (continued)										
2006 Series H	07/13/06	3.60% - 4.15%	2008 - 2017	$ -	$ 17,670	$ -	$ -	$ 17,670	$ -	$ 17,670
2006 Series I	07/13/06	3.75% - 6.00%	2008 - 2041	-	142,330	-	(750)	141,580	4,547	146,127
2006 Series J	07/13/06	Variable rate	2040	-	60,000	-	-	60,000	-	60,000
2006 Series K	09/14/06	3.55% - 4.15%	2008 - 2017	-	15,000	-	-	15,000	-	15,000
2006 Series L	09/14/06	3.80% - 5.75%	2008 - 2041	-	165,000	-	(325)	164,675	3,040	167,715
2006 Series M	09/14/06	3.67%	9/12/2007	-	76,795	-	-	76,795	-	76,795
2006 Series N	09/14/06	3.72%	9/12/2007	-	103,205	-	-	103,205	-	103,205
2006 Series O	12/13/06	3.40% - 3.85%	2008 - 2017	-	10,000	-	-	10,000	-	10,000
2006 Series P	12/13/06	3.75% - 5.75%	2008 - 2037	-	85,000	-	-	85,000	1,851	86,851
2006 Series Q	12/13/06	3.59%	12/14/2007	-	95,120	-	-	95,120	-	95,120
2006 Series R	12/13/06	3.64%	12/14/2007	-	24,880	-	-	24,880	-	24,880
2006 Series S	12/13/06	6.07%	2037	-	25,000	-	-	25,000	-	25,000
2007 Series A	03/28/07	3.70% - 5.75%	2008 - 2047	-	270,000	-	-	270,000	9,851	279,851
2007 Series B	03/28/07	6.00%	2037	-	30,000	-	-	30,000	-	30,000
2007 Series C	06/20/07	3.60% - 3.95%	2009 - 2017	-	45,000	-	-	45,000	-	45,000
2007 Series D	06/20/07	3.80% - 5.50%	2008 - 2048	-	175,000	-	-	175,000	3,648	178,648
2007 Series E	06/20/07	4.88% - 6.11%	2008 - 2042	-	49,375	-	-	49,375	-	49,375
2007 Series F	06/20/07	Variable rate	2031	-	50,625	-	-	50,625	-	50,625
Total				$ 1,132,535	$ 1,440,000	$ (329,115)	$ (87,040)	$ 2,156,380	$ 30,106	$ 2,186,486

NOTE 8 - DEBT SERVICE REQUIREMENTS

As of June 30, 2007, the required principal payments for short-term debt and bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2007 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
2008	$ 6,577	$ 16,590	$ 1,627	$ 1,700	$ 27,394	$ 9,170	$ 90,165	$ 338,665
2009	5,995	12,485	1,571	1,750	27,395	14,220	87,721	32,155
2010	5,444	13,075	1,510	1,810	26,818	10,865	86,490	33,680
2011	4,852	10,010	1,443	1,845	26,310	11,190	85,135	35,890
2012	4,393	12,500	1,373	1,880	25,783	10,825	83,679	38,120
2013 - 2017	13,862	43,540	5,753	8,840	120,208	59,945	394,099	198,555
2018 - 2022	4,890	30,865	3,540	9,530	105,489	50,295	344,945	250,385
2023 - 2027	152	2,240	1,722	4,715	91,775	55,820	282,326	254,445
2028 - 2032	-	-	873	2,700	75,070	70,805	215,531	319,900
2033 - 2037	-	-	212	1,910	53,983	87,725	126,728	387,790
2038 - 2042	-	-	-	-	28,581	94,510	31,971	228,555
2043 - 2047	-	-	-	-	6,826	54,500	3,749	36,365
2048 - 2052	-	-	-	-	143	2,760	49	1,875
Totals	$ 46,165	$ 141,305	$ 19,624	$ 36,680	$ 615,775	$ 532,630	$ 1,832,588	$ 2,156,380

NOTE 8 - DEBT SERVICE REQUIREMENTS (Continued)

The interest calculations on outstanding variable rate bonds in the amounts of $17,870 in Multi-Family Housing Revenue Bonds and $250,625 in Residential Revenue Bonds are based on the variable rates in effect on June 30, 2007 and are not indicative of the actual interest expense that will be incurred in future years. As rates vary, variable rate bond interest payments will vary. See Note 9 for additional information on interest rate exchange agreements (swaps) associated with the variable rate debt in Residential Revenue Bonds.

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS)

Objective of the Swaps

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

Terms and Fair Value

The terms, including the fair values of the outstanding swaps as of June 30, 2007, are provided on the following page. The counterparty credit ratings for all outstanding swaps as of June 30, 2007 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 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.

(in thousands)

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

Swap Counter-party	Associated Bond Issue	Original Notional Amount	Outstanding Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received [(1)]	Fair Value	Swap Final Termination Date
Bear Stearns Financial Products (BSFP)	2004 Series I	$20,000	$20,000	9/1/2005	3.8525%	64% of LIBOR plus 0.29%	$965	9/1/2035[(2)]
UBS AG	2006 Series G	$40,000	$40,000	5/24/2006	4.403%	64% of LIBOR plus 0.29%	($355)	9/1/2040[(3)]
Bear Stearns Financial Products (BSFP)	2006 Series J	$40,000	$40,000	7/13/2006	4.403%	64% of LIBOR plus 0.29%	($345)	9/1/2040[(3)]
Bear Stearns Financial Products (BSFP)	2006 Series J	$20,000	$20,000	7/13/2006	4.455%	64% of LIBOR plus 0.29%	($273)	9/1/2040[(3)]
Merill Lynch Derivative Products AG (MLDP)	2007 Series F	$50,625	$50,625	6/20/2007	5.2425%	LIBOR	$1,190	3/1/2026[(4)]

Notes:

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

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

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

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

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

Basis Risk

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

Credit Risk

Credit risk is the risk that a swap counterparty will not fulfill its obligations. The fair value of the swaps represented CDA's credit exposure to each counterparty as of June 30, 2007. 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 $347. In addition, should MLDP fail to perform according to the terms of the swap contract, CDA would face a maximum possible loss equivalent to the swap's fair value of $1,190. 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, 2007 are summarized below:

Swap Counterparty	Outstanding Notional Amount	Current Credit Rating	Collateral Posting Credit Rating Threshold	Fair Value
Bear Stearns Financial Products (BSFP)	$80,000	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	$347
UBS AG	$40,000	Aaa from Moody's AA+ from Standard and Poor's AA+ from Fitch	A1 or below from Moody's or A+ or below from Standard and Poor's or Fitch	($355)
Merrill Lynch Derivative Products AG (MLDP)	$50,625	Aaa from Moody's AAA from Standard and Poor's AAA from Fitch	A1 or below from Moody's or A+ or below from Standard and Poor's or Fitch	$1,190

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, 2007, 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
2008	$ -	$ 6,405	$ 417	$ 6,822
2009	-	7,209	426	7,635
2010	-	7,226	426	7,652
2011	-	7,226	426	7,652
2012	-	7,243	418	7,661
2013 - 2017	-	36,113	2,121	38,234
2018 - 2022	-	36,129	2,121	38,250
2023 - 2027	920	36,129	2,121	39,170
2028 - 2032	74,005	33,149	1,887	109,041
2033 - 2037	58,760	13,641	1,197	73,598
2038 - 2042	36,940	2,987	333	40,260
Totals	$ 170,625	$ 193,457	$ 11,893	$ 375,975

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, using the effective interest method, over the remaining life of the old debt or the life of the new debt, whichever is shorter. For the year ended June 30, 2007, 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.

(in thousands)

NOTE 11 - REBATE LIABILITY (Continued)

Rebate liability activity for the year ended June 30, 2007, 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, 2006	$ 6,115	$ 1,576	$ -	$ 40	$ -	$ 7,731
Change in estimated liability due to excess investment earnings	657	9	-	3,461	-	4,127
Change in estimated liability due to change in fair value of investments	(84)	(1,113)	-	-	-	(1,197)
Rebate liability as of June 30, 2007	$ 6,688	$ 472	$ -	$ 3,501	$ -	$ 10,661

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	$ 1,691	$ 63	$ -	$ 3,501	$ -	$ 5,255
Estimated liability due to change in fair value of investments	3,832	409	-	-	-	4,241
Actual final rebate liability	1,165	-	-	-	-	1,165
Rebate liability as of June 30, 2007	$ 6,688	$ 472	$ -	$ 3,501	$ -	$ 10,661

(in thousands)

NOTE 12 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2007, 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 6/30/2006	$ -	$ -	$ -	$ -	$ 45	$ 45
Additions	-	-	-	-	-	-
Reductions	-	-	-	-	(15)	(15)
Ending balance at 6/30/2007	-	-	-	-	30	30
Less due within one year	-	-	-	-	(5)	(5)
Total long-term workers' compensation	-	-	-	-	25	25
Compensated absences						
Beginning balance at 6/30/2006	-	-	-	-	429	429
Additions	-	-	-	-	285	285
Reductions	-	-	-	-	(308)	(308)
Ending balance at 6/30/2007	-	-	-	-	406	406
Less due within one year	-	-	-	-	(335)	(335)
Total long-term compensated absences	-	-	-	-	71	71
Rebate liability						
Beginning balance at 6/30/2006	6,115	1,576	-	40	-	7,731
Additions	657	9	-	3,461	-	4,127
Reductions	(84)	(1,113)	-	-	-	(1,197)
Ending balance at 6/30/2007	6,688	472	-	3,501	-	10,661
Less due within one year	(1,165)	-	-	-	-	(1,165)
Total long-term rebate liability	5,523	472	-	3,501	-	9,496

(continued)

Community Development Administration
Revenue Obligation Funds

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2007

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 6/30/2006	$ 192,752	$ 79,173	$ 511,169	$ 1,140,406	$ -	$ 1,923,500
Additions	-	-	30,435	1,463,147	-	1,493,582
Reductions	(53,510)	(44,145)	(8,980)	(416,155)	-	(522,790)
Change in deferred amounts for issuance discounts/premiums	-	-	-	(912)	-	(912)
Change in deferred amounts on refundings	901	537	-	-	-	1,438
Ending balance at 6/30/2007	140,143	35,565	532,624	2,186,486	-	2,894,818
Less due within one year	(16,590)	(1,700)	(9,170)	(338,665)	-	(366,125)
Total long-term bonds payable	123,553	33,865	523,454	1,847,821	-	2,528,693
Deposits by borrowers						
Beginning balance at 6/30/2006	-	10,479	16,779	-	-	27,258
Additions	-	4,429	5,320	-	-	9,749
Reductions	-	(5,380)	(4,820)	-	-	(10,200)
Ending balance at 6/30/2007	-	9,528	17,279	-	-	26,807
Less due within one year	-	(3,070)	(4,037)	-	-	(7,107)
Total long-term deposits by borrowers	-	6,458	13,242	-	-	19,700
Deferred income						
Beginning balance at 6/30/2006	-	-	5,623	-	-	5,623
Additions	-	-	392	-	-	392
Reductions	-	-	(152)	-	-	(152)
Ending balance at 6/30/2007	-	-	5,863	-	-	5,863
Total long-term deferred income	-	-	5,863	-	-	5,863
Total long-term liabilities	$ 129,076	$ 40,795	$ 542,559	$ 1,851,322	$ 96	$ 2,563,848

(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, 2007.

During the year ended June 30, 2007, 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
Multi-family financing fees	$ -	$ -	$ 33	$ -	$ (33)	$ -
Excess revenue	(6,375)	-	(1,125)	-	7,500	-
Cost of issuance on bonds	(8,905)	-	-	8,905	-	-
Transfer to separate account in accordance with HUD agreement	-	(176)	-	-	-	(176)
	$ (15,280)	$ (176)	$ (1,092)	$ 8,905	$ 7,467	$ (176)

(in thousands)

NOTE 13 - INTERFUND ACTIVITY (Continued)

As of June 30, 2007, 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
Mortgage loan receipts for participation loans	$ 195	$ -	$ -	$ (195)	$ -
Cash due to or from one Fund but received or disbursed by another	-	-	337	-	(337)
	$ 195	$ -	$ 337	$ (195)	$ (337)

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.

(in thousands)

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

	Amount Issued	Outstanding at June 30, 2007
Multifamily Development Revenue Bonds		
1990 Issue B (Middle Branch Manor)	$ 12,350	$ 9,200
1990 Issue C (Harbor City Townhomes)	$ 4,150	$ 3,150
Series 1998 A (Auburn Manor)	$ 11,000	$ 9,610
Series 1999 A (GNMA - Selborne House)	$ 2,150	$ 2,055
Series 2000 A (Waters Landing II Apartments)	$ 11,000	$ 10,575
Series 2000 B-1 (Edgewater Village Apartments)	$ 7,640	$ 6,845
Series 2000 B-2 (Edgewater Village Apartments)	$ 3,125	$ 3,125
Series 2000 C (Park Montgomery Apartments)	$ 6,170	$ 5,325
Series 2001 C (Parklane Apartments)	$ 9,800	$ 9,800
Series 2001 D (Princess Anne Townhouses)	$ 4,350	$ 3,960
Series 2001 E (Princess Anne Townhouses)	$ 2,875	$ 2,755
Series 2001 F (Waters Tower Senior Apartments)	$ 7,570	$ 6,840
Series 2001 G (Waters Tower Senior Apartments)	$ 4,045	$ 3,870
Series 2002 B (Broadway Homes)	$ 5,045	$ 2,335
Series 2002 C (Orchard Mews Apartments)	$ 5,845	$ 5,585
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	$ 4,955
Series 2006 A (Barclay Greenmount Apartments)	$ 4,535	$ 4,535
Series 2006 B (Charles Landing South Apartments)	$ 3,375	$ 3,375
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	$ 8,240
Draw Down Mortgage Revenue Bonds		
Series 2005-1 (AMT)	$ 94,225	$ 11,530
Series 2005-2 (Non-AMT)	$ 183,365	$ 32,265
Capital Fund Securitization Revenue Bonds		
Series 2003	$ 94,295	$ 89,735

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

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, 2007, CDA issued Draw Down Mortgage Revenue Bonds in the amount of $29,800 on August 1, 2007 and redeemed $41,240 of Draw Down Mortgage Revenue Bonds on September 4, 2007.

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 4% of all first lien 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.

NOTE 15 - MORTGAGE INSURANCE (Continued)

About 49% of all loans in Residential Revenue Bonds are insured by agencies of the U.S. Government in an amount substantially equal to the unpaid principal amount of the loan. Approximately 50% 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 or CDA.

NOTE 16 - PENSION AND OTHER POST-RETIREMENT BENEFITS

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

NOTE 17 - COMMITMENTS

As of June 30, 2007, CDA had approximately $371,608 in reservations for single family mortgages at interest rates ranging from 4.875% to 7.5%. 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 $17,783 in GNMA mortgage-backed securities to finance mortgage loans on multi-family projects. The interest rates on the securities range from 5.39% to 5.90%.

(in thousands)

NOTE 18 - SUBSEQUENT EVENTS

Subsequent to the year ended June 30, 2007, the following bond activity took place:

Single Family Program Bonds

On September 4, 2007, CDA redeemed the following bonds:

1999 Second Series	$4,645
1999 Third Series	$1,155
2001 First Series	$85
2001 Second Series	$195
2002 First Series	$70
2002 Second Series	$195

Housing Revenue Bonds

On August 30, 2007, CDA issued the following bonds:

Series 2007 B	$4,875

Residential Revenue Bonds

On August 9, 2007, CDA issued the following bonds:

2007 Series G	$61,605
2007 Series H	$63,395
2007 Series I	$62,800
2007 Series J	$62,200

(in thousands)

NOTE 18 - SUBSEQUENT EVENTS (Continued)

Residential Revenue Bonds (Continued)

On September 4, 2007, CDA redeemed the following bonds:

1998 Series B	$85
1998 Series D	$155
1999 Series E	$7,855
1999 Series H	$60
2001 Series B	$280
2001 Series F	$8,775
2001 Series H	$75
2002 Series A	$75
2003 Series B	$420
2004 Series B	$380
2004 Series E	$135
2004 Series H	$300
2005 Series B	$625
2005 Series E	$395
2006 Series B	$625
2006 Series F	$730
2006 Series I	$440
2006 Series L	$490
2006 Series P	$135
2007 Series A	$20

Effective August 9, 2007, CDA entered into an interest rate exchange agreement (swap) for a notional amount of $62,200 on July 17, 2007. This agreement, a synthetic fixed rate contract, will hedge $62,200 in variable rate debt in Residential Revenue Bonds, 2007 Series J issued on August 9, 2007.

Community Development Administration
Revenue Obligation Funds

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

June 30, 2007
(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, 2007, 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)
FY 2007	125	(3)	48	1,062	437	1,669
Cumulative total	$ 5,232	$ 1,375	$ 761	$ 189	$ (235)	$ 7,322

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, 2007
(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
Increase (decrease) in fair value of investments held at June 30, 2007	$ 125	$ (3)	$ 48	$ 1,062	$ 437	$ 1,669
Adjustment due to change in rebate liability (see Note 11)	84	1,113	-	-	-	1,197
Increase in fair value of investments, net of rebate, as reported on the Combined Statement of Revenue, Expenses and Changes in Net Assets	$ 209	$ 1,110	$ 48	$ 1,062	$ 437	$ 2,866

For mortgage-backed securities held by CDA as of June 30, 2007, 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)
FY 2007	-	3,661	3,661
Cumulative total	$ -	$ (4,631)	$ (4,631)