COMBINED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS

JUNE 30, 2014

Community Development Administration
Revenue Obligation Funds

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INDEPENDENT AUDITOR'S REPORT

Office of the Secretary
Department of Housing and Community Development

Report on the Combined Financial Statements

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, 2014, as listed in the table of contents.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Funds as of June 30, 2014, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have previously audited the Funds' 2013 financial statements, and our report dated October 18, 2013, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 and for the year ended June 30, 2014, and the changes in its net position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplemental information on pages 54 through 57 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the combined financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

CohnReznick LLP

Baltimore, Maryland
September 30, 2014

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF NET POSITION
(in thousands)

June 30, 2014
(with comparative combined totals as of June 30, 2013)

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2014	Combined 2013
RESTRICTED ASSETS					
Restricted current assets					
Cash and cash equivalents on deposit	$ 51,585	$ 359,630	$ 19,431	$ 430,646	$ 400,846
Investments	-	15,001	10,004	25,005	19,439
Mortgage-backed securities	57,918	2,673	-	60,591	6,655
Mortgage loans					
Single family	29	41,528	-	41,557	34,146
Multi-family construction and permanent financing	2,889	1,536	86	4,511	4,466
Accrued interest and other receivables	1,302	19,557	201	21,060	25,517
Claims receivable on foreclosed and other loans, net of allowance	-	71,468	-	71,468	91,433
Real estate owned	-	23,536	-	23,536	10,648
Total restricted current assets	113,723	534,929	29,722	678,374	593,150
Restricted long-term assets					
Investments, net of current portion	7,615	16,736	7,085	31,436	26,530
Mortgage-backed securities, net of current portion	93,875	65,685	-	159,560	364,342
Mortgage loans, net of current portion and allowance					
Single family	48	1,393,324	23	1,393,395	1,612,755
Multi-family construction and permanent financing	114,497	24,966	6,024	145,487	117,521
Other loan receivable	-	-	750	750	750
Total restricted long-term assets	216,035	1,500,711	13,882	1,730,628	2,121,898
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflow of fair value on interest rate swap agreements	-	20,569	-	20,569	27,065
Total deferred outflows of resources	-	20,569	-	20,569	27,065
Total restricted assets and deferred outflows of resources	$ 329,758	$ 2,056,209	$ 43,604	$ 2,429,571	$ 2,742,113

(continued)

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF NET POSITION - CONTINUED
(in thousands)

June 30, 2014
(with comparative combined totals as of June 30, 2013)

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2014	Combined 2013
LIABILITIES AND NET POSITION					
Current liabilities					
Accrued interest payable	$ 5,133	$ 24,736	$ -	$ 29,869	$ 36,361
Accounts payable	5	1,439	1,662	3,106	7,008
Accrued workers' compensation	-	-	7	7	13
Accrued compensated absences	-	-	530	530	520
Due to State Treasurer	-	-	438	438	2,935
Bonds payable	60,940	74,360	-	135,300	157,650
Deposits by borrowers	2,291	2,575	45	4,911	4,551
Total current liabilities	68,369	103,110	2,682	174,161	209,038
Long-term liabilities					
Accrued workers' compensation, net of current portion	-	-	37	37	73
Accrued compensated absences, net of current portion	-	-	215	215	262
Rebate liability	-	220	-	220	182
Bonds payable, net of current portion	208,049	1,635,994	-	1,844,043	2,100,496
Deposits by borrowers, net of current portion	7,048	2,131	55	9,234	8,172
Interest rate swap agreements	-	20,569	-	20,569	27,065
Total long-term liabilities	215,097	1,658,914	307	1,874,318	2,136,250
Total liabilities	283,466	1,762,024	2,989	2,048,479	2,345,288
NET POSITION					
Restricted	46,292	294,185	40,615	381,092	396,825
Total liabilities and net position	$ 329,758	$ 2,056,209	$ 43,604	$ 2,429,571	$ 2,742,113

See notes to combined financial statements

Community Development Administration
Revenue Obligation Funds

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

Year ended June 30, 2014
(with comparative combined totals as of June 30, 2013)

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2014	Combined 2013
Operating revenue					
Interest on mortgage loans	$ 5,222	$ 91,449	$ 411	$ 97,082	$ 110,691
Interest on mortgage-backed securities	11,496	1,550	-	13,046	17,316
Increase in fair value of mortgage-backed securities	-	10,216	-	10,216	9,135
Interest income on investments, net of rebate	864	661	442	1,967	1,570
(Decrease) increase in fair value of investments, net of rebate	(27)	205	(287)	(109)	(2,241)
Fee income	724	-	5,249	5,973	5,543
Gain on early retirement of debt	-	5,356	-	5,356	1,780
Other operating revenue	13	1,749	336	2,098	1,000
	18,292	111,186	6,151	135,629	144,794
Operating expenses					
Interest expense on bonds	14,186	76,725	-	90,911	104,592
Professional fees and other operating expenses	449	11,531	982	12,962	10,902
Other expense related to investment agreement (see Note 3)	-	-	-	-	3,573
Salaries and related costs	-	-	8,929	8,929	8,146
General and administrative costs	-	-	4,192	4,192	3,989
(Decrease) increase in provision for loan losses	(6)	24,730	-	24,724	29,415
Origination expenses	-	-	-	-	2
Losses and expenses on real estate owned, net	-	4,705	-	4,705	4,208
Loss on foreclosure claims, net	-	6,320	-	6,320	1,714
Bond issuance costs	-	929	-	929	622
	14,629	124,940	14,103	153,672	167,163
Operating income (loss)	3,663	(13,754)	(7,952)	(18,043)	(22,369)
Nonoperating (expenses) revenue					
(Decrease) increase in fair value of mortgage-backed securities	(5,694)	3,001	-	(2,693)	(13,199)
Total nonoperating (expenses) revenue	(5,694)	3,001	-	(2,693)	(13,199)
Transfers of funds, net, as permitted by the various bond indentures	(1,125)	(3,479)	9,607	5,003	(22)
CHANGES IN NET POSITION	(3,156)	(14,232)	1,655	(15,733)	(35,590)
Net position - restricted at beginning of year	49,448	308,417	38,960	396,825	432,415
Net position - restricted at end of year	$ 46,292	$ 294,185	$ 40,615	$ 381,092	$ 396,825

See notes to combined financial statements

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF CASH FLOWS
(in thousands)

Year ended June 30, 2014
(with comparative combined totals as of June 30, 2013)

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2014	Combined 2013
Cash flows from operating activities					
Principal and interest received on mortgage loans	$ 16,257	$ 208,981	$ 1,182	$ 226,420	$ 247,181
Principal and interest received on mortgage-backed securities	135,022	6,428	-	141,450	65,926
Escrow funds received	4,447	2,094	56	6,597	4,306
Escrow funds paid	(3,063)	(2,072)	(40)	(5,175)	(4,266)
Mortgage insurance claims received	-	102,205	-	102,205	86,491
Foreclosure expenses paid	-	(7,583)	-	(7,583)	(6,686)
Loan fees received	733	-	5,240	5,973	5,531
Loan fees disbursed	-	-	-	-	(2)
Purchase of mortgage loans	(41,937)	(24,043)	(568)	(66,548)	(33,085)
Purchase of mortgage-backed securities	-	(268,652)	-	(268,652)	(268,806)
Transfer of mortgage-backed securities	-	70,744	-	70,744	-
Funds received from sale of mortgage-backed securities	-	228,483	-	228,483	198,632
Professional fees and other operating expenses	(449)	(11,500)	(990)	(12,939)	(10,775)
Other expenses related to investment agreement (see note 3)	-	(4,238)	-	(4,238)	-
Other income received	13	1,749	330	2,092	1,000
Salaries and related costs	-	-	(10,325)	(10,325)	(6,435)
General and administrative costs	-	-	(5,372)	(5,372)	(2,502)
Other reimbursements	(70)	1,629	494	2,053	(1,014)
Net cash provided by (used in) operating activities	110,953	304,225	(9,993)	405,185	275,496
Cash flows from investing activities					
Proceeds from maturities or sales of investments	-	19,438	-	19,438	17,525
Purchases of investments	-	(19,987)	(10,002)	(29,989)	(19,739)
Arbitrage rebates paid	-	-	-	-	(6,955)
Interest received on investments	843	658	441	1,942	2,737
Net cash provided by (used in) investing activities	843	109	(9,561)	(8,609)	(6,432)
Cash flows from noncapital financing activities					
Proceeds from sale of bonds	112,620	94,211	-	206,831	127,813
Payments on bond principal	(200,530)	(279,530)	-	(480,060)	(280,790)
Bond issuance costs	-	(929)	-	(929)	(622)
Interest on bonds	(17,918)	(79,703)	-	(97,621)	(109,178)
Transfers among Funds	(1,125)	(3,479)	9,607	5,003	(22)
Net cash (used in) provided by noncapital financing activities	(106,953)	(269,430)	9,607	(366,776)	(262,799)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS ON DEPOSIT	4,843	34,904	(9,947)	29,800	6,265
Cash and cash equivalents on deposit at beginning of year	46,742	324,726	29,378	400,846	394,581
Cash and cash equivalents on deposit at end of year	$ 51,585	$ 359,630	$ 19,431	$ 430,646	$ 400,846

(continued)

Community Development Administration
Revenue Obligation Funds

COMBINED STATEMENT OF CASH FLOWS - CONTINUED
(in thousands)

Year ended June 30, 2014
(with comparative combined totals as of June 30, 2013)

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2014	Combined 2013
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	$ 3,663	$ (13,754)	$ (7,952)	$ (18,043)	$ (22,369)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
(Increase) decrease in assets					
Mortgage loans	(30,773)	209,639	196	179,062	222,482
Mortgage-backed securities	122,967	25,312	-	148,279	(31,638)
Accrued interest and other receivables	414	4,078	(35)	4,457	(2,049)
Due from State Treasurer	-	-	-	-	60
Claims receivable on foreclosed and other loans	-	117	-	117	(28,646)
Real estate owned	-	(12,888)	-	(12,888)	(4,090)
(Decrease) increase in liabilities					
Accrued interest payable	(3,732)	(2,760)	-	(6,492)	(4,278)
Accounts payable	(70)	(4,343)	511	(3,902)	5,196
Accrued workers' compensation and compensated absences	-	-	(79)	(79)	203
Due to State Treasurer	-	-	(2,497)	(2,497)	2,935
Rebate liability	-	38	-	38	(6,713)
Deposits by borrowers	1,384	22	16	1,422	40
Amortizations					
Investment discounts and premiums	4	3	1	8	9
Bond original issue discounts and premiums	-	(218)	-	(218)	(308)
(Decrease) increase in provision for loan losses	(6)	24,730	-	24,724	29,415
Increase in fair value of mortgage-backed securities	-	(10,216)	-	(10,216)	(9,135)
Realized gains on mortgage-backed securities sold	-	10,090	-	10,090	10,020
Decrease (increase) in fair value of investments	27	(243)	287	71	2,124
Arbitrage rebates paid	-	-	-	-	6,955
Gain on early retirement of debt	-	(5,356)	-	(5,356)	(1,780)
Bond issuance costs	-	929	-	929	622
Interest received on investments	(843)	(658)	(441)	(1,942)	(2,737)
Interest on bonds	17,918	79,703	-	97,621	109,178
Net cash provided by (used in) operating activities	$ 110,953	$ 304,225	$ (9,993)	$ 405,185	$ 275,496

See notes to combined financial statements

Community Development Administration
Revenue Obligation Funds

NOTES TO COMBINED FINANCIAL STATEMENTS
(in thousands)

June 30, 2014

NOTE 1 - AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION

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

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

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

Fund	Purpose
Housing Revenue Bonds	To provide funds to finance or refinance loans for various types of housing. As of June 30, 2014, Housing Revenue Bonds have primarily financed multi-family projects.
Residential Revenue Bonds	To originate or purchase single family mortgage loans.
General Bond Reserve Fund	To provide funds for payment of principal and interest on bonds and notes in the Revenue Obligation Funds to the extent revenues and assets specifically pledged are not sufficient. This Fund also provides for the payment of operating expenses of CDA.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Generally Accepted Accounting Principles

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

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

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 combined 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 combined financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents on Deposit

Cash equivalents may include money market funds, repurchase agreements, investment agreements and any other investments, primarily obligations of the U.S. Treasury and U.S. Government Agencies, which have maturities of 90 or less days at the time of purchase. As of June 30, 2014, the Funds' cash equivalents are primarily invested in a money market mutual fund which is more fully described in Note 3.

Investments

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

Mortgage-Backed Securities

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

Mortgage Loans

Mortgage loans are carried at their unpaid principal balances, net of allowance for loan losses. Loan fees and expenses are recognized as revenue or expense in the period received or incurred. Any single family mortgage loan in foreclosure with a pending insurance claim is recorded as claims receivable. See Notes 4 and 15 for additional information on mortgage loans and mortgage insurance, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Interest and Other Receivables

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

Claims Receivable on Foreclosed and Other Loans

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

Real Estate Owned

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses

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

Bond Issuance Costs

Bond issuance costs are recognized and expensed in the period incurred.

Due from (to) Other Funds

Due from (to) other Funds records the pending transfers of cash between Funds which is primarily a result of receipts due to one Fund, but received by another. As of June 30, 2014, there were no pending cash transfers due between Funds.

Bonds Payable

Bonds payable are carried at their unpaid principal balances, net of unamortized original issue discounts or premiums. However, in an economic refunding, any costs incurred from the refunding of bonds would be reported as deferred outflows of resources on the Combined Statement of Net Position. See Notes 6, 7, 8, 9, 10 and 12 for additional information on bonds.

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.

Interest Rate Exchange Agreements (Swaps)

Interest rate exchange agreements (swaps) are derivative instruments which are entered into as cash flow hedges to reduce exposure to identified financial risks associated with assets, liabilities or expected transactions or to lower the costs of borrowings and are considered to be hedging derivative instruments. Swaps are reported at fair value in the Combined Statement of Net Position and are tested quarterly for hedge effectiveness. Effectiveness is established if the changes in cash flows of the swaps substantially offset the changes in cash flows of the hedgeable items. The changes in fair values of the swaps that are determined to be effective hedges will be recognized as deferred inflows or outflows in the Combined Statement of Net Position. The changes in fair value of the swaps that are determined not to be effective hedges will be reported in the Combined Statement of Revenue, Expenses and Changes in Net Position. CDA's swaps are more fully described in Note 9.

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, 2014, 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 recognized as revenue in the period received as fee income. 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 loan origination expenses are recognized and expensed in the period incurred as origination expenses.

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, 2014, the total costs charged to the General Bond Reserve Fund were:

Salaries and related costs	$	8,929
General and administrative costs		4,192
	$	13,121

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 accordance with accounting guidance issued by GASB. Operating revenue and expenses are identified as those activities that are directly related to financing affordable housing in the State of Maryland. CDA's activities are considered to be operating except for increases and decreases in the fair value of mortgage-backed securities that are held within the portfolio. Mortgage-backed securities that are part of the TBA program are classified as operating which is more fully described in Note 3.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Combined Totals

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

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.

(in thousands)

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

The following assets, reported at fair value and held by CDA at June 30, 2014, are evaluated in accordance with GASB accounting guidance for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

	Cash and Cash Equivalents		Total Cash and Cash Equivalents	Investments			Total Investments	Mortgage-backed Securities		Total Mortgage-backed Securities	
	Federated Prime Cash Obligations Fund	Demand Deposit Account		Obligations of the U.S. Treasury	Obligations of U.S. Government Agencies	Repurchase Agreements/ Investment Agreements		GNMA Mortgage -backed Securities	FNMA Mortgage -backed Securities		Total Cash, Investments and Mortgage-backed Securities
Housing Revenue Bonds	$ 51,585	$ -	$ 51,585	$ 7,615	$ -	$ -	$ 7,615	$ 151,793	$ -	$ 151,793	$ 210,993
Residential Revenue Bonds	342,032	17,598	359,630	-	29,329	2,408	31,737	56,751	11,607	68,358	459,725
General Bond Reserve Fund	19,431	-	19,431	7,085	10,004	-	17,089	-	-	-	36,520
Total	$ 413,048	$ 17,598	$ 430,646	$ 14,700	$ 39,333	$ 2,408	$ 56,441	$ 208,544	$ 11,607	$ 220,151	$ 707,238

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.

(in thousands)

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

As of June 30, 2014, the amortized cost, fair value and maturities for these assets were as follows:

			Maturities (in years)				
Asset	Amortized Cost	Fair Value	Less than 1	1 - 5	6 - 10	11 - 15	More than 15
Federated Prime Cash Obligations Fund	$ 413,048	$ 413,048	$ 413,048	$ -	$ -	$ -	$ -
Demand Deposit Account	17,598	17,598	17,598	-	-	-	-
Obligations of the U.S. Treasury	11,049	14,700	-	4,280	2,805	7,615	-
Obligations of U.S. Government Agencies	37,046	39,333	25,005	7,508	-	4,015	2,805
Repurchase agreements/ Investment agreements	2,408	2,408	-	-	-	1,232	1,176
GNMA mortgage-backed securities	205,152	208,544	-	-	-	-	208,544
FNMA mortgage-backed securities	11,579	11,607	-	-	-	-	11,607
Total	$ 697,880	$ 707,238	$ 455,651	$ 11,788	$ 2,805	$ 12,862	$ 224,132

The Federated Prime Cash Obligations Fund invests primarily in short-term, high-quality, fixed-income securities issued by banks, corporations and the U.S. Government. It is operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. It can reasonably be expected to have a fair value that will be unaffected by interest rate changes because the interest rates are variable and the principal can be recovered on demand. As noted above, as of June 30, 2014, the cost of the money market mutual fund approximated fair value.

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

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither CDA's Investment Policy nor the trust indentures require investment agreements or deposits to be collateralized. CDA's Investment Policy places no limit on the amount that CDA may invest in any one issuer or counterparty. According to CDA's indentures and Investment Policy, securities must be at a rating no lower than the rating on the bonds or, if an investment maintains only a short-term rating, a rating not less than F1/P-1; and financial institutions who are a counterparty to CDA in investment agreements must be rated at least comparable to the existing rating on CDA bonds unless counterparty ratings lower than the bond ratings are permitted in a specific indenture and do not affect the ratings on the bonds. In addition, certain investment and repurchase agreements require counterparty ratings no less than the ratings on the bonds. As of June 30, 2014, 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 Housing Revenue Bonds and Residential Revenue Bonds as of June 30, 2014 were Aa2 by Moody's Investors Service. The ratings on Housing Revenue Bonds and Residential Revenue Bonds as of June 30, 2014 were AA+ and AA, respectively, 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 accounting guidance issued by GASB.

(in thousands)

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

As of June 30, 2014, credit ratings and allocation by type of investments for the following assets were:

Asset	Fair Value	Percentage of total investments	Money market fund rating	Securities credit rating	Rating agency
Federated Prime Cash Obligations Fund	$ 413,048	58.40%	Aaa		Moody's
Demand Deposit Account					
Counterparty rated Aa3 by Moody's	17,598	2.49%			
Government National Mortgage Association (GNMA) Mortgage-backed Securities	208,544	29.49%		Direct U.S. Obligations	
Federal National Mortgage Association (FNMA) Mortgage-backed Securities	11,607	1.64%		Aaa	Moody's
Obligations of the U.S. Treasury	14,700	2.08%		Direct U.S. Obligations	
Obligations of U.S. Government Agencies:					
Federal Home Loan Bank	14,998	2.12%		Aaa	Moody's
Other U.S. Government Agencies	24,335	3.44%		Aaa	Moody's
				Underlying securities credit rating	
Collateralized repurchase agreements and investment agreements:					
Counterparty rated Aaa by Moody's	2,408	0.34%		Direct U.S. Obligations	
Total	$ 707,238	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)

In order to facilitate a transaction with a liquidity provider, CDA has invested in a demand deposit account that is classified as cash and cash equivalents. This investment is backed by an Irrevocable Standby Letter of Credit dated July 26, 2012, that was established by the Federal Home Loan Bank of Pittsburgh, and is automatically extended each year until July 26, 2017. This date corresponds with the termination date of the standby purchase agreement.

A repurchase agreement dated August 21, 1997 and held by the trustee as an investment under the Residential Revenue Bond resolution was terminated per the terms of the repurchase agreement effective September 1, 2006 due to the redemption of the remaining outstanding Residential Revenue Bonds 1997 Series A and B bonds. CDA was made aware of the termination through an inquiry from the counterparty in June of 2013, and subsequent confirmation by the trustee. CDA had received payments of interest from the counterparty based on this agreement from the time the agreement was originally executed and delivered up to and including February 27, 2013. A refund of the interest was negotiated by both parties and an Agreement of Termination and Release was delivered evidencing the agreed upon amount of interest to be refunded and releasing all parties from any future liability with respect to the repurchase agreement. CDA received from the counterparty the principal amount of the repurchase agreement less the agreed upon interest refund on September 18, 2013. The amount of the negotiated interest refund was $4,230. CDA had recorded the refund due as a liability on the Combined Statement of Net Position for the 2013 fiscal year. The interest attributable to 2013 and prior fiscal years had been recorded as an adjustment to revenue and the remainder as an expense on the 2013 Combined Statement of Revenue, Expenses and Changes in Net Position.

Mortgage-backed Securities and Certificates

All mortgage-backed securities and certificates held by CDA are guaranteed by the Government National Mortgage Association (GNMA) or the Federal National Mortgage Association (Fannie Mae).

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

GNMA mortgage-backed securities are instrumentalities of the United States Government and 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.

Fannie Mae mortgage-backed certificates are “guaranteed mortgage pass-through certificates” which supplement amounts received by a trust created under a trust agreement as required permitting timely payments of principal and interest on the certificates to CDA. The certificates and payments of principal and interest on the certificates are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae.

As an investor of GNMA I mortgage-backed securities (MBS), CDA receives separate principal and interest payments on the 15th of each month; however, for GNMA II MBS, CDA receives the total principal and interest from a central paying agent on the 20th of each month. For all Fannie Mae certificates, CDA receives the total principal and interest from the trust on the 25th of each month. All mortgages backing a GNMA I MBS have the same mortgage rate equal to 50 basis points greater than the coupon, with 44 basis points of servicing fee and 6 basis points of guaranty fee. Similarly, GNMA II MBS also have 6 basis points of guaranty fee, but the mortgage rate for the loans backing the security can vary between 25 to 75 basis points greater than the coupon which may result in a variety of servicing fees. All Fannie Mae certificates have a guaranty fee of 47.5 basis points and a servicing fee of 25 basis points. CDA also participates from time to time in the Fannie Mae buy-up or buy-down of the guaranty fee created in the pooling process in order to maximize pooling of certificates for efficiency and effectiveness.

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

In January 2012, CDA expanded the sources of financing for its mortgage-backed securities program through the ongoing sale of forward contracts of GNMA mortgage-backed securities and Fannie Mae certificates. These securities are comprised of single family mortgage loans originated by CDA's network of approved lender partners. As part of this program, CDA periodically enters into forward contracts to sell GNMA mortgage-backed securities and Fannie Mae certificates to investors before the securities are ready for delivery (referred to as "to-be-announced" or "TBA Mortgage-Backed Security Contract"). These forward contracts are settled monthly, using funds held in Residential Revenue Bonds' additional collateral account, prior to being sold into the secondary market. As of June 30, 2014, CDA entered into TBA Mortgage-Backed Security Contracts with a notional amount of $62,666 outstanding. The increase/decrease in the fair value of GNMA mortgage-backed securities and Fannie Mae certificates that are part of the TBA program is classified as operating revenue on the Combined Statement of Revenue, Expenses and Changes in Net Position.

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, 2014, CDA's investments were not subject to custodial credit risk under accounting guidance issued by GASB. CDA's investments and collateralized securities are held in trust by the trustee or the trustee's agent, kept separate from the assets of the bank and from other trust accounts and are held in CDA's name.

NOTE 4 - MORTGAGE LOANS

Substantially all single family mortgage loans are secured by first liens on the related property. Approximately 98% of all single family mortgage loans are credit enhanced through the Federal Housing Administration (FHA) mortgage insurance programs, the Veterans Administration and USDA/RD guarantee programs, Maryland Housing Fund (MHF) or by private mortgage insurance policies. As of June 30, 2014, interest rates on first lien single family loans range from 0.0% to 11.5%, with remaining loan terms ranging from less than 1 year to 39 years.

(in thousands)

NOTE 4 - MORTGAGE LOANS (Continued)

Approximately 99% of all multi-family construction and permanent mortgage loans outstanding are insured or credit enhanced by FHA, MHF, Federal Home Loan Mortgage Corporation (Freddie Mac), FNMA or GNMA. As of June 30, 2014, interest rates on the loans range from 0.875% to 8.50%, with remaining loan terms ranging from 5 months to 40 years.

For the year ended June 30, 2014, the mortgage loan and claims receivable balances and changes in the allowance for loan losses on the uninsured portions of multi-family loans and on single family loans with private mortgage insurance, including loans in foreclosure and other loans with pending insurance claims, were as follows:

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Mortgage loans	$ 117,500	$ 1,484,977	$ 6,133	$ 1,608,610
Allowance for loan losses				
Beginning balance	43	18,741	-	18,784
Provision for loan losses	(6)	4,882	-	4,876
Ending balance	37	23,623	-	23,660
Mortgage loans, net	$ 117,463	$ 1,461,354	$ 6,133	$ 1,584,950
Claims receivable on foreclosed and other loans	$ -	$ 97,666	$ -	$ 97,666
Allowance for loan losses				
Beginning balance	-	30,383	-	30,383
Provision for loan losses	-	19,848	-	19,848
Charge offs	-	(24,033)	-	(24,033)
Ending balance	-	26,198	-	26,198
Claims receivable on foreclosed and other loans, net	$ -	$ 71,468	$ -	$ 71,468

(in thousands)

NOTE 5 - ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2014, were as follows:

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Accrued mortgage loan interest	$ 538	$ 17,451	$ 33	$ 18,022
Accrued mortgage-backed securities interest	678	162	-	840
Accrued investment interest	46	213	107	366
Negative arbitrage due from mortgagors	40	-	-	40
Funds due from mortgage insurers for loan modifications	-	753	-	753
Reimbursement due for state-funded loans	-	974	-	974
Miscellaneous loan and other billings	-	4	61	65
	$ 1,302	$ 19,557	$ 201	$ 21,060

NOTE 6 - SHORT-TERM DEBT

CDA issues short-term debt to preserve volume cap when prepayments and payments from mortgages exceed the demand for new mortgages. Proceeds of the short-term debt are used to refund and to pay at maturity prior series of bonds. At the time of the refunding, prepayments and repayments of mortgage loans financed by these prior bonds are transferred to accounts in the short-term series. CDA expects to make these funds available to purchase mortgage loans upon the maturity or earlier redemption of the short-term bonds with proceeds of additional long-term bonds. By issuing the short-term debt, CDA more closely matches the rates on the short-term debt with the rates on short-term investments. When there is sufficient mortgage demand, CDA issues long-term refunding bonds to redeem the short-term debt and the prepayments and repayments are used to fund new mortgages. For the year ended June 30, 2014, CDA did not issue any short-term debt.

NOTE 7 - BONDS PAYABLE

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

The provisions of the various bond indentures require or allow for the special redemption of bonds at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans. All outstanding bonds are subject to optional redemption, in whole or in part at any time, after certain dates, as specified in the respective series indentures, at a redemption price equal to the principal amount thereof to be redeemed. When bonds are redeemed, whether as a special or optional redemption, CDA writes off a proportionate share of any unamortized original issue premiums, net of any unamortized original issue discounts, as a gain on early retirement of debt in the accompanying Combined Statement of Revenue, Expenses and Changes in Net Position. If unamortized original issue discounts exceed unamortized original issue premiums, CDA records a loss.

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>Housing Revenue Bonds</u>

Series 2013 E

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%.

NOTE 7 - BONDS PAYABLE (Continued)

Residential Revenue Bonds

2004 Series I; 2006 Series G and J; 2007 Series F, J and M; 2008 Series D; and 2012 Series B

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%.

2011 Series B

The rate is set weekly at an index rate equal to a SIFMA index, plus 0.95%. (SIFMA stands for the Securities Industry and Financial Markets Association). In no event will the bonds bear interest at a rate in excess of 12%.

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

Housing Revenue Bonds

Series 2013 E

Residential Revenue Bonds

2006 Series S; 2007 Series B, E and I; and 2012 Series A and B

(in thousands)

NOTE 7 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2014, and the debt outstanding and bonds payable as of June 30, 2014:

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2013	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2014	Bond discounts/ premiums deferred	Bonds payable at June 30, 2014
Housing Revenue Bonds										
Series 1996 A	11/01/96	5.80% - 5.95%	2016 - 2023	$ 8,135	$ -	$ (1,460)	$ (1,075)	$ 5,600	$ -	$ 5,600
Series 1996 B	11/01/96	5.875% - 5.95%	2016 - 2028	1,305	-	(60)	-	1,245	-	1,245
Series 1999 A	02/01/99	5.05% - 5.35%	2018 - 2041	14,420	-	(110)	(14,310)	-	-	-
Series 1999 D	12/01/99	5.90% - 6.35%	2013 - 2042	5,425	-	(140)	(5,285)	-	-	-
Series 2000 A	10/01/00	5.40% - 6.10%	2013 - 2042	17,705	-	(235)	(17,470)	-	-	-
Series 2001 B	10/01/01	5.10% - 5.45%	2016 - 2043	24,715	-	(245)	(24,470)	-	-	-
Series 2002 A	03/01/02	5.00% - 5.70%	2013 - 2043	8,705	-	(110)	(8,595)	-	-	-
Series 2002 B	10/01/02	3.95% - 5.05%	2013 - 2045	25,990	-	(345)	(25,645)	-	-	-
Series 2003 A	04/01/03	4.10% - 5.22%	2013 - 2045	22,995	-	(285)	(22,710)	-	-	-
Series 2003 C	09/01/03	4.30% - 5.90%	2013 - 2045	10,040	-	(115)	(9,925)	-	-	-
Series 2003 D	12/01/03	4.05% - 5.125%	2013 - 2045	11,215	-	(140)	(11,075)	-	-	-
Series 2004 B	03/31/04	3.50% - 4.70%	2013 - 2046	18,760	-	(375)	(18,385)	-	-	-
Series 2004 C	06/10/04	4.50% - 5.40%	2013 - 2047	33,595	-	(370)	(26,515)	6,710	-	6,710
Series 2004 D	11/23/04	4.35% - 5.00%	2015 - 2037	1,365	-	(85)	-	1,280	-	1,280
Series 2005 A	02/17/05	4.25% - 4.85%	2015 - 2047	5,995	-	(80)	-	5,915	-	5,915
Series 2005 B	04/21/05	4.15% - 5.10%	2013 - 2047	18,215	-	(220)	-	17,995	-	17,995
Series 2005 C	12/14/05	4.15% - 5.15%	2013 - 2047	11,845	-	(395)	-	11,450	-	11,450
Series 2006 A	04/27/06	4.30% - 5.05%	2013 - 2047	9,455	-	(120)	-	9,335	-	9,335
Series 2006 B	04/27/06	4.30% - 5.00%	2013 - 2039	2,670	-	(150)	-	2,520	-	2,520
Series 2006 C	04/27/06	3.90% - 4.75%	2013 - 2036	1,880	-	(45)	-	1,835	-	1,835
Series 2006 D	09/27/06	4.91%	7/1/2048	4,270	-	(40)	-	4,230	-	4,230
Series 2007 A	06/14/07	4.05% - 4.95%	2013 - 2049	20,550	-	(335)	-	20,215	-	20,215
Series 2007 B	08/30/07	5.51%	1/1/2038	4,690	-	(65)	-	4,625	-	4,625
Series 2007 C	12/20/07	5.38%	1/1/2043	1,480	-	(20)	-	1,460	-	1,460
Series 2008 A	05/29/08	5.24%	7/1/2038	5,435	-	(105)	-	5,330	-	5,330
Series 2008 B	05/29/08	5.63%	7/1/2049	10,040	-	(80)	-	9,960	-	9,960
Series 2008 C	09/19/08	5.60%	7/1/2048	7,380	-	(245)	-	7,135	-	7,135
Series 2008 D	12/18/08	4.125% - 6.75%	2013 - 2039	3,720	-	(60)	-	3,660	-	3,660
Series 2009 A	11/24/09	5.25%	7/1/2041	7,240	-	(235)	-	7,005	-	7,005
Series 2012 A	07/26/12	0.40% - 4.375%	2014 - 2054	9,340	-	(20)	-	9,320	-	9,320
Series 2012 B	08/30/12	0.45% - 4.125%	2014 - 2054	5,505	-	-	(1,005)	4,500	-	4,500
Series 2012 C	09/13/12	0.85%	9/1/2014	7,200	-	-	(7,200)	-	-	-
Series 2012 D	11/07/12	0.40% - 3.875%	2014 - 2054	4,700	-	-	-	4,700	-	4,700
Series 2013 A	02/28/13	0.55% - 4.00%	2015 - 2054	10,925	-	-	-	10,925	-	10,925
Series 2013 B	07/25/13	0.70% - 5.15%	2015 - 2055	-	11,915	-	-	11,915	-	11,915
Series 2013 C	07/25/13	0.50% - 5.50%	2014 - 2045	-	23,270	(575)	-	22,695	(6)	22,689
Series 2013 D	09/19/13	0.60% - 5.65%	2015 - 2055	-	10,790	-	-	10,790	-	10,790
Series 2013 E	11/07/13	Variable rate	7/1/2045	-	41,795	-	-	41,795	-	41,795
Series 2013 F	12/12/13	0.75% - 5.25%	2016 - 2055	-	16,255	-	-	16,255	-	16,255
Series 2014 A	02/27/14	0.30% - 5.00%	2015 - 2055	-	4,805	-	-	4,805	-	4,805
Series 2014 B	05/21/14	0.50% - 4.45%	2016 - 2055	-	3,790	-	-	3,790	-	3,790
Total				$ 356,905	$ 112,620	$ (6,865)	$ (193,665)	$ 268,995	$ (6)	$ 268,989

(in thousands)

NOTE 7 - BONDS PAYABLE (Continued)

					Bond Activity					
	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2013	New bonds issued	Scheduled maturity payments	Bonds redeemed	Debt Outstanding at June 30, 2014	Bond premiums /discounts deferred	Bonds payable at June 30, 2014
Residential Revenue Bonds										
2003 Series A	11/01/03	3.90% - 4.05%	2013 - 2015	$ 2,955	$ -	$ (945)	$ (2,010)	$ -	$ -	$ -
2003 Series B	11/01/03	4.75%	2019	615	-	-	(615)	-	-	-
2003 Series C	12/09/03	Variable rate	9/1/2035	20,000	-	-	(20,000)	-	-	-
2004 Series A	05/13/04	3.85% - 4.20%	2013 - 2016	4,490	-	(1,060)	-	3,430	-	3,430
2004 Series B	05/13/04	5.00%	2023 - 2028	3,140	-	-	(1,670)	1,470	-	1,470
2004 Series D	08/12/04	4.00% - 4.40%	2013 - 2016	5,305	-	(1,250)	(4,055)	-	-	-
2004 Series E	08/12/04	5.15% - 5.25%	2023 - 2030	8,965	-	-	(8,965)	-	-	-
2004 Series F	08/12/04	Variable rate	9/1/2035	20,000	-	-	(20,000)	-	-	-
2004 Series G	11/10/04	3.35% - 3.65%	2013 - 2016	5,390	-	(1,280)	-	4,110	-	4,110
2004 Series H	11/10/04	4.55% - 5.00%	2023 - 2029	9,375	-	-	(4,055)	5,320	2	5,322
2004 Series I	11/10/04	Variable rate	9/1/2035	20,000	-	-	-	20,000	-	20,000
2005 Series A	03/30/05	3.60% - 3.90%	2013 - 2016	5,565	-	(1,315)	-	4,250	-	4,250
2005 Series B	03/30/05	4.55% - 5.25%	2023 - 2029	14,485	-	-	(2,155)	12,330	76	12,406
2005 Series D	11/10/05	3.75% - 4.05%	2013 - 2017	6,775	-	(1,255)	-	5,520	-	5,520
2005 Series E	11/10/05	4.75% - 5.50%	2025 - 2036	33,900	-	-	(4,055)	29,845	52	29,897
2006 Series A	02/23/06	3.80% - 4.10%	2013 - 2017	6,535	-	(1,215)	-	5,320	-	5,320
2006 Series B	02/23/06	4.75% - 5.50%	2025 - 2037	35,345	-	-	(3,015)	32,330	62	32,392
2006 Series E	05/24/06	4.00% - 4.35%	2013 - 2017	12,865	-	(2,375)	-	10,490	-	10,490
2006 Series F	05/24/06	4.80% - 6.00%	2021 - 2039	32,950	-	-	(5,720)	27,230	275	27,505
2006 Series G	05/24/06	Variable rate	9/1/2040	40,000	-	-	-	40,000	-	40,000
2006 Series H	07/13/06	3.95% - 4.15%	2013 - 2017	9,685	-	(1,780)	-	7,905	-	7,905
2006 Series I	07/13/06	4.20% - 6.00%	2013 - 2041	92,925	-	(1,785)	(10,685)	80,455	530	80,985
2006 Series J	07/13/06	Variable rate	9/1/2040	60,000	-	-	-	60,000	-	60,000
2006 Series K	09/14/06	3.90% - 4.15%	2013 - 2017	8,255	-	(1,515)	-	6,740	-	6,740
2006 Series L	09/14/06	4.30% - 5.75%	2013 - 2041	126,670	-	(1,610)	(8,990)	116,070	336	116,406
2006 Series O	12/13/06	3.65% - 3.85%	2013 - 2017	5,470	-	(1,010)	-	4,460	-	4,460
2006 Series P	12/13/06	4.10% - 5.75%	2013 - 2037	61,595	-	(1,685)	(4,785)	55,125	262	55,387
2006 Series S	12/13/06	6.07%	9/1/2037	18,120	-	-	(2,355)	15,765	-	15,765

(continued)

(in thousands)

NOTE 7 - BONDS PAYABLE (Continued)

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2013	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2014	Bond premiums /discounts deferred	Bonds payable at June 30, 2014
Residential Revenue Bonds (continued)										
2007 Series A	03/28/07	4.10% - 5.75%	2013 - 2047	$ 204,145	$ -	$ (3,360)	$ (17,800)	$ 182,985	$ 3,161	$ 186,146
2007 Series B	03/28/07	6.00%	9/1/2037	22,625	-	-	(2,485)	20,140	-	20,140
2007 Series C	06/20/07	3.75% - 3.95%	2013 - 2017	27,105	-	(5,110)	-	21,995	-	21,995
2007 Series D	06/20/07	4.65% - 5.50%	2022 - 2048	139,075	-	-	(11,390)	127,685	777	128,462
2007 Series E	06/20/07	5.27% - 6.11%	2015 - 2042	42,545	-	(1,875)	-	40,670	-	40,670
2007 Series F	06/20/07	Variable rate	9/1/2031	37,350	-	-	(7,435)	29,915	-	29,915
2007 Series G	08/09/07	4.05% - 4.30%	2013 - 2017	33,915	-	(6,220)	-	27,695	-	27,695
2007 Series H	08/09/07	4.95% - 5.20%	2022 - 2048	59,350	-	-	(2,330)	57,020	-	57,020
2007 Series I	08/09/07	5.75% - 6.56%	2014 - 2043	55,290	-	(2,375)	-	52,915	-	52,915
2007 Series J	08/09/07	Variable rate	9/1/2031	46,100	-	-	(8,615)	37,485	-	37,485
2007 Series K	12/12/07	3.45% - 3.85%	2013 - 2017	16,285	-	(3,320)	(1,025)	11,940	-	11,940
2007 Series M	12/12/07	Variable rate	9/1/2043	29,050	-	-	-	29,050	-	29,050
2008 Series A	06/19/08	3.35% - 4.00%	2013 - 2017	43,850	-	(6,000)	(1,400)	36,450	-	36,450
2008 Series B	09/04/08	3.55% - 4.20%	2013 - 2017	11,725	-	(2,175)	-	9,550	-	9,550
2008 Series C	09/04/08	4.45% - 5.375%	2019 - 2039	42,365	-	-	(42,365)	-	-	-
2008 Series D	09/04/08	Variable rate	9/1/2038	49,890	-	-	-	49,890	-	49,890
2008 Series E	12/17/08	3.80% - 4.55%	2013 - 2017	15,000	-	(3,000)	(990)	11,010	-	11,010
2008 Series F	12/17/08	4.75%	9/1/2018	6,000	-	-	(6,000)	-	-	-
2009 Series A	09/24/09	2.00% - 5.05%	2013 - 2039	37,675	-	(800)	-	36,875	-	36,875
2009 Series B	10/08/09	1.875% - 4.75%	2013 - 2039	42,280	-	(930)	-	41,350	-	41,350
2009 Series C	10/27/09	1.75% - 4.55%	2013 - 2039	15,015	-	(330)	-	14,685	-	14,685
2010 Series A	06/09/10	3.95% - 4.45%	2018 - 2021	26,080	-	-	(1,745)	24,335	-	24,335
2010 Series B	12/16/10	5.125% - 5.25%	2030 - 2035	39,205	-	-	(1,940)	37,265	-	37,265
2011 Series A	05/05/11	1.125% - 5.375%	2013 - 2041	67,575	-	(2,145)	(5,625)	59,805	924	60,729
2011 Series B	05/05/11	Indexed Rate	3/1/2036	20,000	-	-	-	20,000	(89)	19,911
2012 Series A	08/23/12	0.477% - 4.00%	2013 - 2025	42,950	-	(3,030)	(4,420)	35,500	496	35,996
2012 Series B	08/23/12	Variable rate	9/1/2033	45,000	-	-	-	45,000	-	45,000
2014 Series A	02/20/14	0.30% - 4.30%	2015 - 2032	-	57,515	-	-	57,515	-	57,515
2014 Series B	02/20/14	0.30% - 3.25%	2014 - 2044	-	35,565	-	(85)	35,480	1,120	36,600
Total				$ 1,888,820	$ 93,080	$ (60,750)	$ (218,780)	$ 1,702,370	$ 7,984	$1,710,354

(in thousands)

NOTE 8 - DEBT SERVICE REQUIREMENTS

As of June 30, 2014, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2014 and excluding the effect of unamortized discounts/premiums 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 Ended June 30,	Housing Revenue Bonds Interest	Housing Revenue Bonds Principal	Residential Revenue Bonds Interest	Residential Revenue Bonds Principal
2015	$ 9,342	$ 60,940	$ 63,216	$ 74,360
2016	7,346	14,785	60,504	67,970
2017	7,109	6,330	57,940	69,740
2018	6,978	3,205	55,393	82,065
2019	6,871	2,650	52,740	54,530
2020 - 2024	32,566	15,105	230,623	256,880
2025 - 2029	28,936	16,915	177,872	238,895
2030 - 2034	24,590	19,470	130,546	329,980
2035 - 2039	19,278	23,965	76,015	316,480
2040 - 2044	13,307	23,230	28,216	196,135
2045 - 2049	7,254	65,475	1,388	15,335
2050 - 2054	2,524	14,460	-	-
2055 - 2059	104	2,465	-	-
Totals	$ 166,205	$ 268,995	$ 934,453	$ 1,702,370

The interest calculations on outstanding variable rate bonds in the amounts of $41,795 in Housing Revenue Bonds and $331,340 in Residential Revenue Bonds are based on the variable rates in effect on June 30, 2014 and are not indicative of the actual interest expense that will be incurred in future years. As rates vary, variable rate bond interest payments will vary. See Note 9 for additional information on interest rate exchange agreements (swaps) associated with the variable rate debt in Residential Revenue Bonds.

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS)

Objective of the Swaps

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

(in thousands)

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

Terms and Fair Value

The terms, including the fair values of the outstanding swaps as of June 30, 2014, are provided in the table below. The counterparty credit ratings for all outstanding swaps as of June 30, 2014 are listed under the Credit Risk section. For each of the outstanding swap agreements the variable rates are reset monthly, and it is the intent of CDA to match the maturity of the swaps with the maturity of the underlying bonds. The fair values are based on the market values and are affirmed by an independent advisor who used valuation methods and assumptions in accordance with accounting guidance issued by GASB.

Swap Counter-party	Associated Bond Issue	Original Notional Amount	Outstanding Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received (1)	Fair Value	Swap Final Termination Date
JPMorgan Chase Bank, N.A. (JPM)	2004 Series I	$20,000	$20,000	9/1/2005	3.8525%	64% of LIBOR plus .29%	($343)	9/1/2035 (2)(7)(15)
The Bank of New York Mellon (BNYM)	2006 Series G	$40,000	$40,000	5/24/2006	4.4030%	64% of LIBOR plus .29%	($3,040)	9/1/2040 (3)(13)
JPMorgan Chase Bank, N.A. (JPM)	2006 Series J	$40,000	$40,000	7/13/2006	4.4030%	64% of LIBOR plus .29%	($3,038)	9/1/2040 (3)(7)
JPMorgan Chase Bank, N.A. (JPM)	2006 Series J	$20,000	$20,000	7/13/2006	4.4550%	64% of LIBOR plus .29%	($1,543)	9/1/2040 (3)(7)
Merrill Lynch Derivative Products AG (MLDP)	2007 Series F	$46,485 (amended)	$28,435	10/27/2009 (amended)	4.4300% (amended)	64% of LIBOR plus .22% (amended)	($2,688)	3/1/2026 (4)(6)(9)(12)
Merrill Lynch Derivative Products AG (MLDP)	2007 Series J	$58,680 (amended)	$36,600	9/1/2009 (amended)	4.8350% (amended)	64% of LIBOR plus .22% (amended)	($3,881)	9/1/2025 (4)(6)(9)(10)
The Bank of New York Mellon (BNYM)	2007 Series M	$26,990 (amended)	$11,360	10/8/2009 (amended)	4.3350% (amended)	64% of LIBOR plus .22% (amended)	($1,160)	9/1/2043 (5)(6)(11) (14)
Merrill Lynch Derivative Products AG (MLDP)	2008 Series D	$50,000	$49,890	9/4/2008	3.6880%	64% of LIBOR plus .31%	($4,876)	9/1/2038 (8)(9)

Notes to Table on next page

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

Notes to Table

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

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

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

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

(5) CDA has the option to terminate a portion of this interest rate swap transaction without any termination payment up to the Maximum Optional Early Termination Amounts on each March 1 and September 1 until September 1, 2017. CDA has exercised its option to partially terminate the notional amount of this interest rate swap in the amount of $2,060 effective September 1, 2009, $1,515 effective March 1, 2010, $1,735 effective September 1, 2010, $1,700 effective March 1, 2011, $1,425 effective September 1, 2011, $1,185 effective March 1, 2012, $975 effective September 1, 2012, $790 effective March 1, 2013, $610 effective September 1, 2013 and $470 effective March 1, 2014. CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2017 and on each March 1 and September 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.

(6) The outstanding notional amount reflects the amount that has been amortized as of March 1, 2014. On September 1, 2010, 2008 Series D had a scheduled amortization of the notional amount which corresponded to a scheduled mandatory sinking fund redemption of outstanding bonds on such date.

(7) On May 14, 2009, all swap agreements with Bear Stearns Financial Products Inc. were assigned to JPMorgan Chase Bank, N.A. All terms and conditions of the contracts remain in force.

(8) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2018 and on each March 1 and September 1 thereafter (Optional Par Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.

(9) On January 1, 2009, Bank of America Corporation acquired Merrill Lynch & Co., Inc. Notwithstanding this acquisition, Merrill Lynch Derivative Products AG remains in existence and continues as a swap provider on this swap agreement.

(10) On September 24, 2009, 2007 Series J bonds, with an outstanding balance of $58,680, were remarketed and the related swap agreement was amended effective September 1, 2009.

(11) On October 8, 2009, 2007 Series M bonds, with an outstanding balance of $29,050, were remarketed and the related swap agreement with an outstanding balance of $26,990 was amended effective October 8, 2009 (refer to note 5 above). The Bank of New York Mellon replaced UBS AG as counterparty to the agreement.

(12) On October 27, 2009, 2007 Series F bonds, with an outstanding balance of $46,485, were remarketed and the related swap agreement was amended effective October 27, 2009.

(13) The Bank of New York Mellon entered into a Novation Transaction dated April 10, 2014 whereby The Bank of New York Mellon replaced UBS AG as counterparty to the agreement. All terms and conditions of the contract remains in force.

(14) Subsequent to June 30, 2014, CDA exercised its option and partially terminated the interest rate swap in the amount of $340 effective September 1, 2014.

(15) Also, subsequent to June 30, 2014, CDA exercised its option and terminated the interest rate swap in the amount of $20,000 effective September 1, 2014.

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, 2014. CDA was not exposed to credit risk under the swap agreements with JPM, MLDP or BNYM since the fair value of each counterparty's swap portfolio was negative. However, should the valuation of any of the individual swaps change, and the fair values turn positive, CDA may become exposed to credit risk in the amount of the swaps' fair values. To mitigate the potential for credit risk, the fair value of the swaps will be fully collateralized by the counterparties if a counterparty's credit quality falls below the designated credit rating thresholds.

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, 2014 are summarized below:

Swap Counterparty	Outstanding Notional Amount	Current Credit Rating	Collateral Posting Credit Rating Threshold	Fair Value
JPMorgan Chase Bank, N.A. (JPM)	$80,000	Aa3 from Moody's A+ from Standard and Poor's	A1 or below from Moody's or A+ or below from Standard and Poor's	($4,924)
Merrill Lynch Derivative Products AG (MLDP)	$114,925	Aa3 from Moody's A+ Neg from Standard and Poor's	A1 or below from Moody's or A+ or below from Standard and Poor's or Fitch	($11,445)
The Bank of New York Mellon (BNYM)	$51,360	Aa2 from Moody's AA- from Fitch	A1 or below from Moody's or A+ or below from Fitch	($4,200)

Termination Risk

Termination risk is the risk that, due to some event or exercise of a right, the swaps may terminate prior to the scheduled expiration which could result in a payment due from CDA. Furthermore, if a swap is terminated, the underlying variable rate bonds may be exposed to the rising variable interest rates.

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

According to the termination provisions of the swap agreements, CDA or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The counterparty can terminate the contract if the ratings on the related bonds fall below the credit rating thresholds. In addition, CDA has an option to terminate the swaps in part or in whole without any payment except for accrued interest on the respective Optional Termination Dates. Regardless of the above, CDA has a unilateral right to terminate swaps at any time upon adequate notification to the counterparty. If at the time of such termination a swap has a negative fair value, CDA would be liable to the counterparty for a payment equal to the swap's fair value along with any accrued interest.

Rollover Risk

CDA is exposed to rollover risk on the swap agreements if the agreement terminates prior to the maturity of the associated debt. CDA evaluates the range of reasonably expected repayment patterns for the financed assets to best match the swap schedule. Terminating an existing swap may enable CDA to enter a new swap or other financing mechanism that may be better tailored to the actual financed assets and repayment experience. It is the intent of CDA to match the maturity of the swaps with the maturity of the underlying bonds.

Amortization Risk

Amortization risk is the risk that the actual redemption pattern of the bonds may differ from the swap schedule, producing a mismatch between the principal amount of the bonds outstanding and the outstanding notional amount of the swap. To address this risk, CDA has structured all swap transactions to provide for optional termination on the respective Optional Termination Dates and automatic incremental amortization of the swap notional amounts. Mortgage loan prepayments can also be directed to the variable rate series to match the outstanding notional swap amount to the outstanding amount of the underlying bonds.

Tax Risk

Tax risk is the risk that the value of tax exemption may decline through tax law changes and that variable interest rates would then rise toward taxable levels and the expected cost savings of the swaps may not be realized.

(in thousands)

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

Counterparty Risk

Counterparty risk is the risk that a counterparty will fail to make required payments. In order to limit this type of risk, CDA diversifies its exposure across several counterparties.

Swap Payments and Associated Debt

The following table provides a summary of debt service requirements for hedged variable rate bonds and net swap payments for the next five years and in 5-year increments thereafter. The interest calculations are based on the variable rates in effect on June 30, 2014, 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
2015	$ 4,255	$ 166	$ 9,192	$ 13,613
2016	-	151	8,517	8,668
2017	-	151	8,068	8,219
2018	2,000	151	7,616	9,767
2019	3,300	149	7,129	10,578
2020 - 2024	9,150	724	30,844	40,718
2025 - 2029	76,625	585	25,896	103,106
2030 - 2034	45,580	434	19,968	65,982
2035 - 2039	76,230	212	9,984	86,426
2040 - 2044	29,145	37	873	30,055
Totals	$ 246,285	$ 2,760	$ 128,087	$ 377,132

(in thousands)

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

Fair Values

The table below summarizes the total fair values for CDA's interest rate exchange agreements at June 30, 2013 and June 30, 2014, and the changes in fair values for the year ended June 30, 2014.

	Total Fair Value at June 30, 2013	Total Fair Value at June 30, 2014	Change in Fair Value for the Period
Interest Rate Exchange Agreements:			
Cash Flow Hedges	$ (27,065)	$ (20,569)	$ 6,496
Investment Derivatives	-	-	-
Total	$ (27,065)	$ (20,569)	$ 6,496

In accordance with accounting guidance issued by GASB, the fair value balances of derivative instruments (interest rate exchange agreements) outstanding at June 30, 2014, classified by type, and the changes in fair value of such derivative instruments as presented on the combined financial statements for the period ended June 30, 2014, are as follows:

	Change in Fair Value		Fair Value at June 30, 2014		Outstanding Notional Amounts
	Classification	Amount	Classification	Amount	
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	$ 6,496	Debt	$ (20,569)	$ 246,285
Investment Derivatives:					
Pay fixed interest rate swaps	Investment Revenue	$ -	Investment	$ -	$ -

As of June 30, 2014, all of CDA's swaps meet the criteria for effectiveness and the swap fair values are classified as deferred outflow.

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

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

NOTE 10 - BOND REFUNDINGS

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

For current refundings of debt in an optional redemption, CDA replaces previously issued bonds for the purpose of lowering debt costs by reducing interest rates or for other purposes such as revising payment schedules or modifying restrictions related to the old debt. This type of transaction is commonly known as an economic refunding.

NOTE 10 - BOND REFUNDINGS (Continued)

During the fiscal year ended June 30, 2014, CDA issued and redeemed the following bonds as part of economic refundings:

On July 25, 2013, CDA issued $23,270 of Housing Revenue Bonds Series 2013 C which refunded all or part of Housing Revenue Bonds Series 1999 D, Series 2001 B and Series 2003 C on August 26, 2013. This refunding reduced total debt service payments for the remaining life of the bonds and resulted in an economic gain of $2,127.

On November 7, 2013, CDA issued $41,795 of Housing Revenue Bonds Series 2013 E which refunded all of Housing Revenue Bonds Series 1999 A, Series 2001 B and Series 2003 D on December 9, 2013. The Series 2013 E bonds are variable rate and exact savings cannot be calculated at this time.

On February 20, 2014, CDA issued $93,080 of Residential Revenue Bonds 2014 Series A and B which refunded $42,765 of Residential Revenue Bonds 2003 Series A and C, and 2004 Series D, E, and F, in full, on March 6, 2014. This refunding reduced CDA’s exposure to variable rate debt and maintained tax yield compliance.

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 related to the old debt). These deferrals would be reported as a deferred outflow or a deferred inflow of resources for the refunding of debt on the Combined Statement of Net Position. This deferral would be amortized, using the effective interest method, over the remaining life of the old debt or the life of the new debt, whichever is shorter. As a result of the refundings described above, CDA did not have to defer any refunding debt costs associated with the refunded bonds.

(in thousands)

NOTE 11 - REBATE LIABILITY

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

Rebate liability activity for the year ended June 30, 2014, was as follows:

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Rebate liability as of June 30, 2013	$ -	$ 182	$ -	$ 182
Change in estimated liability due to change in fair value of investments	-	38	-	38
Rebate liability as of June 30, 2014	$ -	$ 220	$ -	$ 220

As of June 30, 2014, the rebate liability in the amount of $220 for Residential Revenue Bonds is allocated to estimated excess investment fair values.

(in thousands)

NOTE 12 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2014, were as follows:

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Workers' compensation				
Beginning balance at 6/30/2013	$ -	$ -	$ 86	$ 86
Additions	-	-	-	-
Reductions	-	-	(42)	(42)
Ending balance at 6/30/2014	-	-	44	44
Less due within one year	-	-	(7)	(7)
Total long-term workers' compensation	-	-	37	37
Compensated absences				
Beginning balance at 6/30/2013	-	-	782	782
Additions	-	-	454	454
Reductions	-	-	(491)	(491)
Ending balance at 6/30/2014	-	-	745	745
Less due within one year	-	-	(530)	(530)
Total long-term compensated absences	-	-	215	215
Rebate liability				
Beginning balance at 6/30/2013	-	182	-	182
Additions	-	38	-	38
Reductions	-	-	-	-
Ending balance at 6/30/2014	-	220	-	220
Less due within one year	-	-	-	-
Total long-term rebate liability	-	220	-	220

(continued)

(in thousands)

NOTE 12 - LONG-TERM OBLIGATIONS (Continued)

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Bonds payable				
Beginning balance at 6/30/2013	$ 356,899	$ 1,901,247	$ -	$ 2,258,146
Additions	112,620	94,211	-	206,831
Reductions	(200,530)	(279,530)	-	(480,060)
Change in deferred amounts for issuance discounts/premiums	-	(5,574)	-	(5,574)
Ending balance at 6/30/2014	268,989	1,710,354	-	1,979,343
Less due within one year	(60,940)	(74,360)	-	(135,300)
Total long-term bonds payable	208,049	1,635,994	-	1,844,043
Deposits by borrowers				
Beginning balance at 6/30/2013	7,955	4,684	84	12,723
Additions	4,447	2,094	56	6,597
Reductions	(3,063)	(2,072)	(40)	(5,175)
Ending balance at 6/30/2014	9,339	4,706	100	14,145
Less due within one year	(2,291)	(2,575)	(45)	(4,911)
Total long-term deposits by borrowers	7,048	2,131	55	9,234
Interest rate swap agreements				
Beginning balance at 6/30/2013	-	27,065	-	27,065
Additions	-	-	-	-
Reductions	-	(6,496)	-	(6,496)
Ending balance at 6/30/2014	-	20,569	-	20,569
Total long-term interest rate swap agreements	-	20,569	-	20,569
Total long-term liabilities	$ 215,097	$ 1,658,914	$ 307	$ 1,874,318

(in thousands)

NOTE 13 - INTERFUND ACTIVITY

In accordance with the various bond indentures, net position in each of the Funds are restricted and pledged to bondholders. However, restricted assets may be transferred to other Funds, subject to the provisions of the respective indentures. Generally, an officer of CDA must authorize such withdrawals and a cash flow analysis must demonstrate that sufficient monies remain in the indenture to meet the obligations of the Funds in current and future years. A cash flow analysis is not required for the General Bond Reserve Fund (GBRF) because there are no bonds outstanding in GBRF as of June 30, 2014.

During the year ended June 30, 2014, CDA transferred the following amounts, as permitted, among Funds:

	Transfers among Funds			
	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Excess revenue	$ (1,125)	$ (7,845)	$ 8,970	$ -
Administrative fees on mortgage loans transferred from Multi-Family Mortgage Revenue Bonds	-	-	637	637
Cost of issuance on bonds and other expenses transferred to Single Family Housing Revenue Bonds	-	(520)	-	(520)
Fees earned in connection with Multi-Family Housing Revenue Bonds transferred from separate account	-	4,894	-	4,894
Transfer to separate account in accordance with HUD agreement	-	(8)	-	(8)
	$ (1,125)	$ (3,479)	$ 9,607	$ 5,003

(in thousands)

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

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

	Amount Issued	Outstanding at June 30, 2014
Multifamily Development Revenue Bonds		
Series 1999 A (GNMA - Selborne House)	$ 2,150	$ 1,895
Series 2001 C (Parklane Apartments)	$ 9,800	$ 9,800
Series 2001 D (Princess Anne Townhouses)	$ 4,350	$ 3,040
Series 2001 E (Princess Anne Townhouses)	$ 2,875	$ 2,405
Series 2001 G (Waters Tower Senior Apartments)	$ 4,045	$ 3,375
Series 2002 B (Broadway Homes)	$ 5,045	$ 2,035
Series 2002 C (Orchard Mews Apartments)	$ 5,845	$ 4,265
Series 2003 A (Barrington Apartments)	$ 40,000	$ 39,905
Series 2005 A (Fort Washington Manor Sr. Housing)	$ 14,000	$ 12,780
Series 2005 B (Washington Gardens)	$ 5,000	$ 2,180
Series 2006 A (Barclay Greenmount Apartments)	$ 4,535	$ 3,470
Series 2006 B (Charles Landing South Apartments)	$ 3,375	$ 3,375
Series 2007 A (Brunswick House Apartments)	$ 3,000	$ 1,955
Series 2007 B (Park View at Catonsville)	$ 5,200	$ 4,750
Series 2008 A (Walker Mews Apartments)	$ 11,700	$ 11,700
Series 2008 B (Shakespeare Park Apartments)	$ 7,200	$ 7,200
Series 2008 C (The Residences at Ellicott Gardens)	$ 9,105	$ 6,175
Series 2008 D (Crusader Arms Apartments)	$ 3,885	$ 2,660
Series 2008 E (MonteVerde Apartments)	$ 15,200	$ 15,200
Series 2008 F (Hopkins Village Apartments)	$ 9,100	$ 9,100
Series 2008 G (Kirkwood House Apartments)	$ 16,000	$ 16,000
Series 2009 A (Sharp Leadenhall Apartments)	$ 16,950	$ 16,950

(in thousands)

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

	Amount Issued	Outstanding at June 30, 2014
Multifamily Development Revenue Bonds (continued)		
Series 2012 A (Park View at Bladensburg)	$ 3,500	$ 3,465
Series 2013 A (Gateway Village)	$ 9,700	$ 9,700
Series 2013 B (Ross Overlook Apartments)	$ 13,000	$ 13,000
Series 2013 C (The Greens at English Consul)	$ 7,225	$ 7,225
Series 2013 D (The Greens at Logan Field)	$ 7,550	$ 7,550
Series 2013 E (The Residences at Thayer Avenue)	$ 8,135	$ 8,135
Series 2013 F (Adams Crossing Apartments)	$ 16,225	$ 16,225
Series 2013 G (Glen Manor Apartments)	$ 13,640	$ 13,640
Series 2013 H (Seton Village)	$ 5,400	$ 5,400
Series 2014 A (Bon Secours Benet House)	$ 5,700	$ 5,700
Series 2014 B-1 (Memorial Apartments)	$ 12,700	$ 12,700
Series 2014 B-2 (Memorial Apartments)	$ 13,300	$ 13,300
Series 2014 C (Locust House Apartments)	$ 7,300	$ 7,300
Series 2014 D (Timbercroft Apartments)	$ 25,000	$ 25,000
Multifamily Development Revenue Refunding Bonds		
Series 1997 (Avalon Lea Apartments)	$ 16,835	$ 16,835
Capital Fund Securitization Revenue Bonds		
Series 2003	$ 94,295	$ 59,185
Local Government Infrastructure Bonds		
2011 Series A (Mayor and City Council of Cumberland Issue)	$ 12,275	$ 12,175

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

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

Subsequent to the year ended June 30, 2014, CDA redeemed $20,970 of Capital Fund Securitization Revenue Bonds Series 2003 on July 1, 2014. Also, subsequent to year end, CDA redeemed $110 of Multifamily Development Revenue Bonds Series 2005 A on September 15, 2014.

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 single family loan insured by an agency of the U.S. Government the primary mortgage insurance covers an amount substantially equal to the unpaid principal amount of the loan. Almost all other loans have primary mortgage insurance in an amount that is at least 25% of the loan amount. Approximately 2% of all first lien loans either did not have primary mortgage insurance due to their original loan-to-value ratios of less than 80% or have cancelled primary mortgage insurance due to their outstanding balance falling below 80% of the original loan amount. About 42% of all loans are insured by agencies of the U.S. Government in an amount substantially equal to the unpaid principal amount of the loan. Approximately 56% of total loans are insured by private mortgage insurers or MHF. Approximately 95% of the total loans insured by private mortgage insurers or MHF are covered at 35% of the loan amount. The remaining 5% of this group of loans is insured by two different private mortgage insurers who, due to financial constraints or receivership, are currently paying to CDA half of the 35% or approximately 18% of the loan amount. An allowance for loan losses has been established for loans insured by private mortgage insurers. Premiums are paid by single family mortgagors.

NOTE 15 - MORTGAGE INSURANCE (Continued)

Under the Residential Revenue Bond indenture, CDA entered into an agreement (the Reinsurance Agreement) with MHF effective January 1, 2011, in order to provide supplemental insurance coverage for all private mortgage insured loans and post-2005 MHF primary insured loans residing in the active portfolio as of December 31, 2010. Insured loans in the private mortgage insurance portfolio have 35% coverage from the private mortgage insurer. Upon receipt of the primary mortgage insurance claim, MHF paid 100% of the remaining claim amount for all private mortgage insured loans and post-2005 MHF primary insured loans that have foreclosure dates occurring after December 31, 2010. Once the claim was paid by MHF, the property was transferred to MHF for disposal and was no longer an asset of CDA. Upon sale of the property and if the sale resulted in a loss, CDA and MHF shared equally in any such loss incurred. The Reinsurance Agreement was terminated on April 1, 2014 at which time the total amount of MHF net losses (the amount calculated after all claims were paid and expenses were realized) had reached $12,500.

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.

(in thousands)

NOTE 17 - SUBSEQUENT EVENTS

Events that occur after the date of the combined statement of net position but before the combined financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the combined statement of net position are recognized in the accompanying combined financial statements. Subsequent events which provide evidence about conditions that existed after the date of the combined statement of net position require disclosure in the accompanying notes. Management evaluated the activity of CDA through September 30, 2014 (the date the combined financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the combined financial statements or disclosure in the notes to the combined financial statements except for the following activity that occurred subsequent to June 30, 2014.

Subsequent to the year ended June 30, 2014, the following bond activity took place:

<u>Housing Revenue Bonds</u>

On July 31, 2014, CDA redeemed the following bonds:

Series 2004 C	$6,630
Series 2004 D	$1,235
Series 2005 B	$1,545

On August 18, 2014, CDA redeemed the following bonds:

Series 2005 B	$3,855
Series 2013 C	$6,525

On August 21, 2014, CDA issued the following bond:

Series 2014 C	$3,700

On September 16, 2014, CDA redeemed the following bonds:

Series 2005 A	$1,190
Series 2005 B	$12,365
Series 2005 C	$11,035
Series 2006 A	$9,210
Series 2006 B	$2,365

(in thousands)

NOTE 17 - SUBSEQUENT EVENTS (Continued)

Residential Revenue Bonds

On September 2, 2014, CDA redeemed the following bonds:

2006 Series S	$455
2007 Series B	$1,845
2007 Series F	$2,430
2007 Series I	$1,970
2007 Series J	$2,850
2012 Series A	$790

On September 25, 2014, CDA issued the following bonds:

2014 Series C	$47,960
2014 Series D	$23,885
2014 Series E	$53,205
2014 Series F	$25,000

Community Development Administration
Revenue Obligation Funds

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

June 30, 2014
(Unaudited)

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

For investments (obligations of the U.S. Treasury and U.S. Government Agencies) held by CDA as of June 30, 2014, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and amortized cost:

Fiscal Year Period	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Cumulative FY 1996 and prior periods	$ -	$ -	$ 620	$ 620
FY 1997	(352)	-	175	(177)
FY 1998	832	-	90	922
FY 1999	(407)	-	(191)	(598)
FY 2000	48	(227)	(237)	(416)
FY 2001	193	551	244	988
FY 2002	157	97	405	659
FY 2003	889	544	519	1,952
FY 2004	(678)	(674)	(1,368)	(2,720)
FY 2005	897	403	(403)	897
FY 2006	(866)	(1,567)	(526)	(2,959)
FY 2007	48	1,062	437	1,547
FY 2008	444	785	445	1,674
FY 2009	202	46	(150)	98
FY 2010	472	2,747	(53)	3,166
FY 2011	(280)	(2,244)	1,898	(626)
FY 2012	1,283	1,374	449	3,106
FY 2013	(730)	(855)	(539)	(2,124)
FY 2014	(27)	243	(287)	(71)
Cumulative Total	$ 2,125	$ 2,285	$ 1,528	$ 5,938

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, 2014
(Unaudited)

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

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
(Decrease) increase in fair value of investments held at June 30, 2014	$ (27)	$ 243	$ (287)	$ (71)
Adjustment due to change in rebate liability (see Note 11)	-	(38)	-	(38)
(Decrease) increase in fair value of investments, net of rebate, as reported on the Combined Statement of Revenue, Expenses and Changes in Net Position	$ (27)	$ 205	$ (287)	$ (109)

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, 2014
(Unaudited)

For mortgage-backed securities held by CDA as of June 30, 2014, the following schedule summarizes annual increases/decreases in fair value:

Fiscal Year Period	Housing Revenue Bonds	Residential Revenue Bonds	Combined
FY 2000	$ (3,825)	$ -	$ (3,825)
FY 2001	(3,291)	-	(3,291)
FY 2002	3,340	-	3,340
FY 2003	21,435	-	21,435
FY 2004	(11,126)	-	(11,126)
FY 2005	12,879	-	12,879
FY 2006	(27,704)	-	(27,704)
FY 2007	3,661	-	3,661
FY 2008	(5,987)	-	(5,987)
FY 2009	17,358	-	17,358
FY 2010	13,103	-	13,103
FY 2011	(7,348)	(585)	(7,933)
FY 2012	6,303	1,858	8,161
FY 2013	(8,491)	(5,593)	(14,084)
FY 2014	(5,694)	3,127	(2,567)
Cumulative Total	$ 4,613	$ (1,193)	$ 3,420

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, 2014
(Unaudited)

Reconciliation to the annual increases/decreases in fair value for mortgage-backed securities for the fiscal year ended June 30, 2014:

	Housing Revenue Bonds	Residential Revenue Bonds	Combined
Increases/decreases in fair value of mortgage-backed securities as shown on the combined Statement of Revenue, Expenses and Changes in Net Position for the year ended June 30, 2014:			
Operating revenue	$ -	$ 10,216	$ 10,216
Nonoperating (expenses) revenue	(5,694)	3,001	(2,693)
Realized gains on sale of mortgage-backed securities	-	(10,090)	(10,090)
Annual increases/decreases for the year ended June 30, 2014	$ (5,694)	$ 3,127	$ (2,567)