FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

COMMUNITY DEVELOPMENT ADMINISTRATION
RESIDENTIAL REVENUE BONDS

JUNE 30, 2004 AND 2003

Community Development Administration
Residential Revenue Bonds

TABLE OF CONTENTS

Reznick Fedder & Silverman
Certified Public Accountants • A Professional Corporation

Two Hopkins Plaza, Suite 2100
Baltimore, MD 21201
410-783-4900 Phone
410-727-0460 Fax
www.rfs.com

INDEPENDENT AUDITORS' REPORT

Office of the Secretary
Department of Housing and Community Development

We have audited the accompanying financial statements of the Community Development Administration Residential Revenue Bonds (the Fund) of the Department of Housing and Community Development of the State of Maryland as of and for the years ended June 30, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the Community Development Administration Residential Revenue Bonds and do not purport to, and do not, present fairly the financial position of the Department of Housing and Community Development of the State of Maryland as of June 30, 2004 and 2003, and the changes in its net assets and cash flows, where applicable, thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Community Development Administration Residential Revenue Bonds of the Department of Housing and Community Development of the State of Maryland as of June 30, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

ATLANTA • BALTIMORE • BETHESDA • CHARLOTTE • SACRAMENTO

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Disclosure of Change in Fair Value of Investments is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in our audits of the basic financial statements and, accordingly, we express no opinion on it.

Reznick Fedder & Silverman

Baltimore, Maryland
September 28, 2004

Community Development Administration
Residential Revenue Bonds

STATEMENTS OF NET ASSETS
(in thousands)

June 30, 2004 and 2003

	2004	2003
RESTRICTED ASSETS		
Restricted current assets		
Cash and cash equivalents on deposit with trustee	$ 104,153	$ 116,471
Investments	209,317	148,380
Single family mortgage loans	10,655	10,819
Accrued interest and other receivables	12,785	13,774
Total restricted current assets	336,910	289,444
Restricted long-term assets		
Investments, net of current portion	28,613	40,083
Single family mortgage loans, net of current portion	625,105	657,383
Deferred bond issuance costs	5,875	7,325
Total restricted long-term assets	659,593	704,791
Total restricted assets	$ 996,503	$ 994,235
LIABILITIES AND NET ASSETS		
Current liabilities		
Bonds payable and short-term debt	$ 246,280	$ 170,725
Accrued interest payable	11,916	15,780
Rebate liability	251	118
Accounts payable	632	-
Due to other Funds	937	146
Total current liabilities	260,016	186,769
Long-term liabilities		
Bonds payable, net of current portion	653,925	769,624
Rebate liability, net of current portion	1,683	2,200
Total long-term liabilities	655,608	771,824
Total liabilities	915,624	958,593
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Restricted	80,879	35,642
Total liabilities and net assets	$ 996,503	$ 994,235

See notes to financial statements

Community Development Administration
Residential Revenue Bonds

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
(in thousands)

Years ended June 30, 2004 and 2003

	2004	2003
Operating revenue		
Interest on mortgage loans	$ 37,749	$ 44,819
Interest income on investments, net of rebate	5,188	7,972
Decrease in fair value of investments, net of rebate	(116)	(161)
Fee income	1,329	1,117
Gain on foreclosure claims	195	-
Other operating revenue	-	25
	44,345	53,772
Operating expenses		
Interest expense on bonds and short-term debt	40,429	49,185
Amortization of bond issuance costs	534	494
Trustee, legal and mortgage servicing costs	1,924	2,372
Loss on early retirement of debt	2,092	642
Origination expenses	35	-
Other operating expenses	55	16
	45,069	52,709
Operating (loss) income	(724)	1,063
Transfers of funds, net, as permitted by the various bond indentures	45,961	(534)
CHANGES IN NET ASSETS	45,237	529
Net assets at beginning of year	35,642	35,113
Net assets at end of year	$ 80,879	$ 35,642

See notes to financial statements

Community Development Administration
Residential Revenue Bonds

STATEMENTS OF CASH FLOWS
(in thousands)

Years ended June 30, 2004 and 2003

	2004	2003
Cash flows from operating activities		
Principal and interest received on mortgage loans	$ 204,219	$ 176,365
Mortgage insurance claims received	7,730	4,266
Foreclosure expenses paid	(641)	(347)
Other operating revenue received	-	25
Loan fees received	125	605
Loan fees disbursed	(1,766)	-
Purchase of mortgage loans	(136,584)	(92,803)
Trustee, legal and mortgage servicing costs	(1,892)	(2,372)
Other operating expenses paid	(55)	(16)
Other reimbursements	600	-
Net cash provided by operating activities	71,736	85,723
Cash flows from investing activities		
Proceeds from maturities or sales of investments	258,524	209,439
Purchases of investments	(308,681)	(142,919)
Arbitrage rebates paid	(204)	(455)
Interest received on investments	5,958	8,554
Net cash (used in) provided by investing activities	(44,403)	74,619
Cash flows from noncapital financing activities		
Proceeds from sale of bonds	316,698	109,945
Payments on bond principal	(356,855)	(178,525)
Bond issuance costs	(1,143)	(189)
Interest on bonds and short-term debt	(44,312)	(50,565)
Transfers among Funds	45,961	(534)
Net cash used in noncapital financing activities	(39,651)	(119,868)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	(12,318)	40,474
Cash and cash equivalents on deposit with trustee at beginning of year	116,471	75,997
Cash and cash equivalents on deposit with trustee at end of year	$ 104,153	$ 116,471

(continued)

Community Development Administration
Residential Revenue Bonds

STATEMENTS OF CASH FLOWS - CONTINUED
(in thousands)

Years ended June 30, 2004 and 2003

	2004	2003
Reconciliation of operating (loss) income to net cash from operating activities		
Operating (loss) income	$ (724)	$ 1,063
Adjustments to reconcile operating (loss) income to net cash provided by operating activities		
Decrease (increase) in assets		
Mortgage loans	35,377	48,339
Accrued interest and other receivables	989	(3,795)
Due from other Funds	-	(306)
Increase (decrease) in liabilities		
Accounts payable	632	-
Rebate liability	(384)	46
Accrued interest payable	(3,864)	(1,372)
Due to other Funds	791	148
Amortizations		
Deferred income and expense on loans	(1,305)	(1,117)
Investment discounts and premiums	16	(938)
Bond original issue discounts and premiums	(20)	(8)
Deferred bond issuance costs	534	494
Decrease (increase) in fair value of investments	674	(544)
Loan fees and expenses deferred	(1,630)	605
Arbitrage rebates paid	204	455
Loss on early retirement of debt	2,092	642
Interest received on investments	(5,958)	(8,554)
Interest on bonds and short-term debt	44,312	50,565
Net cash provided by operating activities	$ 71,736	$ 85,723

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS
(in thousands)

June 30, 2004 and 2003

NOTE A - 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 Article 83B, Sections 2-201 through 2-208) 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 financial statements only include CDA's Residential Revenue Bonds (the Fund). CDA's other Funds are not included. The Fund was established to issue bonds primarily to originate or purchase single family mortgage loans.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Fund is set up in accordance with CDA's enabling legislation and the Residential Revenue Bond Resolution (Resolution). The Fund is an enterprise fund of the State of Maryland and uses the accrual basis of accounting.

Generally Accepted Accounting Principles

CDA reports its financial activities by applying Standards of Governmental Accounting and Financial Reporting as promulgated by the Governmental Accounting Standards Board (GASB). CDA has adopted GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. Consequently, CDA applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and ARBS of the Committee on Accounting Procedure issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CDA has adopted GASB Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis*. Under GASB Statement No. 34, net assets should be reported as restricted when constraints placed on net asset use are either: externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or are imposed by law through constitutional provisions or enabling legislation. Accordingly, all net assets of the Fund are restricted as to their use as all net assets are pledged to bondholders.

The Annual Financial Report may include a Management's Discussion and Analysis. Since CDA is an enterprise fund included in the State of Maryland's Comprehensive Annual Financial Report, a separate Management's Discussion and Analysis is not required in these financial statements. CDA prepares a Management's Discussion and Analysis for the General Accounting Division of the State of Maryland that is not part of these financial statements.

Cash and Cash Equivalents on Deposit with Trustee

Cash equivalents may include money market funds, repurchase agreements, investment agreements and any other investments, primarily U.S. Treasury and agencies, which have maturities of 90 or less days at the time of purchase. As of June 30, 2004 and 2003, all of CDA's cash equivalents are invested in a money market mutual fund which is more fully described in Note C.

Investments

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Loans

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

Allowance for Loan Losses

All the mortgage loans of the Fund are insured or guaranteed by agencies of the U.S. Government. As such, no allowance for loan losses was necessary as of June 30, 2004 and 2003.

Accrued Interest and Other Receivables

Accrued interest and other receivables include outstanding claims on insured mortgage loans and interest on investments. On insured single family loans, interest ceases to accrue after foreclosure. See Note E for additional information.

Deferred Bond Issuance Costs

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

Due From (To) Other Funds

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bonds Payable

Bonds payable are carried at their unpaid principal balances, net of original issue discounts or premiums. See Notes F, G, H and I for more information.

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 J.

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, CDA determines 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, 2004 and 2003, all mortgage loan yield calculations are in compliance with the Code.

Interest on Mortgage Loans

Interest on mortgage loans is calculated using the effective interest method.

Fee Income

CDA earns single family commitment fees at loan origination. These fees are deferred and amortized over the life of the loan.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Origination Expenses

CDA pays originators of its single family loans an origination fee and a servicer release fee. These CDA expenses are deferred and amortized over the life of the loan.

Administrative Support

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

The employees of CDA are covered by the Maryland State Retirement and Pension System (the System) and the costs of employees' retirement benefits are included in the salaries and related costs charged to CDA's General Bond Reserve Fund. See Note N for additional information.

Revenue and Expenses

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

Use of Estimates

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain 2003 amounts have been reclassified to conform to 2004 financial statement presentation.

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS

Proceeds from bonds are invested in authorized investments as defined in the Resolution until required for purchasing or originating mortgage loans, funding reserves, redeeming outstanding bonds and notes, and funding program expenses. Authorized investments include obligations of the U.S. Treasury, U.S. Government agencies, political subdivisions in the United States, bankers' acceptances, repurchase agreements, corporate debt securities and certificates of deposit with foreign or domestic banks. All CDA accounts held in trust by the trustee are kept separate from the assets of the bank and from other trust accounts.

Cash and Cash Equivalents

As of June 30, 2004 and 2003, the Fund had $104,153 and $116,471, respectively, invested in money market mutual funds (Federated Treasury Obligations Fund and ARK U.S. Government Cash Management Corporate II Class Fund, respectively) which are classified as cash and cash equivalents. The Federated Treasury Obligations Fund invests exclusively in U.S. Treasuries and in repurchase agreements collateralized by Treasury securities and is rated AAAm by Standard & Poor's and Aaa by Moody's Investor Services. As of June 30, 2003, the ARK U.S. Government Cash Management Corporate II Class Fund invested exclusively in obligations of the U.S. Government and its agencies and instrumentalities and in repurchase agreements. It was rated AAA by Standard & Poor's and Aaa by Moody's Investors Services as of June 30, 2003.

As of June 30, 2004 and 2003, the cost of these money market mutual funds approximates fair value.

The money market mutual funds are not categorized by credit risk because they are not evidenced by securities that exist in physical or book entry form.

(in thousands)

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investments

Obligations of U.S. Government agencies are held in CDA's account by the trustee.

For repurchase agreements and guaranteed investment contracts, collateral is held by the trustee of the Fund or its agent. The agreements and contracts are at fixed interest rates, with maturities ranging from less than 1 year up to 29 years.

As of June 30, 2004, the amortized cost and fair value of the Fund's investments, by type of investment, were as follows:

	Fair Value	Amortized Cost
Obligations of the U.S. Government agencies	$ 209,442	$ 209,151
Repurchase agreements and guaranteed investment contracts	28,488	28,488
	$ 237,930	$ 237,639

As of June 30, 2003, the amortized cost and fair value of the Fund's investments, by type of investment, were as follows:

	Fair Value	Amortized Cost
Obligations of the U.S. Government agencies	$ 117,543	$ 116,578
Repurchase agreements and guaranteed investment contracts	70,920	70,920
	$ 188,463	$ 187,498

(in thousands)

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Category of Risk

Investments are classified as to credit risk by the three categories described below:

Category 1 - Insured or registered, with securities held by CDA or its agent in CDA's name.
Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department in CDA's name.
Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in CDA's name.

All investments of the Fund are classified as Category 1.

NOTE D - MORTGAGE LOANS

All mortgage loans are secured by first liens on the related property and are credit enhanced through the FHA mortgage insurance programs, the Veterans Administration or USDA/RD guarantee programs. Interest rates on such loans ranged from 4.0% to 7.5%. As of June 30, 2004 and 2003, remaining loan terms ranged from 20 to 30 years, and 22 to 30 years, for the years ended June 30, 2004 and June 30, 2003, respectively.

NOTE E - ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2004 and 2003 were as follows:

	2004	2003
Accrued mortgage loan interest	$ 5,914	$ 7,591
Accrued investment interest	958	1,334
Claims due from mortgage insurers	5,913	4,849
	$ 12,785	$ 13,774

(in thousands)

NOTE F - SHORT-TERM DEBT

CDA issues short-term debt to preserve volume cap when prepayments and payments from mortgages exceed the demand for new mortgages. Proceeds of the short-term debt are used to refund and to pay at maturity prior series of bonds. At the time of the refunding, prepayments and repayments of mortgage loans financed by these prior bonds are transferred to accounts in the short-term series. CDA expects to make these funds available to purchase mortgage loans upon the maturity or earlier redemption of the short-term bonds with proceeds of additional long-term bonds. By issuing the short-term debt, CDA more closely matches the rates on the short-term debt with the rates on short-term investments. When there is sufficient mortgage demand, CDA issues long-term refunding bonds to redeem the short-term debt and the prepayments and repayments are used to fund new mortgages.

Short-term debt activity for the year ended June 30, 2004 was as follows:

	Balance at June 30, 2003	Bond Activity: Issued	Bond Activity: Matured/ redeemed	Balance at June 30, 2004
Residential Revenue Bonds				
2002 Series D	$ 41,980	$ -	$ 41,980	$ -
2002 Series E	67,965	-	67,965	-
2003 Series D	-	91,795	-	91,795
2003 Series E	-	128,515	-	128,515
Total	$ 109,945	$ 220,310	$ 109,945	$ 220,310

The outstanding short-term debt of $220,310 plus the principal payments due within one year of $25,970 equal the current portion of bonds payable and short-term debt of $246,280 on the Statements of Net Assets.

(in thousands)

NOTE F - SHORT-TERM DEBT (Continued)

Short-term debt activity for the year ended June 30, 2003 was as follows:

	Balance at June 30, 2002	Bond Activity Issued	Bond Activity Matured/ redeemed	Balance at June 30, 2003
Residential Revenue Bonds				
2002 Series B	$ 36,745	$ -	$ 36,745	$ -
2002 Series C	60,530	-	60,530	-
2002 Series D	-	41,980	-	41,980
2002 Series E	-	67,965	-	67,965
Total	$ 97,275	$ 109,945	$ 97,275	$ 109,945

The outstanding short-term debt of $109,945 plus the principal payments due within one year of $60,780 equal the current portion of bonds payable and short-term debt of $170,725 on the Statements of Net Assets.

NOTE G - 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 indenture. These bonds and notes do not constitute debt 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 Resolution require or allow for the special redemption of bonds 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 resolutions. The prescribed optional redemption prices range from 100% to 101.5% of the principal amount. The following lists those bonds which are at variable rates and the terms by which the variable rate changes. All other bonds have fixed interest rates.

2003 Series C and 2004 Series C

The rate is set weekly by the remarketing agent so that the market value of the bonds is as close as possible to 100% of the principal amount of the bonds. In no event will the 2004 Series C bonds bear interest at a rate in excess of 12%.

(in thousands)

NOTE G - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2004, and the debt outstanding and bonds payable as of June 30, 2004:

					Bond Activity					
	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2003	New bonds issued	Scheduled maturity payments	Bonds redeemed	Debt Outstanding at June 30, 2004	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2004
Residential Revenue Bonds										
1997 Series A	8/1/1997	5.60%	2017	$ 16,355	$ -	$ -	$ (60)	$ 16,295	$ -	$ 16,295
1997 Series B	8/1/1997	4.80% - 5.875%	2003 - 2029	58,705	-	(1,780)	(12,770)	44,155	-	44,155
1998 Series A	1/1/1998	4.70% - 5.05%	2010 - 2017	4,640	-	-	-	4,640	-	4,640
1998 Series B	1/1/1998	4.25% - 5.35%	2003 - 2030	59,380	-	(1,280)	(9,825)	48,275	40	48,315
1998 Series D	12/1/1998	4.05% - 5.25%	2003 - 2029	54,525	-	(1,170)	(9,520)	43,835	-	43,835
1999 Series C	5/1/1999	4.70% - 4.95%	2011 - 2015	2,665	-	-	-	2,665	-	2,665
1999 Series D	5/1/1999	3.95% - 5.40%	2003 - 2031	51,610	-	(875)	(8,890)	41,845	(19)	41,826
1999 Series E	8/1/1999	4.60% - 5.70%	2005 - 2017	21,965	-	-	-	21,965	-	21,965
1999 Series F	8/1/1999	4.60% - 5.95%	2003 - 2029	42,245	-	(1,220)	(15,740)	25,285	-	25,285
1999 Series H	12/1/1999	4.70% - 6.25%	2003 - 2031	46,065	-	(870)	(32,480)	12,715	-	12,715
2000 Series A	3/1/2000	5.15% - 5.50%	2007 - 2012	7,750	-	-	(390)	7,360	-	7,360
2000 Series B	3/1/2000	5.00% - 6.15%	2003 - 2032	59,935	-	(1,050)	(36,400)	22,485	-	22,485
2000 Series C	6/1/2000	5.45% - 5.70%	2010 - 2013	5,535	-	-	(4,865)	670	-	670
2000 Series D	6/1/2000	5.20% - 6.25%	2003 - 2032	59,640	-	(1,040)	(58,600)	-	-	-
2000 Series F	8/1/2000	4.35% - 5.20%	2004 - 2014	14,960	-	-	(135)	14,825	-	14,825
2000 Series G	8/1/2000	4.55% - 5.95%	2003 - 2032	56,135	-	(1,065)	(6,065)	49,005	-	49,005
2000 Series H	12/1/2000	4.60% - 5.80%	2003 - 2032	51,495	-	(845)	(6,195)	44,455	-	44,455
2001 Series A	3/1/2001	3.65% - 5.00%	2003 - 2017	18,885	-	(1,075)	(2,700)	15,110	-	15,110
2001 Series B	3/1/2001	4.65% - 5.45%	2011 - 2032	50,435	-	-	(15,360)	35,075	-	35,075
2001 Series E	6/1/2001	3.30% - 4.65%	2003 - 2012	13,775	-	(460)	-	13,315	-	13,315
2001 Series F	6/1/2001	3.50% - 5.60%	2003 - 2032	65,720	-	(745)	(2,320)	62,655	-	62,655
2001 Series G	8/15/2001	3.05% - 4.20%	2004 - 2011	10,100	-	-	(1,715)	8,385	-	8,385
2001 Series H	8/15/2001	4.40% - 5.35%	2011 - 2033	49,885	-	-	(9,380)	40,505	-	40,505
2002 Series A	2/1/2002	2.80% - 5.45%	2004 - 2033	8,005	-	-	(25)	7,980	-	7,980
2002 Series D	2/28/2002	1.20%	12/18/03	41,980	-	(41,980)	-	-	-	-
2002 Series E	2/28/2002	1.25%	12/18/03	67,965	-	(67,965)	-	-	-	-
2003 Series A	11/1/2003	1.35% - 4.05%	2005 - 2015	-	9,550	-	-	9,550	-	9,550
2003 Series B	11/1/2003	1.65% - 5.00%	2005 - 2026	-	15,450	-	-	15,450	703	16,153
2003 Series C	12/9/2003	Variable rate	2035	-	20,000	-	-	20,000	-	20,000
2003 Series D	12/9/2003	1.17%	12/21/04	-	91,795	-	-	91,795	-	91,795
2003 Series E	12/9/2003	1.25%	12/21/04	-	128,515	-	-	128,515	-	128,515
2004 Series A	5/13/2004	1.80% - 4.20%	2006 - 2016	-	10,710	-	-	10,710	-	10,710
2004 Series B	5/13/2004	2.20% - 5.00%	2006 - 2028	-	19,290	-	-	19,290	671	19,961
2004 Series C	5/13/2004	Variable rate	2035	-	20,000	-	-	20,000	-	20,000
Total				$ 940,355	$ 315,310	$ (123,420)	$ (233,435)	$ 898,810	$ 1,395	$ 900,205

(in thousands)

NOTE G - BONDS PAYABLE (Continued)

The following is a summary of the bond activity and short-term debt for the year ended June 30, 2003, and the debt outstanding and bonds payable as of June 30, 2003:

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2002	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: Bonds redeemed	Debt Outstanding at June 30, 2003	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2003
Residential Revenue Bonds										
1997 Series A	8/1/1997	5.60%	2017	$ 16,940	$ -	$ -	$ (585)	$ 16,355	$ -	$ 16,355
1997 Series B	8/1/1997	4.70%-5.875%	2003-2029	66,900	-	(1,695)	(6,500)	58,705	-	58,705
1998 Series A	1/1/1998	4.70%-5.05%	2010-2017	4,640	-	-	-	4,640	-	4,640
1998 Series B	1/1/1998	4.15%-5.35%	2003-2030	66,615	-	(1,225)	(6,010)	59,380	47	59,427
1998 Series D	12/1/1998	3.95%-5.25%	2003-2029	58,130	-	(1,125)	(2,480)	54,525	-	54,525
1999 Series C	5/1/1999	4.70%-4.95%	2011-2015	2,665	-	-	-	2,665	-	2,665
1999 Series D	5/1/1999	3.85%-5.40%	2003-2031	55,265	-	(840)	(2,815)	51,610	(35)	51,575
1999 Series E	8/1/1999	4.60%-5.70%	2005-2017	22,605	-	-	(640)	21,965	-	21,965
1999 Series F	8/1/1999	4.50%-5.95%	2003-2031	52,210	-	(1,160)	(8,805)	42,245	-	42,245
1999 Series H	12/1/1999	4.60%-6.25%	2003-2031	56,770	-	(830)	(9,875)	46,065	(18)	46,047
2000 Series A	3/1/2000	5.15%-5.50%	2007-2012	7,965	-	-	(215)	7,750	-	7,750
2000 Series B	3/1/2000	4.80%-6.15%	2003-2032	69,400	-	(1,000)	(8,465)	59,935	-	59,935
2000 Series C	6/1/2000	5.45%-5.70%	2010-2013	5,870	-	-	(335)	5,535	-	5,535
2000 Series D	6/1/2000	5.10%-6.25%	2003-2032	70,665	-	(990)	(10,035)	59,640	-	59,640
2000 Series F	8/1/2000	4.35%-5.20%	2004-2014	15,190	-	-	(230)	14,960	-	14,960
2000 Series G	8/1/2000	4.50%-5.95%	2003-2032	63,870	-	(1,010)	(6,725)	56,135	-	56,135
2000 Series H	12/1/2000	4.60%-5.80%	2003-2032	58,375	-	-	(6,880)	51,495	-	51,495
2001 Series A	3/1/2001	3.65%-5.00%	2003-2017	18,885	-	-	-	18,885	-	18,885
2001 Series B	3/1/2001	4.65%-5.45%	2011-2032	50,725	-	-	(290)	50,435	-	50,435
2001 Series E	6/1/2001	3.30%-4.65%	2003-2012	13,775	-	-	-	13,775	-	13,775
2001 Series F	6/1/2001	3.50%-5.60%	2003-2032	66,195	-	-	(475)	65,720	-	65,720
2001 Series G	8/15/2001	3.05%-4.20%	2004-2011	10,100	-	-	-	10,100	-	10,100
2001 Series H	8/15/2001	4.40%-5.35%	2011-2033	49,900	-	-	(15)	49,885	-	49,885
2002 Series A	2/1/2002	2.80%-5.45%	2004-2033	8,005	-	-	-	8,005	-	8,005
2002 Series B	2/28/2002	1.60%	12/19/2002	36,745	-	(36,745)	-	-	-	-
2002 Series C	2/28/2002	1.65%	12/19/2002	60,530	-	(60,530)	-	-	-	-
2002 Series D	12/18/2002	1.20%	12/18/2003	-	41,980	-	-	41,980	-	41,980
2002 Series E	12/18/2002	1.25%	12/18/2003	-	67,965	-	-	67,965	-	67,965
Total				$ 1,008,935	$ 109,945	$ (107,150)	$ (71,375)	$ 940,355	$ (6)	$ 940,349

(in thousands)

NOTE H - DEBT SERVICE REQUIREMENTS

As of June 30, 2004, the required principal payments for short-term debt and bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to year end and excluding the effect of unamortized discounts/premiums and other deferred costs as shown in Note G) and interest payments for each of the next five years and in 5-year increments thereafter, are as follows:

Years Ended June 30,	Interest	Principal
2005	$ 35,206	$ 246,280
2006	32,493	13,945
2007	31,903	14,385
2008	31,281	15,265
2009	30,579	16,765
2010-2014	140,160	95,185
2015-2019	115,195	104,930
2020-2024	83,020	147,910
2025-2029	40,506	141,010
2030-2034	9,423	63,135
2035-2039	785	40,000
Totals	$ 550,551	$ 898,810

(in thousands)

NOTE H - DEBT SERVICE REQUIREMENTS (Continued)

As of June 30, 2003, the required principal payments for short-term debt and bonds (including mandatory sinking fund payments and special and option redemptions that occurred subsequent to year end and excluding the effect of unamortized discounts/premiums and other deferred costs as shown in Note G) and interest payments for each of the next five years and in five-year increments thereafter, are as follows:

Years ended June 30,	Interest	Principal
2004	$ 44,846	$ 170,725
2005	41,439	15,315
2006	40,747	16,005
2007	40,008	16,735
2008	39,218	17,520
2009-2013	182,411	100,705
2014-2018	153,726	122,540
2019-2023	116,100	152,925
2024-2028	69,331	184,450
2029-2033	18,772	141,265
2034-2038	58	2,170
Total	$ 746,656	$ 940,355

NOTE I - 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. CDA writes off any unamortized deferred issuance costs or original issue discounts, net of unamortized original issue premiums, as a loss in the accompanying Statements of Revenue, Expenses and Changes in Net Assets.

(in thousands)

NOTE J - REBATE LIABILITY

In accordance with the Code, the Fund 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 the Fund being greater than yields permitted to be retained by the Fund 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 Statements of Revenue, Expenses and Changes in Net Assets is reduced by the rebate liability due to excess investment earnings. The increase/decrease in fair value of investments on the Statements of Revenue, Expenses and Changes in Net Assets is adjusted by the change in the estimated rebate liability due to change in fair value of investments.

Rebate liability activity for the year ended June 30, 2004 was as follows:

Rebate liability as of June 30, 2003	$	2,318
Change in estimated liability due to excess investment earnings		321
Change in estimated liability due to change in fair value of investments		(501)
Less - payments made		(204)
Rebate liability as of June 30, 2004	$	1,934

Total rebate liability is allocated as follows:

Estimated liability due to excess investment earnings	$	1,582
Estimated liability due to change in fair value of investments		352
Rebate liability as of June 30, 2004	$	1,934

Rebate liability activity for the year ended June 30, 2003 was as follows:

Rebate liability as of June 30, 2002	$	2,272
Change in estimated liability due to excess investment earnings		(43)
Change in estimated liability due to change in fair value of investments		544
Less - payments made		(455)
Rebate liability as of June 30, 2003	$	2,318

(in thousands)

NOTE J - REBATE LIABILITY (Continued)

Total rebate liability is allocated as follows:

Estimated liability due to excess investment earnings	$	1,465
Estimated liability due to change in fair value of investments		853
Rebate liability as of June 30, 2003	$	2,318

NOTE K - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2004 were as follows:

	Beginning balance	Additions	Reductions	Change in deferred amounts for issuance discounts/premiums	Due within one year	Ending balance
Long-term bonds payable	$ 769,624	$ 315,310	$ (186,130)	$ 1,401	$ (246,280)	$ 653,925
Rebate liability	2,200	321	(587)	-	(251)	1,683
Total long-term liabilities	$ 771,824	$ 315,631	$ (186,717)	$ 1,401	$ (246,531)	$ 655,608

Changes in long-term obligations for the year ended June 30, 2003 were as follows:

	Beginning balance	Additions	Reductions	Change in deferred amounts for issuance discounts/premiums	Due within one year	Ending balance
Long-term bonds payable	$ 901,783	$ 109,945	$ (71,373)	$ (6)	$ (170,725)	$ 769,624
Rebate liability	2,272	501	(455)	-	(118)	2,200
Total long-term liabilities	$ 904,055	$ 110,446	$ (71,828)	$ (6)	$ (170,843)	$ 771,824

(in thousands)

NOTE L - INTERFUND ACTIVITY

In accordance with the Resolution, net assets in Residential Revenue Bonds are restricted and pledged to bondholders. However, restricted assets may be transferred to other funds, subject to the provisions of the Resolution. Generally, an officer of CDA must authorize such withdrawals and a cash flow analysis must demonstrate that sufficient monies remain in the Resolution to meet the obligations of the Fund in current and future years.

During the years ended June 30, 2004 and 2003, the Fund transferred the following amounts, as permitted among Funds:

	2004	2003
Single family commitment fees transferred to the General Bond Reserve Fund	$ (140)	$ (723)
Cost of issuance on bonds transferred from Single Family Program Bonds	1,101	189
Transfer surplus funds for loan originations from Single Family Program Bonds	45,000	-
	$ 45,961	$ (534)

As of June 30, 2004 and 2003, due to other Funds consisted of the following:

	2004	2003
Servicer receipts for participation loans due to Single Family Program Bonds	$ 937	$ 146

NOTE M - MORTGAGE INSURANCE

All mortgage loans in the Fund have mortgage insurance as described in Note D.

FHA insured loans in Residential Revenue Bonds are insured in an amount equal to the unpaid principal amount of the loan. All other loans are insured by the VA or USDA/RD at various coverages. These coverage levels are sufficient so that no pool insurance or reserves are required. Premiums are paid by single family mortgagors.

(in thousands)

NOTE N - PENSION AND OTHER POST-RETIREMENT BENEFITS

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

NOTE O - SUBSEQUENT EVENTS

Subsequent to the year ended June 30, 2004, the following bond activity took place:

On August 2, 2004, CDA redeemed the following bonds:

2003 Series E	$ 16,080

On August 12, 2004, CDA issued the following bonds:

2004 Series D	$12,960
2004 Series E	$27,040
2004 Series F	$20,000

On September 13, 2004, CDA redeemed the following bonds:

2000 Series B	$13,035
2001 Series H	$ 350

NOTE P - COMMITMENTS

As of June 30, 2004, CDA had approximately $65,000 in reservations for single family mortgages at interest rates ranging from 4.75% to 5.5%. CDA plans to purchase these loans with proceeds from the Fund.

Community Development Administration
Residential Revenue Bonds

SUPPLEMENTAL DISCLOSURES OF CHANGE
IN FAIR VALUE OF INVESTMENTS
(in thousands)
(unaudited)

June 30, 2004 and 2003

During fiscal year 1997, CDA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 31. This statement requires the financial statements of CDA to reflect investments at fair value and the increase or decrease in fair value is included on the Statements of Revenue, Expenses and Changes in Net Assets.

For investments held by CDA as of June 30, 2004, the following schedule summarizes the increase/decrease in fair value for each of these years and the cumulative difference between fair value and amortized cost:

FY 2000	$	(227)
FY 2001		551
FY 2002		97
FY 2003		544
FY 2004		(674)
Cumulative total	$	291

Reconciliation to Statements of Revenue, Expenses and Changes in Net Assets:

Decrease in fair value of investments held at June 30, 2004	$	(674)
Increase in fair value of matured investments		57
Adjustment due to rebate liability (See Note J)		501
Decrease in fair value of investments, net of rebate, as reported on the Statements of Revenue, Expenses and Changes in Net Assets for the year ended June 30, 2004	$	(116)

Community Development Administration
Residential Revenue Bonds

SUPPLEMENTAL DISCLOSURES OF CHANGE
IN FAIR VALUE OF INVESTMENTS - CONTINUED
(in thousands)
(unaudited)

June 30, 2004 and 2003

For investments held by CDA as of June 30, 2003, the following schedule summarizes the increase/decrease in fair value for each of these years and the cumulative difference between fair value and amortized cost:

FY 2000	$	(227)
FY 2001		551
FY 2002		97
FY 2003		544
Cumulative total	$	965

Reconciliation to Statements of Revenue, Expenses and Changes in Net Assets:

Increase in fair value of investments held at June 30, 2003	$	544
Decrease in fair value of matured investments		(161)
Adjustment due to rebate liability (See Note J)		(544)
Decrease in fair value of investments, net of rebate, as reported on the Statements of Revenue, Expenses and Changes in Net Assets for the year ended June 30, 2003	$	(161)