Reznick Group

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

COMMUNITY DEVELOPMENT ADMINISTRATION
RESIDENTIAL REVENUE BONDS

JUNE 30, 2005 AND 2004

Community Development Administration
Residential Revenue Bonds

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Reznick Group

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INDEPENDENT AUDITORS' REPORT

Office of the Secretary
Department of Housing and Community Development

We have audited the accompanying 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, 2005 and 2004, 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 1, 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, 2005 and 2004, and the changes in its net assets and cash flows 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, 2005 and 2004, 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.

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Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Disclosures of Change in Fair Value of Investments are presented for purposes of additional analysis and are 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 Group, P.C.

Baltimore, Maryland
September 15, 2005

Community Development Administration
Residential Revenue Bonds

STATEMENTS OF NET ASSETS
(in thousands)

June 30, 2005 and 2004

	2005	2004
RESTRICTED ASSETS		
Restricted current assets		
Cash and cash equivalents on deposit with trustee	$ 123,890	$ 104,153
Investments	200,578	209,317
Single family mortgage loans	11,377	10,655
Accrued interest and other receivables	8,768	12,785
Total restricted current assets	344,613	336,910
Restricted long-term assets		
Investments, net of current portion	31,448	28,613
Single family mortgage loans, net of current portion	628,844	625,105
Deferred bond issuance costs	6,180	5,875
Total restricted long-term assets	666,472	659,593
Total restricted assets	$ 1,011,085	$ 996,503
LIABILITIES AND NET ASSETS		
Current liabilities		
Bonds payable and short-term debt	$ 217,145	$ 246,280
Accrued interest payable	12,481	11,916
Rebate liability	360	251
Accounts payable	-	632
Due to other Funds	312	937
Total current liabilities	230,298	260,016
Long-term liabilities		
Bonds payable, net of current portion	691,264	653,925
Rebate liability, net of current portion	934	1,683
Total long-term liabilities	692,198	655,608
Total liabilities	922,496	915,624
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Restricted	88,589	80,879
Total liabilities and net assets	$ 1,011,085	$ 996,503

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, 2005 and 2004

	2005	2004
Operating revenue		
Interest on mortgage loans	$ 37,102	$ 37,749
Interest income on investments, net of rebate	8,988	5,188
Decrease in fair value of investments, net of rebate	(180)	(116)
Fee income	986	1,329
Gain on foreclosure claims	355	195
	47,251	44,345
Operating expenses		
Interest expense on bonds and short-term debt	38,564	40,429
Amortization of bond issuance costs	581	534
Professional fees and other operating expenses	1,060	1,979
Loss on early retirement of debt	921	2,092
Origination expenses	270	35
	41,396	45,069
Operating income (loss)	5,855	(724)
Transfers of funds, net, as permitted by the various bond indentures	1,855	45,961
CHANGES IN NET ASSETS	7,710	45,237
Net assets - restricted at beginning of year	80,879	35,642
Net assets - restricted at end of year	$ 88,589	$ 80,879

See notes to financial statements

Community Development Administration
Residential Revenue Bonds

STATEMENTS OF CASH FLOWS
(in thousands)

Years ended June 30, 2005 and 2004

	2005	2004
Cash flows from operating activities		
Principal and interest received on mortgage loans	$ 177,615	$ 204,219
Mortgage insurance claims received	8,600	7,730
Foreclosure expenses paid	(736)	(641)
Loan fees received	95	125
Loan fees disbursed	(1,740)	(1,766)
Purchase of mortgage loans	(146,492)	(136,584)
Professional fees and other operating expenses	(1,092)	(1,947)
Other reimbursements	(600)	600
Net cash provided by operating activities	35,650	71,736
Cash flows from investing activities		
Proceeds from maturities or sales of investments	386,430	258,524
Purchases of investments	(379,316)	(308,681)
Arbitrage rebates paid	(751)	(204)
Interest received on investments	7,471	5,958
Net cash provided by (used in) investing activities	13,834	(44,403)
Cash flows from noncapital financing activities		
Proceeds from sale of bonds	352,620	316,698
Payments on bond principal	(344,250)	(356,855)
Bond issuance costs	(1,899)	(1,143)
Interest on bonds and short-term debt	(38,073)	(44,312)
Transfers among Funds	1,855	45,961
Net cash used in noncapital financing activities	(29,747)	(39,651)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	19,737	(12,318)
Cash and cash equivalents on deposit with trustee at beginning of year	104,153	116,471
Cash and cash equivalents on deposit with trustee at end of year	$ 123,890	$ 104,153

(continued)

Community Development Administration
Residential Revenue Bonds

STATEMENTS OF CASH FLOWS - CONTINUED
(in thousands)

Years ended June 30, 2005 and 2004

	2005	2004
Reconciliation of operating income (loss) to net cash from operating activities		
Operating income (loss)	$ 5,855	$ (724)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
(Increase) decrease in assets		
Mortgage loans	(2,100)	35,377
Accrued interest and other receivables	4,017	989
(Decrease) increase in liabilities		
Accounts payable	(632)	632
Rebate liability	(640)	(384)
Accrued interest payable	565	(3,864)
Due to other Funds	(625)	791
Amortizations		
Deferred income and expense on loans	(716)	(1,305)
Investment discounts and premiums	(807)	16
Bond original issue discounts and premiums	(74)	(20)
Deferred bond issuance costs	581	534
(Increase) decrease in fair value of investments	(403)	674
Loan fees and expenses deferred	(1,645)	(1,630)
Arbitrage rebates paid	751	204
Loss on early retirement of debt	921	2,092
Interest received on investments	(7,471)	(5,958)
Interest on bonds and short-term debt	38,073	44,312
Net cash provided by operating activities	$ 35,650	$ 71,736

See notes to financial statements

NOTE 1 - AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION

The Community Development Administration (CDA) was created in 1970 by Sections 266 DD-1 to 266 DD-8 of Article 41 (now in 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 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Fund is accounted for as an enterprise fund. Accordingly, the accompanying financial statements have been prepared using the accrual method of accounting and on the basis of accounting principles generally accepted in the United States of America (GAAP).

Generally Accepted Accounting Principles

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

NOTE 2 - 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.

Recent Accounting Pronouncements

Effective July 1, 2004, CDA adopted GASB Statement No. 40 *Deposit and Investment Risk Disclosures*, an amendment of GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. GASB Statement No. 40 requires disclosure of information regarding investments: credit risk, interest rate risk, concentration of credit risk and custodial credit risk. This new statement does not have any impact on the Fund's financial position or results of operations. The disclosures are in Note 3.

Cash and Cash Equivalents on Deposit with Trustee

Cash equivalents may include money market funds, repurchase agreements, investment agreements and any other investments, primarily obligations of the U.S. Treasury and U.S. Government Agencies, which have maturities of 90 or less days at the time of purchase. As of June 30, 2005 and 2004, all of CDA's cash equivalents are invested in a money market mutual fund which is more fully described in Note 3.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

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

Mortgage Loans

Mortgage loans are carried at their unpaid principal balances, net of unamortized loan fees and expenses. Loan fees and expenses are deferred 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 4 and 13 for additional information on mortgage loans and mortgage insurance, respectively.

Allowance for Loan Losses

Approximately 99% of the mortgage loans of the Fund are insured or guaranteed by agencies of the U.S. Government. No allowance for loan losses was necessary as of June 30, 2005 and 2004. See Notes 4 and 13 for additional information.

Accrued Interest and Other Receivables

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 12.

Bonds Payable

Bonds payable are carried at their unpaid principal balances, net of original issue discounts or premiums. See Notes 6, 7, 8 and 9 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 10.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2005 and 2004, 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.

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 14 for additional information.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Reclassifications

Certain 2004 amounts have been reclassified to conform to 2005 financial statement presentation.

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

Bond proceeds and revenues from mortgages and investments are invested in authorized investments as defined in the Residential Revenue Bond Resolution (the Resolution) and in CDA's Investment Policy until required for purchasing 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, AND INVESTMENTS (Continued)

The following assets, reported at fair value and held by CDA at June 30, 2005, are evaluated in accordance with GASB 40 for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Assets	Fair Value
Cash and cash equivalents	
Federated Treasury Obligations Fund	$ 123,890
Investments	
Obligations of U.S. Government Agencies	209,147
Repurchase and Investment Agreements	22,879
Total	$ 355,916

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses from rising interest rates, CDA's Investment Policy requires that the maturities of the investment portfolio are scheduled to meet the cash requirements for bond debt service, projected loan originations and ongoing operations.

As of June 30, 2005, the amortized cost, fair value and maturities for these assets were as follows:

			Maturities (in years)				
Asset	Amortized Cost	Fair Value	Less than 1	1 - 5	6 - 10	11 - 15	More than 15
Federated Treasury Obligations Fund	$ 123,890	$ 123,890	$ 123,890	$ -	$ -	$ -	$ -
Obligations of U.S. Government Agencies	208,453	209,147	200,577	-	-	2,311	6,259
Repurchase agreements/ Investment agreements	22,879	22,879	-	-	-	-	22,879
Total	$ 355,222	$ 355,916	$ 324,467	$ -	$ -	$ 2,311	$ 29,138

(in thousands)

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

The Federated Treasury Obligations Fund invests exclusively in U.S. Treasuries and in repurchase agreements collateralized by Treasury securities. It is operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. It can reasonably be expected to have a fair value that will be unaffected by interest rate changes because the interest rates are variable and the principal can be recovered on demand. As noted above, as of June 30, 2005, the cost of this money market mutual fund approximated fair value.

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 Resolution require investment agreements or deposits to be collateralized. CDA's Investment Policy places no limit on the amount that CDA may invest in any one issuer or counterparty. According to the Resolution and CDA's Investment Policy, securities must be at a rating no lower than the rating on the bonds or 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 the bonds unless counterparty ratings lower than the bond ratings are permitted 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, 2005, all counterparty ratings were at least equal to the ratings on the bonds. The ratings on Residential Revenue Bonds as of June 30, 2005, were Aa2 by Moody's Investors Service and AA by Fitch.

As of June 30, 2005, credit ratings and allocation by type of investments for the following assets were:

Asset	Fair Value	Percentage of total investments	Money market fund rating	Securities credit rating	Rating agency
Federated Treasury Obligations Fund	$ 123,890	34.81%	Aaa		Moody's
Obligations of U.S. Government Agencies	209,147	58.76%		Aaa	Moody's
Collateralized repurchase agreements and investment agreements:				Underlying securities credit rating	
Counterparties rated Aa2	22,879	6.43%		Aaa	Moody's
Total	$ 355,916	100.00%			

(in thousands)

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

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.

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. 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

Primarily 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, USDA/RD guarantee programs, or by private mortgage insurers. Interest rates on such loans ranged from 4.0% to 7.5%. Remaining loan terms ranged from 18 to 35 years, and 20 to 30 years, for the years ended June 30, 2005 and June 30, 2004, respectively.

NOTE 5 - ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2005 and 2004 were as follows:

	2005	2004
Accrued mortgage loan interest	$ 5,235	$ 5,914
Accrued investment interest	1,195	958
Claims due from mortgage insurers	2,336	5,913
Miscellaneous loan billings	2	-
	$ 8,768	$ 12,785

(in thousands)

NOTE 6 - SHORT-TERM DEBT

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

Short-term debt activity for the year ended June 30, 2005 was as follows:

	Balance at June 30, 2004	Bond Activity		Balance at June 30, 2005
		Issued	Matured/ redeemed	
Residential Revenue Bonds				
2003 Series D	$ 91,795	$ -	$ 91,795	$ -
2003 Series E	128,515	-	128,515	-
2004 Series J	-	91,795	-	91,795
2004 Series K	-	78,260	-	78,260
Total	$ 220,310	$ 170,055	$ 220,310	$ 170,055

The outstanding short-term debt of $170,055 plus the principal payments due within one year of $47,090 equal the current portion of bonds payable and short-term debt of $217,145 on the Statements of Net Assets.

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

	Balance at June 30, 2003	Bond Activity		Balance at June 30, 2004
		Issued	Matured/ redeemed	
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

NOTE 6 - SHORT-TERM DEBT (Continued)

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.

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 Resolution. 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 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 premiums range from 0% to 1.5% 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. All bonds are tax-exempt.

2003 Series C; 2004 Series C, F and I; and 2005 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 bonds bear interest at a rate in excess of 12%.

(in thousands)

NOTE 7 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2005, and the debt outstanding and bonds payable as of June 30, 2005:

					Bond Activity					
	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2004	New bonds issued	Scheduled maturity payments	Bonds redeemed	Debt Outstanding at June 30, 2005	Discounts/ premiums and other deferred costs	Bonds payable at June 30, 2005
Residential Revenue Bonds										
1997 Series A	8/1/1997	5.60%	2017	$ 16,295	$ -	$ -	$ (60)	$ 16,235	$ -	$ 16,235
1997 Series B	8/1/1997	4.90% - 5.875%	2004 - 2029	44,155	-	(1,865)	(6,850)	35,440	-	35,440
1998 Series A	1/1/1998	4.70% - 5.05%	2010 - 2017	4,640	-	-	-	4,640	-	4,640
1998 Series B	1/1/1998	4.35% - 5.35%	2004 - 2030	48,275	-	(1,335)	(4,555)	42,385	32	42,417
1998 Series D	12/1/1998	4.20% - 5.25%	2004 - 2029	43,835	-	(1,225)	(2,500)	40,110	-	40,110
1999 Series C	5/1/1999	4.70% - 4.95%	2011 - 2015	2,665	-	-	-	2,665	-	2,665
1999 Series D	5/1/1999	4.10% - 5.40%	2004 - 2031	41,845	-	(915)	(2,660)	38,270	(17)	38,253
1999 Series E	8/1/1999	4.60% - 5.70%	2005 - 2017	21,965	-	-	-	21,965	-	21,965
1999 Series F	8/1/1999	4.70% - 5.95%	2004 - 2029	25,285	-	(1,280)	(9,525)	14,480	-	14,480
1999 Series H	12/1/1999	6.15%	2025	12,715	-	-	(1,085)	11,630	-	11,630
2000 Series A	3/1/2000	5.15% - 5.50%	2007 - 2012	7,360	-	-	(4,600)	2,760	-	2,760
2000 Series B	3/1/2000	5.10% - 6.05%	2004 - 2025	22,485	-	(1,055)	(21,430)	-	-	-
2000 Series C	6/1/2000	5.45%	2010	670	-	-	(670)	-	-	-
2000 Series F	8/1/2000	4.35% - 5.20%	2004 - 2014	14,825	-	(400)	(65)	14,360	-	14,360
2000 Series G	8/1/2000	4.60% - 5.95%	2004 - 2032	49,005	-	(710)	(48,295)	-	-	-
2000 Series H	12/1/2000	4.65% - 5.80%	2004 - 2032	44,455	-	(785)	(285)	43,385	-	43,385
2001 Series A	3/1/2001	3.75% - 5.00%	2004 - 2017	15,110	-	(785)	(35)	14,290	-	14,290
2001 Series B	3/1/2001	4.65% - 5.45%	2011 - 2032	35,075	-	-	(2,270)	32,805	-	32,805
2001 Series E	6/1/2001	3.55% - 4.65%	2004 - 2012	13,315	-	(1,250)	-	12,065	-	12,065
2001 Series F	6/1/2001	5.30% - 5.60%	2016 - 2032	62,655	-	-	(2,065)	60,590	-	60,590
2001 Series G	8/15/2001	3.05% - 4.20%	2004 - 2011	8,385	-	(855)	-	7,530	-	7,530
2001 Series H	8/15/2001	4.40% - 5.35%	2011 - 2033	40,505	-	-	(2,030)	38,475	-	38,475
2002 Series A	2/1/2002	2.80% - 5.45%	2004 - 2033	7,980	-	(125)	(340)	7,515	-	7,515
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	-	-	(1,060)	14,390	632	15,022
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)	-	-	-	-
2003 Series E	12/9/2003	1.25%	12/21/04	128,515	-	(95,195)	(33,320)	-	-	-
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	-	-	(755)	18,535	622	19,157
2004 Series C	5/13/2004	Variable rate	2035	20,000	-	-	-	20,000	-	20,000
2004 Series D	8/12/2004	2.20% - 4.40%	2006 - 2016	-	12,960	-	-	12,960	-	12,960
2004 Series E	8/12/2004	2.45% - 5.25%	2006 - 2030	-	27,040	-	(160)	26,880	681	27,561
2004 Series F	8/12/2004	Variable rate	2035	-	20,000	-	-	20,000	-	20,000
2004 Series G	11/10/2004	1.70% - 3.65%	2006 - 2016	-	13,445	-	-	13,445	-	13,445
2004 Series H	11/10/2004	1.95% - 5.00%	2006 - 2029	-	26,555	-	(60)	26,495	925	27,420
2004 Series I	11/10/2004	Variable rate	2035	-	20,000	-	-	20,000	-	20,000
2004 Series J	11/10/2004	2.05%	12/5/05	-	91,795	-	-	91,795	-	91,795
2004 Series K	11/10/2004	2.10%	12/5/05	-	78,260	-	-	78,260	-	78,260
2005 Series A	3/30/2005	2.60% - 3.90%	2007 - 2016	-	12,640	-	-	12,640	-	12,640
2005 Series B	3/30/2005	4.55% - 5.25%	2023 - 2029	-	27,360	-	-	27,360	919	28,279
2005 Series C	3/30/2005	Variable rate	2035	-	20,000	-	-	20,000	-	20,000
Total				$ 898,810	$ 350,055	$ (199,575)	$ (144,675)	$ 904,615	$ 3,794	$ 908,409

(in thousands)

NOTE 7 - BONDS PAYABLE (Continued)

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

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2003	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bond Activity: 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 8 - DEBT SERVICE REQUIREMENTS

As of June 30, 2005, the required principal payments for short-term debt and bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to year end and excluding the effect of unamortized discounts/premiums and other deferred costs as shown in Note 7) and interest payments for each of the next five years and in 5-year increments thereafter, are as follows:

Years ended June 30,	Interest	Principal
2006	$ 35,491	$ 217,145
2007	31,463	17,030
2008	30,783	18,490
2009	29,989	20,065
2010	29,164	18,880
2011-2015	131,738	110,420
2016-2020	104,820	108,530
2021-2025	74,287	136,930
2026-2030	38,439	121,245
2031-2035	14,576	35,880
2036-2040	1,150	100,000
Totals	$ 521,900	$ 904,615

The interest calculations on outstanding variable rate bonds in the amount of $100,000 are based on the variable rates in effect on June 30, 2005 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.

As of June 30, 2004, 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 7) and interest payments for each of the next five years and in five-year increments thereafter, are as follows:

(in thousands)

NOTE 8 - DEBT SERVICE REQUIREMENTS (Continued)

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

The interest calculations on outstanding variable rate bonds in the amount of $40,000 are based on the variable rates in effect on June 30, 2004, 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.

NOTE 9 - 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 10 - REBATE LIABILITY

In accordance with the Internal Revenue Service Code (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, 2005 was as follows:

Rebate liability as of June 30, 2004	$	1,934
Change in estimated liability due to excess investment earnings		(472)
Change in estimated liability due to change in fair value of investments		583
Less - payments made		(751)
Rebate liability as of June 30, 2005	$	1,294

Total rebate liability is allocated as follows:

Estimated liability due to excess investment earnings	$	360
Estimated liability due to change in fair value of investments		934
Rebate liability as of June 30, 2005	$	1,294

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2005 and 2004

NOTE 10 - REBATE LIABILITY (Continued)

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

NOTE 11 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2005 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	$ 653,925	$ 352,620	$ (97,970)	$ (166)	$ (217,145)	$ 691,264
Rebate liability	1,683	583	(972)	-	(360)	934
Total long-term liabilities	$ 655,608	$ 353,203	$ (98,942)	$ (166)	$ (217,505)	$ 692,198

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

(in thousands)

NOTE 12 - 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, 2005 and 2004, the Fund transferred the following amounts, as permitted among Funds:

	2005	2004
Single family commitment fees transferred to the General Bond Reserve Fund	$ (84)	$ (140)
Cost of issuance on bonds transferred from Single Family Program Bonds	1,939	1,101
Transfer surplus funds for loan originations from Single Family Program Bonds	-	45,000
	$ 1,855	$ 45,961

As of June 30, 2005 and 2004, due to other Funds consisted of the following:

	2005	2004
Servicer receipts for participation loans due to Single Family Program Bonds	$ 312	$ 937

NOTE 13 - MORTGAGE INSURANCE

All mortgage loans in the Fund have mortgage insurance as described in Note 4.

FHA insured loans are insured in an amount equal to the unpaid principal amount of the loan. Less than 10% of all other loans are insured by the VA, USDA/RD, or private mortgage insurers at various coverages. In the opinion of management, these coverage levels are sufficient so that no pool insurance or reserves are required and no allowance for loans losses has been recorded. Premiums are paid by single family mortgagors.

(in thousands)

NOTE 14 - 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 15 - SUBSEQUENT EVENTS

Subsequent to the year ended June 30, 2005, the following bond activity took place:

On July 8, 2005, CDA redeemed the following bonds:

1999 Series F	$10,335
1999 Series H	$35
2001 Series H	$75
2003 Series B	$80
2004 Series E	$420
2004 Series H	$185

On August 26, 2005, CDA redeemed the following bonds:

1997 Series B	$15,655
1999 Series F	$4,145
1999 Series H	$190
2000 Series A	$990
2000 Series F	$275
2001 Series B	$30
2001 Series F	$130
2001 Series H	$205
2003 Series B	$210
2004 Series B	$430
2004 Series E	$515
2004 Series H	$310
2005 Series B	$40

NOTE 15 - SUBSEQUENT EVENTS (Continued)

Effective September 1, 2005, CDA entered into an Interest Rate Exchange Agreement or interest rate "swap". This agreement, a synthetic fixed rate contract with a Aaa rated counterparty will hedge $20,000 in variable rate debt in the Fund's 2004 Series I.

NOTE 16 - COMMITMENTS

As of June 30, 2005, CDA had approximately $29,627 in reservations for single family mortgages at interest rates ranging from 4.875% to 5.95%. 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, 2005 and 2004

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 (obligations of U.S. Government Agencies) held by CDA as of June 30, 2005, 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)
FY 2005		403
Cumulative total	$	694

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

Increase in fair value of investments held at June 30, 2005	$	403
Adjustment due to rebate liability (see Note 10)		(583)
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, 2005	$	(180)

Community Development Administration
Residential Revenue Bonds

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

June 30, 2005 and 2004

For investments (obligations of U.S. Government Agencies) 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 10)		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)