

**COMMUNITY DEVELOPMENT ADMINISTRATION  
SINGLE FAMILY HOUSING REVENUE BONDS**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2017 AND 2016**

**COMMUNITY DEVELOPMENT ADMINISTRATION  
SINGLE FAMILY HOUSING REVENUE BONDS  
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## INDEPENDENT AUDITORS' REPORT

Office of the Secretary  
Department of Housing and Community Development  
Lanham, Maryland

We have audited the accompanying financial statements of the Community Development Administration Single Family Mortgage 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, 2017 and 2016, and the related notes to the financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2017 and 2016, and the changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Financial Statement Presentation*

As discussed in Note 1, the financial statements present only the Fund 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 years ended June 30, 2017 and 2016, and the changes in its net position and its cash flows in conformity with accounting principles generally accepted in the United States of America.

*Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

**Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information on page 17, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2017, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
September 29, 2017

**COMMUNITY DEVELOPMENT ADMINISTRATION  
SINGLE FAMILY HOUSING REVENUE BONDS  
STATEMENTS OF NET POSITION  
(in thousands)  
JUNE 30, 2017 AND 2016**

	2017	2016
<b>RESTRICTED ASSETS</b>		
<b>RESTRICTED CURRENT ASSETS</b>		
Cash and Cash Equivalents on Deposit	\$ 9,887	\$ 16,023
Mortgage-Backed Securities	26,766	36,757
Accrued Interest Receivables	494	574
Total Restricted Current Assets	37,147	53,354
<b>RESTRICTED LONG-TERM ASSETS</b>		
Mortgage-Backed Securities, Net of Current Portion	152,075	178,045
Total Restricted Long-Term Assets	152,075	178,045
Total Restricted Assets	\$ 189,222	\$ 231,399
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accrued Interest Payable	\$ 1,363	\$ 1,652
Bonds Payable	4,953	14,046
Total Current Liabilities	6,316	15,698
<b>LONG-TERM LIABILITIES</b>		
Bonds Payable, Net of Current Portion	167,804	194,591
Total Long-Term Liabilities	167,804	194,591
Total Liabilities	174,120	210,289
<b>NET POSITION</b>		
Restricted	15,102	21,110
Total Liabilities and Net Position	\$ 189,222	\$ 231,399

See accompanying Notes to Financial Statements

**COMMUNITY DEVELOPMENT ADMINISTRATION  
SINGLE FAMILY HOUSING REVENUE BONDS  
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
(in thousands)  
YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
OPERATING REVENUE		
Interest on Mortgage-Backed Securities	\$ 6,668	\$ 7,791
Interest Income on Cash Equivalents	50	18
Gain on Early Retirement of Debt	190	85
Total Operating Revenue	<u>6,908</u>	<u>7,894</u>
OPERATING EXPENSES		
Interest Expense on Bonds	5,790	6,633
Professional Fees and Other Operating Expenses	73	69
Total Operating Expenses	<u>5,863</u>	<u>6,702</u>
Operating Income	1,045	1,192
NONOPERATING (EXPENSE) REVENUE		
(Decrease) Increase in Fair Value of Mortgage-Backed Securities	<u>(7,053)</u>	<u>4,374</u>
CHANGE IN NET POSITION	(6,008)	5,566
NET POSITION - RESTRICTED AT BEGINNING OF YEAR	<u>21,110</u>	<u>15,544</u>
NET POSITION - RESTRICTED AT END OF YEAR	<u>\$ 15,102</u>	<u>\$ 21,110</u>

See accompanying Notes to Financial Statements

**COMMUNITY DEVELOPMENT ADMINISTRATION  
SINGLE FAMILY HOUSING REVENUE BONDS  
STATEMENTS OF CASH FLOWS  
(in thousands)  
YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Principal and Interest Received on Mortgage-Backed Securities	\$ 35,659	\$ 37,377
Professional Fees and Other Operating Expenses	(73)	(69)
Net Cash Provided by Operating Activities	35,586	37,308
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received on Investments	47	15
Net Cash Provided by Investing Activities	47	15
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Payments on Bond Principal	(35,655)	(30,823)
Interest on Bonds	(6,114)	(6,920)
Net Cash Used in Financing Activities	(41,769)	(37,743)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT</b>		
	(6,136)	(420)
<b>CASH AND CASH EQUIVALENTS ON DEPOSIT - BEGINNING OF YEAR</b>		
	16,023	16,443
<b>CASH AND CASH EQUIVALENTS ON DEPOSIT - END OF YEAR</b>		
	\$ 9,887	\$ 16,023
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income	\$ 1,045	\$ 1,192
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Interest Received on Cash Equivalents	(47)	(15)
Amortization of Bond Original Issue Premiums	(35)	(44)
Interest on Bonds	6,114	6,920
Gain on Early Retirement of Debt	(190)	(85)
Decrease in Assets:		
Mortgage-Backed Securities	28,908	29,498
Accrued Interest Receivables	80	85
Decrease in Liabilities:		
Accrued Interest Payable	(289)	(243)
Net Cash Provided by Operating Activities	\$ 35,586	\$ 37,308

See accompanying Notes to Financial Statements

**COMMUNITY DEVELOPMENT ADMINISTRATION  
SINGLE FAMILY HOUSING REVENUE BONDS  
NOTES TO FINANCIAL STATEMENTS  
(in thousands)  
JUNE 30, 2017 AND 2016**

**NOTE 1 AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION**

The Community Development Administration (CDA) is authorized to issue Single Family Housing Revenue Bonds pursuant to 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.

CDA entered into a Securitization Agreement on December 18, 2009 with the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC), using federal legislative authority under the Housing and Economic Recovery Act of 2008 to provide affordable mortgage financing for individual households and multifamily rental properties. Subject to the Securitization Agreement, the New Issue Bond Program (NIBP) was created under which CDA would issue mortgage revenue Program Bonds, FNMA and FHLMC would securitize and issue securities for these bonds, and the United States Department of the Treasury (Treasury) would purchase these securities. Under the Single Family NIBP and pursuant to the Single Family Housing Revenue Bond Resolution (Resolution), CDA had issued 2009 Series A bonds in the amount of \$154,290 as escrow bonds bearing interest at a short-term rate until conversion to Program Bonds secured by mortgage loans or mortgage-backed securities backed by mortgage loans. The short-term rate converted to a permanent fixed rate at the time of conversion. CDA was required, at the time of conversion, to issue market bonds along with the issuance of Program Bonds, but not to exceed 40 percent of the total allocation of which the escrow bonds represent the 60 percent share. All 2009 Series A escrow bonds have been converted to Program Bonds.

The accompanying financial statements only include CDA's Single Family Housing Revenue Bonds (the Fund). CDA's other Funds are not included. However, CDA has also separately issued combined financial statements for the Revenue Obligation Funds and Infrastructure Program Funds, and financial statements for the Multi-Family Mortgage Revenue Bonds. The Single Family Housing Revenue Bonds, Revenue Obligation Funds, Infrastructure Program Funds 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. The Fund was established 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).



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SINGLE FAMILY HOUSING REVENUE BONDS  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Accounting and Measurement Focus

The basis of accounting for the Fund is determined by measurement focus. The flow of economic resources measurement focus and the accrual basis of accounting are used to account for the Fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All assets and liabilities associated with the operation of the Fund are included on the Statements of Net Position. The Fund is required to follow all statements of the Governmental Accounting Standards Board (GASB).

Generally Accepted Accounting Principles

CDA reports its financial activities by applying Standards of Governmental Accounting and Financial Reporting as promulgated by 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 Fund is restricted as to its use as the net position is pledged to bondholders.

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 included 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

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, 2017 and 2016, all of the Fund's cash equivalents were invested in a money market mutual fund which is more fully described in Note 3.

Mortgage-Backed Securities

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

Accrued Interest Receivables

Accrued interest receivables include interest on mortgage-backed securities and investments.

**COMMUNITY DEVELOPMENT ADMINISTRATION  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Bonds Payable

Bonds payable are carried at their unpaid principal balances, net of original issue premiums. See Notes 4, 5, and 6 for additional information.

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, 2017 and 2016, all mortgage loan yields were in compliance with the Code.

Interest on Mortgage-Backed Securities

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

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 are 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. See Note 7 for additional information.

Revenue and Expenses

CDA distinguishes operating revenue and expenses from non-operating 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. The Fund's activities are considered to be operating except for increases and decreases in the fair value of mortgage-backed securities.

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.

**COMMUNITY DEVELOPMENT ADMINISTRATION  
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**NOTE 3 CASH, CASH EQUIVALENTS AND MORTGAGE-BACKED SECURITIES**

Bond proceeds and revenues from mortgage-backed securities and investments are invested in authorized investments as defined in the Single Family Housing Revenue Bond Resolution (the Resolution) and in CDA's Investment Policy until required for purchasing mortgage-backed securities, funding reserves, paying bond debt service, 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.

As of June 30, 2017, the Fund had \$9,887 invested in a money market mutual fund (BlackRock Liquidity FedFund Administration Shares). As of June 30, 2016, the Fund had \$16,023 invested in a money market mutual fund (Federated Prime Cash Obligations Fund). Both are classified as cash and cash equivalents. Also, as of June 30, 2017 and 2016, the Fund had \$3,508 and \$3,858, respectively, invested in Federal National Mortgage Association (FNMA) mortgage-backed securities and \$175,333 and \$210,944, respectively, in Government National Mortgage Association (GNMA) mortgage-backed securities. The following represents the GASB evaluation of these assets for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

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, 2017, the amortized cost, fair value and maturities for these assets were as follows:

Asset	Amortized Cost	Fair Value	Maturities (in Years)				
			Less Than 1	1 - 5	6 - 10	11 - 15	More Than 15
BlackRock Liquidity FedFund Administration Shares	\$ 9,887	\$ 9,887	\$ 9,887	\$ -	\$ -	\$ -	\$ -
FNMA Mortgage-Backed Securities	3,554	3,508	-	-	-	-	3,508
GNMA Mortgage-Backed Securities	171,094	175,333	-	-	-	-	175,333
Total	<u>\$ 184,535</u>	<u>\$ 188,728</u>	<u>\$ 9,887</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178,841</u>

**COMMUNITY DEVELOPMENT ADMINISTRATION  
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**NOTE 3 CASH, CASH EQUIVALENTS AND MORTGAGE-BACKED SECURITIES (CONTINUED)**

As of June 30, 2016, the amortized cost, fair value and maturities for these assets were as follows:

Asset	Amortized Cost	Fair Value	Maturities (in Years)				
			Less Than 1	1 - 5	6 - 10	11 - 15	More Than 15
Federated Prime Cash Obligations Fund	\$ 16,023	\$ 16,023	\$ 16,023	\$ -	\$ -	\$ -	\$ -
FNMA Mortgage-Backed Securities	3,761	3,858	-	-	-	-	3,858
GNMA Mortgage-Backed Securities	199,795	210,944	-	-	-	-	210,944
Total	<u>\$ 219,579</u>	<u>\$ 230,825</u>	<u>\$ 16,023</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 214,802</u>

The BlackRock Liquidity FedFund Administration Shares invests primarily in cash, U.S. Treasury bills, notes and other obligations issued or guaranteed as to principal and interest by the U.S. Government, its agencies or instrumentalities, and repurchase agreements secured by such obligations or cash. 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. Both operate in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. Both 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, 2017 and 2016, the cost of the 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 requires 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, 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 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, 2017 and 2016, the ratings on Single Family Housing Revenue Bonds were Aaa by Moody's Investors Services.

**COMMUNITY DEVELOPMENT ADMINISTRATION  
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**NOTE 3 CASH, CASH EQUIVALENTS AND MORTGAGE-BACKED SECURITIES (CONTINUED)**

As of June 30, 2017, 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
BlackRock Liquidity FedFund Administration Shares	\$ 9,887	5.24%	Aaa		Moody's
Federal National Mortgage Association (FNMA) Mortgage-Backed Securities	3,508	1.86%		Aaa	Moody's
Government National Mortgage Association (GNMA) Mortgage-Backed Securities	175,333	92.90%		Direct U.S. Obligations	
Total	<u>\$ 188,728</u>	<u>100.00%</u>			

As of June 30, 2016, 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	\$ 16,023	6.94%	Aaa		Moody's
Federal National Mortgage Association (FNMA) Mortgage-Backed Securities	3,858	1.67%		Aaa	Moody's
Government National Mortgage Association (GNMA) Mortgage-Backed Securities	210,944	91.39%		Direct U.S. Obligations	
Total	<u>\$ 230,825</u>	<u>100.00%</u>			

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

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.

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**NOTE 3 CASH, CASH EQUIVALENTS AND MORTGAGE-BACKED SECURITIES (CONTINUED)**

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.

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, 2017 and 2016, the Fund’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.

Fair Value Measurements

CDA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Fund has the following recurring fair value measurements as of June 30, 2017 and 2016:

- GNMA and FNMA mortgage-backed securities of \$178,841 and \$214,802, respectively, are valued using the matrix pricing technique (Level 2).

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**NOTE 4 BONDS PAYABLE**

The bonds issued by CDA are special obligations of CDA and are payable from the revenue and special funds of the Resolution. These bonds 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 at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayments, except for 2013 Series A (Pass-Through Program) bonds which are not subject to redemption from any funds other than mandatory payment from the scheduled principal payments and prepayments of mortgage-backed securities held in that series. All outstanding bonds, except the 2009 Series bonds, are subject to optional redemption, in whole or in part at any time, after certain dates, as specified in the respective series resolutions, at a redemption price equal to the principal amount thereof to be redeemed, except the 2011 Series C bonds maturing March 1, 2027, which will be redeemed at a premium that maintains the same yield as the original purchase price thereof to be redeemed. The 2009 Series A-1 through A-3 bonds are subject to optional redemption, in whole or in part, in denominations of \$10 or any integral multiple thereof on the first day of each month, at a price equal to 100% of 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 as a gain on early retirement of debt in the accompanying Statements of Revenue, Expenses and Changes in Net Position. All bonds are tax-exempt and have fixed interest rates.

The following is a summary of the bond activity for the year ended June 30, 2017 and the debt outstanding and bonds payable as of June 30, 2017:

	Issue Dated	Range of Interest Rates	Range of Maturities	Debt Outstanding at June 30, 2016	Bond Activity			Debt Outstanding at June 30, 2017	Bond Premium/Discount Deferred	Bonds Payable at June 30, 2017
					New Bonds Issued	Scheduled Maturity Payments	Bonds Redeemed			
Single Family Housing Revenue Bonds										
2009 Series A-1	12/30/09	2.77%	9/1/2041	\$ 42,070	\$ -	\$ -	\$ (7,610)	\$ 34,460	\$ -	\$ 34,460
2011 Series A	08/24/11	1.85% - 4.25%	2016 - 2027	19,675	-	(1,320)	(3,065)	15,290	131	15,421
2009 Series A-2	12/30/09	2.32%	9/1/2041	42,260	-	-	(8,940)	33,320	-	33,320
2011 Series B	10/27/11	2.10% - 4.00%	2016 - 2027	20,645	-	(955)	(3,850)	15,840	113	15,953
2009 Series A-3	12/30/09	2.49%	9/1/2041	25,200	-	-	(2,530)	22,670	-	22,670
2011 Series C	12/15/11	2.05% - 4.50%	2016 - 2027	12,355	-	(855)	(1,200)	10,300	96	10,396
2013 Series A	08/28/13	4.00%	7/1/2043	45,867	-	-	(5,330)	40,537	-	40,537
Total				\$ 208,072	\$ -	\$ (3,130)	\$ (32,525)	\$ 172,417	\$ 340	\$ 172,757

**COMMUNITY DEVELOPMENT ADMINISTRATION  
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**NOTE 4 BONDS PAYABLE (CONTINUED)**

The following is a summary of the bond activity for the year ended June 30, 2016 and the debt outstanding and bonds payable as of June 30, 2016:

	Issue Dated	Range of Interest Rates	Range of Maturities	Debt	Bond Activity			Debt	Bond	Bonds
				Outstanding at June 30, 2015	New Bonds Issued	Scheduled Maturity Payments	Bonds Redeemed	Outstanding at June 30, 2016	Premium/Discount Deferred	Payable at June 30, 2016
Single Family Housing Revenue Bonds										
2009 Series A-1	12/30/09	2.77%	9/1/2041	\$ 46,700	\$ -	\$ -	\$ (4,630)	\$ 42,070	\$ -	\$ 42,070
2011 Series A	08/24/11	1.55% - 4.25%	2015 - 2027	24,360	-	(2,365)	(2,320)	19,675	216	19,891
2009 Series A-2	12/30/09	2.32%	9/1/2041	48,160	-	-	(5,900)	42,260	-	42,260
2011 Series B	10/27/11	1.70% - 4.00%	2015 - 2027	26,080	-	(2,350)	(3,085)	20,645	189	20,834
2009 Series A-3	12/30/09	2.49%	9/1/2041	28,340	-	-	(3,140)	25,200	-	25,200
2011 Series C	12/15/11	1.55% - 4.50%	2015 - 2027	15,360	-	(1,350)	(1,655)	12,355	160	12,515
2013 Series A	08/28/13	4.00%	7/1/2043	49,895	-	-	(4,028)	45,867	-	45,867
Total				\$ 238,895	\$ -	\$ (6,065)	\$ (24,758)	\$ 208,072	\$ 565	\$ 208,637

**NOTE 5 DEBT SERVICE REQUIREMENTS**

As of June 30, 2017, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2017 and excluding the effect of unamortized discounts/premiums as shown in Note 4) and interest payments for each of the next five years and in 5-year increments thereafter, were as follows:

Year Ended June 30,	Interest	Principal
2018	\$ 5,247	\$ 4,953
2019	5,111	6,480
2020	4,919	6,680
2021	4,704	6,890
2022	4,472	6,755
2023 - 2027	20,508	12,180
2028 - 2032	17,625	27,130
2033 - 2037	13,982	30,980
2038 - 2042	9,827	31,330
2043 - 2047	1,692	39,039
Total	\$ 88,087	\$ 172,417



**COMMUNITY DEVELOPMENT ADMINISTRATION  
SINGLE FAMILY HOUSING REVENUE BONDS  
NOTES TO FINANCIAL STATEMENTS  
(in thousands)  
JUNE 30, 2017 AND 2016**

**NOTE 5 DEBT SERVICE REQUIREMENTS (CONTINUED)**

As of June 30, 2016, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2016 and excluding the effect of unamortized discounts/premiums as shown in Note 4) and interest payments for each of the next five years and in 5-year increments thereafter, were as follows:

<u>Year Ended June 30,</u>	<u>Interest</u>	<u>Principal</u>
2017	\$ 6,148	\$ 14,046
2018	5,914	6,320
2019	5,749	6,480
2020	5,557	6,680
2021	5,343	6,890
2022 - 2026	24,192	17,485
2027 - 2031	20,834	28,370
2032 - 2036	16,805	34,200
2037 - 2041	12,210	38,880
2042 - 2046	3,771	48,721
Total	<u>\$ 106,523</u>	<u>\$ 208,072</u>

**NOTE 6 LONG-TERM OBLIGATIONS**

Changes in long-term obligations for the years ended June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Bonds Payable:		
Beginning Balance at June 30,	\$ 208,637	\$ 239,589
Additions	-	-
Reductions	(35,655)	(30,823)
Change in Deferred Amounts for Issuance Premiums	<u>(225)</u>	<u>(129)</u>
Ending Balance at June 30,	172,757	208,637
Less Due Within One Year	<u>(4,953)</u>	<u>(14,046)</u>
Total Long-Term Bonds Payable	<u>\$ 167,804</u>	<u>\$ 194,591</u>

**COMMUNITY DEVELOPMENT ADMINISTRATION  
SINGLE FAMILY HOUSING REVENUE BONDS  
NOTES TO FINANCIAL STATEMENTS  
(in thousands)  
JUNE 30, 2017 AND 2016**

**NOTE 7 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 liability for the employees is recorded by the general fund of the State of Maryland and is not allocated to CDA. 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](http://www.sra.state.md.us).

**COMMUNITY DEVELOPMENT ADMINISTRATION  
SINGLE FAMILY HOUSING REVENUE BONDS  
SUPPLEMENTAL DISCLOSURE OF CHANGES  
IN FAIR VALUE OF MORTGAGE-BACKED SECURITIES  
(in thousands)  
JUNE 30, 2017 AND 2016**

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 Statements of Revenue, Expenses and Changes in Net Position.

For mortgage-backed securities held by the Fund as of June 30, 2017, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and cost:

Fiscal Year Ended June 30,	Annual Increases/ Decreases	Cumulative Total
2012	\$ 16,923	\$ 16,923
2013	\$ (11,675)	\$ 5,248
2014	\$ 1,447	\$ 6,695
2015	\$ 177	\$ 6,872
2016	\$ 4,374	\$ 11,246
2017	\$ (7,053)	\$ 4,193