

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS**

COMBINED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
YEAR ENDED JUNE 30, 2018**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combined financial statements of the Community Development Administration Infrastructure Program Funds (the Funds) of the Department of Housing and Community Development of the State of Maryland as of and for the year ended June 30, 2018, and the related notes to the combined 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 these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 combined financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Funds as of June 30, 2018, and the changes in its financial position and its cash flows for the year 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 combined financial statements present only the Funds and do not purport to, and do not, present fairly the financial position of the Department of Housing and Community Development of the State of Maryland as of and for the year ended June 30, 2018, 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 requires 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.

Prior-Year Comparative Information

We have previously audited the Funds' 2017 financial statements, and we expressed an unmodified opinion on the financial statements of the Funds, in our report dated September 29, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018, on our consideration of the Funds' 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 solely 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 the effectiveness of the Funds' 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 Funds' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
September 28, 2018

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
COMBINED STATEMENT OF NET POSITION
(in thousands)
JUNE 30, 2018
(with comparative combined totals as of June 30, 2017)**

	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Local Government Infrastructure Bonds	Combined	
				2018	2017
RESTRICTED ASSETS					
RESTRICTED CURRENT ASSETS					
Cash and Cash Equivalents on Deposit	\$ 746	\$ 1,317	\$ 62,279	\$ 64,342	\$ 63,862
Investments	-	-	338	338	-
Community Facilities Loans	68	960	10,640	11,668	18,173
Accrued Interest Receivable	2	33	621	656	835
Total Restricted Current Assets	<u>816</u>	<u>2,310</u>	<u>73,878</u>	<u>77,004</u>	<u>82,870</u>
RESTRICTED LONG-TERM ASSETS					
Investments, Net of Current Portion	-	-	674	674	-
Community Facilities Loans, Net of Current Portion	29	3,290	156,345	159,664	136,199
Other Receivables, Net of Current Portion	-	-	-	-	-
Total Restricted Long-Term Assets	<u>29</u>	<u>3,290</u>	<u>157,019</u>	<u>160,338</u>	<u>136,199</u>
Total Restricted Assets	<u>\$ 845</u>	<u>\$ 5,600</u>	<u>\$ 230,897</u>	<u>\$ 237,342</u>	<u>\$ 219,069</u>
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES					
Accrued Interest Payable	\$ 1	\$ 14	\$ 424	\$ 439	\$ 402
Accounts Payable	-	6	-	6	2
Bonds Payable	105	905	10,705	11,715	19,545
Advance Trustee Fees	10	24	64	98	-
Due to Local Governments	-	-	57,450	57,450	56,691
Total Current Liabilities	<u>116</u>	<u>949</u>	<u>68,643</u>	<u>69,708</u>	<u>76,640</u>
LONG-TERM LIABILITIES					
Bonds Payable, Net of Current Portion	30	3,130	158,746	161,906	137,100
Advance Trustee Fees, Net of Current	9	146	12	167	356
Other Liabilities	-	-	419	419	482
Total Long-Term Liabilities	<u>39</u>	<u>3,276</u>	<u>159,177</u>	<u>162,492</u>	<u>137,938</u>
Total Liabilities	155	4,225	227,820	232,200	214,578
NET POSITION					
Restricted	<u>690</u>	<u>1,375</u>	<u>3,077</u>	<u>5,142</u>	<u>4,491</u>
Total Liabilities and Net Position	<u>\$ 845</u>	<u>\$ 5,600</u>	<u>\$ 230,897</u>	<u>\$ 237,342</u>	<u>\$ 219,069</u>

See accompanying Notes to Combined Financial Statements.

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
COMBINED STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
(in thousands)
YEAR ENDED JUNE 30, 2018
(with comparative combined totals as of June 30, 2017)**

	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Local Government Infrastructure Bonds	Combined	
				2018	2017
OPERATING REVENUE					
Interest on Community Facilities Loans	\$ 12	\$ 257	\$ 5,334	\$ 5,603	\$ 5,150
Interest Income on Cash Equivalents	8	17	92	117	36
Fee Income	-	4	195	199	143
Other Operating Revenue	118	45	12	175	68
Total Operating Revenue	138	323	5,633	6,094	5,397
OPERATING EXPENSES					
Interest Expense on Bonds	12	253	5,150	5,415	4,960
Professional Fee Expense	-	-	28	28	32
Total Operating Expenses	12	253	5,178	5,443	4,992
Operating Income	126	70	455	651	405
TRANSFER OF FUNDS, AS PERMITTED BY THE VARIOUS BOND INDENTURES					
	-	-	-	-	587
CHANGES IN NET POSITION	126	70	455	651	992
NET POSITION - RESTRICTED AT BEGINNING OF YEAR	564	1,305	2,622	4,491	3,499
NET POSITION - RESTRICTED AT END OF YEAR	\$ 690	\$ 1,375	\$ 3,077	\$ 5,142	\$ 4,491

See accompanying Notes to Combined Financial Statements.

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
COMBINED STATEMENT OF CASH FLOWS
(in thousands)
YEAR ENDED JUNE 30, 2018
(with comparative combined totals as of June 30, 2017)**

	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Local Government Infrastructure Bonds	Combined	
				2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES					
Principal and Interest Received on Community Facilities Loans	\$ 302	\$ 11,956	\$ 15,569	\$ 27,827	\$ 16,757
Origination of Community Facilities Loans	-	(355)	(37,917)	(38,272)	(24,987)
Advance Trustee Fees Received	2	66	82	150	92
Trustee Fees Paid	(12)	(30)	(60)	(102)	(101)
Loan Fees Received	-	4	195	199	143
Professional Fee Expenses	-	-	(28)	(28)	(32)
Other Reimbursements	-	1	-	1	1
Other Operating Revenue	-	-	12	12	36
Net Cash Provided (Used) by Operating Activities	292	11,642	(22,147)	(10,213)	(8,091)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of Investments	-	-	(1,012)	(1,012)	-
Interest Received on Cash Equivalents	7	16	84	107	34
Net Cash Provided (Used) by Investing Activities	7	16	(928)	(905)	34
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Proceeds from Sale of Bonds	-	-	39,035	39,035	25,735
Payments on Bond Principal	(250)	(11,600)	(10,205)	(22,055)	(13,385)
Interest on Bonds	(13)	(293)	(5,076)	(5,382)	(4,951)
Transfer Among Funds	-	-	-	-	587
Net Cash Provided (Used) by Noncapital Financing Activities	(263)	(11,893)	23,754	11,598	7,986
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT	36	(235)	679	480	(71)
CASH AND CASH EQUIVALENTS ON DEPOSIT - BEGINNING OF YEAR	710	1,552	61,600	63,862	63,933
CASH AND CASH EQUIVALENTS ON DEPOSIT - END OF YEAR	\$ 746	\$ 1,317	\$ 62,279	\$ 64,342	\$ 63,862

See accompanying Notes to Combined Financial Statements.

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
COMBINED STATEMENT OF CASH FLOWS (CONTINUED)
(in thousands)
YEAR ENDED JUNE 30, 2018
(with comparative combined totals as of June 30, 2017)**

	Infrastructure Financing Bonds (MBIA Insured)	Local Government Infrastructure Bonds (Ambac Insured)	Local Government Infrastructure Bonds	Combined	
				2018	2017
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income	\$ 126	\$ 70	\$ 455	\$ 651	\$ 405
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Amortization of Bond Original Issue Premiums	-	-	(4)	(4)	(4)
Interest Received on Cash Equivalents	(7)	(16)	(84)	(107)	(34)
Interest on Bonds	13	293	5,076	5,382	4,951
Decrease (Increase) in Assets:					
Community Facilities Loans	287	11,648	(28,895)	(16,960)	(14,155)
Accrued Interest Receivable	2	77	100	179	(457)
(Decrease) Increase in Liabilities:					
Accrued Interest Payable	(1)	(40)	78	37	13
Accounts Payable	-	4	-	4	(21)
Due to Local Governments	-	(359)	1,118	759	770
Advance Trustee Fees and Other Liabilities	(128)	(35)	9	(154)	441
Net Cash Provided (Used) by Operating Activities	<u>\$ 292</u>	<u>\$ 11,642</u>	<u>\$ (22,147)</u>	<u>\$ (10,213)</u>	<u>\$ (8,091)</u>

See accompanying Notes to Combined Financial Statements.

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
NOTES TO COMBINED FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2018**

NOTE 1 AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION

The Community Development Administration (CDA) is authorized to issue Infrastructure Program Bonds pursuant to Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland to provide a mechanism for financing the infrastructure needs of local governments. CDA is in the Division of Development Finance in the Department of Housing and Community Development (DHCD) of the State of Maryland.

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

Infrastructure Program Funds include three fund groups: Infrastructure Financing Bonds (MBIA Insured), Local Government Infrastructure Bonds (Ambac Insured), and Local Government Infrastructure Bonds (resolution adopted August 1, 2010). Within each fund group are separate accounts maintained for each obligation in accordance with the respective resolutions and series resolutions. All bonds in the Infrastructure Program Funds were issued to provide funds for construction and permanent financing to local governments for public facilities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Basis of Accounting and Measurement Focus

The basis of accounting for the Funds is determined by measurement focus. The flow of economic resources measurement focus and the accrual basis of accounting are used to account for the Funds. 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 Funds are included on the Statements of Net Position. The Funds are required to follow all statements of the Governmental Accounting Standards Board (GASB).

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
NOTES TO COMBINED FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Funds 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 combined financial statements. CDA prepares a Management's Discussion and Analysis for the General Accounting Division of the State of Maryland that is not part of these combined financial statements.

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, 2018, all of the Funds' cash equivalents were invested in a money market mutual fund which is more fully described in Note 3.

Investments

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

Community Facilities Loans

Community facilities loans are carried at their unpaid principal balances. See Note 4 for additional information on community facilities loans.

Allowance for Loan Losses

Community facilities loans are secured by the full faith and credit of the applicable local government. Therefore, CDA has determined that no allowance for loan losses was necessary as of June 30, 2018.

Accrued Interest Receivable

Accrued interest includes both interest on cash deposits and interest on loans. As of June 30, 2018, all loans were current. Therefore, all accrued interest on loans was recorded during the year.

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
NOTES TO COMBINED FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bonds Payable

Bonds payable are carried at their unpaid principal balances, net of unamortized bond premiums and discounts. See Notes 5, 6, 7, and 9 for additional information.

Due to Local Governments

CDA records the total loan amount when the loan closes and collects interest from the local government on this full loan amount from the date of closing. Due to local governments represents the undrawn amount which is held by CDA as an escrow until the funds are needed by the local government.

Fee Income

CDA receives financing fees at loan origination. These fees are recognized as revenue in the period received as fee income.

Administrative Support

In addition to expenses incurred directly by the Funds, CDA receives certain support services from other divisions of DHCD. Support services and the operating expenses of CDA have been allocated to CDA's General Bond Reserve Fund 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 10 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 public facilities for local governments. All of the Funds' 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 periods. Actual results could differ from these estimates.

Combined Totals

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

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
NOTES TO COMBINED FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2018**

NOTE 3 CASH, CASH EQUIVALENTS AND INVESTMENTS

Proceeds from bonds and revenues from loans are invested in authorized investments as defined in the respective resolutions and CDA's Investment Policy until required for financing projects, redeeming outstanding bonds, and funding program expenses. Authorized investments include obligations of the U.S. Treasury, U.S. Government Agencies, investment agreements, money market funds, and any other investment as defined by the resolutions.

The following assets, reported at fair value and held by the Fund as of June 30, 2018, are evaluated in accordance with GASB accounting guidance for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Assets	2018
Cash and Cash Equivalents:	
BlackRock Liquidity FedFund Administration Shares	\$ 64,342
Investments:	
Obligations of the U.S. Treasury	338
Obligation of U.S. Government Agencies	674
Total	\$ 65,354

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, 2018, 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
BlackRock Liquidity FedFund Administration Shares	\$ 64,342	\$ 64,342	\$ 64,342	\$ -
Obligations of the U.S. Treasury	338	338	338	-
Obligations of U.S. Government Agencies	674	674	-	674
Total	\$ 65,354	\$ 65,354	\$ 64,680	\$ 674

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. 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, 2018, the cost of the money market mutual fund approximated fair value.

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
NOTES TO COMBINED FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2018**

NOTE 3 CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither CDA's Investment Policy nor the resolutions 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 Funds' resolutions, securities must be rated at the highest investment grade by any national rating agency. U.S. dollar denominated accounts and bankers' acceptances which have a rating on their short-term certificates of deposit must be in the two highest ratings by any nationally recognized rating agency. Accounting guidance issued by GASB requires disclosure by amount and investment issuer if investments in any one issuer represent 5% or more of total investments. Investments in mutual funds are excluded from this requirement.

The following table provides credit quality rating information for the investment portfolio and individual issuers, if they represent 5% or more of total investments in accordance with accounting guidance issued by GASB.

Asset	Fair Value	Percentage of Total Investments	Money Market Fund Rating	Securities Credit Rating	Rating Agency
BlackRock Liquidity FedFund Administration Shares	\$64,342	98.45%	Aaa		Moody's
Obligations of the U.S. Treasury	338	0.52%		Direct U.S. Obligations	
Obligations of U.S. Government Agencies	674	1.03%		Aaa	Moody's
Total	<u>\$65,354</u>	<u>100.00%</u>			

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, 2018, the Funds' investments were not subject to custodial credit risk under accounting guidance issued by GASB. The money market mutual fund and other investments are held in trust by the trustee, kept separate from the assets of the bank and from other trust accounts and is 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; and Level 3 inputs are significant unobservable inputs.

The Funds has the following recurring fair value measurement as of June 30, 2018:

- U.S. Treasury Bonds and/or U.S. Government agencies of \$1,012 are valued using quoted market prices (Level 1).

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
NOTES TO COMBINED FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2018**

NOTE 4 COMMUNITY FACILITIES LOANS

Community facilities loans are secured by the full faith and credit of the applicable local government. As such, no allowance for loan losses was necessary as of June 30, 2018. Interest rates on such loans range from 1.65% to 5.09% with remaining loan terms ranging from less than 1 year to 29 years.

NOTE 5 BONDS PAYABLE

The bonds issued by CDA are special obligations of CDA and are payable from the revenue and special funds of the applicable resolutions. 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 various bond resolutions of the Funds require or allow for the special redemption of bonds at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of community facilities loans. All outstanding bonds are subject to redemption at the option of CDA, 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. All bonds have fixed interest rates and all bonds are tax-exempt.

The following is a summary of bond activity for the year ended June 30, 2018, and debt outstanding and bonds payable as of June 30, 2018:

	Issue Dated	Range of Interest Rates	Range of Maturities	Bonds Payable at June 30, 2017	Bond Activity			Bonds Payable at June 30, 2018
					New Bonds Issued	Scheduled Maturity Payments	Bonds Redeemed	
Infrastructure								
Financing Bonds								
(MBIA Insured)								
1998 Series B	06/01/98	5.15% - 5.20%	2022 - 2028	\$ 225	\$ -	\$ (40)	\$ (150)	\$ 35
1999 Series A	03/01/99	4.90% - 5.00%	2018 - 2019	105	-	(50)	-	55
2001 Series A	03/01/01	5.00%	2018 - 2021	55	-	(10)	-	45
Total				<u>\$ 385</u>	<u>\$ -</u>	<u>\$ (100)</u>	<u>\$ (150)</u>	<u>\$ 135</u>

	Issue Dated	Range of Interest Rates	Range of Maturities	Bonds Payable at June 30, 2017	Bond Activity			Bonds Payable at June 30, 2018
					New Bonds Issued	Scheduled Maturity Payments	Bonds Redeemed	
Local Government								
Infrastructure Bonds								
(Ambac Insured)								
2002 Series A	03/01/02	4.65% - 4.80%	2018 - 2022	\$ 170	\$ -	\$ (25)	\$ -	\$ 145
2004 Series A	04/22/04	4.375% - 4.875%	2019 - 2034	500	-	(40)	-	460
2004 Series B	11/18/04	3.60% - 4.20%	2018 - 2025	130	-	(15)	-	115
2005 Series A	05/26/05	4.00% - 4.40%	2018 - 2030	3,090	-	(190)	(750)	2,150
2006 Series A	04/05/06	4.00% - 4.25%	2018 - 2026	355	-	(30)	-	325
2007 Series A	05/31/07	4.00% - 4.25%	2018 - 2037	6,610	-	-	(6,610)	-
2007 Series B	11/14/07	4.00% - 4.25%	2018 - 2026	4,780	-	(570)	(3,370)	840
Total				<u>\$ 15,635</u>	<u>\$ -</u>	<u>\$ (870)</u>	<u>\$ (10,730)</u>	<u>\$ 4,035</u>

**COMMUNITY DEVELOPMENT ADMINISTRATION
INFRASTRUCTURE PROGRAM FUNDS
NOTES TO COMBINED FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2018**

NOTE 5 BONDS PAYABLE (CONTINUED)

	Issue Dated	Range of Interest Rates	Range of Maturities	Debt	Bond Activity		Debt	Bond	Bonds
				Outstanding at June 30, 2017	New Bonds Issued	Scheduled Maturity Payments	Outstanding at June 30, 2018	Premium/Discount Deferred	Payable at June 30, 2018
Local Government									
Infrastructure Bonds									
2010 Series A-1	8/25/10	3.00% - 4.00%	2018 - 2030	\$ 13,065	\$ -	\$ (980)	\$ 12,085	\$ -	\$ 12,085
2010 Series A-2	8/25/10	2.55% - 4.00%	2018 - 2030	5,775	-	(430)	5,345	-	5,345
2012 Series A-1	5/17/12	1.50% - 3.50%	2018 - 2032	6,190	-	(705)	5,485	-	5,485
2012 Series A-2	5/17/12	1.60% - 3.60%	2018 - 2032	2,920	-	(320)	2,600	-	2,600
2012 Series B-1	12/19/12	1.20% - 3.125%	2018 - 2032	11,265	-	(755)	10,510	-	10,510
2012 Series B-2	12/19/12	1.25% - 3.125%	2018 - 2032	5,200	-	(340)	4,860	-	4,860
2013 Series A-1	10/3/13	1.95% - 5.00%	2018 - 2043	12,410	-	(585)	11,825	-	11,825
2013 Series A-2	10/3/13	2.00% - 5.05%	2018 - 2043	5,755	-	(250)	5,505	-	5,505
2014 Series A-1	8/28/14	1.10% - 3.50%	2018 - 2034	24,675	-	(1,070)	23,605	-	23,605
2014 Series A-2	8/28/14	1.10% - 5.00%	2018 - 2034	11,465	-	(460)	11,005	96	11,101
2015 Series A-1	8/27/15	2.00% - 3.75%	2018 - 2045	12,095	-	(650)	11,445	-	11,445
2015 Series A-2	8/27/15	2.00% - 3.75%	2018 - 2045	5,170	-	(275)	4,895	-	4,895
2016 Series A-1	8/31/16	0.60% - 2.90%	2018 - 2036	17,185	-	(1,140)	16,045	-	16,045
2016 Series A-2	8/31/16	0.70% - 2.95%	2018 - 2036	7,355	-	(485)	6,870	-	6,870
2017 Series A-1	8/2/17	2.00% - 4.00%	2018 - 2047	-	27,310	(1,230)	26,080	-	26,080
2017 Series A-2	8/2/17	2.00% - 4.00%	2018 - 2047	-	11,725	(530)	11,195	-	11,195
Total				\$ 140,525	\$ 39,035	\$ (10,205)	\$ 169,355	\$ 96	\$ 169,451

NOTE 6 DEBT SERVICE REQUIREMENTS

As of June 30, 2018, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2018 and excluding the effect of unamortized bond premiums and discounts) and interest payments for each of the next five years and in five-year increments thereafter, are as follows:

Year Ending June 30,	Infrastructure Financing Bonds (MBIA Insured)		Local Government Infrastructure Bonds (Ambac Insured)		Local Government Infrastructure Bonds	
	Interest	Principal	Interest	Principal	Interest	Principal
	2019	\$ 5	\$ 105	\$ 171	\$ 905	\$ 5,097
2020	2	15	134	370	4,898	11,175
2021	1	15	119	395	4,657	11,245
2022	-	-	102	395	4,408	11,435
2023	-	-	86	380	4,133	10,380
2024-2028	-	-	216	1,190	16,417	50,535
2029-2033	-	-	39	375	8,546	40,940
2034-2038	-	-	1	25	3,071	12,870
2039-2043	-	-	-	-	1,590	6,270
2044-2048	-	-	-	-	366	3,800
Total	\$ 8	\$ 135	\$ 868	\$ 4,035	\$ 53,183	\$ 169,355

**COMMUNITY DEVELOPMENT ADMINISTRATION
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NOTE 7 LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2018 were as follows:

	Infrastructure Financing Bonds (MBIA) Insured	Local Government Infrastructure Bonds (AMBAC) Insured)	Local Government Infrastructure Bonds	Combined
Bonds Payable:				
Beginning Balance at June 30, 2017	\$ 385	\$ 15,635	\$ 140,625	\$ 156,645
Additions	-	-	39,035	39,035
Reductions	(250)	(11,600)	(10,205)	(22,055)
Change in Deferred Amounts for Issuance Premiums	-	-	(4)	(4)
Ending Balance at June 30, 2018	135	4,035	169,451	173,621
Less: Due Within One Year	(105)	(905)	(10,705)	(11,715)
Total Long-Term Bonds Payable	30	3,130	158,746	161,906
Other Liabilities - Advance Trustee Fees:				
Beginning Balance at June 30, 2017	147	155	54	356
Additions	2	66	82	150
Reductions	(130)	(51)	(60)	(241)
Ending Balance at June 30, 2018	19	170	76	265
Less: Due Within One Year	(10)	(24)	(64)	(98)
Total Long-Term Other Liabilities - Advance Trustee Fees	9	146	12	167
Other Liabilities:				
Beginning Balance at June 30, 2017	-	50	432	482
Additions	-	-	-	-
Reductions	-	(50)	(13)	(63)
Ending Balance at June 30, 2018	-	-	419	419
Total Long-Term Other Liabilities	-	-	419	419
Total Long-Term Liabilities	\$ 39	\$ 3,276	\$ 159,177	\$ 162,492

NOTE 8 INTERFUND ACTIVITY

In accordance with the various bond resolutions, net position in each of the Funds are restricted and pledged to bondholders. However, restricted assets may be transferred to other Funds, subject to the provisions of the respective resolutions. As of June 30, 2018, there were no interfund transfers.

**COMMUNITY DEVELOPMENT ADMINISTRATION
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NOTE 9 BOND INSURANCE

All outstanding bonds in the Infrastructure Program Funds are insured, except for Local Government Infrastructure Bonds (resolution adopted August 1, 2010). The Infrastructure Financing Bonds 1998 Series B, 1999 Series A and 2001 Series A are insured by MBIA Insurance Corporation. The Local Government Infrastructure Bonds 2002 Series A through 2007 Series B are insured by Ambac Assurance Corporation. See Note 5 for list of outstanding bonds.

The provisions of the policies for the insured bonds require the insurer to pay that portion of the principal and interest on the bonds which become due for payment but are not paid by CDA. The insurance generally extends for the term of the bonds and cannot be canceled by the insurer.

NOTE 10 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.

NOTE 11 SUBSEQUENT EVENTS

CDA has identified the following activity that occurred subsequent to June 30, 2018.

Subsequent to the year ended June 30, 2018, the following bond activity took place:

Infrastructure Financing Bonds (MBIA Insured)

On August 23, 2018, CDA redeemed \$35 of 1998 Series B bonds.

Local Government Infrastructure Bonds (resolution adopted August 1, 2010)

On August 30, 2018, CDA issued \$6,460 of 2018 Series A bonds.