

**COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022



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**COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS
YEARS ENDED JUNE 30, 2023 AND 2022**

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF NET POSITION	4
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION	5
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Community Development Administration Local Government Infrastructure 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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the Table of Contents.

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, 2023 and 2022, and the changes in financial position, and, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department of Housing and Community Development and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of a Matter

Financial Statement Presentation

As discussed in Note 1, the financial statements present only the financial position, the changes in financial position and cash flows of 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, 2023 and 2022, and the changes in its net position and its cash flows, in conformity with accounting principles generally accepted in the United States of America. Our opinion on the basic financial statements was not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Management has elected to omit 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 information is the responsibility of management and, although not a 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2023, 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 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 Fund's 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 28, 2023

**COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS
STATEMENTS OF NET POSITION
(in thousands)
JUNE 30, 2023 AND 2022**

	2023	2022
RESTRICTED ASSETS		
RESTRICTED CURRENT ASSETS		
Cash and Cash Equivalents on Deposit	\$ 59,086 A	\$ 56,932
Community Facilities Loans	FN6 11,956 B	12,805
Accrued Interest Receivables	364 C	666
Total Restricted Current Assets	71,406	70,403
RESTRICTED LONG-TERM ASSETS		
Community Facilities Loans, Net of Current Portion	FN6 171,043 D	158,956
Total Restricted Long-Term Assets	171,043	158,956
Total Restricted Assets	\$ 242,449	\$ 229,359
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accrued Interest Payable	\$ 671	\$ 480
Accounts Payable	44	31
Bonds Payable	11,055 G	12,055
Advance Trustee Fees	112 F	104
Due to Local Governments	49,000 = 199 + GAD adj 48,086 E	47,818
Total Current Liabilities	59,968	60,488
LONG-TERM LIABILITIES		
Bonds Payable, Net of Current Portion	176,525 I	163,326
Advance Trustee Fees, Net of Current Portion	225	224
Rebate Liability	93 H	-
Other Liabilities	+ 199 199	221
Total Long-Term Liabilities	517 - GAD adj (199) = 318 177,042	163,771
Total Liabilities	237,010	224,259
NET POSITION		
Restricted by Bond Indenture	5,439 J	5,100
Total Liabilities and Net Position	\$ 242,449	\$ 229,359

See accompanying Notes to Financial Statements.

**COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
(in thousands)
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
OPERATING REVENUE		
Interest on Community Facilities Loans, Net of Amortization of Premium on Notes Receivable	\$ 5,591 ^A	\$ 5,442
Interest on Cash Equivalents, Net of Rebate	444 ^D	24
Gain on Early Retirement of Debt	-	213
Fee Income	126	151
Other Operating Revenue	1 ^B	509
Total Operating Revenue	6,162	6,339
OPERATING EXPENSES		
Interest Expense on Bonds	5,180 ^E	5,035
Bond Issuance Cost	524 ^F	581
Professional Fees and Other Operating Expenses	119 ^C	49
Total Operating Expenses	5,823	5,665
Operating Income	339	674
Transfer of Funds, as Permitted by the Various Bond Indentures	-	1,526
CHANGE IN NET POSITION	339	2,200
NET POSITION, RESTRICTED - BEGINNING OF YEAR	5,100 ^G	2,900
NET POSITION, RESTRICTED - END OF YEAR	\$ 5,439	\$ 5,100

See accompanying Notes to Financial Statements.

**COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS
STATEMENTS OF CASH FLOWS
(in thousands)
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Principal and Interest Received on Community Facilities Loans	\$ 19,485 ^{F, G}	\$ 47,215
Origination of Community Facilities Loans	(24,478) ^I	(16,987)
Advance Trustee Fees Received	113	251
Trustee Fees Paid	(104)	(100)
Loan Fees Received	126	151
Professional Fees and Other Operating Expenses	(119)	(49)
Other Operating Revenue	1	509
Net Cash (Used) Provided by Operating Activities	(4,976)	30,990
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Cash Equivalents	431	17
Net Cash Provided by Investing Activities	431	17
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Sale of Bonds	25,697 ^C	30,296
Payments on Bond Principal	(12,735) ^D	(41,160)
Bond Issuance Costs	(511)	(569)
Interest on Bonds	(5,752)	(5,680)
Transfer Among Funds	-	302
Net Cash Provided (Used) by Noncapital Financing Activities	6,699	(16,811)
NET INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT		
	2,154	14,196
CASH AND CASH EQUIVALENTS ON DEPOSIT - BEGINNING OF YEAR		
	56,932 ^J	42,736
CASH AND CASH EQUIVALENTS ON DEPOSIT - END OF YEAR		
	\$ 59,086	\$ 56,932
RECONCILIATION OF OPERATING INCOME TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 339	\$ 674
Adjustments to Reconcile Operating Income to Net Cash (Used) Provided by Operating Activities:		
Amortization of Bond Original Issue Premiums/Discounts	(763)	(615)
Amortization of Premium on Notes Receivable	473 ^I	400
Interest Received on Cash Equivalents	(431) ^H	(17)
Bond Issuance Costs	511	569
Interest on Bonds	5,752	5,680
Gain on Early Retirement of Debt	-	(213)
(Increase) Decrease in Assets:		
Community Facilities Loans	(9,120)	14,267
Premium on Notes Receivable	(2,591)	(2,527)
Accrued Interest and Other Receivables	302 ²	181
Increase (Decrease) in Liabilities:		
Accrued Interest Payable	191	(30)
Accounts Payable	13 ³	12
Due to Local Governments	268	12,565
Rebate Liability	93	-
Advance Trustees Fees and Other Liabilities	(13)	44
Net Cash (Used) Provided by Operating Activities	\$ (4,976)	\$ 30,990
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS		
Transfer of Community Facility Loans from Local Government Infrastructure Bonds (AMBAC Insured)	\$ -	\$ (1,224)

See accompanying Notes to Financial Statements.

**COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS
NOTES TO FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2023 AND 2022**

NOTE 1 AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION

The Community Development Administration (CDA) is authorized to issue Local Government Infrastructure 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 financial statements only include CDA's Local Government Infrastructure Bonds (the Fund) (resolution adopted August 1, 2010). CDA's other funds are not included.

The Fund was established to issue bonds 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 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).

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 Annual Comprehensive Financial Report, a separate Management's Discussion and Analysis is not included in these financial statements.

**COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS
NOTES TO FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents on Deposit

Cash equivalents may include money market funds, repurchase agreements, investment agreements and any other investments, primarily obligations of the U.S. Treasury and U.S. Government Agencies, which have maturities of 90 or less days at the time of purchase. As of June 30, 2023 and 2022, all of the Fund's 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, net of unamortized premiums on notes receivable. 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, 2023 and 2022.

Accrued Interest and Other Receivables

Accrued interest includes both interest on cash deposits and interest on loans. As of June 30, 2023 and 2022, all loans were current. Therefore, all accrued interest on loans was recorded during the year. See Note 5 for additional information.

Bonds Payable

Bonds payable are carried at their unpaid principal balances, net of unamortized bond premiums and discounts. See Notes 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 loan 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.

**COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS
NOTES TO FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discounts and Premiums

Bond discounts and premiums are amortized using a method which approximates the effective interest method. Premiums on notes receivable are amortized on a straight-line basis over the life of the note receivable.

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 earning from investments to the United States Treasury. In addition, the liability may also include 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 8.

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 11 for additional information.

Revenue and Expenses

CDA distinguishes operating revenue and expenses from nonoperating items in accordance with accounting guidance issued by GASB. Operating revenue and expenses are identified as those activities that are directly related to financing public facilities for local governments. All of the Fund'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 periods. Actual results could differ from these estimates.

**COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS
NOTES TO FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2023 AND 2022**

NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS

Proceeds from bonds and revenues from loans are invested in authorized investments as defined in the Local Government Infrastructure Bonds Resolution (the Resolution) and in 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 Resolution.

The following assets, reported at fair value and held by the Fund as of June 30, 2023 and 2022, are evaluated in accordance with GASB accounting guidance for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Assets	2023	2022
Cash and Cash Equivalents:		
BlackRock Liquidity FedFund Administration Shares	\$ 59,086	\$ 56,932
Total	<u>\$ 59,086</u>	<u>\$ 56,932</u>

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, 2023, 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	\$ 59,086	\$ 59,086	\$ 59,086	\$ -
Total	<u>\$ 59,086</u>	<u>\$ 59,086</u>	<u>\$ 59,086</u>	<u>\$ -</u>

As of June 30, 2022, 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	\$ 56,932	\$ 56,932	\$ 56,932	\$ -
Total	<u>\$ 56,932</u>	<u>\$ 56,932</u>	<u>\$ 56,932</u>	<u>\$ -</u>

**COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS
NOTES TO FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2023 AND 2022**

NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

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 operates in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, and 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 of June 30, 2023 and 2022, 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 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. 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. Investments in mutual funds are excluded from this requirement.

As of June 30, 2023, credit ratings and allocation by type of investments for the following assets were:

<u>Asset</u>	<u>Fair Value</u>	<u>Percentage of Total Investments</u>	<u>Money Market Fund Rating</u>	<u>Rating Agency</u>
BlackRock Liquidity FedFund Administration Shares	\$ 59,086	100.00%	Aaa-mf	Moody's

As of June 30, 2022, credit ratings and allocation by type of investments for the following assets were:

<u>Asset</u>	<u>Fair Value</u>	<u>Percentage of Total Investments</u>	<u>Money Market Fund Rating</u>	<u>Rating Agency</u>
BlackRock Liquidity FedFund Administration Shares	\$ 56,932	100.00%	Aaa-mf	Moody's

**COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS
NOTES TO FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2023 AND 2022**

NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

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, 2023 and 2022, the Fund's 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. Investments in money market funds are not subject to the fair value measurement requirements.

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, 2023 and 2022. As of June 30, 2023 and 2022, interest rates on such loans range from 0.96% to 5.09%. Remaining loan terms range from less than 1 year to 28 years and less than 1 year to 29 years, respectively.

The Local Government Infrastructure Bonds 2019 Series B, 2020 Series A, 2021 Series A and 2023 Series A were issued at premium, which resulted in a related premium on the loans receivable issued in connection with the bond proceeds. The premiums will be amortized on a straight-line basis over the life of each underlying loan receivable. Balance of loans receivable and the related premiums as of June 30, 2023 and 2022 were as follows:

	2023	2022
Community Facilities Loans Receivable	\$ 173,679	\$ 164,559
Premium on Notes Receivable	10,595	8,004
Total Community Facilities Loans Receivable, Net of Premium	184,274	172,563
Less Accumulated Amortization of Premium on Notes Receivable	(1,275)	(802)
Community Facilities Loans Receivable, Net of Unamortized Premium	\$ FN6 182,999	\$ 171,761

**COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS
NOTES TO FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2023 AND 2022**

NOTE 5 ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2023 and 2022 were as follows:

	2023	2022
Accrued Interest on Community Facilities Loans	\$ 251	\$ 659
Accrued Interest on Cash Equivalents	44	7
Accrued Local Governments' Share of Rebate Liability	69	-
Total	\$ 364	\$ 666

NOTE 6 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 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.

**COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS
NOTES TO FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2023 AND 2022**

NOTE 6 BONDS PAYABLE (CONTINUED)

The following is a summary of the bond activity for the year ended June 30, 2023 and debt outstanding and bonds payable as of June 30, 2023:

	Issue Dated	Range of Interest Rates	Range of Maturities	Debt Outstanding at June 30, 2022	Bond Activity			Debt Outstanding at June 30, 2023	Bond Premium/Discount Deferred	Bonds Payable at June 30, 2023
					New Bonds Issued	Scheduled Maturity Payments	Bonds Redeemed/Deceased			
Local Government Infrastructure Bonds										
2010 Series A-1	8/25/10	3.25% - 3.375%	2024 - 2025	\$ 750	\$ -	\$ (260)	\$ -	\$ 490	\$ (5)	\$ 485
2010 Series A-2	8/25/10	3.375% - 3.50%	2024 - 2025	370	-	(125)	-	245	-	245
2012 Series A-1	5/17/12	3.00% - 3.50%	2024 - 2032	3,135	-	(335)	(460)	2,340	(1)	2,339
2012 Series A-2	5/17/12	3.00% - 3.60%	2024 - 2032	1,535	-	(155)	(220)	1,160	-	1,160
2012 Series B-1	12/19/12	2.20% - 3.125%	2024 - 2032	3,600	-	(380)	-	3,220	40	3,260
2012 Series B-2	12/19/12	2.30% - 3.125%	2024 - 2032	1,480	-	(160)	-	1,320	-	1,320
2013 Series A-1	10/3/13	3.60% - 5.00%	2024 - 2035	1,825	-	(665)	-	1,160	(1)	1,159
2013 Series A-2	10/3/13	3.65% - 5.05%	2024 - 2043	1,100	-	(285)	-	815	-	815
2014 Series A-1	8/28/14	2.70% - 3.50%	2024 - 2034	6,700	-	(1,475)	-	5,225	127	5,352
2014 Series A-2	8/28/14	2.70% - 5.00%	2024 - 2034	3,385	-	(635)	-	2,750	-	2,750
2015 Series A-1	8/27/15	3.00% - 4.00%	2024 - 2045	8,670	-	(675)	-	7,995	64	8,059
2015 Series A-2	8/27/15	3.00% - 4.00%	2024 - 2045	3,710	-	(290)	-	3,420	-	3,420
2016 Series A-1	8/31/16	1.80% - 2.90%	2024 - 2036	11,380	-	(1,205)	-	10,175	-	10,175
2016 Series A-2	8/31/16	1.85% - 2.95%	2024 - 2036	4,880	-	(515)	-	4,365	-	4,365
2017 Series A-1	8/2/17	2.00% - 4.00%	2024 - 2047	19,820	-	(1,115)	-	18,705	269	18,974
2017 Series A-2	8/2/17	2.00% - 4.00%	2024 - 2047	8,510	-	(480)	-	8,030	-	8,030
2018 Series A-1	8/30/18	3.00% - 5.00%	2024 - 2048	3,805	-	(205)	-	3,600	243	3,843
2018 Series A-2	8/30/18	3.00% - 4.00%	2024 - 2048	1,620	-	(90)	-	1,530	-	1,530
2019 Series A-1	6/27/19	2.43% - 3.90%	2024 - 2049	10,635	-	(250)	-	10,385	-	10,385
2019 Series A-2	6/27/19	2.53% - 4.00%	2024 - 2049	4,570	-	(110)	-	4,460	-	4,460
2019 Series B-1	11/21/19	4.00%	2024 - 2049	10,780	-	(425)	-	10,355	1,116	11,471
2019 Series B-2	11/21/19	4.00%	2024 - 2049	4,820	-	(185)	-	4,635	470	5,105
2020 Series A-1	8/20/20	4.00%	2024 - 2049	15,225	-	(910)	-	14,315	3,657	17,972
2020 Series A-2	8/20/20	4.00%	2024 - 2049	6,820	-	(390)	-	6,430	-	6,430
2021 Series A-1	12/2/21	3.00% - 5.00%	2024 - 2051	18,710	-	(530)	-	18,180	2,808	20,988
2021 Series A-2	12/2/21	3.00% - 5.00%	2024 - 2051	8,040	-	(205)	-	7,835	-	7,835
2023 Series A-1	4/20/23	5.00%	2024 - 2043	-	15,475	-	-	15,475	2,191	17,666
2023 Series A-2	4/20/23	5.00%	2024 - 2043	-	7,050	-	-	7,050	937	7,987
Total				\$ 165,875	\$ 22,525	\$ (12,055)	\$ (680)	\$ 175,665	\$ 11,915	\$ 187,580

**COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS
NOTES TO FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2023 AND 2022**

NOTE 6 BONDS PAYABLE (CONTINUED)

The following is a summary of the bond activity for the year ended June 30, 2022 and debt outstanding and bonds payable as of June 30, 2022:

	Issue Dated	Range of Interest Rates	Range of Maturities	Debt Outstanding at June 30, 2021	Bond Activity			Debt Outstanding at June 30, 2022	Bond Premium/Discount Deferred	Bonds Payable at June 30, 2022
					New Bonds Issued	Scheduled Maturity Payments	Bonds Redeemed/Defeased			
Local Government Infrastructure Bonds										
2010 Series A-1	8/25/10	3.125% - 3.375%	2023 - 2025	\$ 1,000	\$ -	\$ (250)	\$ -	\$ 750	\$ (7)	\$ 743
2010 Series A-2	8/25/10	3.25% - 3.50%	2023 - 2025	485	-	(115)	-	370	-	370
2012 Series A-1	5/17/12	3.00% - 3.50%	2023-2032	3,680	-	(545)	-	3,135	(2)	3,133
2012 Series A-2	5/17/12	3.00% - 3.60%	2023-2032	1,785	-	(250)	-	1,535	-	1,535
2012 Series B-1	12/19/12	2.20% - 3.125%	2023-2032	7,620	-	(810)	(3,210)	3,600	43	3,643
2012 Series B-2	12/19/12	2.25% - 3.125%	2023-2032	3,505	-	(370)	(1,655)	1,480	-	1,480
2013 Series A-1	10/3/13	3.40% - 5.00%	2023-2035	8,950	-	(645)	(6,480)	1,825	(1)	1,824
2013 Series A-2	10/3/13	3.45% - 5.05%	2023-2043	4,275	-	(275)	(2,900)	1,100	-	1,100
2014 Series A-1	8/28/14	2.55% - 3.50%	2023-2034	17,580	-	(1,440)	(9,440)	6,700	136	6,836
2014 Series A-2	8/28/14	2.55% - 5.00%	2023-2034	8,255	-	(620)	(4,250)	3,385	-	3,385
2015 Series A-1	8/27/15	3.00% - 4.00%	2023-2045	9,395	-	(725)	-	8,670	79	8,749
2015 Series A-2	8/27/15	3.00% - 4.00%	2023-2045	4,020	-	(310)	-	3,710	-	3,710
2016 Series A-1	8/31/16	1.65% - 2.90%	2023-2036	12,565	-	(1,185)	-	11,380	-	11,380
2016 Series A-2	8/31/16	1.70% - 2.95%	2023-2036	5,385	-	(505)	-	4,880	-	4,880
2017 Series A-1	8/2/17	2.00% - 4.00%	2023-2047	21,435	-	(1,615)	-	19,820	280	20,100
2017 Series A-2	8/2/17	2.00% - 4.00%	2023-2047	9,200	-	(690)	-	8,510	-	8,510
2018 Series A-1	8/30/18	3.00% - 5.00%	2023-2048	4,005	-	(200)	-	3,805	258	4,063
2018 Series A-2	8/30/18	3.00% - 4.00%	2023-2048	1,705	-	(85)	-	1,620	-	1,620
2019 Series A-1	6/27/19	2.28% - 3.90%	2023-2049	10,880	-	(245)	-	10,635	-	10,635
2019 Series A-2	6/27/19	2.38% - 4.00%	2023-2049	4,675	-	(105)	-	4,570	-	4,570
2019 Series B-1	11/21/19	4.00%	2023-2049	11,195	-	(415)	-	10,780	1,199	11,979
2019 Series B-2	11/21/19	4.00%	2023-2049	5,000	-	(180)	-	4,820	499	5,319
2020 Series A-1	8/20/20	4.00%	2023-2049	16,095	-	(870)	-	15,225	3,999	19,224
2020 Series A-2	8/20/20	4.00%	2023-2049	7,195	-	(375)	-	6,820	-	6,820
2021 Series A-1	12/2/21	3.00% - 5.00%	2023-2051	-	18,980	(270)	-	18,710	3,023	21,733
2021 Series A-2	12/2/21	3.00% - 5.00%	2023-2051	-	8,170	(130)	-	8,040	-	8,040
Total				<u>\$ 179,885</u>	<u>\$ 27,150</u>	<u>\$ (13,225)</u>	<u>\$ (27,935)</u>	<u>\$ 165,875</u>	<u>\$ 9,506</u>	<u>\$ 175,381</u>

NOTE 7 DEBT SERVICE REQUIREMENTS

As of June 30, 2023, the required principal payments for bonds (including mandatory sinking fund payments 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,	Interest	Principal
2024	\$ 6,641	\$ 11,055
2025	6,173	11,040
2026	5,811	10,685
2027	5,454	10,245
2028	5,084	9,865
2029-2033	20,160	42,930
2034-2038	12,885	32,060
2039-2043	7,194	26,490
2044-2048	2,638	16,260
2049-2052	263	5,035
Total	<u>\$ 72,303</u>	<u>\$ 175,665</u>

**COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS
NOTES TO FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2023 AND 2022**

NOTE 7 DEBT SERVICE REQUIREMENTS (CONTINUED)

As of June 30, 2022, the required principal payments for bonds (including mandatory sinking fund payments 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, were as follows:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>
2023	\$ 5,758	\$ 12,055
2024	5,411	10,365
2025	5,106	10,225
2026	4,784	9,810
2027	4,470	9,355
2028-2032	17,634	41,490
2033-2037	11,137	28,065
2038-2042	6,726	19,475
2043-2047	3,297	17,335
2048-2051	534	7,700
Total	<u>\$ 64,857</u>	<u>\$ 165,875</u>

**COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS
NOTES TO FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2023 AND 2022**

NOTE 8 REBATE LIABILITY

In accordance with the Internal Revenue Code (IRC), the Fund has recorded a rebate liability for excess 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 IRC. The IRC 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 Position is reduced by the CDA's rebate liability share due to excess investment earnings. For the years ended June 30, 2023 and 2022, the estimated CDA's share of rebate liability was \$24 and \$0, respectively. The Local Governments are responsible for a rebate liability amount computed on their share of undrawn bond proceeds held in the Loan Fund accounts. The rebate liability amounts received from the Local Governments are deposited into a separate account within each bond series pending payment to the United States Treasury. For the years ended June 30, 2023 and 2022 the estimated Local Governments' share of rebate liability was \$69 and \$0, respectively.

	<u>2023</u>	<u>2022</u>
Beginning Rebate Liability:		
CDA's Share	\$ -	\$ -
Local Governments' Share	-	-
Total	<u>\$ -</u>	<u>\$ -</u>
Change in Estimated Liability Due to Excess Earnings (Calculated as of the Interim Computation Period Ending 6/30):		
CDA's Share	\$ 24	\$ -
Local Governments' Share	69	-
Total	<u>\$ 93</u>	<u>\$ -</u>
Ending Rebate Liability:		
CDA's Share	\$ 24	\$ -
Local Governments' Share	69	-
Total	<u>\$ 93</u>	<u>\$ -</u>

**COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS
NOTES TO FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2023 AND 2022**

NOTE 9 LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended June 30, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Bonds Payable:		
Beginning Balance at June 30,	\$ 175,381	\$ 187,073
Additions	25,697	30,296
Reductions	(12,735)	(41,160)
Change in Deferred Amounts for Issuance Premiums/Discounts	(763)	(828)
Ending Balance at June 30,	<u>187,580</u>	<u>175,381</u>
Less Due Within One Year	<u>(11,055)</u>	<u>(12,055)</u>
Total Long-Term Bonds Payable	<u>176,525</u>	<u>163,326</u>
Other Liabilities - Advance Trustee Fees:		
Beginning Balance at June 30,	328	177
Additions	113	251
Reductions	(104)	(100)
Ending Balance at June 30,	<u>337</u>	<u>328</u>
Less Due Within One Year	<u>(112)</u>	<u>(104)</u>
Total Long-Term Other Liabilities - Advance Trustee Fees	<u>225</u>	<u>224</u>
Other Liabilities - Rebate Liability:		
Beginning Balance at June 30,	-	-
Additions	93	-
Reductions	-	-
Ending Balance at June 30,	<u>93</u>	<u>-</u>
Total Long-Term Other Liabilities - Rebate Liability	<u>93</u>	<u>-</u>
Other Liabilities:		
Beginning Balance at June 30,	221	328
Additions	-	-
Reductions	(22)	(107)
Ending Balance at June 30,	<u>199</u>	<u>221</u>
Total Long-Term Other Liabilities	<u>199</u>	<u>221</u>
Total Long-Term Liabilities	<u>\$ 177,042</u>	<u>\$ 163,771</u>

**COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS
NOTES TO FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2023 AND 2022**

NOTE 10 INTERFUND ACTIVITY

In accordance with the Resolution, net position in the Fund is restricted and pledged to bondholders. However, restricted assets may be transferred to other Funds, subject to the provisions of the Resolution. During the year ended June 30, 2023, there were no transfers into the Fund. During the year ended June 30, 2022, \$302 cash and \$1,224 loans receivable were transferred into the Fund from CDA's Local Government Infrastructure Bonds (AMBAC Insured) Fund.

NOTE 11 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.maryland.gov.