

**DELAWARE STATE HOUSING AUTHORITY**  
**A Component Unit of the State of Delaware**

**Basic Financial Statements  
And Supplemental Information  
For the Fiscal Year Ended June 30, 2017  
With Summarized Totals for June 30, 2016**

**Including Requirements of  
The Single Audit Act and  
Independent Auditors' Reports**



<b>TABLE OF CONTENTS</b>	i-ii
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	5
<b>BASIC FINANCIAL STATEMENTS</b>	
Entity-wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Balance Sheet - Governmental Funds	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Fund Net Position - Proprietary Funds	22
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24
Statements of Fund Net Position - Fiduciary Funds	26
Statements of Changes in Fiduciary Net Position	27
Notes to Financial Statements	28
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Funding Progress for Delaware State Housing Authority Retiree Medical Plan	69
Schedule of State of Delaware Net Pension Liability	70
Schedule of Employer Contributions to State of Delaware Pension Plan	71
Schedule of Changes in Net OPEB Liability	72
Schedule of Contributions	73
Schedule of Annual Money-Weighted Rate of Return on Investments	74
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
Schedule of Activities - Entity-wide	78
Balance Sheet - Nonmajor Governmental Funds	79
Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds	81
Schedule of Net Position - Proprietary Fund - Subfunds of the Federal Programs Enterprise Fund	83
Schedule of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund - Subfunds of the Federal Programs Enterprise Fund	85
Schedule of Net Position - Proprietary Fund - Subfunds of the Single Family Programs Enterprise Fund	87
Schedule of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund - Subfunds of the Single Family Programs Enterprise Fund	89
Schedule of Revenue Bonds Payable	91

**TABLE OF CONTENTS, continued**

**SINGLE AUDIT SUPPLEMENT**

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	94
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	96
Schedule of Findings and Questioned Costs	100
Schedule of Expenditures of Federal Awards	101
Supplemental Statement of Public Housing Actual Modernization Capital Fund Grant Costs	103
Notes to Schedule of Expenditures of Federal Awards and Supplemental Statement of Public Housing Actual Modernization Capital Fund Grant Costs	104



BELFINT • LYONS • SHUMAN  
Certified Public Accountants

---

[www.belfint.com](http://www.belfint.com)

---

*Independent Auditors' Report*

To the Delaware State Housing Authority  
Dover, Delaware

*Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Delaware State Housing Authority (DSHA), a component unit of the State of Delaware, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise DSHA's basic 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 opinions on these 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.

To the Delaware State Housing Authority  
Dover, Delaware

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

### ***Opinions***

In our opinions, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of DSHA, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### **Report on Summarized Comparative Information**

We have previously audited DSHA's June 30, 2016 financial statements, and our report dated October 25, 2016 expressed unmodified opinions on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 14, Schedule of Funding Progress for the Delaware State Housing Authority Retiree Medical Plan on page 66, Schedule of State of Delaware Net Pension Liability on page 67, and Schedule of Employer Contributions to State of Delaware Pension Plan on page 68, be presented to supplement the basic financial statements. Such information, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise DSHA's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of revenue bonds payable labeled in the table of contents and hereafter referred to as "Other Supplementary Information," and the supplemental statement of public housing actual modernization capital fund grant costs are presented for purposes of additional analysis and

To the Delaware State Housing Authority  
Dover, Delaware

are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Other Supplementary Information, supplemental statement of public housing actual modernization capital fund grant costs, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information, supplemental statement of public housing actual modernization capital fund grant costs, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2017 on our consideration of DSHA'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 DSHA's internal control over financial reporting and compliance.

*Belfint, Lyons & Shuman, P.A.*

October 23, 2017  
Wilmington, Delaware





DELAWARE STATE HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The Delaware State Housing Authority (the Authority), a component unit of the State of Delaware, is a public corporation whose Director is appointed by and reports directly to the Governor of the State. The Authority's functions are to provide home ownership, affordable rental housing, and both housing and community rehabilitation assistance. Funding for the home ownership program is derived from the issuance of single family mortgage revenue bonds. The affordable rental housing programs are supported through Federal grant funds from the U.S. Department of Housing and Urban Development (HUD), and the State Housing Development Fund. Housing rehabilitation is also funded through the State sponsored Housing Development Fund. Community rehabilitation is provided through grants from HUD and the State.

As management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the Fiscal Year Ended June 30, 2017. The Authority's Management's Discussion and Analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual fund issues or concerns.

Since the MD&A is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 15).

### **Financial Highlights**

- The Authority's assets exceeded liabilities at the close of the fiscal year by \$501,890,954 (net position).
- The Authority's total net position increased by \$20,504,804 (4.3%) in fiscal year 2017 when compared to the previous year's ending net position. Net position of governmental activities increased by \$25,164,447 (7.5%) from the previous year and net position of business-type activities decreased by \$4,659,643 (-3.2%) from the previous year.

The most significant factors contributing to the governmental activities increases were: (1) the appropriation of \$10,000,000 from the State of Delaware to the Housing Development Fund for the purpose of making loans and grants to meet affordable housing needs; and (2) the appropriation of \$8,500,000 from the State of Delaware to fund and administer the Downtown Development Districts Grant Program for the purpose of community rehabilitation in designated areas within Delaware's cities and towns.

The most significant factors contributing to the business-type activities decreases were: (1) the receipt of \$2,762,475 in HOME Investment Partnership Program federal grant funds for the purpose of making loans and grants to meet affordable housing needs and (2) the receipt of over \$5,400,000 in gains on sales of investments within the DSHA Mortgage Backed Securities (MBS) Purchase Program resulting from MBS purchases and sales in the To-Be-Announced (TBA) market; offset by: (1) the transfer of administrative fees of \$1,863,263 from

the Single Family Mortgage Revenue Bond Programs to the General Fund in support of operations and (2) the transfer of \$1,311,750 from the DSHA Mortgage Backed Securities Purchase Program to the DSHA Second Mortgage Assistance Loan program, a governmental activities program, in support of the program's objective to make down payment assistance available to qualified homebuyers.

- Unrestricted net position totaled \$16,383,145. This amount is dedicated to the Authority's operations, pursuant to Title 31, Chapter 40 of the Delaware Code and Authority bond resolutions. A General Fund cash and investment balance of \$30,720,926 contributes to this unrestricted net position total.
- At the close of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$362,284,176, an increase of \$26,014,181 (7.7%) in comparison with the prior year balances. The significant factors contributing to governmental funds fund balances increases were the same as those contributing to the governmental activities net position increases discussed above.
- The Authority's total debt, excluding compensated absences, decreased by \$67,424,689 (22.1%) during fiscal year 2017. The Single Family Programs paid revenue bond scheduled maturities of \$2,110,000, bond calls of \$62,912,173, primarily the result of bond redemption and mortgage prepayments, and \$2,402,516 representing the net of accretion on capital appreciation bonds, deferred amounts on refunding, and bond forgiveness.

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) entity-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

## **Entity-wide Financial Statements**

The entity-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the entity-wide financial statements distinguish functions of the Authority that are principally supported by state grants, interest income, and transfers (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through federal grants and interest income (business-type activities). The governmental activities of the Authority include administrative, home ownership, affordable rental housing, and housing rehabilitation. The business-type activities of the Authority include home ownership, affordable rental housing, and community rehabilitation. The entity-wide financial statements can be found on pages 15-16 of this report.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Authority can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

### Governmental Funds

Governmental funds are used to account for the same functions reported as governmental activities in the entity-wide financial statements. However, unlike the entity-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Authority's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the entity-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the entity-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation between governmental funds and governmental activities to facilitate this comparison.

The Authority maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Housing Development Fund, the Downtown Development Districts Grant Program, and the State Rental Assistance Program, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of supplementary combining schedules elsewhere in this report. The basic governmental fund financial statements can be found on pages 18-21 of this report.

### Proprietary Funds

The Authority maintains one type of proprietary fund. Enterprise funds are used to report the same activities presented as business-type activities in the entity-wide financial statements. The Authority uses enterprise funds to account for its federal and single family programs.

Proprietary funds provide the same type of information as the entity-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Federal Programs Enterprise Fund and the Single Family Program Enterprise Fund, both of which are considered to be major funds of the Authority. The basic proprietary fund financial statements can be found on pages 22-25 of this report.

### Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the entity. Fiduciary funds are not reflected in the entity-wide financial statements because the resources of those funds are not available to support the Authority's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The Authority reports one fiduciary type fund, the DSHA Retiree Medical Trust Fund. This fund accounts for transactions, assets, liabilities, and net position available for post-employment healthcare insurance premiums of the Authority's non-state employees. The basic fiduciary fund financial statements can be found on pages 26-27 of this report.

## Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements. The notes to the financial statements can be found on pages 28-65 of this report.

### Other Information

This report contains certain required supplementary information concerning the Authority's progress in funding its obligation to provide pension and other post-employment benefits to its employees. The required supplementary information can be found on pages 66-73.

This report contains certain other supplementary information schedules concerning the Authority's individual funds, programs, and revenue bond issues. The other supplementary information can be found on pages 75-90.

Also contained in this report is the Authority's Single Audit Supplement, presented in compliance with U.S. Office of Management and Budget Uniform Guidance, Audits of States, Local Governments and Nonprofit Organizations. The Single Audit Supplement can be found on pages 91-104.

### **Entity-wide Financial Analysis**

The following condensed financial information is derived from the entity-wide Statement of Net Position and reflects the net position at June 30, 2017:

#### **Delaware Housing Authority's Net Position**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Noncapital assets	\$402,323,657	\$385,189,910	\$373,893,266	\$444,352,910	\$ 776,216,923	\$ 829,542,820
Capital assets	1,149,328	1,258,030	12,123,372	13,377,242	13,272,700	14,635,272
Total assets	403,472,985	386,447,940	386,016,638	457,730,152	789,489,623	844,178,092
Deferred outflow of resources	283,788	69,271	171,647	200,534	455,435	269,805
Long-term liabilities outstanding	40,915,431	37,928,922	239,221,701	304,587,476	280,137,132	342,516,398
Other liabilities	923,825	11,798,941	6,564,187	8,258,666	7,488,012	20,057,607
Total liabilities	41,839,256	49,727,863	245,785,888	312,846,142	287,625,144	362,574,005
Deferred inflow of resources	104,070	140,348	324,890	347,394	428,960	487,742
Net position:						
Invested in capital assets	1,149,328	1,258,030	12,123,372	13,377,242	13,272,700	14,635,272
Restricted	344,280,974	301,011,058	127,954,135	131,359,908	472,235,109	432,370,966
Unrestricted	16,383,145	34,379,912	-	-	16,383,145	34,379,912
Total net position	\$361,813,447	\$336,649,000	\$140,077,507	\$144,737,150	\$ 501,890,954	\$ 481,386,150

The following condensed financial information is derived from the entity-wide Statement of Activities and reflects the changes in net position during the fiscal year ending June 30, 2017:

**Delaware State Housing Authority's Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 9,456,346	\$ 8,511,381	\$ 19,931,185	\$ 23,644,186	\$ 29,387,531	\$ 32,155,567
Operating grants & contributions	35,190,800	24,161,755	56,675,462	55,897,492	91,866,262	80,059,247
Capital grants & contributions	-	-	447,124	773,550	447,124	773,550
General revenues, principally						
Investment income (loss)	248,583	582,728	(5,106,497)	2,937,481	(4,857,914)	3,520,209
Total revenues	44,895,729	33,255,864	71,947,274	83,252,709	116,843,003	116,508,573
Expenses:						
Administrative	5,316,364	5,000,961	-	-	5,316,364	5,000,961
Affordable rental housing	10,212,616	8,651,108	56,793,428	52,488,557	67,006,044	61,139,665
Community rehabilitation	3,936,342	2,418,857	3,332,987	3,149,733	7,269,329	5,568,590
Home ownership	3,472,145	1,627,637	13,209,189	16,968,536	16,681,334	18,596,173
Housing rehabilitation	65,128	16,473	-	-	65,128	16,473
Total expenses	23,002,595	17,715,036	73,335,604	72,606,826	96,338,199	90,321,862
Change in net position before transfers	21,893,134	15,540,828	(1,388,330)	10,645,883	20,504,804	26,186,711
Transfers	3,271,313	2,753,223	(3,271,313)	(2,753,223)	-	-
Changes in net position	25,164,447	18,294,051	(4,659,643)	7,892,660	20,504,804	26,186,711
Net position, beginning	336,649,000	318,354,949	144,737,150	136,844,490	481,386,150	455,199,439
Net position, ending	\$361,813,447	\$336,649,000	\$140,077,507	\$144,737,150	\$ 501,890,954	\$ 481,386,150

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Authority's assets exceeded its liabilities by \$501,890,954 at the close of the fiscal year.

Of the Authority's total assets, 64.7% represent mortgage loans outstanding, including securitized mortgage loans. Cash and investments comprise 25.6% of the total assets, while other noncapital assets make up 8.0% of total assets. Investment in capital assets accounts for 1.7% of total assets. Of the Authority's total liabilities, 82.7% consists of revenue bonds payable. Escrow deposits represent 16.2% of total liabilities, with miscellaneous liabilities comprising 1.1% of total liabilities.

Restricted net positions are amounts that have to be spent for particular purposes because of the requirement of bond covenants, HUD regulations, and State requirements. Unrestricted net positions are amounts available to be spent to meet the Authority's needs.

Most (94.1%) of the Authority's net position is restricted by bond covenants, federal and state grantors, and the Authority's Loan Program. Another 2.6% of net position reflects the Authority's investment in capital assets (e.g. land, buildings, improvements, and equipment). The remaining 3.3% of net position is unrestricted. Net position for the previous fiscal year had a similar composition.

At the end of the current fiscal year, the Authority is able to report a positive balance in net position for the Authority as a whole. Separately, the Authority reports a positive net position in governmental activities and a negative net position in business-type activities.

As a result of its operations, the Authority's total net position increased by \$20,504,804 for the fiscal year ending June 30, 2017. Of this amount, governmental activities net position increased by \$25,164,447 and business-type net position decreased by \$4,659,643. These increases in net positions are discussed in detail below, under Governmental Activities and Business-type Activities headings.

Of the Authority's total revenues, 78.62% were derived from operating grants and contributions, mostly from HUD and the State of Delaware. Another 25.15% came from charges for services which are mostly comprised of mortgage loan interest. Investment income represents (4.16)% of total revenues, while capital grants make up the remaining 0.39%.

Of the Authority's total expenses, 69.6% were for affordable rental housing function, mostly as housing assistance payments. Another 17.3% of total expenses were for home ownership function, mostly for home ownership and foreclosure prevention counseling and grants. Community and housing rehabilitation functions accounted for 7.5%, mostly in the form of grants, leaving only 5.6% of total costs attributable to Authority administrative function.

During the fiscal year, net transfers of \$13,313,685 were made from business-type activities to the governmental activities. The most significant transfers for the fiscal year were as follows: (1) cash transfers of \$1,863,263 from Single Family Programs, a business-type activity, to the Authority's General Fund, a governmental activity, in the form of administrative fees, (2) a cash transfer of \$1,311,750 from the DSHA Mortgage Backed Securities Purchase Program, a business-type activity, to the DSHA SMAL program, a governmental activity, in support of the program's objective to make down payment assistance available to qualified homebuyers, (3) a noncash transfer of \$9,195,805 from Single Family Programs, a business-type activity, to the Authority's General Fund, a governmental activity, to return the investments that were held as collateral at the FHLB Pittsburgh, and (4) a noncash transfer of \$1,772,194 from Single Family Programs, a business-type activity, to the Authority's General Fund, a governmental activity, to transfer loans when the supporting bond issue was paid in full. Additional information regarding the Authority's interfund transactions can be found in note IV., E. on page 52 of this report.

Governmental Activities

**Governmental Activities  
Net (Expenses)/Revenues by Function**

Function	Fiscal Year 2017		Fiscal Year 2016	
	Expenses	Revenues	Net (Exp)/Rev	Net (Exp)/Rev
Administration	\$ 5,316,364	\$ 1,939,786	\$ (3,376,578)	\$ (3,279,090)
Affordable rental housing	10,212,616	22,647,453	12,434,837	11,334,324
Community rehabilitation	3,936,342	14,767,800	10,831,458	6,081,143
Home ownership	3,472,145	5,251,574	1,779,429	778,202
Housing rehabilitation	65,128	40,533	(24,595)	43,521
<b>Total</b>	<b>\$ 23,002,595</b>	<b>\$ 44,647,146</b>	<b>\$ 21,644,551</b>	<b>\$ 14,958,100</b>

**Governmental Activities  
Revenues by Source**

Source	Fiscal Year 2017		Fiscal Year 2016	
	Revenue	Percent	Revenue	Percent
Charges for services	\$ 9,456,346	20%	\$ 8,511,381	24%
Operating grants and contributions	35,190,800	73%	24,161,755	67%
Other general revenues	248,583	1%	582,728	3%
Transfers	3,271,313	7%	2,753,223	6%
<b>Total</b>	<b>\$ 48,167,042</b>	<b>100%</b>	<b>\$ 36,009,087</b>	<b>100%</b>

Governmental activities increased the Authority's net position by \$25,164,447. The most significant factors contributing to the governmental activities increases were: (1) the appropriation of \$10,000,000 from the State of Delaware to the Housing Development Fund for the purpose of making loans and grants to meet affordable housing needs; and (2) the appropriation of \$8,500,000 from the

State of Delaware to fund and administer the Downtown Development Districts Grant Program for the purpose of community rehabilitation in designated areas within Delaware's cities and towns.

Business-type Activities

**Business-type Activities  
Net (Expenses)/Revenues by Function**

Function	Fiscal Year 2017 Program			Fiscal Year 2016
	Expenses	Revenues	Net (Exp)/Rev	Net (Exp)/Rev
Affordable rental housing	\$ 56,793,428	\$ 56,331,239	\$ (462,189)	\$ 3,391,581
Community rehabilitation	3,332,987	3,333,702	715	2,814
Home ownership	13,209,189	17,388,830	4,179,641	4,314,007
Total	\$ 73,335,604	\$ 77,053,771	\$ 3,718,167	\$ 7,708,402

**Business-type Activities  
Revenues by Source**

Source	Fiscal Year 2017		Fiscal Year 2016	
	Revenue	Percent	Revenue	Percent
Charges for services	\$ 19,931,185	28%	\$ 23,644,186	28%
Operating grants and contributions	56,675,462	79%	55,897,492	67%
Capital grants and contributions	447,124	1%	773,550	1%
Other general revenues	(5,106,497)	-7%	2,937,481	4%
Total	\$ 71,947,274	100%	\$ 83,252,709	100%

Business-type activities decreased the Authority's net position by \$4,659,643. The key elements of this decrease were: (1) the receipt of \$2,762,475 in HOME Investment Partnership Program federal grant funds for the purpose of making loans and grants to meet affordable housing needs and (2) the receipt of over \$5,400,000 in gains on sales of investments within the DSHA Mortgage Backed Securities (MBS) Purchase Program resulting from MBS purchases and sales in the To-Be-Announced (TBA) market; offset by: (1) the transfer of administrative fees of \$1,863,263 from the Single Family Mortgage Revenue Bond Programs to the General Fund in support of operations and (2) the transfer of \$1,311,750 from the DSHA Mortgage Backed Securities Purchase Program to the DSHA Second Mortgage Assistance Loan program, a governmental activities program, in support of the program's objective to make down payment assistance available to qualified homebuyers.

**Financial Analysis of the Authority's Funds**

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Authority's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the Authority's governmental funds reported combined ending fund balances of \$362,284,176, an increase of \$26,014,181 (7.7%) in comparison with the prior year. All of the fund balance is nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending.

The General Fund is the chief operating fund of the Authority. At the end of the current fiscal year, the fund balance of the General Fund was \$40,376,260, an increase of \$403,675 (1.0%) in

comparison with the prior year. The key factors of this increase were General Fund revenues of \$2,479,153, an increase of 11.0% from the previous year. The increased revenue resulting from greater interest income, fees, and other income, in comparison to the previous year, combined with expenditures of \$4,697,237, a decrease of 8% from the previous year, resulted in an operating deficit of \$2,218,084 in comparison to the previous year operating deficit of \$2,871,148. This deficit of operating revenues under expenses together with administrative fees from the Single Family Mortgage Revenue Bond Programs, funds for rehabilitation of Liberty Court from the State Rental Assistance Program, and remaining funds in the SMAL Single Family Bond Program after the bond issues were paid in full and the loans were transferred to the General Fund resulted in the General Fund fund balance increase. All of the General Fund fund balance is classified as either nonspendable, in the form of receivables and other prepaid items, or committed by the Authority to support operations and program activities.

The Housing Development Fund (HDF) had a total fund balance of \$243,331,925, of which \$222,263,931 is restricted, to be used for the specific purposes of HDF activities per enabling legislation and \$21,067,994 is committed, authorized for specific purposes but not yet disbursed at the statement date. The net increase in the fund balance during the current year in the HDF was \$10,760,608 (4.6%) in comparison with the prior year. The increase is the result of grants in the amount of \$10,000,000 from the State of Delaware used to generate mortgages and grants, \$3,449,754 in interest income, \$1,151,880 in fee revenue, and \$3,400 in other revenue offset by Affordable Rental Housing expenditures of \$3,890,470 and by Housing Rehabilitation expenditures of \$36,849.

The Downtown Development Districts Grant Program (DDD) had a fund balance of \$19,774,058, all of which is restricted, to be used for the specific purposes of DDD activities per enabling legislation. DDD was established and funded by State of Delaware legislation for the purpose of community rehabilitation in designated areas within Delaware's cities and towns. Investors who make qualified real property investments to commercial, industrial, residential and mixed-use buildings or facilities located within the boundaries of a designated DDD may apply to the Authority for a DDD grant. The State of Delaware appropriation of \$8,500,000 to the DDD Grant Program in fiscal year 2017 contributed significantly to the overall increase in the governmental funds fund balance.

The State Rental Assistance Program (SRAP), a non-major governmental fund, while not a significant contributor to the increase in fund balance, continues to provide housing assistance to at risk individuals and families with funds appropriated from the State of Delaware.

The DSHA Second Mortgage Assistance Loan Program (DSHA SMAL), a non-major governmental fund, has a total fund balance of \$29,024,888, which is reported as restricted. The net increase in the fund balance during the fiscal year was \$1,934,845 (7.1%) in comparison with the prior year. The increase was the result of interest income received and accrued in the amount of \$890,388 and transfers from the Housing Rehabilitation Loan Program, a non-major governmental fund, and the DSHA Mortgage Backed Security Purchase Program totaling \$2,845,750 to fund the Authority's second mortgage assistance loan initiatives. These revenue sources, offset by program costs of \$1,801,293, contributed to the overall increase in the governmental funds fund balance.

#### Proprietary Funds

The financial statements for the Authority's proprietary funds, which are all enterprise funds, provide the same type of information found in the entity-wide financial statements, but in more detail.

Restricted net position of the Federal Programs Fund at the end of the year amounted to \$86,593,333, and those of the Single Family Programs Funds amounted to \$53,484,174. The total decrease in net position for the Federal Programs Fund was \$438,013 (0.50%) in comparison with the prior year, primarily due to the receipt of \$11,152,278 in Moving to Work (MTW) Demonstration Program grant, rental income, and miscellaneous revenue offset by operating expenses in the program of \$13,085,994. The primary factors contributing to the decrease in net position for the



Federal Programs Fund include the decrease of \$1,932,534 for the MTW program and the increase of \$989,872 for the HOME Investment Partnership Program.

The total decrease in net position for the Single Family Program Funds was \$4,221,630 (7.3%) in comparison with the prior year, primarily due to the receipt of over \$5,400,000 in gains on the sale of investments within the DSHA Mortgaged Backed Securities Purchase Program resulting for mortgage backed security purchases and sales in the To-Be-Announced (TBA) market and a total operating loss of over \$4,200,000 in the Single Family Mortgage Revenue Bond Programs resulting from interest received on mortgage loans exceeding interest paid on bonds; offset by net transfers out of \$3,377,763, and the net decrease in the change in fair value of investments of \$10,618,844.

### General Fund Budget

Under Governmental Accounting Standards Board (GASB) Statement No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The Authority is not legally required to adopt a budget for the general fund. Therefore, budget comparison information is not included in the Authority's financial statements. However, the Authority does implement an executive budget each fiscal year. The executive budget is reviewed and approved by the Director, monitored for compliance on a monthly basis, and any use of the general fund beyond the approved executive budget must be approved by the Director.

### Capital Asset and Debt Administration

#### Capital Assets

The Authority's investment in capital assets for its governmental and business type activities as of June 30, 2017, amounts to \$13,272,700 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment. The total decrease in the Authority's investment in capital assets for the current fiscal year was 9.3 % (an 8.6% decrease for governmental activities and a 9.4% decrease for business-type activities). The net decrease in capital assets was due to depreciation expense on existing capital assets being greater than capital asset additions and improvements for the fiscal year. Major capital asset events during the fiscal year included the following:

- Architect fees for a roof replacement at one public housing site.
- Architect fees for a repaving project at one public housing site.
- Architect fees for a kitchen renovation project at one public housing site.
- Architect fees for a storage room renovation project at one public housing site.

#### Delaware State Housing Authority's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 509,500	\$ 509,500	\$ 2,336,842	\$ 2,336,842	\$ 2,846,342	\$ 2,846,342
Buildings held for resale	-	-	330,911	330,911	330,911	330,911
Construction in progress	-	-	462,544	1,027,166	462,544	1,027,166
Buildings	629,450	686,085	2,575,121	3,142,624	3,204,571	3,828,709
Land/site improvements	10,378	14,528	6,380,220	6,410,338	6,390,598	6,424,866
Vehicles	-	-	37,734	62,890	37,734	62,890
Other equipment	-	47,917	-	66,471	-	114,388
Total	\$ 1,149,328	\$ 1,258,030	\$ 12,123,372	\$ 13,377,242	\$ 13,272,700	\$ 14,635,272

Additional information on the Authority's capital assets can be found in note IV., D. on page 51 of this report.

Long-term Debt

At the end of the current fiscal year, Delaware State Housing Authority had total bonded debt outstanding of \$237,910,533. The Authority's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

**Delaware State Housing Authority's Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue bonds payable	\$ -	\$ -	\$237,910,533	\$305,335,222	\$ 237,910,533	\$ 305,335,222
Total	\$ -	\$ -	\$237,910,533	\$305,335,222	\$ 237,910,533	\$ 305,335,222

The Authority's outstanding debt, excluding compensated absences, decreased by \$67,424,689 (22.1%) in comparison to the prior year. Key factors in this decrease were Single Family Programs Enterprise Fund bond calls of \$62,912,173, scheduled maturities of \$2,110,000, and bond accretion of \$2,402,516. The bond calls of \$62,912,173 in the Single Family programs were primarily the result of the redemption of three older bond issues during the year and numerous mortgage prepayments in all the programs.

The Authority maintains a range of "A3" to "Aaa" ratings from Moody's for revenue bonds. The Authority is authorized to issue bonds and notes in order to exercise its authorized powers. The Authority must abide by federal private activity caps. Authority bonds and notes issued are not the debt of the State of Delaware and the State is not liable for repayment of such debt.

Additional information on the Authority's long-term debt can be found in note IV., F. on pages 53-54 of this report.

**Requests for Information**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Financial Management, Delaware State Housing Authority, 18 The Green, Dover, DE 19901.

DELAWARE STATE HOUSING AUTHORITY  
STATEMENT OF NET POSITION  
JUNE 30, 2017  
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2016)

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL 2017	TOTAL 2016
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 36,011,421	\$ 6,033,638	\$ 42,045,059	\$ 49,509,966
Investments	73,100,926	16,155,436	89,256,362	65,218,877
Mortgage loans receivable, net	499,009	1,959,354	2,458,363	2,120,489
Accrued interest & other receivables	1,547,060	2,320,325	3,867,385	3,756,026
Grants receivable-US Dept of HUD	-	531,758	531,758	325,331
Internal balances	266,289	(266,289)	-	-
Other post employment benefits (OPEB) asset	-	-	-	109,613
Prepaid expenses	98,537	3,777,172	3,875,709	3,742,495
Total current assets	111,523,242	30,511,394	142,034,636	124,782,797
Non-current assets:				
Cash, restricted for payment of escrows	-	1,052,393	1,052,393	840,278
Investments	64,069,923	5,898,291	69,968,214	74,173,463
Securitized mortgage loans	-	239,255,735	239,255,735	306,589,795
Mortgage loans receivable, net	184,040,647	84,739,281	268,779,928	267,678,523
Accrued interest & other receivables, net	38,952,075	16,173,942	55,126,017	55,477,964
Internal balances	3,737,770	(3,737,770)	-	-
Capital assets:				
Capital assets not being depreciated	509,500	2,799,386	3,308,886	4,204,419
Capital assets net of accumulated depreciation	639,828	9,323,986	9,963,814	10,430,853
Total non-current assets	291,949,743	355,505,244	647,454,987	719,395,295
<b>TOTAL ASSETS</b>	<b>403,472,985</b>	<b>386,016,638</b>	<b>789,489,623</b>	<b>844,178,092</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amounts on State of Delaware pensions	283,788	-	283,788	69,271
Deferred amounts on bond refundings	-	171,647	171,647	200,534
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>283,788</b>	<b>171,647</b>	<b>455,435</b>	<b>269,805</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and other current liabilities	279,744	563,226	842,970	959,490
Due to State of Delaware-pension costs	2,528	1,595	4,123	5,030
Deferred credit	-	-	-	11,467,800
Compensated absences payable	11,753	6,788	18,541	15,426
Revenue bonds payable	-	5,992,578	5,992,578	7,609,861
Total current liabilities	294,025	6,564,187	6,858,212	20,057,607
Non-current liabilities:				
Compensated absences payable	586,886	353,707	940,593	1,004,716
State of Delaware pension obligation	571,337	-	571,337	307,518
OPEB liability	629,799	-	629,799	-
Escrow deposits	39,757,208	6,950,040	46,707,248	43,478,803
Revenue bonds payable	-	231,917,954	231,917,954	297,725,361
Total non-current liabilities	41,545,230	239,221,701	280,766,931	342,516,398
<b>TOTAL LIABILITIES</b>	<b>41,839,255</b>	<b>245,785,888</b>	<b>287,625,143</b>	<b>362,574,005</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred amounts on State of Delaware pensions	104,070	-	104,070	140,348
Deferred amounts on bond refundings	-	324,890	324,890	347,394
<b>TOTAL DEFERRED INTFLOWS OF RESOURCES</b>	<b>104,070</b>	<b>324,890</b>	<b>428,960</b>	<b>487,742</b>
<b>NET POSITION</b>				
Invested in capital assets	1,149,328	12,123,372	13,272,700	14,635,272
Restricted by federal and state regulations	299,560,858	74,469,961	374,030,819	369,951,404
Restricted by bond covenants	-	53,484,174	53,484,174	57,705,804
Restricted for Authority Loan Program	44,720,116	-	44,720,116	4,713,758
Unrestricted, for Authority's purposes	16,383,146	-	16,383,146	34,379,912
<b>TOTAL NET POSITION</b>	<b>\$ 361,813,448</b>	<b>\$ 140,077,507</b>	<b>\$ 501,890,955</b>	<b>\$ 481,386,150</b>

DELAWARE STATE HOUSING AUTHORITY  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

FUNCTION	PROGRAM REVENUE				NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL 2017	TOTAL 2016
Governmental activities:								
Administrative	\$ 5,316,364	\$ 1,916,786	\$ 23,000	\$ -	\$ (3,376,578)	\$ -	\$ (3,376,578)	\$ (3,279,090)
Affordable rental housing	10,212,616	4,747,453	17,900,000	-	12,434,837	-	12,434,837	11,334,324
Community rehabilitation	3,936,342	-	14,767,800	-	10,831,458	-	10,831,458	6,081,143
Home ownership	3,472,145	2,751,574	2,500,000	-	1,779,429	-	1,779,429	778,202
Housing rehabilitation	65,128	40,533	-	-	(24,595)	-	(24,595)	43,521
Total governmental activities	<u>\$23,002,595</u>	<u>\$ 9,456,346</u>	<u>\$ 35,190,800</u>	<u>\$ -</u>	<u>21,644,551</u>	<u>-</u>	<u>21,644,551</u>	<u>14,958,100</u>
Business-type activities:								
Affordable rental housing	\$56,793,428	\$ 2,731,371	\$ 53,152,744	\$ 447,124	\$ -	\$ (462,189)	\$ (462,189)	\$ 3,391,581
Community rehabilitation	3,332,987	904	3,332,798	-	-	715	715	2,814
Home ownership	13,209,188	17,198,910	189,920	-	-	4,179,642	4,179,642	4,314,007
Total business-type activities	<u>\$73,335,603</u>	<u>\$ 19,931,185</u>	<u>\$ 56,675,462</u>	<u>\$ 447,124</u>	<u>-</u>	<u>3,718,168</u>	<u>3,718,168</u>	<u>7,708,402</u>
General revenues:								
Investment income, gains/(losses) on investments, and miscellaneous earnings					248,583	(5,106,498)	(4,857,915)	3,520,209
Transfers					3,271,313	(3,271,313)	-	-
Total general revenues and transfers					<u>3,519,896</u>	<u>(8,377,811)</u>	<u>(4,857,915)</u>	<u>3,520,209</u>
Change in net position					25,164,447	(4,659,643)	20,504,804	26,186,711
Net position, beginning of year					336,649,000	144,737,150	481,386,150	455,199,439
Net position, end of year					<u>\$ 361,813,447</u>	<u>\$ 140,077,507</u>	<u>\$ 501,890,954</u>	<u>\$ 481,386,150</u>

The accompanying notes are an integral part of the financial statements.



DELAWARE STATE HOUSING AUTHORITY  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2017  
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2016)

	GENERAL FUND	HOUSING DEVELOPMENT FUND	DOWNTOWN DEVELOPMENT DISTRICTS GRANT FUND	STATE RENTAL ASSISTANCE PROGRAM	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
						2017	2016
<b>ASSETS</b>							
Cash & cash equivalents	\$ 6,306,714	\$ 11,417,109	\$ 3,453,784	\$ 3,636,435	\$ 11,197,379	\$ 36,011,421	\$ 43,360,427
Investments	24,414,212	86,272,105	16,150,052	1,673,146	8,661,334	137,170,849	111,520,047
Interfund receivables	4,282,697	-	170,272	-	-	4,452,969	15,304,324
Loans receivable:							
Mortgages receivable, net	3,422,288	152,848,073	-	-	28,269,295	184,539,656	178,372,395
Accrued interest & other receivables	2,798,811	31,914,639	-	-	5,785,685	40,499,135	38,934,839
Prepaid items	98,537	-	-	-	-	98,537	122,286
<b>TOTAL ASSETS</b>	<b>\$ 41,323,259</b>	<b>\$ 282,451,926</b>	<b>\$ 19,774,108</b>	<b>\$ 5,309,581</b>	<b>\$ 53,913,693</b>	<b>\$ 402,772,567</b>	<b>\$ 387,614,318</b>
<b>LIABILITIES &amp; FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts payable	\$ 279,478	\$ -	\$ -	\$ -	\$ 266	\$ 279,744	\$ 322,287
Due to St of Delaware-pension costs	2,528	-	-	-	-	2,528	2,379
Deferred credit	-	-	-	-	-	-	11,467,800
Interfund payables	32,298	-	50	-	416,564	448,912	2,534,021
Compensated absences payable	-	-	-	-	-	-	-
Escrow deposits	632,585	39,120,001	-	-	4,621	39,757,207	37,017,836
<b>TOTAL LIABILITIES</b>	<b>946,889</b>	<b>39,120,001</b>	<b>50</b>	<b>-</b>	<b>421,451</b>	<b>40,488,391</b>	<b>51,344,323</b>
<b>FUND BALANCES</b>							
Nonspendable	8,802,261	-	-	-	-	8,802,261	16,724,248
Restricted	-	222,263,931	19,774,058	5,309,581	52,181,503	299,529,073	275,871,013
Committed	31,574,109	21,067,994	-	-	-	52,642,103	41,125,942
Assigned	-	-	-	-	1,310,739	1,310,739	2,548,792
<b>TOTAL FUND BALANCES</b>	<b>40,376,370</b>	<b>243,331,925</b>	<b>19,774,058</b>	<b>5,309,581</b>	<b>53,492,242</b>	<b>362,284,176</b>	<b>336,269,995</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$ 41,323,259</b>	<b>\$ 282,451,926</b>	<b>\$ 19,774,108</b>	<b>\$ 5,309,581</b>	<b>\$ 53,913,693</b>	<b>\$ 402,772,567</b>	<b>\$ 387,614,318</b>

The accompanying notes are an integral part of the financial statements.

DELAWARE STATE HOUSING AUTHORITY  
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO  
 THE STATEMENT OF NET POSITION  
 JUNE 30, 2017

Amounts reported for governmental activities in the statement of net position are different because:

TOTAL FUND BALANCES OF GOVERNMENTAL FUNDS (page 18)	\$ 362,284,176
Other post-employment benefits (OPEB) assets/(liabilities) are not financial resources and, therefore, are not reported in the funds.	(629,799)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,149,328
Deferred outflows of resources related to State of Delaware pensions	283,788
Long-term liabilities are not due and payable in the current period and, therefore not reported in the funds.	(1,169,976)
Deferred inflows of resources related to State of Delaware pensions	<u>(104,070)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES (page 15)	<u><u>\$ 361,813,447</u></u>

The accompanying notes are an integral part of the financial statements.

DELAWARE STATE HOUSING AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017  
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	GENERAL FUND	HOUSING DEVELOPMENT FUND	DOWNTOWN DEVELOPMENT DISTRICTS GRANT FUND	STATE RENTAL ASSISTANCE PROGRAM	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
						2017	2016
<b>REVENUES</b>							
Interest income:							
Investments	\$ 287,802	\$ 303,800	\$ -	\$ 4,469	\$ 21,319	\$ 617,390	\$ 390,293
Loans	377,917	3,449,754	-	-	1,008,227	4,835,898	4,634,459
Total interest income	665,719	3,753,554	-	4,469	1,029,546	5,453,288	5,024,752
Grants	23,000	10,000,000	8,500,000	7,900,000	8,767,800	35,190,800	136,755
Payments from primary government	-	-	-	-	-	-	24,025,000
Gains/(losses) on investments	(139,691)	(220,908)	-	-	(8,207)	(368,806)	192,435
Fees	1,814,062	1,151,880	-	-	200,131	3,166,073	2,667,995
Other revenue	116,063	3,400	-	-	1,334,912	1,454,375	1,208,927
<b>TOTAL REVENUES</b>	<b>2,479,153</b>	<b>14,687,926</b>	<b>8,500,000</b>	<b>7,904,469</b>	<b>11,324,182</b>	<b>44,895,730</b>	<b>33,255,864</b>
<b>EXPENDITURES</b>							
Current:							
Administrative	4,466,631	-	-	-	-	4,466,631	5,072,669
Affordable rental housing	-	3,890,470	-	6,322,146	-	10,212,616	8,651,108
Community rehabilitation	-	-	1,951,368	-	1,984,974	3,936,342	2,418,857
Home ownership	230,606	-	-	-	3,241,539	3,472,145	1,627,637
Housing rehabilitation	-	36,848	-	-	28,280	65,128	16,473
<b>TOTAL EXPENDITURES</b>	<b>4,697,237</b>	<b>3,927,318</b>	<b>1,951,368</b>	<b>6,322,146</b>	<b>5,254,793</b>	<b>22,152,862</b>	<b>17,786,744</b>
<b>EXCESS/(DEFICIT) REVENUE OVER EXPENDITURES</b>	<b>(2,218,084)</b>	<b>10,760,608</b>	<b>6,548,632</b>	<b>1,582,323</b>	<b>6,069,389</b>	<b>22,742,868</b>	<b>15,469,120</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	2,621,759	-	-	94,000	1,280,554	3,996,313	4,798,744
Transfers out	-	-	-	(725,000)	-	(725,000)	(2,045,521)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,621,759</b>	<b>-</b>	<b>-</b>	<b>(631,000)</b>	<b>1,280,554</b>	<b>3,271,313</b>	<b>2,753,223</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>403,675</b>	<b>10,760,608</b>	<b>6,548,632</b>	<b>951,323</b>	<b>7,349,943</b>	<b>26,014,181</b>	<b>18,222,343</b>
<b>FUND BALANCES, BEGINNING</b>	<b>39,972,695</b>	<b>232,571,317</b>	<b>13,225,426</b>	<b>4,358,258</b>	<b>46,142,299</b>	<b>336,269,995</b>	<b>318,047,652</b>
<b>FUND BALANCES, ENDING</b>	<b>\$ 40,376,370</b>	<b>\$ 243,331,925</b>	<b>\$ 19,774,058</b>	<b>\$ 5,309,581</b>	<b>\$ 53,492,242</b>	<b>\$ 362,284,176</b>	<b>\$ 336,269,995</b>

The accompanying notes are an integral part of the financial statements.



DELAWARE STATE HOUSING AUTHORITY  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO  
 THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2017

Amounts reported for governmental activities in the statement of activities are different because:

NET CHANGES IN FUND BALANCE-TOTAL GOVERNMENTAL FUNDS (page 20)	\$	26,014,181
Governmental funds report other post-employment benefit (OPEB) expenditures equal to the amount contributed to the plan or expected to be liquidated with expendable available financial resources. However, in the statement of activities, OPEB expense for the year is reported in relation to the annual required contribution (ARC) equal to the annual OPEB cost. This amount is the net effect of this difference in the treatment of OPEB expenditure/expense.		(739,412)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This amount is the net difference in the treatment of capital outlay.		(108,702)
Compensated absences which are reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		11,404
Governmental funds report DSHA pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
State of Delaware pension contributions	\$	67,509
Cost of benefits earned net of employee contributions		<u>(80,533)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (page 16)	\$	<u>25,164,447</u>

The accompanying notes are an integral part of the financial statements.

DELAWARE STATE HOUSING AUTHORITY  
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2017  
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2016)

	FEDERAL	SINGLE	TOTAL ENTERPRISE	
	PROGRAMS	FAMILY	FUNDS	
	ENTERPRISE	ENTERPRISE	2017	2016
	FUND	FUND		
<b>ASSETS</b>				
Current Assets:				
Cash & cash equivalents	\$ 2,394,840	\$ 3,638,798	\$ 6,033,638	\$ 6,149,539
Investments	2,462,233	13,693,203	16,155,436	16,581,480
Mortgage loans receivable, net	-	1,959,354	1,959,354	1,651,796
Accrued interest and other receivables	579,599	1,740,726	2,320,325	2,431,624
Grants receivable-US Dept of HUD	531,758	-	531,758	325,331
Interfund receivables	4,718	-	4,718	6,450
Prepaid expenses	3,777,172	-	3,777,172	3,620,209
Total current assets	9,750,320	21,032,081	30,782,401	30,766,429
Non-Current Assets:				
Cash, restricted for payment of escrows	1,052,393	-	1,052,393	840,278
Investments	5,852,841	45,450	5,898,291	11,290,813
Securitized mortgage loans	-	239,255,735	239,255,735	306,589,795
Mortgage loans receivable, net	57,678,033	27,061,248	84,739,281	89,774,821
Accrued interest and other receivables, net	11,866,640	4,307,302	16,173,942	17,867,527
Interfund receivables	25,980	-	25,980	25,076
Capital assets not being depreciated	2,799,386	-	2,799,386	3,694,919
Capital assets net of accumulated depreciation	9,323,986	-	9,323,986	9,682,323
Total non-current assets	88,599,259	270,669,735	359,268,994	439,765,552
<b>TOTAL ASSETS</b>	<b>98,349,579</b>	<b>291,701,816</b>	<b>390,051,395</b>	<b>470,531,981</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Deferred amount on bond refunding	-	171,647	171,647	200,534
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<b>-</b>	<b>171,647</b>	<b>171,647</b>	<b>200,534</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	563,155	71	563,226	637,203
Due St of Delaware-pension costs	1,595	-	1,595	2,651
Interfund payables	117,311	153,696	271,007	365,617
Compensated absences payable	6,788	-	6,788	8,951
Revenue bonds payable	-	5,992,578	5,992,578	7,609,861
Total current liabilities	688,849	6,146,345	6,835,194	8,624,283
Non-Current Liabilities:				
Interfund payables	3,763,650	100	3,763,750	12,436,212
Compensated absences payable	353,707	-	353,707	401,148
Escrow deposits	6,950,040	-	6,950,040	6,460,967
Revenue bonds payable	-	231,917,954	231,917,954	297,725,361
Total non-current liabilities	11,067,397	231,918,054	242,985,451	317,023,688
<b>TOTAL LIABILITIES</b>	<b>11,756,246</b>	<b>238,064,399</b>	<b>249,820,645</b>	<b>325,647,971</b>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Deferred amount on bond refunding	-	324,890	324,890	347,394
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<b>-</b>	<b>324,890</b>	<b>324,890</b>	<b>347,394</b>
<b>NET POSITION</b>				
Invested in capital assets	12,123,372	-	12,123,372	13,377,242
Restricted by federal regulations	74,469,961	-	74,469,961	73,654,104
Restricted by bond covenants	-	53,484,174	53,484,174	57,705,804
<b>TOTAL NET POSITION</b>	<b>\$ 86,593,333</b>	<b>\$ 53,484,174</b>	<b>\$ 140,077,507</b>	<b>\$ 144,737,150</b>

The accompanying notes are an integral part of the financial statements.

DELAWARE STATE HOUSING AUTHORITY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017  
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	FEDERAL	SINGLE	TOTAL ENTERPRISE	
	PROGRAMS	FAMILY	FUNDS	
	ENTERPRISE	PROGRAMS		
	FUND	ENTERPRISE	2017	2016
<b>OPERATING REVENUES</b>				
Interest income on loans	\$ 1,254,467	\$ 14,688,454	\$ 15,942,921	\$ 19,677,607
Federal housing program grants	56,675,462	-	56,675,462	55,897,492
Rental income	825,562	-	825,562	753,361
Amortization of deferred revenues	-	2,466,092	2,466,092	2,608,515
Miscellaneous	652,246	44,364	696,610	604,703
<b>TOTAL OPERATING REVENUES</b>	<b>59,407,737</b>	<b>17,198,910</b>	<b>76,606,647</b>	<b>79,541,678</b>
<b>OPERATING EXPENSES</b>				
Interest expense on bonds	-	10,033,464	10,033,464	13,406,796
Administrative	7,514,849	114,279	7,629,128	5,948,399
Grants and housing assistance payments	49,686,304	1,467,499	51,153,803	49,579,573
Public housing maintenance & utilities	1,498,616	-	1,498,616	1,585,878
Amortization of deferred expenses	-	28,888	28,888	27,097
Depreciation	1,700,994	-	1,700,994	1,652,636
Loan servicing fees	-	39,024	39,024	47,674
Other expenses	-	1,251,687	1,251,687	358,773
<b>TOTAL OPERATING EXPENSES</b>	<b>60,400,763</b>	<b>12,934,841</b>	<b>73,335,604</b>	<b>72,606,826</b>
<b>OPERATING INCOME</b>	<b>(993,026)</b>	<b>4,264,069</b>	<b>3,271,043</b>	<b>6,934,852</b>
<b>NON-OPERATING INCOME/(EXPENSES)</b>				
Investment income	1,439	5,510,908	5,512,347	5,554,064
Change in fair value of investments	-	(10,618,844)	(10,618,844)	(2,616,583)
<b>TOTAL NON-OPERATING INCOME/(EXPENSES)</b>	<b>1,439</b>	<b>(5,107,936)</b>	<b>(5,106,497)</b>	<b>2,937,481</b>
<b>INCOME/(LOSS) BEFORE CAPITAL GRANTS AND OPERATING TRANSFERS</b>				
	(991,587)	(843,867)	(1,835,454)	9,872,333
Capital grants	447,124	-	447,124	773,550
Transfers in	106,450	1,613,216	1,719,666	29,358
Transfers out	-	(4,990,979)	(4,990,979)	(2,782,581)
<b>CHANGE IN NET POSITION</b>	<b>(438,013)</b>	<b>(4,221,630)</b>	<b>(4,659,643)</b>	<b>7,892,660</b>
<b>NET POSITION, BEGINNING</b>	<b>87,031,346</b>	<b>57,705,804</b>	<b>144,737,150</b>	<b>136,844,490</b>
<b>NET POSITION, ENDING</b>	<b>\$ 86,593,333</b>	<b>\$ 53,484,174</b>	<b>\$ 140,077,507</b>	<b>\$ 144,737,150</b>

The accompanying notes are an integral part of the financial statements.

DELAWARE STATE HOUSING AUTHORITY  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017  
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	FEDERAL PROGRAMS ENTERPRISE FUND	SINGLE FAMILY PROGRAMS ENTERPRISE FUND	TOTAL ENTERPRISE FUNDS	
			2017	2016
<b>OPERATING ACTIVITIES:</b>				
Securitized mortgage loans principal repayments received	\$ -	\$ 56,783,930	\$ 56,783,930	\$ 69,982,124
Mortgage loans principal repayments received	1,431,636	3,380,321	4,811,957	4,695,773
Mortgage interest payments received	317,549	14,699,512	15,017,061	18,247,796
Grants received	56,462,769	-	56,462,769	55,777,546
Rental and related rental income	824,812	-	824,812	747,205
Insurance claims received	-	641,055	641,055	232,274
Escrow receipts	1,669,622	-	1,669,622	1,998,387
Other receipts	651,342	-	651,342	479,983
New mortgages disbursed	(1,974,335)	-	(1,974,335)	(3,873,370)
Grants disbursed	(49,861,564)	(1,323,106)	(51,184,670)	(49,951,885)
Administrative expenses	(5,714,389)	(114,602)	(5,828,991)	(5,870,482)
Maintenance and utility expenses	(1,498,616)	-	(1,498,616)	(1,585,878)
Trustee and servicing fees paid	-	(103,768)	(103,768)	(137,701)
Bond insurance premiums	-	-	-	(2,000)
Mortgage pool insurance premiums paid	-	-	-	(254)
Escrow disbursements	(1,150,886)	-	(1,150,886)	(1,710,624)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,157,940</b>	<b>73,963,342</b>	<b>75,121,282</b>	<b>89,028,894</b>
<b>NONCAPITAL FINANCING ACTIVITIES:</b>				
Interfund payments received	106,450	7,336,986	7,443,436	12,769,964
Repayments of principal on revenue bonds	-	(63,388,893)	(63,388,893)	(79,036,387)
Payments of interest on revenue bonds	-	(10,218,697)	(10,218,697)	(13,137,657)
Premium on bond call	-	(32,225)	(32,225)	-
Interfund payments made	-	(10,711,428)	(10,711,428)	(15,363,368)
<b>NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>106,450</b>	<b>(77,014,257)</b>	<b>(76,907,807)</b>	<b>(94,767,448)</b>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital grant funds from US Dept of HUD	447,124	-	447,124	773,550
Purchase of capital assets	(447,124)	-	(447,124)	(849,017)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(75,467)</b>
<b>INVESTING ACTIVITIES:</b>				
Proceeds from sales and maturities of investments	25,213,232	106,132,571	131,345,803	182,702,523
Interest income on investments	1,439	64,729	66,168	154,876
Purchase of investment securities	(26,831,369)	(102,697,863)	(129,529,232)	(177,943,608)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(1,616,698)</b>	<b>3,499,437</b>	<b>1,882,739</b>	<b>4,913,791</b>
<b>NET INCREASE (DECREASE) IN CASH/CASH EQUIVALENT</b>	<b>(352,308)</b>	<b>448,522</b>	<b>96,214</b>	<b>(900,230)</b>
<b>CASH/CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>3,799,541</b>	<b>3,190,276</b>	<b>6,989,817</b>	<b>7,890,047</b>
<b>CASH/CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 3,447,233</b>	<b>\$ 3,638,798</b>	<b>7,086,031</b>	<b>\$ 6,989,817</b>

Continued on next page.

DELAWARE STATE HOUSING AUTHORITY  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017  
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	FEDERAL PROGRAMS ENTERPRISE FUND	SINGLE FAMILY PROGRAMS ENTERPRISE FUND	TOTAL ENTERPRISE FUNDS	
			2017	2016
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES				
OPERATING INCOME/(LOSS)	\$ (993,026)	\$ 4,264,069	\$ 3,271,043	\$ 6,934,852
Adjustments to reconcile operating income to net cash provided(used) by operating activities:				
Amortization of deferred expenses	-	28,887	28,887	27,097
Amortization of deferred revenues	-	(2,466,093)	(2,466,093)	(2,608,515)
Depreciation expense	1,700,994	-	1,700,994	1,652,636
Interest expense on bonds	-	10,033,464	10,033,464	13,406,796
Decrease in fair value of securitized mortgage loans	-	(10,550,128)	(10,550,128)	(2,629,929)
Noncash contributions	-	(1,168,616)	(1,168,616)	(300,766)
Changes in assets and liabilities:				
(Increase) decrease in accrued interest and other receivables	111,043	1,462,743	1,573,786	(1,548,791)
(Increase) decrease in securitized mortgage loans	-	67,334,060	67,334,060	72,612,052
(Increase) decrease in mortgage loans receivable	(542,699)	5,270,682	4,727,983	1,166,111
(Increase) decrease in other assets	(156,963)	-	(156,963)	(108,335)
Increase (decrease) in accounts payable and accrued expenses	519,855	(177,601)	342,254	142,776
Decrease in bonds payable	-	(68,125)	(68,125)	(4,853)
Increase (decrease) in escrow deposits	518,736	-	518,736	287,763
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,157,940	\$ 73,963,342	\$ 75,121,282	\$ 89,028,894
NONCASH NONCAPITAL FINANCING ACTIVITIES				
Transfers in	\$ -	\$ -	\$ -	\$ 29,358
Transfers out	-	-	-	(18,372)
NET NONCASH TRANSFERS	\$ -	\$ -	\$ -	\$ 10,986
NONCASH INVESTING ACTIVITIES				
Increase (decrease) in fair value of investments	\$ (29,663)	\$ (68,716)	\$ (98,379)	\$ 26,997

The accompanying notes are an integral part of the financial statements.

DELAWARE STATE HOUSING AUTHORITY  
 STATEMENTS OF FIDUCIARY NET POSITION  
 JUNE 30, 2017 AND 2016

	<u>DSHA RETIREE MEDICAL TRUST</u>	
	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 750	\$ -
Interest receivable on investments	18,384	11,874
Interest receivable on loans	4,977	5,054
Other receivables	-	-
Investments, at fair value:		
Savings account	24,037	89,179
Corporate Notes	2,005,586	1,615,037
U.S. Treasury Obligations	887,046	793,660
U.S. Government Agencies	2,321,546	2,039,699
Loans receivable	1,194,367	1,213,052
Total assets	<u>6,456,693</u>	<u>5,767,555</u>
<b>LIABILITIES</b>		
Accounts payable	9,824	546
Total liabilities	<u>9,824</u>	<u>546</u>
<b>NET POSITION</b>		
Net Position Restricted for OPEB	<u>\$ 6,446,869</u>	<u>\$ 5,767,009</u>

The accompanying notes are an integral part of the financial statements.

DELAWARE STATE HOUSING AUTHORITY  
 STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
 FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>DSHA RETIREE MEDICAL TRUST</u>	
	<u>2017</u>	<u>2016</u>
<b>ADDITIONS</b>		
Contributions:		
Employer contributions	\$ 732,138	\$ 715,783
Total contributions	<u>732,138</u>	<u>715,783</u>
Investment earnings:		
Interest	65,179	54,534
Interest on loan	60,150	45,715
Net increase (decrease) in fair value	<u>(64,385)</u>	<u>37,325</u>
Total investment earnings	60,944	137,574
Less: Investment expense	<u>(2,883)</u>	<u>(2,463)</u>
Net investment earnings	<u>58,061</u>	<u>135,111</u>
Total additions	<u>790,199</u>	<u>850,894</u>
<b>DEDUCTIONS</b>		
Benefits paid	101,539	85,850
Administrative expenses	8,800	-
Total deductions	<u>110,339</u>	<u>85,850</u>
Net Increase/(decrease) in net position	679,860	765,044
Net position - beginning	5,767,009	5,001,965
Net position - ending	<u>\$ 6,446,869</u>	<u>\$ 5,767,009</u>

The accompanying notes are an integral part of the financial statements.

**DELAWARE STATE HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

INDEX

I.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	29
A.	Reporting Entity	29
B.	Entity-wide and fund financial statements	29
C.	Measurement focus, basis of accounting, and financial statement presentation	36
D.	Assets, liabilities, and net position or equity	39
II.	RECONCILIATION OF ENTITY-WIDE AND FUND FINANCIAL STATEMENTS	44
A.	Explanation of certain differences between the governmental fund balance sheet and the entity-wide statement of net position	44
B.	Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the entity-wide statement of activities	44
III.	COMPLIANCE AND ACCOUNTABILITY	44
IV.	DETAILED NOTES ON ALL FUNDS	44
A.	Deposits and investments	44
B.	Receivables	49
C.	Accounts payable	50
D.	Capital assets	51
E.	Interfund transactions	52
F.	Short-term and long-term debt	53
G.	Segment information	55
V.	OTHER INFORMATION	57
A.	Risk management	57
B.	Related organizations and related party transactions	57
C.	Economic dependency	58
D.	Post-retirement health care benefits	58
E.	Pension plans	62
F.	Contingent liabilities	65
G.	Subsequent events	65



**DELAWARE STATE HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting entity**

The Delaware State Housing Authority (the Authority) was created in 1968 by an act of the General Assembly of the State of Delaware (the State). The Authority, which is a public corporation, was originally established as the Department of Housing. It was organized under the Department of Community Affairs in 1970 and under the Delaware Economic Development Office in 1987. The Authority was established in July 1998 as an independent Authority in the Executive Department, reporting directly to the Governor of the State, institutionalizing the role of affordable housing as a key aspect of State policy. For financial reporting purposes, the Authority is a discretely presented component unit of the State.

The Authority is authorized, among other things, to (1) make mortgage, construction and other loans to not-for-profit and limited-profit housing sponsors, (2) make loans to mortgage lenders, requiring the proceeds thereof to be used for making new qualified residential mortgage loans, (3) purchase qualified mortgage loans from mortgage lenders, and (4) apply for and receive assistance and subsidies under programs from the Federal government and others.

The Authority is authorized to issue bonds and notes in order to exercise its authorized powers. The Authority must abide by federal private activity caps. Bonds and notes issued by the Authority are not a debt or liability of the State (nor any political subdivision or agency thereof), and the faith, credit, nor taxing power of the State is not liable for repayment of such obligations. Bonds and notes of the Authority are secured solely by the revenues, loans and other pledged assets under the related Bond Indenture and are not payable from any other revenues of the Authority. Furthermore, the Authority has no taxing power.

In 1987, the State transferred the administrative responsibility for the Housing Development Fund (HDF), Community Development Block Grant and the Delaware Housing Insurance Fund to the Authority, and accordingly, the basic financial statements of the Authority include these activities.

**B. Entity-wide and fund financial statements**

The financial statements include certain prior-year summarized comparative information in total but not by activity type or fund. Such information does not include sufficient detail to constitute a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2016 from which the summarized information was derived.

The Authority's financial report consists of entity-wide financial statements and fund financial statements, accompanied by notes to the financial statements, a management's discussion and analysis, and supplementary information.

The entity-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the Authority. Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by state grants, interest income, and transfers, are reported separately from business-type activities, which rely to a

significant extent on federal grants, interest income, mortgage repayments, and bond proceeds for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Indirect expenses are allocated to a specific function in accordance with the Authority's U.S. Department of Housing and Urban Development (HUD) approved cost allocation plan, to the extent available for recovery. Interest expense on long-term debt is included in the direct expense of an individual function on the entity-wide statement of activities. Program revenues include 1) charges to clients or applicants who use or directly benefit from services provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Investment income and other items not properly included among program revenues are reported instead as general revenues.

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as applicable. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent in accordance with the Authority's enabling legislation, the various note and bond resolutions and indentures, and/or the requirements of the HUD.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the entity-wide financial statements. Major governmental and enterprise funds are reported as separate columns in the fund financial statements. The Authority reports the General Fund, the Housing Development Fund, the Downtown Development Districts Grant Program, and the State Rental Assistance Program as major governmental funds. All other governmental funds are reported as non-major. The Authority also reports its two enterprise funds, the Federal Programs and the Single Family Programs funds, as major.

The Authority's funds are as follows:

### **Governmental Fund Types**

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund. The General Fund accounts for the primary operations of the Authority. The operational costs are supported by transfers of administrative fees, indirect cost fees, management fees, and surplus funds from the Single Family and Federal programs. The General Fund also receives support from the collection of certain other charges for services. The General Fund also accounts for certain single family, multi-family, and second mortgage assistance loans released from bond indenture requirements as a result of refunding the bonds with which the loans were originally associated. Once released from the bond indentures, these loans are considered assets of the Authority and revenues generated from them are accounted for in the General Fund.

Special Revenue Funds are used for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes (other than for major capital projects). The Authority's Special Revenue Funds are as follows:

- **Housing Development Fund (HDF)** – This program provides for the development of affordable housing on a statewide level. Funding for this program is made through appropriations from the General Assembly. These funds are typically loaned to qualified borrowers who can be either non-profit developers or for-profit developers;

however, a small portion of these funds are granted to non-profit groups when debt service or repayments are not feasible. To qualify, developers must commit to rent to a predetermined percentage of low and moderate-income individuals for 20 years or the term of the loan, whichever is longer. Various restrictions are placed on mortgages, loans and grants as specified in the closing documents. Because the HDF is a revolving fund, most of its financing activity is in the form of both short and long-term loans which are used to finance pre-development expenses and construction costs, as well as assist in permanent financing. The HDF is used for homeownership assistance on a limited basis. In association with the HDF, the Authority also administers the Low Income Housing Tax Credit Program (LIHTC). This statewide program provides a direct federal tax income tax credit to qualified owners and investors to build, acquire, or rehabilitate rental housing units to rent to working low-income Delawareans. It allows both corporate and private investors to receive a fair return on their investment in affordable housing. The equity raised through the tax credit investment makes it possible for developers to attract the financing needed to create or restore low-income rental housing. Application and monitoring fees generated from the administration of this program are recorded in the General Fund.

- **Downtown Development Districts Program (DDD)** – The Downtown Development District Act was created to leverage state resources in a limited number of designated areas in Delaware’s cities and towns to: (1) spur private capital investment in commercial business districts and other neighborhoods; (2) stimulate job growth and improve the commercial vitality of our cities and towns; and (3) help build a stable community of long-term residents in our downtowns and other neighborhoods. Under this Act, funding is allocated through the General Assembly to the Authority for the purpose of establishing and administering the DDD Grant Program. Investors who make qualified real property investments to commercial, industrial, residential, and mixed-use buildings or facilities located within the boundaries of a designated DDD may apply to the Authority for a DDD Grant. DSHA received funding as part of its fiscal 2015 and 2016 appropriations from the General Assembly, \$7,000,000 (with up to 5% available to the Authority for administrative costs) and \$8,500,000, respectively. DSHA received \$8,500,000 as part of its fiscal year 2017 appropriation from the General Assembly.
- **State Rental Assistance Program (SRAP)** – SRAP is designed to serve individuals who have access to continuing supportive services but require affordable housing to live safely and independently in the community. This population includes youth exiting foster care, families for whom the lack of affordable housing is a barrier to reunification, individuals exiting long-term care facilities, and individuals at-risk of being admitted to, or requiring supportive services from, a state-supported institution. The program will utilize rental subsidies administered by the Authority for households referred by the Department of Health and Social Services (DHSS) and the Departments of Services for Children, Youth, and their Families (DSCYF). Funding for this program is received through appropriations from the General Assembly.
- **Delaware Emergency Mortgage Assistance Program (DEMAP)** – Funded through the Housing Development Fund, State Banking Commission licensing fees, and contributions, DEMAP is a loan program to help homeowners who have fallen behind on their mortgages due to financial hardships beyond their control. DEMAP low-interest loans provide eligible homeowners up to \$25,000 for reinstating delinquent mortgages and keeping the mortgage up to date for a period of up to 24 months from the date of delinquency. The Authority’s Housing Finance Office originates, underwrites, approves, and services these loans. There is a mortgage recorded against the subject property, in second or third lien position. In fiscal year 2013, The Authority received additional funding for DEMAP from the Delaware

Department of Justice (DOJ) Mortgage Multistate Settlement Funds. The agreement between DOJ and the Authority transferred \$4,812,500 into DEMAP for additional loans and allows principal repayments to remain in the original DEMAP account.

- **Delaware Housing Insurance Fund (DHIF)** – This program accounts for the activity related to the Authority’s administration of State funds which provide loan insurance for certain housing development loans. Additionally, the DHIF is used to pay debt service to SMAL bondholders for loans that foreclosed but were not forgiven by the bondholders.
- **Delaware Mortgage Mediation Program** – In January 2012, the Superior Court of the State of Delaware (the Court) delegated responsibility of administering the Automatic Residential Mortgage Foreclosure Mediation Program (Mediation Program) to the Consumer Protection Unit (CPU) of the Delaware Department of Justice. The CPU sub-delegated certain administrative responsibilities to the Authority. The Authority receives mediation fee payments from the Court and makes disbursements as detailed in a Memorandum of Understanding between the Authority, the CPU, and the Court. Disbursements include program and operating expenses and reimbursements to housing counseling agency and non-profit legal service entities that have provided housing counseling assistance in the Mediation Program.
- **DSHA Second Mortgage Assistance Program (DSHA SMAL)** – This program accounts for a program originally financed by the Housing Development Fund that provided second mortgage assistance loans to qualified first time home buyers who had inadequate savings to cover up-front costs associated with a home purchase. The Authority discontinued that program in February 2007, with no new loans being made after that date. Additionally, in August of 2008, the Delaware Housing Partnership granted a loan portfolio of over \$9 million to this program for the purpose of securing additional funding for second mortgage assistance. To date over \$4.5 million of this program’s loan portfolio has been granted to the Authority’s Single Family program to be used as collateral for bond issues that included over \$9 million of bond proceeds to be made available for second mortgage assistance loans. In fiscal year 2016, DSHA SMAL funded additional second mortgage assistance loans to qualified homebuyers with funds provided by the DSHA Mortgage Backed Securities Purchase/TBA Financing Program, a grant from the Housing Development Fund (HDF), and program income.
- **Delaware Department of Justice (DOJ) Mortgage Multistate Settlement Funds** – This program accounts for \$8,888,923 paid to the State of Delaware from the National Mortgage Foreclosure Settlement. The settlement was the result of an investigation by State Attorneys General into widespread mortgage servicing fraud by five of the nation’s largest banks. The use of the funds is restricted to housing-related and financial fraud-related purposes. The Authority entered into a Memorandum of Understanding (MOU) with the Delaware DOJ detailing joint oversight and coordination of the settlement funds. The MOU specifies the allocation of the funds for housing counseling, education and outreach, legal aid, and foreclosure prevention assistance.
- **Housing Rehabilitation Loan Program (HRLP)** - The HRLP was funded through the Housing Development Fund. The purpose of the program is to encourage the preservation of existing housing stock already occupied by low and moderate income people. This program provides an interest rate of 3% on housing rehabilitation loans to qualified owner-occupants and to landlords who rent their units to low-income persons. Owner occupants and investors may borrow 100% of rehabilitation costs. The limit on such rehabilitation costs is \$35,000 for owner-occupied and \$25,000 for

investor owned. Loans carry up to a 15 year term. These loans are originated by one of four Local Administering Agencies (LAA), New Castle County, Kent County, Sussex County, and City of Wilmington. The Authority underwrites and approves the loans. Artisans Bank services these loans. Based on declining demand, the Authority suspended accepting new HRLP applications as of November 2013. Disposition of the remaining HRLP funds will be reviewed and options explored.

- **Post Foreclosure Financial Coaching Program** – The Authority received funding for the Post Foreclosure Financial Coaching Program from the Delaware Department of Justice (DOJ) Mortgage Multistate Settlement funds. The agreement between the Joint Finance Committee of the Delaware Legislature, DOJ, and the Authority allocated \$1,000,000 to the Authority to implement a program to repair credit and poise households to return to successful homeownership. Funding was received in May of 2016 for activities to begin in fiscal year 2017.
- **Strong Neighborhoods Housing Fund (SNHF)** – The Authority received \$2,906,300 from the JPMorgan/Chase Mortgage Settlement, as part of the fiscal year 2015 appropriation from the General Assembly, to establish the Strong Neighborhoods Housing Fund. The SNHF is set up as a revolving fund to be used for the acquisition, renovation, and sale of vacant, abandoned, foreclosed or blighted property throughout the State. The funds are targeted for efforts that: (1) support community development and (2) transform neighborhoods that are experiencing blight or other forms of stress, including high crime. Funds for the pilot program will be disbursed through a competitive process.
- **Vacant Property Maintenance Program** – The Authority received funding for the Vacant Property Maintenance Program from the Delaware Department of Justice (DOJ) Mortgage Multistate Settlement funds. The agreement between the Joint Finance Committee of the Delaware Legislature, DOJ, and the Authority allocated \$500,000 to the Authority to implement a program to provide seed funding to help communities maintain abandoned property resulting from foreclosure. Funding was received in May of 2016 for activities to begin in fiscal year 2017.
- **Wilmington Senior Tax Assistance Program (WSTAP)** – The Wilmington Senior Tax assistance Program is designed to assist homeowners in the City of Wilmington who are 62 years of age or older and facing imminent foreclosure due to delinquent property taxes, or sewer and water bills. This program is funded with grants from United Way of Delaware and the City of Wilmington. Program payments of taxes and/or water/sewer bills for approved applicants are made by the Authority directly to the City of Wilmington. The maximum grant amount available under this program is \$3,000.

### **Proprietary Fund Type**

Two Enterprise funds are used to account for the activities of the Authority's Federal Programs and Single Family Programs as described below:

### **Federal Programs Fund**

**Moving To Work Demonstration Program (MTW)** – The MTW Demonstration Program offers the Authority the opportunity to design and test housing and self-sufficiency strategies for low-, very-low, and extremely low-income families by allowing exemptions from existing public housing and tenant-based Housing Choice Voucher rules and, with HUD approval, permits the Authority to combine operating, capital, and tenant-based assistance funds into a single agency-wide funding source.

The MTW program provides housing assistance for a maximum of five years to low-income Delawareans. Participants in the Moving To Work Program sign a Contract of Mutual Participation which outlines a plan to assist them in becoming more financially independent.

The MTW Demonstration Program does not provide any additional funding to the Authority. Funding originates from the following HUD programs:

- **Capital Fund Program (CFP)** – This program provides funding for the modernization of the Authority's public housing sites.
- **Housing Choice Voucher Program (HCVP)** - This program provides housing subsidies through the Authority's consolidated MTW program to eligible low-income individuals and families to rent existing privately owned units from participating landlords in Kent and Sussex Counties. The Authority administers this program and rents are subsidized by HUD. To qualify, residents must meet income criteria and each landlord must meet federal housing quality standards.
- **Public Housing (PH)** - Accounts for the activity related to the Authority's operation of ten housing projects or sites under the HUD Low Income Housing Program. Under this Program, HUD provides funding via an annual contributions contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating and debt service expenses of the projects. Escrow deposits in this program represent amounts set aside from rental income for participants within the Public Housing Program who also participate in the Authority's Moving To Work (MTW) Program. The MTW Program provides housing assistance for a maximum of five years to low-income Delawareans. Participants in the MTW program sign a Contract of Mutual Participation which outlines a plan to assist them in becoming more financially independent.

**Community Development Block Grants** - Grants received from HUD are distributed as loans or grants in furtherance of community development. The grants accounted for under this program are as follows:

- **Community Development Block Grant (CDBG)** - This grant program provides funding for rehabilitation, demolition, and Housing Code enforcement to maintain and improve existing housing, and provide the infrastructure to support this housing for low and moderate income persons. Eligible local governments implement this program by adopting a local Community Housing and Development Plan and submitting an application to the Authority for approval. A review panel evaluates applications based upon the extent of low-income individuals affected. Currently, only Kent and Sussex Counties, and municipalities within those two counties are eligible to apply under this program.
- **Emergency Solutions Program (ESP)** - This grant program provides existing emergency housing providers with assistance to expend and renovate homeless shelters and provides supportive housing service assistance to homeless persons and families in Kent and Sussex Counties.
- **Housing Opportunities for People With AIDS (HOPWA)** - This grant program provides funding for payment of project-based and/or tenant-based rental assistance, including shared housing, rent, mortgage, and/or utility payments to prevent homelessness for the tenant or mortgagor, in Kent and Sussex Counties. Funds may also be used for supportive services. The funds are awarded to the Delaware HIV Consortium.

- **Neighborhood Stabilization Program (NSP)** - The purpose of this grant program is (1) to assist communities that have been, or are likely to be, affected by foreclosed and abandoned properties by stimulating re-use of the property, and (2) to provide affordable rental and homeownership opportunities to households at or below 120% of Area Median Income (AMI), with 25% of the funds targeted to provide assistance to households at less than 50% of AMI.

#### Other Federal Funded Programs

- **Comprehensive Housing Counseling Program (CHC)** – This program accounts for HUD funding provided for housing counseling grants to HUD-approved local housing counseling agencies. These agencies counsel homeowners, homebuyers, prospective renters, and tenants under HUD, conventional and other government programs in improving their housing conditions and in meeting the responsibilities of tenancy and homeownership.
- **Family Unification Program (FUP)** – HUD funding provided for housing vouchers to be made available to families for whom the lack of adequate housing is a primary factor in the separation, or threat of imminent separation, of children from their families or in the prevention of reunifying the children with their families. The vouchers are also available to provide housing assistance to youth between 18 and 21 years of age who have left foster care. To qualify, residents must meet income criteria and each landlord must meet federal housing quality standards.
- **HOME Investment Partnership Program (HOME)** - HUD funding provided for low-interest and interest-free loans and/or grants to nonprofit and limited profit housing sponsors for the development of certain housing for low-to-moderate income persons.
- **NeighborWorks America Grants Program** – The Authority administers awards from NeighborWorks America, a congressionally chartered nonprofit organization dedicated to improving distressed communities. The Authority's role is that of an administrative pass-through agency to local nonprofit agencies. Currently the Authority administers two NeighborWorks America grant programs: (1) National Foreclosure Mitigation Counseling Program (NFMC) – agencies are paid set fees per client for mortgage delinquency and foreclosure prevention counseling sessions and (2) Making Home Affordable Outreach and Intake Project (MHA) – agencies are paid a set fee per client for homeownership pre-purchase counseling sessions.
- **Second Chance Act Reentry Initiative/I-ADAPT Housing** – The Authority has partnered with the Criminal Justice Council (CJC), a state government council, to distribute a portion of U.S. Department of Justice funds the CJC received as part of its Second Chance Act Adult State Demonstration Competitive Grant. The Authority's portion of this demonstration program is designed to assist offenders to attain and maintain shelter. Individuals receive financial assistance (1) with security deposits, utility deposits, and utility arrears; (2) for crisis housing; and/or (3) with short term rental assistance.
- **Section 8 Contract Administration (CA)** – the Authority administers Housing Assistance Payment (HAP) contracts for 59 HUD financed/insured Section 8 developments in Delaware.
- **Section 811 Project Rental Assistance Demonstration Program (S811 PRAD)** – This program accounts for HUD funding provided to create and sustain 170 units of affordable housing over five years for persons with disabilities who have extremely

low incomes. The Authority and Delaware Department of Health and Social Services work together to identify persons with disabilities who require long-term services and support to live independently in the community with the Authority managing the housing subsidy.

### **Single Family Programs Fund**

- **Single Family Bond Program** - This program accounts for the proceeds of the single family mortgage revenue bonds that are used to purchase long-term mortgage loans on owner occupied single family homes or mortgage loans securitized by Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA), and Federal Home Loan Mortgage Corporation (FHLMC). Beginning in fiscal 2009, the Authority included provisions for some bond proceeds to be used to purchase second mortgage assistance loans for qualifying home buyers. Private financial institutions act as agents for the Authority and process, disburse and service individual mortgage loans, second mortgage assistance loans are serviced by the Authority. Separate accounts are maintained for each series of bonds in accordance with the applicable bond resolution and indenture; however, for financial statement presentation, these accounts have been combined. Any excess of revenues over expenses in these accounts, as defined by the resolution and indenture, is not available for the general and lawful use of the Authority until all of the restrictive covenants of the applicable bond resolutions and indentures have been met.
- **Delaware State Housing Authority (DSHA) Mortgage Backed Securities Purchase Program** – This program accounts for the purchasing of mortgage backed securities. Since fiscal year 2013, the Authority has utilized the To-Be-Announced (TBA) market for single family homeownership financing. Under the DSHA TBA model: (1) Originators issue loans; (2) Lakeview Loan Servicing purchases and pools the loans; (3) Hilltop Securities purchases the MBS from Lakeview; and (4) Hilltop Securities send DSHA the premium, which is calculated at a predetermined price. The TBA financing allows DSHA to provide competitively priced mortgage loans while generating revenue.
- **Second Mortgage Assistance Loan (SMAL) Bond Program** - This program accounts for the proceeds of the Senior SMAL Mortgage Revenue Bonds, which provided second mortgages for qualifying home buyers.

### **Fiduciary Fund Type**

The DSHA Retiree Medical Trust Fund accounts for transactions, assets, liabilities, and assets held in trust for post-employment healthcare insurance premiums of DSHA non-state employees (Note V.,D.).

### **C. Measurement focus, basis of accounting, and financial statement presentation**

The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized as revenue when all eligibility requirements have been met.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing mortgages and grants in connection with a proprietary fund's principal ongoing operations. The principal operating



revenues of the Authority enterprise funds are HUD grants and mortgage interest. Operating grants are classified as operating revenues if they finance a program that the Authority would not otherwise undertake. These grants reimburse the costs of these programs whose activity is inherently part of the operations of the Authority. The Authority also recognizes as operating revenue rental income from Public Housing sites. Operating expenses for enterprise funds include grant expenses, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The governmental fund financial statements (General and Special Revenue Funds) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues are recognized for the major revenue categories subject to the availability criteria as follows:

- Grant revenues (wherein monies must be expended on specific purposes prior to the Authority being reimbursed) are recognized as reimbursable expenditures as incurred.
- Service revenues are recognized as earned.
- Interest revenues on cash and investments are recognized as earned.
- Interest revenues on mortgage loans are recognized as earned.

However, changes in the fair value of investments are recognized as revenue without reference to the availability criteria.

Under the modified accrual basis of accounting, expenditures (operating, capital and debt service) are generally recognized when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

### **Impact of Future Accounting Pronouncements**

In 2015, the GASB issued No. 75 *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.”* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflow of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actual present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined OPEB also are addressed. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity. This Statement is effective for fiscal years beginning after June 15, 2017. The Authority is currently evaluating the future impact of this statement.

In 2016, the GASB issued No. 81 *“Irrevocable Split-Interest Agreements.”* This objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. The Authority is currently evaluating the future impact of this statement.

In 2016, the GASB issued No. 82 *“Pension Issues.”* The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement is effective for fiscal years beginning after June 15, 2016 or June 15, 2017, depending on the specific requirements. The Authority is currently evaluating the future impact of this statement.

In 2016, the GASB issued No. 83 *“Certain Asset Retirement Obligations.”* The objective of this statement is to address accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement is effective for fiscal years beginning after June 15, 2018. The Authority is currently evaluating the future impact of this statement.

In 2017, the GASB issued No. 84 *“Fiduciary Activities.”* The objective of this statement is to establish criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement is effective for fiscal years beginning after December 15, 2018. The Authority is currently evaluating the future impact of this statement.

In 2017, the GASB issued No. 85 *“Omnibus 2017.”* The objective of this statement is to establish accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of this statement apply to state and local governments. This Statement is effective for fiscal years beginning after June 15, 2017. The Authority is currently evaluating the future impact of this statement.

In 2017, the GASB issued No. 86 *“Certain Debt Extinguishment Issues.”* The objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This statement is effective for fiscal years beginning after June 15, 2017. The Authority is currently evaluating the future impact of this statement.

## **D. Assets, liabilities, and net position or equity**

### **Cash and Cash Equivalents**

The Authority considers all checking deposits, demand deposits and uninvested principal cash to be cash and cash equivalents (see Note IV., A.).

### **Investments**

The Authority considers all interest bearing bank money market, money market savings and State of Delaware investment pool accounts to be investments. Investment securities are recorded at fair value, except that investment securities with a remaining maturity at time of purchase of one year or less are reported at cost adjusted for the amortization of premium or the accretion of discount over the term of the investment, which approximates fair value (see Note IV., A.). These securities are stated at fair value based upon quoted market prices and changes in the fair value are reported in the statements of revenue, expenses, and changes in net position as net increase (decrease) in fair value of investments, in accordance with GASB Statement No. 72, *Accounting and Financial Reporting for Fair Value Measurement and Application* (GASB No. 72).

### **Securitized Mortgage Loans**

Securitized mortgage loans consist of Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA), and Federal Home Loan Mortgage Corporation (FHLMC) mortgage backed securities (MBS), which were pooled and securitized by a contract servicer utilizing Single Family Mortgage Program loans purchased by the Authority. These securities are stated at fair value based upon quoted market prices and changes in the fair value are reported in the statements of revenue, expenses, and changes in net position as net increase (decrease) in fair value of investments, in accordance with GASB Statement No. 72, *Accounting and Financial Reporting for Fair Value Measurement and Application* (GASB No. 72). The bond issue trustee uses a third-party pricing service to compute the MBS fair value. Principal and interest repayments as well as proceeds from the sale of mortgage backed securities are restricted for payment of corresponding bonds assigned to underlying mortgages.

### **Mortgage Loans Receivable**

Mortgage loans are recorded at their unpaid principal balances net of allowances for doubtful accounts (see Note IV., B.). Allowances are estimated as a percentage of total outstanding balances within the following loans programs at June 30: First and second homeowner mortgages of the Authority Loan Programs within the General Fund, DSHA Second Mortgage Assistance Loan Program (DSHA SMAL), Delaware Emergency Mortgage Assistance Loans (DEMAP), Housing Rehab Loan Program (HRLP), and Single Family Programs. These percentages are reviewed and revised by the Authority on an annual basis.

### **Accrued Interest and Other Receivables**

An allowance for doubtful accounts in the amount of \$27,093 has been established for tenant accounts receivable in the business-type activities and the Federal Programs Enterprise Fund as of June 30, 2017. The allowance is based upon an aging of the tenant accounts receivable and is adjusted annually. All tenant account receivable balances with no payment activity within 120 days are considered doubtful accounts.

An allowance for doubtful accounts was established in fiscal year 2015 for the accrued interest on loans to certain nonprofit developers within the Housing Development Fund and HOME Investment Partnership Program. These loans have deferred payment terms with

interest accruing at a rate of 3% per year. It was decided the Authority would recognize an allowance for doubtful accounts for a portion of the accrued interest on these loans. Based on the fact that the present rate is 1% for new nonprofit loans, the Authority established an allowance for doubtful accounts for two thirds of the accrued interest on these loans. The amounts of the allowance at June 30, 2017 are \$3,561,935 in the Housing Development Fund, governmental activity and major governmental fund; and \$2,051,940 in the HOME Investment Partnership Program, a business-type activity and Federal Programs Enterprise Fund.

**Capital Assets**

Capital assets acquired for general Authority operations are capitalized at cost and reported in the entity-wide and proprietary fund financial statements net of accumulated depreciation.

All land and buildings are capitalized, regardless of cost. Buildings and land/site improvements are capitalized when the cost of the project equals \$100,000 or more. Software purchases are capitalized when the cost equals or exceeds \$50,000. Equipment and vehicles are capitalized when the cost of individual items is \$25,000 or more, with the exception of items purchased with federal funds, which are capitalized when the cost exceeds \$5,000 in accordance with OMB Uniform Guidance.

Capital assets of the Authority are depreciated using the straight line method over the following estimated useful lives:

Buildings	27 years
Buildings and Land/Site Improvements	15 years
Computer Software	10 years
Telecommunications Equipment	10 years
Computer Equipment	3 years
Vehicles	3 years
Other Equipment	5 years

**Deferred Amounts on Bond Refunding**

The Authority incurs deferred amounts on bond refunding which are accreted over the remaining life of the bonds at the time of each refunding as deferred revenues or deferred expenses.

**Deferred Credit**

In May of fiscal year 2016, the Authority received funding from the Delaware Department of Justice (DOJ) Mortgage Multistate Settlement funds. The agreement between the Joint Finance Committee of the Delaware Legislature, DOJ, and the Authority allocated \$1,500,000 to the Delaware Emergency Mortgage Assistance Program, \$1,000,000 to the Post Foreclosure Financial Coaching Program, \$2,500,000 to the State Rental Assistance Program, \$5,767,000 to the Strong Neighborhoods Housing Fund, and \$500,000 to the Vacant Property Maintenance Program. Funding was received in May of 2016 for activities to begin in fiscal year 2017. There was no deferred credit activity in fiscal year 2017.

**Compensated Absences Payable**

In accordance with GASB Statement No. 16, the Authority has accrued a liability for future absences, recognizing the obligation relating to compensation for absences attributable to services already rendered. The current portion of compensated absences for both the entity-wide and fund proprietary financial statements includes all annual leave amounts that exceed a 318 hour maximum allowable carryover per employee, as these amounts will have to be used within the next year or be forfeited. The Authority believes that those balances will be

used and not forfeited. Additionally, current compensated absences include annual leave balances payable to employees at fiscal yearend based on the Authority's knowledge of pending retirements or resignations. The balance of annual leave accrual is considered noncurrent. The Authority considers all sick leave accruals noncurrent.

### **Escrow Deposits**

In the General Fund, escrow deposits represent amounts withheld from housing assistance contributions received from HUD for the payment of property insurance, property taxes and property replacement requirements for the multi-family authority loans.

In the Federal Programs Fund, escrow deposits are held for the HOME and MTW programs. The HOME escrow deposits represent funds received from project owners for the payment of property insurance, property taxes, and property replacement requirements. MTW escrow deposits represent amounts set aside from rental income for the Moving To Work Rental Housing Program.

In the Housing Development Fund, escrow deposits represent funds received from project owners for the payment of property insurance, property taxes, and property replacement requirements for the Housing Development Fund. Interest earnings from the investment of such escrows are distributed to the escrow accounts.

### **Restricted Resources**

The Authority spends restricted resources first and uses unrestricted resources for purposes for which restricted resources are not available.

### **Net Position/Fund Equity**

In the entity-wide statement of net position, the Authority reports net position in three categories - invested in capital assets, restricted, and unrestricted. The amount of unrestricted net position is dedicated to the Authority's operations, pursuant to Title 31, Chapter 40 of the Delaware Code and the Authority's bond resolutions.

In accordance with GASB Statement No. 54, the Authority defines fund balance categories to make the nature and constraints placed on its fund balances transparent. The following classifications describe the relative strength of the spending constraints:

#### **General Fund**

- **Nonspendable:** Balances include items that cannot be spent. This includes activity not in a spendable form (prepaid amounts, long-term portion of loans and interfund receivables) and activity that is legally or contractually required to remain intact.
- **Committed:** Balances designated by General Order of the Authority, as approved by the Director, a position appointed by the Governor and authorized by Delaware Code, found at Title 31, Chapters 40 and 43, imposed by the Delaware Legislature, the State's highest level of decision-making authority, as follows:

Program Activities – amount based upon the greater of the Authority's current administrative budget or the projected general fund balance amount needed to support operations over a ten year period as identified in the most recent Resource Allocation Plan.

Program Investments – amount in excess of program activity needs, as described above, to be conservatively invested in existing or proposed Authority programs to further the Authority's mission.

The Director can create, modify, or rescind an appropriation within the statutes of the Code.

### **Housing Development Fund**

- **Restricted:** Balances in excess of committed fund balance, to be used for the specific purpose of Housing Development Fund activities per enabling legislation.
- **Committed:** Balances can be used only for specific purposes (i.e. loans and grants) but not yet disbursed at the statement date, pursuant to constraints imposed by the passage of resolutions by the Delaware Council on Housing, an eleven member board appointed by the Governor and authorized by Delaware Code, Title 31, Chapter 40, imposed by the Delaware Legislature, the State's highest level of decision-making authority. The Council can create, modify, or rescind an appropriation within the statutes of the Code.

### **Other Governmental Funds**

- **Restricted:** Balances used for specific program activities per enabling legislation.
- **Assigned:** Balances include amounts that are constrained by the Authority's intent, as approved by the Director, a position appointed by the Governor and authorized by Delaware Code, Title 31, Chapters 40 and 43, to be used for a specific purpose, but are neither restricted nor committed.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Authority has provided otherwise in its commitment or assignment actions. Commitments may be modified or rescinded only through General Order or by Housing Council.

A summary of governmental fund balances at June 30, 2017, is as follows:

	General Fund	Housing Development Fund	Downtown Development Districts Grant Fund	State Rental Assistance Program	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>						
General Fund	\$ 8,802,261	\$ -	\$ -	\$ -	\$ -	\$ 8,802,261
Total nonspendable	8,802,261	-	-	-	-	8,802,261
<b>Restricted:</b>						
Housing Development	-	222,263,931	-	-	-	222,263,931
Downtown Development District	-	-	19,774,058	-	-	19,774,058
Rental Assistance	-	-	-	5,309,581	-	5,309,581
Foreclosure Prevention and Housing Counseling	-	-	-	-	15,167,534	15,167,534
Housing Rehabilitation	-	-	-	-	1,195,546	1,195,546
Mortgage Assistance	-	-	-	-	29,024,888	29,024,888
Neighborhood Revitalization	-	-	-	-	6,700,251	6,700,251
Other Purposes	-	-	-	-	93,284	93,284
Total restricted	-	222,263,931	19,774,058	5,309,581	52,181,503	299,529,073
<b>Committed:</b>						
General Fund	31,574,109	-	-	-	-	31,574,109
Housing Development	-	21,067,994	-	-	-	21,067,994
Total committed	31,574,109	21,067,994	-	-	-	52,642,103
<b>Assigned:</b>						
Housing Rehabilitation	-	-	-	-	1,227,331	1,227,331
Other Purposes	-	-	-	-	83,408	83,408
Total assigned	-	-	-	-	1,310,739	1,310,739
Total Fund Balance	\$ 40,376,370	\$ 243,331,925	\$ 19,774,058	\$ 5,309,581	\$ 53,492,242	\$ 362,284,176

## Comparative Data

Comparative total data for the prior year is presented in the basic financial statements to provide an understanding of changes in the Authority's financial position and operations. That comparative data is not at the level of detail required for a presentation in conformity with generally accepted accounting principles and has been reclassified, as needed, from the presentation in the Authority's June 30, 2016, financial statements to be comparative with the current-year presentation.

## Statement of Cash Flows

For purposes of reporting cash flows of Proprietary Funds, cash balances consist of checking deposits, demand deposits, and uninvested principal cash. GASB Statement No. 9 requires reporting both purchases and sales of investments under Investing Activities. As permitted under Statement No. 9, however, certain investment transactions have been reported as a net change in the statement of cash flows because the turnover rate of such investments is high and their maturities are short.

## Budgetary Comparisons

Under GASB No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The Authority is not legally required to adopt a budget for the general fund. Therefore, budget comparison information is not included in the Authority's financial statements. However, the Authority does implement an executive budget each fiscal year. The executive budget is reviewed and approved by the Director, monitored for compliance on a monthly basis, and any use of the general fund beyond the approved executive budget must be approved by the

Director.

## II. RECONCILIATION OF ENTITY-WIDE AND FUND FINANCIAL STATEMENTS

### A. Explanation of certain differences between the governmental fund balance sheet and the entity-wide statement of net position

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the entity-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and therefore, are not reported in the funds. The details of this \$1,149,328 difference are as follows:

Capital assets	\$3,373,312
Less: Accumulated depreciation	<u>(2,223,984)</u>
Net capital asset adjustment	<u>\$1,149,328</u>

The other element of that reconciliation explains that long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The details of this \$(1,169,976) difference are as follows:

Compensated absences	\$(586,886)
State of Delaware pension obligation	<u>(571,337)</u>
Net long-term liabilities adjustment	<u>\$(1,169,976)</u>

### B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the entity-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the entity-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$(108,702) difference are as follows:

Capital outlay	\$ -
Less: Depreciation expense	<u>(108,702)</u>
Net capital asset adjustment	<u>\$(108,702)</u>

## III. COMPLIANCE AND ACCOUNTABILITY

The Authority implements an executive budget each fiscal year. The executive budget is reviewed and approved by the Director, monitored for compliance on a monthly basis, and any use of the general fund beyond the approved executive budget must be approved by the Director.

## IV. DETAILED NOTES ON ALL FUNDS

### A. Deposits and investments

#### Investment Policies

The Authority has an investment policy that encompasses all moneys related to the issuance of bonds, as well as, all funds otherwise held by the Authority. The Authority seeks first and foremost to ensure safety of principal, and secondly, to attain the highest possible return available given the risk constraints. The Authority is allowed to invest in certain qualified



investments as defined by amended Section 4013, Chapter 40, Title 31, of the Delaware Code and the Authority's formal investment policy. Subject to certain limitations, such as the credit ratings on bonds and the capitalization level of depositories, "qualified investments" include:

- Obligations of or explicitly guaranteed by the US or Delaware state governments.
- Obligations of US government-sponsored enterprises and US government agencies and instrumentalities.
- Obligations of depositories and other financial institutions.
- Bankers' acceptances.
- Commercial paper.
- Money market mutual funds.
- Corporate debt obligations.
- The State of Delaware investment pool with the State Treasurer's Office.
- Other investment arrangements made pursuant to an investment agreement authorized by a resolution of the Authority.

Certain federal funds administered by the Authority are subject to additional limitations within the qualified investments listed above. The policy can be amended by the Authority provided the changes meet the Delaware Code requirements. There have been no significant investment policy changes during the fiscal year.

For the State of Delaware Investment Pool, fair value of the pool shares is the same as the carrying value of the pool shares. The State of Delaware Cash Management Policy Board provides oversight for this pool.

The Authority's securitized mortgage loans are primarily mortgage loans originated under various bond resolutions that have been pooled and securitized by a servicer under contract to the Authority. Upon securitization, these Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA), and Federal Home Loan Mortgage Corporation (FHLMC) securities are then purchased by the bond issue trustee utilizing the proceeds of the respective bonds. The bonds in turn are secured, respectively, by the securities purchased with the bond proceeds. The fixed-rate securitized mortgage loans are sensitive to changes in interest rates, which may result in prepayments of underlying mortgages.

### **Investments**

Investments are presented at fair value. Fair values are determined by quoted market prices based on national exchange prices for all investments, except for the State of Delaware Investment Pool. The State pool is valued based on the pool's share price.

The Fiduciary Fund investments include a mortgage loan receivable held by the DSHA Retiree Medical Trust to generate income. The mortgage loan provided \$1,225,000 in permanent financing to a Delaware affordable rental housing site in the form of a 5 percent amortizing loan over 30 years, with a 20 year call provision. The loan was disbursed in October of 2015. The Authority, in the event of loan default, is the guarantor of this loan.

The following is a listing of investments and their maturities:

Investment type	Fair Value 6/30/2017	Investment Maturities (in Years)				
		Less than 1	1 to 5	5 to 10	10 to 20	20 to 30
<b>Governmental activities:</b>						
U.S.Treasury Notes	\$ 19,499,953	\$ 8,774,433	\$10,725,520	\$ -	\$ -	\$ -
U.S.Treasury Bonds	25,661	-	-	-	25,661	-
U.S.Treasury Strips	387,834	-	-	387,834	-	-
U.S. Agencies	25,415,049	9,641,904	15,773,145	-	-	-
Corporate Notes	21,702,459	12,715,834	8,986,625	-	-	-
Commercial Paper	1,345,504	1,345,504	-	-	-	-
Bank Money Market Accounts	52,450,567	52,450,567	-	-	-	-
State of Delaware Investment Pool	16,343,822	16,343,822	-	-	-	-
Total Governmental Activities Investments	137,170,849	101,272,064	35,485,290	387,834	25,661	-
<b>Business-type activities:</b>						
U.S.Treasury Notes	903,145	416,483	486,662	-	-	-
U.S. Agencies	1,202,494	328,831	873,663	-	-	-
Corporate Notes	1,251,053	915,801	335,252	-	-	-
Commercial Paper	71,330	71,330	-	-	-	-
Investment Agreements	45,450	-	-	-	-	45,450
Money Market Saving Accounts	4,010,331	4,010,331	-	-	-	-
Bank Money Market Accounts	14,569,302	14,569,302	-	-	-	-
State of Delaware Investment Pool	622	622	-	-	-	-
Securitized Mortgage Loans	239,255,735	-	-	-	-	239,255,735
Total Business-type Activities Investments	261,309,462	20,312,700	1,695,577	-	-	239,301,185
Total Entity-wide Investments	\$ 398,480,311	\$ 121,584,764	\$37,180,867	\$ 387,834	\$ 25,661	\$ 239,301,185
<b>Fiduciary Fund Investments:</b>						
U.S.Treasury Notes	\$ 887,046	\$ 199,600	\$ 687,446	\$ -	\$ -	\$ -
U.S. Agencies	2,321,546	628,500	1,693,046	-	-	-
Corporate Notes	2,005,586	1,122,525	883,061	-	-	-
Bank Money Market Accounts	24,037	24,037	-	-	-	-
Mortgage Loan Receivable	1,194,367	19,640	89,138	139,600	409,082	536,907
Total Fiduciary Fund Investments	\$ 6,432,582	\$ 1,994,302	\$ 3,352,691	\$ 139,600	\$ 409,082	\$ 536,907

### Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy places limits on maturities for the various funds as follows:

- **Single Family Program Funds:** Investment contracts for bond program funds should have a maturity that matches the final bond maturity to minimize reinvestment risk. Individual investments of bond program funds should match anticipated cash requirements or provide sufficient liquidity to allow funds to be accessed to meet bond resolution requirements without incurring material principal losses.
- **Federal Program Funds:** HUD funds held by the Authority should have a maximum maturity of one year. HUD-related funds held by the Authority (escrows, replacement reserves, residual receipts) shall have a maximum maturity of three years.
- **General Fund:** The Operating Reserve Account, which is managed externally, should have a maximum maturity at the time of purchase of ten years. However, specific investments may be transferred into the account from time to time that may have a longer maturity. The Authority may further reduce the maximum maturity of the operating reserve investments from time to time.
- **Other Authority funds** should be invested with a maturity that matches, or is prior to, the anticipated time at which the funds will be needed.
- **Authority investments** (other than deposit accounts, money market fund shares, or deposits with the State Treasurer's Office) should have a fixed maturity date by which principal and accrued interest will be fully repaid. The Authority is not permitted to enter into investments that have an expected maturity date that can be extended

depending upon market conditions.

## Credit Risk

The Authority's general investment policy is to make investments with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as, the probable income to be derived. The Authority's investment policy limits its investment choices as mentioned above under Investments. For the Authority's Single Family Programs, the investment rating must be equal to or exceed the bond rating. The Authority's Operating Reserve Account has a specific credit quality requirement as follows: Corporate debt obligations and shares of money market mutual funds shall have a long-term rating of AA and/or Aa, respectively by Standard & Poor's (S&P) and Moody's at the time of purchase. The State of Delaware Investment Pool and money market accounts are not rated by any of the nationally recognized statistical rating organizations. As of June 30, 2017, the Authority's investments were rated as detailed below, in addition, the Fiduciary Fund investments include a mortgage loan receivable of \$1,225,000 which the Authority, in the event of loan default, has guaranteed.

Investment Type	Ratings (S & P)							U.S. government guaranteed	
	A1	A1+	A	A+	AA-	AA	AA+		AAA
<b>Governmental activities:</b>									
U.S. Treasury Notes									\$ 19,499,953
U.S. Treasury Bonds									\$ 25,661
U.S. Treasury Strips									\$ 387,834
U.S. Agencies							\$ 25,415,049		
Corporate Notes			\$ 2,525,317	\$ 2,172,153	\$ 9,603,289	\$ 1,892,745	\$ 3,867,743	\$ 1,641,212	
Commercial Paper	\$ 346,925	\$ 998,579							
<b>Business-type activities:</b>									
U.S. Treasury Notes									\$ 903,145
U.S. Agencies							\$ 1,202,494		
Corporate Notes			\$ 111,031	\$ 98,050	\$ 636,656	\$ 68,352	\$ 236,784	\$ 100,180	
Commercial Paper		\$ 71,330							
Securitized Mortgage Loans									\$ 239,255,735
<b>Fiduciary Fund:</b>									
U.S. Treasury Notes									\$ 887,046
U.S. Agencies							\$ 2,321,546		
Corporate Notes			\$ 169,946	\$ 100,288	\$ 784,389	\$ 429,110	\$ 323,823	\$ 198,030	

## Custodial Credit Risk

For deposits (i.e., cash and cash equivalents) custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. All of the Authority's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2017, the carrying value and the bank balances of the Authority's deposits were \$43,098,204 and \$44,477,212 respectively.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Authority's \$398,480,311 investment balance, \$45,450 represents deposits held by various Guaranteed Investment Contract (GIC) providers under investment agreements. These accounts are uninsured and uncollateralized. The funds are specifically identified for the Authority, but the custodial credit risk cannot be categorized for these funds. Credit risk for such investments depends on the financial stability of the GIC provider whose rating must equal or exceed that of the bond rating. The bank and savings money markets must be collateralized at 102% or greater by securities pledged and identified as held in the Authority's name. Although the State

Investment Pool is not collateralized, the State's Cash Management Policy Board requires that investments meet certain ratings, investment types and maturity criteria. The Authority's investment policy does not limit the amount of securities that can be held by the counterparties.

### Fair Value Hierarchy

The Fair Value Hierarchy is used to communicate the nature of the inputs used to measure fair value at each measurement date. The three levels of the Fair Value Hierarchy are as follows:

- Level 1 – A quoted price for identical assets or liabilities in an active market provides the most reliable evidence of a Level 1 input of fair value and should be used to measure fair value without adjustment whenever available.
- Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; or other market-corroborated inputs. Level 2 fair values should be adjusted for factors specific to the asset or liability.
- Level 3 – Using assumptions used by market participants, the government should develop inputs using the best information available under the circumstances.

The following is a listing of the Authority's investments within the Fair Value Hierarchy:

Investment type	Fair Value 6/30/2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Governmental activities:</b>				
U.S. Treasury Notes	\$ 19,499,953	\$ 19,499,953	\$ -	\$ -
U.S. Treasury Bonds	25,661	25,661	-	-
U.S. Treasury Strips	387,834	387,834	-	-
U.S. Agencies	25,415,049	25,415,049	-	-
Corporate Notes	21,702,459	21,702,459	-	-
Commercial Paper	1,345,504	1,345,504	-	-
Bank Money Market Accounts	52,450,567	52,450,567	-	-
State of Delaware Investment Pool	16,343,822	16,343,822	-	-
<b>Total Governmental Activities Investments</b>	<b>137,170,849</b>	<b>137,170,849</b>	<b>-</b>	<b>-</b>
<b>Business-type activities:</b>				
U.S. Treasury Notes	903,145	903,145	-	-
U.S. Agencies	1,202,494	1,202,494	-	-
Corporate Notes	1,251,053	1,251,053	-	-
Commercial Paper	71,330	71,330	-	-
Investment Agreements	45,450	45,450	-	-
Money Market Saving Accounts	4,010,331	4,010,331	-	-
Bank Money Market Accounts	14,569,302	14,569,302	-	-
State of Delaware Investment Pool	622	622	-	-
Securitized Mortgage Loans	239,255,735	239,255,735	-	-
<b>Total Business-type Activities Investments</b>	<b>261,309,462</b>	<b>261,309,462</b>	<b>-</b>	<b>-</b>
<b>Total Entity-wide Investments</b>	<b>\$ 398,480,311</b>	<b>\$ 398,480,311</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fiduciary Fund Investments:</b>				
U.S. Treasury Notes	\$ 887,046	\$ 887,046	\$ -	\$ -
U.S. Agencies	2,321,546	2,321,546	-	-
Corporate Notes	2,005,586	2,005,586	-	-
Bank Money Market Accounts	24,037	24,037	-	-
Mortgage Loan Receivable	1,194,367	-	-	1,194,367
<b>Total Fiduciary Fund Investments</b>	<b>\$ 6,432,582</b>	<b>\$ 5,238,215</b>	<b>\$ -</b>	<b>\$ 1,194,367</b>

Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in

active markets for those securities. The mortgage loan receivable classified in Level 3 of the fair value hierarchy is valued at the amount of principal due at June 30, 2017.

## B. Receivables

Total receivables as of June 30, 2017 are as follows:

Receivables	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Mortgage loans	\$ 188,451,184	\$ 88,343,959	\$ 276,795,143
Accrued interest	44,040,895	20,389,964	64,430,859
Other receivables	511,728	625,824	1,137,552
Grants receivable	-	531,758	531,758
Total receivables	<u>233,003,807</u>	<u>109,891,505</u>	<u>342,895,312</u>
Allowance for doubtful accounts	<u>(7,965,016)</u>	<u>(4,166,845)</u>	<u>(12,131,861)</u>
Total receivables, net	<u>\$ 225,038,791</u>	<u>\$ 105,724,660</u>	<u>\$ 330,763,451</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 222,992,722</u>	<u>\$ 100,913,223</u>	<u>\$ 323,905,945</u>

### Mortgage loans receivable

A summary of mortgage loans receivable as of June 30, 2017 is shown below:

#### Governmental Activities:

General Fund	\$ 3,520,625
Housing Development Fund	152,977,752
Non-major governmental funds	<u>31,952,807</u>
Mortgage loans receivable, governmental activities	188,451,184
Less: Allowance for doubtful accounts	<u>(3,911,528)</u>
Net mortgage loan receivables, governmental activities	<u>184,539,656</u>

#### Business-type Activities:

Federal Programs Fund	58,293,033
Single Family Programs Fund	<u>30,050,926</u>
Mortgage loans receivable, business-type activities	88,343,959
Less: Allowance for doubtful accounts	<u>(1,645,324)</u>
Net mortgage loan receivables, business-type activities	<u>86,698,635</u>

**Total mortgage loans receivable, net** \$ 271,238,291

Mortgage loans receivable in the General Fund consist of single family, multi-family, and second mortgage assistance loans released from bond indenture requirements as a result of refunding the bonds with which the loans were originally associated. Once released from the bond indentures, these loans are considered assets of the Authority. Interest rates on the loans range from 5.375% to 9.75% with maturities ranging from 1 to 17 years. Additionally, during fiscal year 2016, the Authority's DSHA Loan Program, within its General Fund, funded a 10 year permanent mortgage loan in the amount of \$500,000 at a rate of 3% interest.

Mortgage loans outstanding in the Housing Development Fund are collateralized by first, second or third mortgages on the properties and, in limited instances, are guaranteed by corporate sponsors.

Mortgage loans receivable in the Single Family Programs Fund are secured by first liens on real property. Loans purchased in the Single Family Programs Fund that have a loan to value ratio in excess of 72% (80% for loans purchased after 1986) are insured or guaranteed by either the Federal Housing Administration ("FHA"), the Farmers Home Administration

("FmHA"), the Department of Veterans' Affairs ("VA"), or by a private primary mortgage insurance policy. All loans purchased under this Program, exclusive of FHA and VA loans, are also insured by a mortgage pool insurance policy. Interest rates on the loans range from 4.50% to 9.35% with maturities of such loans ranging from 15 to 40 years. Mortgage loans receivable in the Single Family Programs also include second mortgage assistance loans with interest rates ranging from 0% to 8%. The second mortgage is a lien against the property with monthly payments deferred until (1) the first mortgage is paid off; (2) the property is sold or transferred; or (3) the property is no longer the borrower's primary residence. However, the borrower can voluntarily repay at any time with no prepayment penalty.

### Accrued interest and other receivables

Accrued interest and other receivables as of June 30, 2017 are as follows:

	Governmental Activities			Business-type Activities		Total
	General Fund	Housing	Nonmajor	Federal Programs	Single	
		Development Fund	Governmental Funds		Family Programs	
Loan interest	\$ 2,238,841	\$ 31,847,809	\$ 5,759,473	\$ 11,884,679	\$ 6,010,855	\$ 57,741,657
Investment interest	71,954	66,830	2,501	-	2	141,287
HDF projects	265,596	-	-	-	-	265,596
Other projects	131,933	-	-	-	-	131,933
Servicers	5,866	-	-	-	37,171	43,037
Tenants, net	-	-	-	28,672	-	28,672
Other	84,621	-	23,711	532,888	-	641,220
<b>Total</b>	<b>\$ 2,798,811</b>	<b>\$ 31,914,639</b>	<b>\$ 5,785,685</b>	<b>\$ 12,446,239</b>	<b>\$ 6,048,028</b>	<b>\$ 58,993,402</b>

### C. Accounts payable

Accounts payables as of June 30, 2017 are as follows:

	Governmental Activities		Business-type Activities		Total
	General Fund	Nonmajor	Federal Programs	Single Family	
		Governmental Funds		Programs	
Vendors	\$ 106,118	\$ 266	\$ 165,307	\$ -	\$ 271,691
Salaries	165,890	-	106,834	-	272,724
Security deposits	-	-	170,546	-	170,546
Other	7,470	-	120,469	71	128,010
<b>Total</b>	<b>\$ 279,478</b>	<b>\$ 266</b>	<b>\$ 563,156</b>	<b>\$ 71</b>	<b>\$ 842,971</b>

## D. Capital assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance		Increases	Decreases	Ending Balance	
	June 30, 2016				June 30, 2017	
<b>Governmental activities:</b>						
Capital assets, not being depreciated:						
Land	\$ 509,500	\$ -	\$ -	\$ -	\$ 509,500	
Total capital assets, not being depreciated	509,500	-	-	-	509,500	
Capital assets, being depreciated:						
Buildings	1,934,902	-	-	-	1,934,902	
Land/Site Improvements	211,929	-	-	-	211,929	
Computer Equipment	415,167	-	-	-	415,167	
Equipment	265,067	-	-	-	265,067	
Telecommunications Equipment	36,747	-	-	-	36,747	
Total capital assets being depreciated	2,863,812	-	-	-	2,863,812	
Less accumulated depreciation for:						
Buildings	1,248,817	56,634	-	-	1,305,451	
Land/Site Improvements	197,401	4,150	-	-	201,551	
Computer Equipment	415,167	-	-	-	415,167	
Equipment	217,150	47,918	-	-	265,068	
Telecommunications Equipment	36,747	-	-	-	36,747	
Total accumulated depreciation	2,115,282	108,702	-	-	2,223,984	
Total capital assets, being depreciated, net	748,530	(108,702)	-	-	639,828	
Governmental activities capital assets, net	\$ 1,258,030	\$ (108,702)	\$ -	\$ -	\$ 1,149,328	
<b>Business-type activities:</b>						
Capital assets, not being depreciated:						
Land	\$ 2,336,842	\$ -	\$ -	\$ -	\$ 2,336,842	
Buildings held for resale	330,911	-	-	-	330,911	
Construction in Progress	1,027,166	447,124	1,011,746	-	462,544	
Total capital assets, not being depreciated	3,694,919	447,124	1,011,746	-	3,130,297	
Capital assets, being depreciated:						
Buildings	22,600,570	-	-	-	22,600,570	
Land/Site Improvements	20,873,588	1,011,746	-	-	21,885,334	
Vehicles	117,376	-	-	-	117,376	
Equipment	826,090	-	-	-	826,090	
Total capital assets being depreciated	44,417,624	1,011,746	-	-	45,429,370	
Less accumulated depreciation for:						
Buildings	19,457,946	567,503	-	-	20,025,449	
Land/Site Improvements	14,463,250	1,041,864	-	-	15,505,114	
Vehicles	54,486	25,156	-	-	79,642	
Equipment	759,619	66,471	-	-	826,090	
Total accumulated depreciation	34,735,301	1,700,994	-	-	36,436,295	
Total capital assets, being depreciated, net	9,682,323	(689,248)	-	-	8,993,075	
Business-type activities capital assets, net	\$ 13,377,242	\$ (242,124)	\$ 1,011,746	\$ -	\$ 12,123,372	

Depreciation expense of \$108,702 was charged to the administrative function in the governmental activities. Depreciation expense of \$1,700,994 was charged to the affordable rental housing function in the business-type activities.

Certain vehicles and equipment are considered fully depreciated even though they outlasted their respective estimated useful lives. The Authority re-evaluated the assets placed in service and determined the cumulative effect of the recalculation of depreciation was immaterial to the financial statements taken as a whole.

### Construction commitments

The Authority has active capital projects as of June 30, 2017. The projects include renovations at the various public housing developments. At year end, the Authority had commitments with contractors of \$5,455, relating to business-type activities and the Federal Programs Enterprise Fund.

## E. Interfund transactions

The composition of interfund balances as of June 30, 2017, is as follows:

Due to:	Governmental Activities			Business-type Activities		
	Due from:					
	General Fund	Downtown Development District	Nonmajor Governmental Funds	Federal Programs	Single Family Programs	Total
<b>Current:</b>						
General Fund	\$ -	\$ -	\$ 416,513	\$ 117,311	\$ 153,696	\$ 687,520
State Rental Assistance Program	-	-	-	-	-	-
Federal Programs	-	-	-	-	-	-
Single Family Programs	-	-	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 416,513</b>	<b>\$ 117,311</b>	<b>\$ 153,696</b>	<b>\$ 687,520</b>
<b>Non-current:</b>						
General Fund	\$ -	\$ 50	\$ 50	\$ 3,763,650	\$ 100	\$ 3,763,850
Nonmajor Governmental Funds	-	-	-	-	-	-
Federal Programs	25,980	-	-	-	-	25,980
<b>Total</b>	<b>\$ 25,980</b>	<b>\$ 50</b>	<b>\$ 50</b>	<b>\$ 3,763,650</b>	<b>\$ 100</b>	<b>\$ 3,789,830</b>

The current interfund balances result from timing differences between the date a disbursement is made by the General Fund and the date the General Fund receives reimbursement from other funds.

The non-current balances mainly represent loans made from the general fund to other programs for the purpose program operations. The General Fund has loaned \$30,000 to the Family Unification Program, \$500,000 to the Housing Choice Voucher Program, and \$3,200,000 to the Section 8 Contract Administration Program, both business-type activities and Federal Program Enterprise Funds, to allow the programs to disburse housing assistance payments prior to the receipt of the federal funds.

Interfund transfers for the year ended June 30, 2017 consisted of the following:

Transfers in:	Governmental Activities			Business-type Activities			
	Transfers out:						
	General Fund	Housing Development Fund	State Rental Assistance Program	Nonmajor Governmental Funds	Federal Programs	Single Family Programs	Total
General Fund	\$ -	\$ -	\$ 725,000	\$ -	\$ -	\$ 14,356,258	\$ 15,081,258
State Rental Assist Program	94,000	-	-	-	-	-	94,000
Nonmajor Governmental Funds	31,655	-	-	-	-	1,313,313	1,344,968
Federal Programs	106,450	-	-	-	-	-	106,450
Single Family Programs	2,747,594	-	-	64,414	-	-	2,812,008
<b>Total transfer out</b>	<b>\$ 2,979,699</b>	<b>\$ -</b>	<b>\$ 725,000</b>	<b>\$ 64,414</b>	<b>\$ -</b>	<b>\$ 15,669,571</b>	<b>\$ 19,438,684</b>

Within the governmental activities, the General Fund, a major governmental fund, transferred \$1,434,898 to the Single Family, a major business-type fund, to payoff SMAL 97A, 98A, and 98B bond issues.

Within business-type activities, Single Family Programs reported cash transfers consisting mainly of the transfer of: (1) administrative fees of \$1,863,263 from the Single Family Mortgage Revenue Bond Programs, a Single Family Programs Enterprise Fund, to the General Fund, a governmental activity and major governmental fund, in support of



operations; and (2) \$1,311,750 from the DSHA Mortgage Backed Securities Purchase Program, a Single Family Programs Enterprise Fund, to the DSHA Second Mortgage Assistance Loan Program, a governmental activity and nonmajor governmental fund, in support of the program's objective to make down payment assistance available to qualified homebuyers. Single Family Programs also reported non-cash transfers consisting mainly of: (1) DSHA Mortgage Backed Securities Purchase Program, a business-type activity and Single Family Programs Enterprise Fund repaid the General Fund \$9,195,805 when it transferred the investments that were held as collateral at the FHLB Pittsburgh back to the General Fund since these funds were no longer needed to facilitate the temporary financing needs for the program's purchases and sales of mortgage backed securities; and (2) Single Family SMAL Taxable Bond Program transferred the outstanding loan balances, corresponding accrued interest, and investment balance for 3 bond issues that were paid in full.

#### F. Short-term and long-term debt

Short-term and long-term debt activity for the year ended June 30, 2017, was as follows:

	Beginning Balance			Ending Balance	Due Within
	June 30, 2016	Increases	Decreases		
<b>Governmental activities:</b>					
Compensated absences, relating to the General Fund	\$ 610,043	\$ 329,876	\$ 341,280	\$ 598,639	\$ 11,753
Governmental activity long-term liabilities	<u>\$ 610,043</u>	<u>\$ 329,876</u>	<u>\$ 341,280</u>	<u>\$ 598,639</u>	<u>\$ 11,753</u>
<b>Business-type activities:</b>					
Compensated absences, relating to the Federal Programs Fund	\$ 410,099	\$ 210,539	\$ 260,143	\$ 360,495	\$ 6,788
Revenue bonds payable, Single Family Programs Fund	305,335,222	-	67,424,689	237,910,533	5,992,578
FHLB Loans, relating to MBS Purchase Program*	-	-	-	-	-
Business-type activity long-term liabilities	<u>\$ 305,745,321</u>	<u>\$ 210,539</u>	<u>\$ 67,684,832</u>	<u>\$ 238,271,028</u>	<u>\$ 5,999,366</u>

\* There are \$0.00 FHLB Loans outstanding as of June 30, 2017.

DSHA reserves the right to borrow from FHLB at any time to facilitate MBS purchases for the MBS Purchase Program.

Descriptions of the Authority's short-term and long-term debt:

#### Compensated Absences

Compensated absences represent the amounts the Authority is obligated to pay for annual leave and sick leave. The General Fund is used to liquidate the liability within the governmental funds.

#### Revenue Bonds Payable

The revenue bonds outstanding have been issued to provide financing for mortgage loans. The bonds are secured by the mortgage loans made or purchased under the applicable resolutions, the revenues, prepayments and foreclosures proceeds received related to the mortgage loans, and certain funds and accounts established pursuant to the applicable bond resolutions. All bonds are callable subject to certain restrictions. Interest rates on bonds outstanding range from 0% to 6.65% with maturities of such bonds up through January 1, 2049.

On May 10, 2017, the Authority paid the bond holders, at a negotiated discount, for all

outstanding bonds of the SMAL 1997A, 1998A, and 1998B Bond issues, all outstanding SMAL loans associated with these issues were transferred to the authority.

On June 30, 2017, the Authority paid the bond holders for all outstanding bonds of the SMAL 2001A Bond issue, all outstanding SMAL loans associated with this issues will be transferred to the authority on July 1, 2017.

On June 30, 2017, the Authority called all remaining bonds of the Single Family Mortgage Revenue Bonds 2007 Series B issue and sold all remaining mortgage backed securities associated with the bond issue.

#### **Federal Home Loan Bank (FHLB) Line of Credit**

DSHA has a collateralized line of credit with the FHLB of Pittsburgh. For fiscal year 2017, there were no draws or repayments.

#### **Conduit Debt**

Through its Multi-Family Mortgage Revenue Bond Program (MFMRB), the Authority has issued debt to assist private-sector entities in the acquisition, new construction, or substantial rehabilitation of apartment complexes which are available for rent to low-income individuals and families. The bonds are secured by the properties financed and are payable solely from rents and payments received on the underlying mortgage loans. Neither the Authority nor the State is obligated in any manner for repayment of the bonds. Accordingly, the bonds and any related assets are not reported as assets or liabilities in the accompanying financial statements. Application and other fees generated from the administration of this program are recorded in the General Fund. As of June 30, 2017, six issues with debt of \$21,969,172 are outstanding.

#### **Interest Expense on Long-Term Debt**

Interest expense of \$10,360,121 on long-term debt has been included in the direct expenses of individual functions on the entity-wide statement of activities. Authorization for general long-term debt is essential for the creation and continuing existence of the Single Family mortgage programs; thus an objective connection can be made to these programs. All interest on long-term debt is reported as a direct expense of the program for which borrowing is related. The interest expense of \$10,360,121 was charged to the home ownership function in the business-type activities.

Annual principal and interest debt service requirements for business-type activity long-term debt are as follows:

Mortgage Revenue Bonds Payable Annual Debt Service Requirement (based on scheduled maturities)

Fiscal Year	Principal	Interest	Total
2018	\$ 5,992,578	\$ 8,357,462	\$ 14,350,040
2019	5,630,000	8,133,342	13,763,342
2020	5,810,000	7,892,518	13,702,518
2021	6,075,000	7,641,490	13,716,490
2022	6,360,000	7,377,773	13,737,773
2023 - 2027	36,820,000	32,236,416	69,056,416
2028 - 2032	28,956,780	24,358,717	53,315,497
2033 - 2037	31,185,000	19,328,614	50,513,614
2038 - 2042	63,973,717	13,154,364	77,128,081
2043 - 2047	43,165,174	2,382,005	45,547,179
2048 - 2052	3,942,283	85,465	4,027,748
Totals	\$ 237,910,532	\$ 130,948,166	\$ 368,858,698

**G. Segment information**

The Authority maintains two major Enterprise Funds, each with a group of subfunds. Indentures for bonds reported in the Single Family Program Funds require that these programs be accounted for separately based on the General Resolutions for each grouping of bond issuances. The Single Family Programs Fund accounts for the Authority's single family mortgage program, which includes the Single Family Mortgage Revenue Bonds 2007 Series C and D, 2008 Series A and B, 2009 Series A, 2011 Series A/B, 2013 Series A; and 2010-1, 2011-2, and 2013-1 of the New Issue Bond Program (NIBP). The fund also accounts for the DSHA Mortgage Backed Securities Purchase Program and for the Authority's second mortgage program, which includes the Senior SMAL Revenue bonds, 1997A, 1998A, 1998B and 2001 Series A.

CONDENSED STATEMENT OF NET POSITION - SINGLE FAMILY PROGRAMS FUND SEGMENTS  
JUNE 30, 2017

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2007A-2013A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES NIBP 2010-2013-1	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM	SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND SERIES 1997A-2001A	TOTAL SINGLE FAMILY PROGRAMS
<b>Assets</b>					
Current assets	\$ 7,086,266	\$ 733,759	\$ 13,208,098	\$ 3,958	\$ 21,032,081
Current interfund receivables	-	-	-	-	-
Non-current assets	131,923,388	138,552,698	-	193,649	270,669,735
<b>Total assets</b>	<b>139,009,654</b>	<b>139,286,457</b>	<b>13,208,098</b>	<b>197,607</b>	<b>291,701,816</b>
<b>Deferred outflow of resources</b>					
Deferred amount on bond refund	171,647	-	-	-	171,647
<b>Total deferred outflow of resources</b>	<b>171,647</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>171,647</b>
<b>Liabilities</b>					
Current liabilities	2,591,901	3,400,677	71	-	5,992,649
Current interfund payables	9,248	-	144,393	55	153,696
Non-current liabilities	99,547,582	132,370,372	-	-	231,917,954
Non-current interfund payables	50	-	-	50	100
<b>Total liabilities</b>	<b>102,148,781</b>	<b>135,771,049</b>	<b>144,464</b>	<b>105</b>	<b>238,064,399</b>
<b>Deferred inflow of resources</b>					
Deferred amount on bond refund	-	324,890	-	-	324,890
<b>Total deferred inflow of resources</b>	<b>-</b>	<b>324,890</b>	<b>-</b>	<b>-</b>	<b>324,890</b>
<b>Net position, restricted</b>	<b>\$ 37,032,520</b>	<b>\$ 3,190,518</b>	<b>\$ 13,063,634</b>	<b>\$ 197,502</b>	<b>\$ 53,484,174</b>

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - SINGLE FAMILY PROGRAMS FUND SEGMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2007A-2013A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES NIBP 2010-2013-1	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM	SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND SERIES 1997A-2001A	TOTAL SINGLE FAMILY PROGRAMS
Operating revenues*	\$ 11,555,407	\$ 5,598,281	\$ -	\$ 45,222	\$ 17,198,910
<b>Operating expenses:</b>					
Interest expense on bonds	5,675,643	4,602,452	-	(244,631)	10,033,464
Other	1,358,542	24,343	1,471,777	46,714	2,901,376
<b>Operating income/(loss)</b>	<b>4,521,222</b>	<b>971,486</b>	<b>(1,471,777)</b>	<b>243,139</b>	<b>4,264,070</b>
<b>Non-operating revenue/(expenses):</b>					
Investment income	13,390	2,571	5,493,470	1,477	5,510,908
Other non-operating revenue/(expense)	(5,995,297)	(4,554,831)	-	(68,716)	(10,618,844)
Transfers in/(out)	(1,972,038)	160,393	(1,311,993)	(254,126)	(3,377,764)
<b>Change in net position</b>	<b>(3,432,723)</b>	<b>(3,420,381)</b>	<b>2,709,700</b>	<b>(78,226)</b>	<b>(4,221,630)</b>
Beginning net position	40,465,243	6,610,899	10,353,934	275,728	57,705,804
<b>Ending net position</b>	<b>\$ 37,032,520</b>	<b>\$ 3,190,518</b>	<b>\$ 13,063,634</b>	<b>\$ 197,502</b>	<b>\$ 53,484,174</b>

\*Operating revenues consist primarily of interest income on loans.

CONDENSED STATEMENT OF CASH FLOWS - SINGLE FAMILY PROGRAMS FUND SEGMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2007A-2013A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES NIBP 2010-2013-1	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM	SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND SERIES 1997A-2001A	TOTAL SINGLE FAMILY PROGRAMS
Net cash provided (used) by:					
Operating activities	\$ 49,733,140	\$ 25,464,837	\$ (1,327,598)	\$ 92,963	\$ 73,963,342
Noncapital financing activities	(50,204,100)	(25,362,107)	(1,311,750)	(136,300)	(77,014,257)
Investing activities	459,563	(102,729)	3,135,152	7,451	3,499,437
Net increase/(decrease)	(11,397)	1	495,804	(35,886)	448,522
Beginning cash and cash equivalent	124,277	3	3,029,422	36,574	3,190,276
Ending cash and cash equivalents	\$ 112,880	\$ 4	\$ 3,525,226	\$ 688	\$ 3,638,798

## V. OTHER INFORMATION

### A. Risk management

The Authority is exposed to various risks of loss related to non-state employee workers' compensation, automobile, and property and casualty claims. In Section D, the discussion of post-retirement health care benefits defines state and non-state employees. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have never exceeded commercial insurance coverage.

The Authority, as a public corporation, is responsible for all risk liabilities associated with its operations, with the exception that employees in state-owned vehicles and its offices in the Carvel State Office Building are covered by the State of Delaware. Over the past five years, the Authority annual insurance premiums have ranged between \$189,400 and \$272,730. The top four policies by premium amount were: commercial property, workers compensation, director and officer liability, and auto. The Authority's retained risk, meaning insurance deductible outlays through self-insurance, has ranged from \$25,000 to \$50,000 per year. The primary insurance coverage was \$42 million (with \$25,000 deductible) for property insurance; up to \$4.0 million (with \$10,000 deductible) for general liability insurance; up to \$3.0 million (with \$1,000 deductible) for auto insurance; and \$1.0 million (with \$50,000 deductible) for director and officer liability insurance.

### B. Related organizations and related party transactions

Organizations for which the Authority appoints all or some of the governing boards, but for which it is not financially accountable, are considered to be related organizations. Delaware Diamond Fund, Inc., Huling Cove Housing Corporation (HCHC), Wexford Village Housing Corporation (WVHC), Liberty Court Preservation Corporation, Liberty Court General Partner Corporation, and Liberty Court Preservation, LP are related organizations of the Authority. Accordingly, financial information for these six entities is excluded from the Authority's financial statements.

During the Year Ended June 30, 2017, HCHC was under agreement with the Authority for the management of its operations. For the Year Ended June 30, 2017, HCHC paid management fees to the Authority totaling \$34,068 and labor charges totaling \$120,295.

As of June 30, 2017, HCHC and WVHC were indebted to the Authority for Housing Development Fund loans in the amounts of \$2,915,059 and \$4,033,509, respectively.

For the Year Ended June 30, 2017, Section 8 Contract Administration housing assistance

payments totaling \$345,388 from the HUD passed through the Authority to HCHC.

### **C. Economic dependency**

During the Year Ended June 30, 2017, the Authority's business-type activities received 74.1 percent of their revenue from the U.S. Department of Housing and Urban Development.

### **D. Post-retirement health care benefits**

#### **State Employees**

Authority state employees are hired by the Authority through the State of Delaware Office of Personnel and are eligible for State of Delaware employee benefits. The State provides post-retirement health care benefits, in accordance with the State statutes, to all State employees of the Authority who retire from the State after meeting the eligibility requirements. Please refer to the State Comprehensive Annual Financial Report (CAFR) for post-retirement health care benefits. A copy of the CAFR may be obtained by writing to: State of Delaware, Dept. of Finance, Div. of Accounting, 820 Silver Lake Boulevard, Dover, DE 19904; calling 1-302-672-5505; or visiting: <http://open.omb.delaware.gov>.

The Authority's contribution to the State of Delaware Employees' Pension Plan, a cost-sharing, multiple-employer defined benefit public employees retirement system (the "State PERS"), for post-retirement health care benefits for the Year Ended June 30, 2017 was \$51,022, 9.13% of covered payroll, equal to the required contribution for the year. The Authority's contributions to the State PERS for post-retirement health care benefits for the Years Ended June 30, 2016 and June 30, 2015 were \$53,643 and \$64,610, 7.47% and 7.47% of covered payroll, respectively, equal to the required contribution for each year.

#### **Non-State Employees**

Authority non-state employees are hired by the Authority directly and are eligible for Delaware State Housing Authority employee benefits including the DSHA Retiree Medical Plan. The following are disclosures required by the GASB Statement No. 45.

1. Plan Description - The Delaware State Housing Authority (DSHA) retiree medical program is a single-employer defined benefit healthcare plan administered by the Authority's Retiree Medical Trustees. By-Laws were adopted on March 1, 2008 which established benefits and plan amendment terms. There are five trustees, one of whom serves as Chair Person and another as Vice Chair Person, with 2 year alternating terms. Vacancies are selected by current trustees. The DSHA retiree medical program provides health care insurance benefits to its non-state retirees, their spouses and dependents participating in the State of Delaware Group Health Insurance Program. The amount the Authority pays for the medical insurance premiums for retirees varies by the individual's service and retirement date. All regular active employees who retire directly from the Authority and meet the eligibility criteria may participate. The Authority issues this publicly available financial report that includes financial statements and required supplementary information for the plan. As of July 1, 2016, there were 110 active plan members, 21 inactive plan members currently receiving benefits, and no inactive plan members entitled to but not yet receiving benefits.

2. Funding Policy - Contributions to the plan are made by the Authority to the DSHA Retiree Medical Trust as established by the Authority on March 1, 2008. The Authority contributes to the Trust periodically the amounts it determines necessary or appropriate. The Authority contributed \$732,138 for the Year Ended June 30, 2017. The funds are invested according to the Authority's investment policy described in Note IV. A.

3. Annual OPEB Cost and Net OPEB Obligation - The Authority recognizes the cost of

postemployment healthcare in the year when employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Authority's future cash flows. Because the Authority adopted the requirements of GASB Statement No. 45 prospectively, recognition of the liability accumulated from prior years is being phased in over 30 years, commencing with the 2008 liability. The Authority's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount contributed to the plan, and changes in the net OPEB obligation:

Annual Required Contribution (ARC)	\$ 1,469,246
Adjustment to Annual Required Contribution:	
Interest on net OPEB Obligation (NOO)	(3,288)
Amortization of Net OPEB Obligation (NOO)	5,592
Annual OPEB Cost (expense) (AOC)	1,471,550
Contributions made	(732,138)
Increase (decrease) in net OPEB obligation	739,412
Net OPEB obligation, beginning of year	(109,613)
Net OPEB obligation, end of year	<u>\$ 629,799</u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributions to the plan, and the net OPEB obligation for Fiscal Year 2017 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 1,471,550	49.75%	\$ 629,799
6/30/2016	\$ 615,620	116.27%	\$ (109,613)
6/30/2015	\$ 615,620	101.29%	\$ (9,450)

4. **Funded Status and Funding Progress** - As of July 1, 2016, the plan was 37% funded. The actuarial accrued liability (AAL) for benefits was \$15,675,830 and the actuarial value of assets was \$5,767,009, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,908,821. The covered payroll (annual payroll of active non-state employees covered by the plan) was \$4,350,000, and the ratio of the UAAL to the covered payroll was 227.8%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Mortality rates were based on the RP-2014 Mortality Table projected generationally with scale MP-2015 from the central year. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

5. **Actuarial Methods and Assumptions** - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets,

consistent with the long-term perspective of the calculations. The following table shows the actuarial methods and assumptions of the Authority's most recent actuarial valuation:

Valuation date	July 1, 2016
Actuarial Cost Method	Projected Unit Credit Cost Method
Amortization Method	Level Dollar Open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.25%
Inflation Rate	3.00%
Ultimate Rate of Medical Inflation	4.5% - 6.00%

The Authority adopted GASB Statement No. 74 for the year ended June 30, 2017. The following are disclosures required by GASB Statement No. 74 for the DSHA Retiree Medical Plan.

1. Plan Description - The Delaware State Housing Authority (DSHA) retiree medical program is a single-employer defined benefit healthcare plan administered by the Authority's Retiree Medical Trustees. By-Laws were adopted on March 1, 2008 which established benefits and plan amendment terms. There are five trustees, one of whom serves as Chair Person and another as Vice Chair Person, with 2 year alternating terms. Vacancies are selected by current trustees. The DSHA retiree medical program provides health care insurance benefits to its non-state retirees, their spouses and dependents participating in the State of Delaware Group Health Insurance Program. The amount the Authority pays for the medical insurance premiums for retirees varies by the individual's service and retirement date. All regular active employees who retire directly from the Authority and meet the eligibility criteria may participate. The Authority issues this publicly available financial report that includes financial statements and required supplementary information for the plan. As of July 1, 2016, there were 110 active plan members, 21 inactive plan members currently receiving benefits, and no inactive plan members entitled to but not yet receiving benefits.

2. Funding Policy - Contributions to the plan are made by the Authority to the DSHA Retiree Medical Trust as established by the Authority on March 1, 2008. The Authority contributes to the Trust periodically the amounts it determines necessary or appropriate. The Authority contributed \$732,138 for the Year Ended June 30, 2017. The funds are invested according to the Authority's investment policy described in Note IV. A.

3. Investment Policy - The funds are invested according to the Authority's investment policy described in Note IV. A. The Fiduciary Fund investments include a mortgage loan receivable held by the DSHA Retiree Medical Trust to generate income. The mortgage loan provided \$1,225,000 in permanent financing to a Delaware affordable rental housing site in the form of a 5 percent amortizing loan over 30 years, with a 20 year call provision. The loan was disbursed in October of 2015. The Authority, in the event of loan default, is the guarantor of this loan. The annual money-weighted rate of return on plan investments for the year ended June 30, 2017 is 1.88%.

4. Funded Status and Funding Progress - As of June 30, 2017, the total OPEB liability was \$16,445,290. The plan's fiduciary net position was \$6,446,869, resulting in a net OPEB liability of \$9,998,421. The plan's fiduciary net position as a percentage of the total OPEB liability calculates to 39%.

5. Actuarial Methods and Assumptions - The inflation assumption used to measure the total OPEB liability was 2.00%. A salary increase assumption of 2.00% was also used. Healthcare costs are assumed to increase from 4.50% - 6.00%. Contributions rates were actuarially determined as of July 1, on year prior to the end of the fiscal year in which



contributions are reported. The Actuarial Cost Method which is the Projected Unit Credit with fresh start 30 year amortization period for the unfunded liability, Asset Valuation Method or Market Value, a 3%, net of OPEB plan investment expense, including inflation Investment Rate of Return, and Mortality rates were based on the RP-2014 Mortality Table projected generationally with scale MP-2015 from the central year were used to determine the contribution rates. The following table shows the actuarial methods and assumptions of the Authority's most recent actuarial valuation:

Valuation date	July 1, 2016
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	3.00%
Inflation Rate	2.00%
Ultimate Rate of Medical Inflation	4.5% - 6.00%

The following table illustrates the impact of healthcare cost trend sensitivity on the Net OPEB Liability for fiscal year ending June 30, 2017:

	1% Decrease	Trend Rate	1% Increase
Total OPEB Liability	\$ 13,111,620	\$ 16,445,290	\$ 20,942,205
Plan Fiduciary Net Position	6,446,869	6,446,869	6,446,869
Net OPEB Liability	\$ 6,664,751	\$ 9,998,421	\$ 14,495,336

The discount rate applied in the measurement of the total OPEB liability for June 30, 2017 is 3.58%. The long-term expected rate of return on plan investments is based on the 20 Year Municipal Bond Rate from the Bond Buyers General Obligation 20 Year Municipal Bond Index. Based on DSHA's funding policy, projected assets are not projected to be sufficient to cover projected benefit payments, so the expected return is not used as the discount rate.

The assumed asset allocation of the plan portfolio shown as arithmetically:

Asset Class	Balance at 6/30/2017	Percent of Portfolio	Long-Term Expected Real Rate of Return
Corporate Notes	\$ 2,005,586	31.2%	1.7%
U.S. Agencies	\$ 2,321,546	36.1%	1.7%
U.S. Treasury Notes	\$ 887,046	13.8%	1.6%
Money Market Savings	\$ 24,037	0.4%	0.0%
Loans Receivable	\$ 1,194,367	18.5%	5.0%

The following table illustrates the impact of interest rate sensitivity on the Net OPEB Liability for fiscal year ending June 30, 2017:

	1% Decrease	Trend Rate	1% Increase
	2.58%	3.58%	4.58%
Total OPEB Liability	\$ 20,437,168	\$ 16,445,290	\$ 13,429,050
Plan Fiduciary Net Position	6,446,869	6,446,869	6,446,869
Net OPEB Liability	\$ 13,990,299	\$ 9,998,421	\$ 6,982,181

## **E. Pension plans**

### **State Employees**

Authority state employees are hired by the Authority through the State of Delaware Office of Personnel and are eligible for State of Delaware employee benefits.

1. Plan Description - All State employees of the Authority are covered by the State of Delaware Employees' Pension Plan which is a cost-sharing, multiple employer, defined benefit public employees retirement system (the "State PERS"). The State of Delaware General Assembly is responsible for setting benefits and amending plan provisions. The State Board of Pension Trustees determines the contributions required. All eligible State employees are required to contribute to the pension plan according to Chapter 55, Title 29 of the Delaware Code.

All full-time or regular part-time employees are eligible to participate in the State PERS. The State PERS provides pension, disability, and death benefits. In general, employees are eligible for pension benefits if they retire at age 62 with at least five years of credited service, at age 60 with at least 15 years of credited service, or at any age after 30 years of credited service. Monthly benefits equal final average monthly compensation multiplied by 2.0% and multiplied by years of credited service prior to January 1, 1997 plus final average monthly compensation multiplied by 1.85% and multiplied by credited service after December 31, 1996, subject to minimum limitations. For this plan, final average monthly compensation is the monthly average of the highest three years of compensation.

Pension provisions include survivor's benefits, whereby the employee must have been receiving a pension or have been an active employee with five years of credited services. Eligible survivors receive 50% of the pension the employee would have received at age 62. Additionally, the plan provides for monthly disability provisions which are the same as the pension benefit. The employee must have five years of credited service subject to limitations. The plan's death benefit is \$7,000 per member.

2. Funding Policy - Employees of the Authority are required to contribute 3% of earnings in excess of \$6,000. Additionally, for the Year Ended June 30, 2017, the Authority was required to contribute 10.69% of covered payroll to the plan. The Authority's contribution to the State PERS for the Year Ended June 30, 2017 was \$52,807, equal to the required contribution for the year. The Authority's contributions to the State PERS for the Years Ended June 30, 2016 and June 30, 2015 were \$69,271 and \$82,415, respectively, equal to the required contribution for each year.

3. Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the Authority reported a liability of \$571,337 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. As of June 30, 2016 and 2015, the Authority's proportion was 0.0379 percent and 0.046 percent, respectively. The Authority's proportionate share of the Net Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, and Pension Expense (the Collective Pension Amounts) was determined in accordance with Governmental Accounting Standards Board No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). The Plan's Management has elected to allocate the employer's proportionate shares of the Collective Pension amounts on the percentage of actual employer contributions. Intra-fund transfers and journal entries associated with payroll adjustments are not included in the allocation.

For the year ended June 30, 2017, the Authority recognized pension expense of \$80,533. As of June 30, 2017, the Authority reported deferred inflows and outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Net difference between projected and actual earnings on plan investments	\$ 178,074	\$ 12,532
Net difference to change in proportion	-	91,538
Changes of Assumptions	52,907	
Contributions made after the measurement date	52,807	-
Total	<u>\$ 283,788</u>	<u>\$ 104,070</u>

The \$52,807 of deferred outflows of resources resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

4. Actuarial Assumptions – The collective total pension liability for June 30, 2016 measurement date was determined by an actuarial valuation as of June 30, 2015 and update procedures were used to roll forward the total pension liability to June 30, 2016. These actuarial valuations used the following actuarial assumptions:

Investment Rate of Return/Discount Rate*	7.2%
Projected Salary Increases*	2.5% + Merit
Cost-of-Living Adjustments	Ad hoc

\*Inflation is included at 2.5%

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in the future years. The assumptions used were based on the results of an actuarial experience study conducted in 2016. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Mortality rates were based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

Projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments (ad hoc COLAs) as they are not substantively automatic. The primary considerations relevant to making this determination include the historical patterns of granting the changes and the consistency in the amounts of the changes.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's current and expected asset allocation is summarized in the following table:

Asset Class	Long-term Expected	
	Real Rate of Return	Asset Allocation
Domestic Equity	5.7%	34.0%
International Equity	5.7%	14.7%
Fixed Income	2.0%	25.0%
Alternative Investments	7.8%	20.9%
Cash and equivalents	-	5.4%

Discount Rate – The discount rate for all plans used to measure the total pension liability was 7.2%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plans fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the collective net pension liability of the Plan, calculated using the discount rate of 7.2%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current rate:

1% Decrease	Discount Rate	1% Increase
\$ 992,697	\$ 571,337	\$ 216,707

#### Deferred Outflows of Resources and Deferred Inflows of Resources

The components of collective deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual earnings on the DPERS investments, are amortized into pension expense over a closed period, which reflects the weighted average remaining service life as of all plan members, beginning the year in which the deferred amount occurs. The amortization period is six years for the State Employees' Plan, for deferred amounts arising in fiscal year 2016. The annual difference between the projected and actual earnings on investments is amortized over a five-year closed period beginning the year in which the difference occurs. The cumulative amounts of collective net deferred outflows (inflows) of resources reported as of June 30, 2017 will be recognized in pension expense during the years ended June 30, as follows:

2018	\$ 25,024
2019	25,024
2020	69,713
2021	7,150
	<u>126,911</u>

#### Pension Expense

The components of the pension expense for the year ending June 30, 2017 are as follows:

Service Costs	\$ 68,516
interest on Total Pension Liability	248,804
Member Contributions	(22,416)
Administrative Expenses	2,234
Change in Benefit Terms	-
Projected Earnings on Plan Investments	(225,522)
Differences between projected and actual earnings on plan investments	22,358
Differences between projected and actual experiences with regard to or other inputs in the measurement of total pension liability	(2,732)
Change in Assumption with regard to factors or other inputs in the measurement of total pension liability	10,578
Net Amortization of deferred amounts from Changes in Proportion	(21,287)
Pension Expense	<u>\$ 80,533</u>

The Plan's investments are reported at fair value. Fair value for fixed income and equity securities are generally valued based on published market prices and quotations from national security exchanges or securities pricing services. Pooled investments are funds wherein the System owns units or shares of commingled equity, bond, and cash funds. Alternative investments included nontraditional investments, some of which may be illiquid, such as limited partnerships, venture capital funds, or private LLCs.

The State PERS issues a publicly available financial report that includes the financial statements and required supplementary information in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). That report may be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Blvd., Dover, DE 19904, or by calling 1-800-722-7300.

### **Non-State Employees**

Authority non-state employees are hired by the Authority directly and are eligible for Delaware State Housing Authority employee benefits.

1. Plan Description - Full-time non-state employees are covered by the Housing-Renewal and Local Agency Retirement Plan. The Administrator of the plan is William M. Mercer, Incorporated. The Authority establishes and amends contributions through a General Order which is approved by the Authority's Director. The Plan shall be construed, regulated, and administered according to the laws of the State of Tennessee, where the plan is incorporated, except those areas preempted by the laws of the United States of America. The Housing-Renewal and Local Agency Retirement Plan provides pension, disability, and death benefits. In general, employees are eligible for pension benefits if they retire at age 65 with at least five years of credited service, or the date on which the employee completes ten (10) years of combined participation in this Plan and their prior plan, if any. The employee is entitled to the full value of their account as of the date of retirement.

2. Funding Policy - This defined contribution plan is funded by contributions from both the covered employees and the Authority. Non-state employees of the Authority are required to contribute 3.5% of their basic salary. The Authority's contribution rate was 9.59% of covered payroll for the Year Ended June 30, 2017. The Authority's contribution to the Housing Renewal and Local Agency Retirement Plan for the Year Ended June 30, 2017 was \$498,277 equal to the required contribution for the year. The Authority's contributions to the plan for the Years Ended June 30, 2016 and June 30, 2015 were \$470,591 and \$441,338, respectively, equal to the required contributions for each year.

**F. Contingent liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, the Authority expects such amounts, if any, to be immaterial.

**G. Subsequent events**

The Authority has evaluated all subsequent events through October 30, 2016, the date the financial statements were available to be issued.

DELAWARE STATE HOUSING AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION





DELAWARE STATE HOUSING AUTHORITY  
 RETIREE MEDICAL PLAN  
 SCHEDULE OF FUNDING PROGRESS FOR DELAWARE STATE HOUSING AUTHORITY  
 AS OF JUNE 30, 2017

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (Estimated) (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
07/01/2013	\$ 3,738,331	\$ 7,124,930	\$ 3,386,599	52%	\$ 4,600,000	73.6%
07/01/2014	\$ 4,385,797	\$ 6,952,629	\$ 2,566,832	63%	\$ 4,840,000	53.0%
07/01/2015	\$ 4,948,105	\$ 6,857,512	\$ 1,909,407	72%	\$ 4,350,000	43.9%
07/01/2016	\$ 5,767,009	\$ 15,675,830	\$ 9,908,821	37%	\$ 4,350,000	227.8%
07/01/2017	\$ 6,446,869	\$ 16,445,290	\$ 9,998,421	39%	\$ 4,350,000	229.8%

DELAWARE STATE HOUSING AUTHORITY  
STATE OF DELAWARE EMPLOYEES' PENSION PLAN  
SCHEDULE OF NET PENSION LIABILITY  
AS OF JUNE 30, 2017

Actuarial Valuation Date	Proportion of Collective Net Pension Liability	Proportion of Total Pension Liability	Authority's Covered-employee Payroll	Net Pension Liability as a Percentage of Covered-employee Payroll	Plan's Fiduciary Net Position as a Percentage of Total Pension Liability
6/30/2014	0.048%	\$ 177,377	\$ 878,451	20.2%	95.8%
6/30/2015	0.046%	\$ 307,518	\$ 863,020	35.6%	92.7%
6/30/2016	0.038%	\$ 571,337	\$ 718,116	79.6%	84.1%

\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

DELAWARE STATE HOUSING AUTHORITY  
STATE OF DELAWARE EMPLOYEES' PENSION PLAN  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
AS OF JUNE 30, 2017

Date	Contributions			Contribution Deficiency/(Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
	Required Employer Contribution	Recognized in Relation to the Required Employer Contribution				
6/30/2007	\$ 115,364	\$ 115,364	\$ -	\$ -	1,724,425	6.69%
6/30/2008	\$ 173,724	\$ 173,724	\$ -	\$ -	2,457,199	7.07%
6/30/2009	\$ 144,028	\$ 144,028	\$ -	\$ -	2,156,108	6.68%
6/30/2010	\$ 97,756	\$ 97,756	\$ -	\$ -	1,456,870	6.71%
6/30/2011	\$ 93,845	\$ 93,845	\$ -	\$ -	1,130,663	8.30%
6/30/2012	\$ 96,951	\$ 96,951	\$ -	\$ -	1,045,858	9.27%
6/30/2013	\$ 91,068	\$ 91,068	\$ -	\$ -	929,265	9.80%
6/30/2014	\$ 92,413	\$ 92,413	\$ -	\$ -	878,451	10.52%
6/30/2015	\$ 91,739	\$ 91,739	\$ -	\$ -	863,020	10.63%
6/30/2016	\$ 76,982	\$ 76,982	\$ -	\$ -	718,116	10.72%
6/30/2017	\$ 52,807	\$ 52,807	\$ -	\$ -	493,985	10.69%

DELAWARE STATE HOUSING AUTHORITY  
 RETIREE MEDICAL TRUST FUND  
 SCHEDULE OF CHANGES IN NET OPEB LIABILITY  
 AS OF JUNE 30, 2017

Fiscal Year End Date	Beginning OPEB Liability	Ending OPEB Liability	Plan's Fiduciary Net Position	Net OPEB Liability
6/30/2017	N/A	\$ 16,445,290	\$ 6,446,869	\$ 9,998,421

\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

DELAWARE STATE HOUSING AUTHORITY  
 RETIREE MEDICAL TRUST FUND  
 SCHEDULE OF CONTRIBUTIONS  
 AS OF JUNE 30, 2017

Fiscal Year End Date	Actuarially Determined Contribution	Contributions Recognized by Plan	Contribution Deficiency (Excess)
6/30/2017	\$ 1,471,550	\$ 732,138	739,412

\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

DELAWARE STATE HOUSING AUTHORITY  
RETIREE MEDICAL TRUST FUND  
SCHEDULE OF ANNUAL MONEY-WEIGHTED RATE OF RETURN ON INVESTMENTS  
AS OF JUNE 30, 2017

Fiscal Year End Date	Annual Money-Weighted Rate of Return on Investments
6/30/2017	1.88%

\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.



DELAWARE STATE HOUSING AUTHORITY  
OTHER SUPPLEMENTARY INFORMATION





DELAWARE STATE HOUSING AUTHORITY  
 SCHEDULE OF ACTIVITIES - ENTITY-WIDE  
 FOR THE YEAR ENDED JUNE, 30, 2017

EXPENSES	\$	96,338,198
PROGRAM REVENUE		
Charges for services		29,387,531
Operating grants and contributions		91,866,262
Capital grants and contributions		<u>447,124</u>
NET OPERATING REVENUE		25,362,719
GENERAL REVENUE		
Investment gains/(losses)		<u>(4,857,914)</u>
TOTAL GENERAL REVENUE		<u>(4,857,914)</u>
CHANGE IN NET POSITION		20,504,804
NET POSITION, BEGINNING		<u>481,386,150</u>
NET POSITION, ENDING	\$	<u><u>501,890,954</u></u>



DELAWARE STATE HOUSING AUTHORITY  
BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017

	DELAWARE EMERGENCY MORTGAGE ASSISTANCE PROGRAM	DELAWARE HOUSING INSURANCE FUND	DELAWARE MORTGAGE MEDIATION PROGRAM	DSHA SECOND MORTGAGE ASSISTANCE LOAN PROGRAM	DELAWARE DEPARTMENT OF JUSTICE MORTGAGE SETTLEMENT FUND
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,112,014	\$ 93,334	\$ -	\$ 3,665,765	\$ 398,651
Investments	1,663,700	-	43,104	-	-
Interfund receivables	-	-	-	-	-
Loans receivable:					
Mortgages receivable, net	6,639,324	-	-	20,508,303	-
Accrued interest & other receivables	444,695	-	-	5,267,112	-
<b>TOTAL ASSETS</b>	<b>\$ 13,859,733</b>	<b>\$ 93,334</b>	<b>\$ 43,104</b>	<b>\$ 29,441,180</b>	<b>\$ 398,651</b>
<b>LIABILITIES &amp; FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred credit	-	-	-	-	-
Interfund payables	166	50	-	416,292	-
Escrow deposits	4,621	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>4,787</b>	<b>50</b>	<b>-</b>	<b>416,292</b>	<b>-</b>
<b>FUND BALANCES</b>					
Restricted	13,854,946	93,284	43,104	29,024,888	398,651
Assigned	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>13,854,946</b>	<b>93,284</b>	<b>43,104</b>	<b>29,024,888</b>	<b>398,651</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$ 13,859,733</b>	<b>\$ 93,334</b>	<b>\$ 43,104</b>	<b>\$ 29,441,180</b>	<b>\$ 398,651</b>

HOUSING REHABILITATION LOAN PROGRAM	POST FORECLOSURE FINANCIAL COACHING PROGRAM	STRONG NEIGHBORHOODS HOUSING FUND	VACANT PROPERTY MAINTENANCE PROGRAM	WILMINGTON SENIOR TAX ASSISTANCE PROGRAM	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ 278,106	\$ 870,833	\$ 695,268	\$ -	\$ 83,408	\$ 11,197,379
949,547	-	6,004,983	-	-	8,661,334
-	-	-	-	-	-
1,121,668	-	-	-	-	28,269,295
73,878	-	-	-	-	5,785,685
<b>\$ 2,423,199</b>	<b>\$ 870,833</b>	<b>\$ 6,700,251</b>	<b>\$ -</b>	<b>\$ 83,408</b>	<b>\$ 53,913,693</b>
\$ 266	\$ -	\$ -	\$ -	\$ -	\$ 266
-	-	-	-	-	-
56	-	-	-	-	416,564
-	-	-	-	-	4,621
<b>322</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>421,451</b>
1,195,546	870,833	6,700,251	-	-	52,181,503
1,227,331	-	-	-	83,408	1,310,739
<b>2,422,877</b>	<b>870,833</b>	<b>6,700,251</b>	<b>-</b>	<b>83,408</b>	<b>53,492,242</b>
<b>\$ 2,423,199</b>	<b>\$ 870,833</b>	<b>\$ 6,700,251</b>	<b>\$ -</b>	<b>\$ 83,408</b>	<b>\$ 53,913,693</b>

DELAWARE STATE HOUSING AUTHORITY  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2017

	DELAWARE EMERGENCY MORTGAGE ASSISTANCE PROGRAM	DELAWARE HOUSING INSURANCE FUND	DELAWARE MORTGAGE MEDIATION PROGRAM	DSHA SECOND MORTGAGE ASSISTANCE LOAN PROGRAM	DELAWARE DEPARTMENT OF JUSTICE MORTGAGE SETTLEMENT FUND
<b>REVENUES</b>					
Interest income:					
Investments	\$ 2,130	\$ -	\$ 562	\$ -	\$ -
Loans	77,337	-	-	890,388	-
Total interest income	79,467	-	562	890,388	-
Payments from primary government	1,500,000	-	-	-	-
Gains/(losses) on investments	-	-	-	-	-
Fees	-	-	200,100	-	-
Other revenue	1,334,912	-	-	-	-
<b>TOTAL REVENUES</b>	<b>2,914,379</b>	<b>-</b>	<b>200,662</b>	<b>890,388</b>	<b>-</b>
<b>EXPENDITURES</b>					
Current:					
Affordable rental housing	-	-	-	-	-
Community rehabilitation	-	-	-	-	-
Home ownership	742,714	-	218,685	1,801,293	316,596
Housing rehabilitation	-	-	-	-	-
<b>TOTAL EXPEDITURES</b>	<b>742,714</b>	<b>-</b>	<b>218,685</b>	<b>1,801,293</b>	<b>316,596</b>
<b>EXCESS/(DEFICIT) REVENUE OVER EXPENDITURES</b>	<b>2,171,665</b>	<b>-</b>	<b>(18,023)</b>	<b>(910,905)</b>	<b>(316,596)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	1,916,343	23,996	-	2,845,750	-
Transfers out	(1,916,343)	(65,782)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(41,786)</b>	<b>-</b>	<b>2,845,750</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,171,665</b>	<b>(41,786)</b>	<b>(18,023)</b>	<b>1,934,845</b>	<b>(316,596)</b>
FUND BALANCES, BEGINNING	11,683,281	135,070	61,127	27,090,043	715,247
<b>FUND BALANCES, ENDING</b>	<b>\$ 13,854,946</b>	<b>\$ 93,284</b>	<b>\$ 43,104</b>	<b>\$ 29,024,888</b>	<b>\$ 398,651</b>

HOUSING REHABILITATION LOAN PROGRAM	POST FORECLOSURE FINANCIAL COACHING PROGRAM	STRONG NEIGHBORHOODS HOUSING FUND	VACANT PROPERTY MAINTENANCE PROGRAM	WILMINGTON SENIOR TAX ASSISTANCE PROGRAM	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ 13,644	\$ -	\$ 4,983	\$ -	\$ -	\$ 21,319
40,502	-	-	-	-	1,008,227
54,146	-	4,983	-	-	1,029,546
-	1,000,000	5,767,800	500,000	-	8,767,800
(8,207)	-	-	-	-	(8,207)
31	-	-	-	-	200,131
-	-	-	-	-	1,334,912
45,970	1,000,000	5,772,783	500,000	-	11,324,182
-	-	-	-	-	-
-	-	1,484,974	500,000	-	1,984,974
-	129,167	-	-	33,084	3,241,539
28,280	-	-	-	-	28,280
28,280	129,167	1,484,974	500,000	33,084	5,254,793
17,690	870,833	4,287,809	-	(33,084)	6,069,389
25,583	-	10,590	-	-	1,344,968
(1,559,583)	-	-	-	-	(64,414)
(1,534,000)	-	10,590	-	-	1,280,554
(1,516,310)	870,833	4,298,399	-	(33,084)	7,349,943
3,939,187	-	2,401,852	-	116,492	46,142,299
\$ 2,422,877	\$ 870,833	\$ 6,700,251	\$ -	\$ 83,408	\$ 53,492,242

DELAWARE STATE HOUSING AUTHORITY  
SCHEDULE OF NET POSITION - PROPRIETARY FUND - SUBFUNDS OF THE FEDERAL PROGRAMS ENTERPRISE FUND  
JUNE 30, 2017

	COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAMS	COMPREHENSIVE HOUSING COUNSELING GRANT PROGRAM	FAMILY UNIFICATION PROGRAM	HOME INVESTMENT PARTNERSHIP PROGRAM
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 10,700	\$ 15,622	\$ 46,111	\$ 50
Investments	-	-	-	1,397,860
Accrued interest and other receivables	-	-	-	18,039
Grants receivable-U.S. Dept of HUD	-	-	-	-
Interfund receivables	429	-	-	-
Prepaid expenses	-	-	24,558	-
Total current assets	11,129	15,622	70,669	1,415,949
Non-Current Assets:				
Cash, restricted for payment of escrows	-	-	28,704	-
Investments	-	-	-	5,852,841
Mortgages receivable, net	-	-	-	57,678,033
Accrued interest and other receivables, net	-	-	-	11,866,640
Interfund receivables	25,980	-	-	-
Capital assets not being depreciated	-	-	-	-
Capital assets net of accumulated depreciation	-	-	-	-
Total non-current assets	25,980	-	28,704	75,397,514
<b>TOTAL ASSETS</b>	<b>37,109</b>	<b>15,622</b>	<b>99,373</b>	<b>76,813,463</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	5,939	-	-	8,049
Due St of Delaware-pension costs	491	-	-	-
Interfund payables	-	-	-	118,536
Compensated absences payable	2,370	-	-	-
Total current liabilities	8,800	-	-	126,585
Non-Current Liabilities:				
Interfund payables	200	50	30,000	50
Compensated absences payable	20,715	-	-	2,374
Escrow deposits	-	-	28,704	5,852,840
Total non-current liabilities	20,915	50	58,704	5,855,264
<b>TOTAL LIABILITIES</b>	<b>29,715</b>	<b>50</b>	<b>58,704</b>	<b>5,981,849</b>
<b>NET POSITION</b>				
Invested in capital assets	-	-	-	-
Restricted by federal regulations	7,394	15,572	40,669	70,831,614
<b>TOTAL NET POSITION</b>	<b>\$ 7,394</b>	<b>\$ 15,572</b>	<b>\$ 40,669</b>	<b>\$ 70,831,614</b>



HOUSING TRUST FUND	MOVING TO WORK DEMONSTRATION PROGRAM	NEIGHBORWORKS AMERICA GRANT PROGRAM	SECOND CHANCE ACT/ I-ADAPT HOUSING PROGRAM	SECTION 8 CONTRACT ADMINISTRATION PROGRAM	SECTION 811 PROJECT RENTAL ASSISTANCE DEMONSTRATION PROGRAM	TOTAL FEDERAL PROGRAMS
\$ 50	\$ 1,378,807	\$ 50	\$ 3,800	\$ 911,047	\$ 28,603	\$ 2,394,840
-	1,063,754	-	619	-	-	2,462,233
-	560,987	-	-	573	-	579,599
-	-	-	-	531,141	617	531,758
-	4,289	-	-	-	-	4,718
-	510,671	-	-	3,226,453	15,490	3,777,172
50	3,518,508	50	4,419	4,669,214	44,710	9,750,320
-	1,023,689	-	-	-	-	1,052,393
-	-	-	-	-	-	5,852,841
-	-	-	-	-	-	57,678,033
-	-	-	-	-	-	11,866,640
-	-	-	-	-	-	25,980
-	2,799,386	-	-	-	-	2,799,386
-	9,323,986	-	-	-	-	9,323,986
-	13,147,061	-	-	-	-	88,599,259
50	16,665,569	50	4,419	4,669,214	44,710	98,349,579
-	517,761	-	-	31,406	-	563,155
-	471	-	-	633	-	1,595
-	555	-	(1,780)	-	-	117,311
-	4,418	-	-	-	-	6,788
-	523,205	-	(1,780)	32,039	-	688,849
50	503,100	50	50	3,200,000	30,100	3,763,650
-	266,000	-	-	64,618	-	353,707
-	1,068,496	-	-	-	-	6,950,040
50	1,837,596	50	50	3,264,618	30,100	11,067,397
50	2,360,801	50	(1,730)	3,296,657	30,100	11,756,246
-	12,123,372	-	-	-	-	12,123,372
-	2,181,396	-	6,149	1,372,557	14,610	74,469,961
\$ -	\$ 14,304,768	\$ -	\$ 6,149	\$ 1,372,557	\$ 14,610	\$ 86,593,333

DELAWARE STATE HOUSING AUTHORITY  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND -  
SUBFUNDS OF THE FEDERAL PROGRAMS ENTERPRISE FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAMS	COMPREHENSIVE HOUSING COUNSELING GRANT PROGRAM	FAMILY UNIFICATION PROGRAM	HOME INVESTMENT PARTNERSHIP PROGRAM
<b>OPERATING REVENUES</b>				
Interest income on loans	\$ -	\$ -	\$ -	\$ 1,254,467
Federal housing program grants	3,332,798	52,735	300,346	2,762,475
Rental income	-	-	-	-
Miscellaneous	904	-	3,981	1,202
<b>TOTAL OPERATING REVENUES</b>	<b>3,333,702</b>	<b>52,735</b>	<b>304,327</b>	<b>4,018,144</b>
<b>OPERATING EXPENSES</b>				
Administrative	156,994	137,163	-	2,104,461
Grants and housing assistance payments	3,175,992	-	320,417	924,068
Public housing maintenance & utilities	-	-	-	-
Depreciation	-	-	-	-
<b>TOTAL OPERATING EXPENSES</b>	<b>3,332,986</b>	<b>137,163</b>	<b>320,417</b>	<b>3,028,529</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>716</b>	<b>(84,428)</b>	<b>(16,090)</b>	<b>989,615</b>
<b>NON-OPERATING INCOME/(EXPENSES)</b>				
Investment income	-	-	-	257
<b>TOTAL NON-OPERATING INCOME/EXPENSES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>257</b>
<b>INCOME/(LOSS) BEFORE CAPITAL GRANTS AND OPERATING TRANSFERS</b>				
	716	(84,428)	(16,090)	989,872
Capital grants and contributions	-	-	-	-
Transfers in	-	100,000	-	-
Transfers out	-	-	-	-
<b>CHANGE IN NET POSITION</b>	<b>716</b>	<b>15,572</b>	<b>(16,090)</b>	<b>989,872</b>
<b>NET POSITION, BEGINNING</b>	<b>6,678</b>	<b>-</b>	<b>56,759</b>	<b>69,841,742</b>
<b>NET POSITION, ENDING</b>	<b>\$ 7,394</b>	<b>\$ 15,572</b>	<b>\$ 40,669</b>	<b>\$ 70,831,614</b>

\* The transfer in and out have been reduced by \$2,834,286 for transfer between Federal Programs.

HOUSING TRUST FUND	MOVING TO WORK DEMONSTRATION PROGRAM	NEIGHBORWORKS AMERICA GRANT PROGRAM	SECOND CHANCE ACT/ I-ADAPT HOUSING PROGRAM	SECTION 8 CONTRACT ADMINISTRATION	SECTION 811 PROJECT RENTAL ASSISTANCE DEMONSTRATION PROGRAM	TOTAL FEDERAL PROGRAMS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,254,467
-	9,680,557	137,186	-	40,128,111	281,254	56,675,462
-	825,562	-	-	-	-	825,562
-	646,159	-	-	-	-	652,246
-	11,152,278	137,186	-	40,128,111	281,254	59,407,737
-	3,521,452	137,186	-	1,393,365	64,228	7,514,849
-	6,366,536	-	120,420	38,578,059	200,812	49,686,304
-	1,497,012	-	-	-	1,604	1,498,616
-	1,700,994	-	-	-	-	1,700,994
-	13,085,994	137,186	120,420	39,971,424	266,644	60,400,763
-	(1,933,716)	-	(120,420)	156,687	14,610	(993,026)
-	1,182	-	-	-	-	1,439
-	1,182	-	-	-	-	1,439
-	(1,932,534)	-	(120,420)	156,687	14,610	(991,587)
-	447,124	-	-	-	-	447,124
-	2,834,286	-	6,450	-	-	106,450 *
-	(2,834,286)	-	-	-	-	- *
-	(1,485,410)	-	(113,970)	156,687	14,610	(438,013)
-	15,790,178	-	120,119	1,215,870	-	87,031,346
\$ -	\$ 14,304,768	\$ -	\$ 6,149	\$ 1,372,557	\$ 14,610	\$ 86,593,333

DELAWARE STATE HOUSING AUTHORITY  
SCHEDULE OF NET POSITION - PROPRIETARY FUND - SUBFUNDS OF THE SINGLE FAMILY PROGRAMS  
ENTERPRISE FUND  
JUNE 30, 2017

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2007A-2013A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES - NIBP 2010-1 - 2013-1	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 112,879	\$ 5	\$ 3,525,226
Investments	3,679,702	327,359	9,682,872
Mortgage loan receivable, net	1,959,354	-	-
Accrued interest and other receivables	1,334,331	406,395	-
Interfund receivables	-	-	-
Total current assets	<u>7,086,266</u>	<u>733,759</u>	<u>13,208,098</u>
Non-Current Assets:			
Investments	45,450	-	-
Securitized mortgage loans, net	100,703,037	138,552,698	-
Mortgage loan receivable, net	26,970,886	-	-
Accrued interest and other receivables	4,204,015	-	-
Total non-current assets	<u>131,923,388</u>	<u>138,552,698</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>139,009,654</u>	<u>139,286,457</u>	<u>13,208,098</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred amount on bond refunding	171,647	-	-
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<u>171,647</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	-	-	71
Interfund payables	9,248	-	144,393
Revenue bonds payable	2,591,901	3,400,677	-
Total current liabilities	<u>2,601,149</u>	<u>3,400,677</u>	<u>144,464</u>
Non-Current Liabilities:			
Interfund payables	50	-	-
Revenue bonds payable	99,547,582	132,370,372	-
Total non-current liabilities	<u>99,547,632</u>	<u>132,370,372</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>102,148,781</u>	<u>135,771,049</u>	<u>144,464</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred amount on bond refunding	-	324,890	-
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<u>-</u>	<u>324,890</u>	<u>-</u>
<b>NET POSITION</b>			
Restricted by bond covenants	37,032,520	3,190,518	13,063,634
<b>TOTAL NET POSITION</b>	<u>\$ 37,032,520</u>	<u>\$ 3,190,518</u>	<u>\$ 13,063,634</u>

SECOND MORTGAGE ASSISTANCE LOAN REVENUE		TOTAL SINGLE FAMILY PROGRAMS
BOND SERIES 1997A-2001A		
\$ 688	\$ 3,638,798	
3,270	13,693,203	
-	1,959,354	
-	1,740,726	
-	-	
<u>3,958</u>	<u>21,032,081</u>	
-	45,450	
-	239,255,735	
90,362	27,061,248	
103,287	4,307,302	
<u>193,649</u>	<u>270,669,735</u>	
<u>197,607</u>	<u>291,701,816</u>	
-	171,647	
-	171,647	
-	71	
55	153,696	
-	5,992,578	
<u>55</u>	<u>6,146,345</u>	
50	100	
-	231,917,954	
<u>50</u>	<u>231,918,054</u>	
<u>105</u>	<u>238,064,399</u>	
-	324,890	
-	324,890	
197,502	53,484,174	
<u>\$ 197,502</u>	<u>\$ 53,484,174</u>	

DELAWARE STATE HOUSING AUTHORITY  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND -  
SUBFUNDS OF THE SINGLE FAMILY PROGRAMS ENTERPRISE FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2007A-2013A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES - NIBP 2010-1 - 2013-1	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM
<b>OPERATING REVENUES</b>			
Interest income on loans	\$ 9,284,221	\$ 5,389,814	\$ -
Amortization of deferred revenues	2,257,625	208,467	-
Miscellaneous	13,561	-	-
<b>TOTAL OPERATING REVENUES</b>	<b>11,555,407</b>	<b>5,598,281</b>	<b>-</b>
<b>OPERATING EXPENSES</b>			
Interest expense on bonds	5,675,643	4,602,452	-
Administrative	110,000	-	4,279
Grants	-	-	1,467,499
Loan servicing fees	39,024	-	-
Amortization of deferred expenses	28,888	-	-
Other expenses	1,180,630	24,343	-
<b>TOTAL OPERATING EXPENSES</b>	<b>7,034,185</b>	<b>4,626,795</b>	<b>1,471,778</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>4,521,222</b>	<b>971,486</b>	<b>(1,471,778)</b>
<b>NON-OPERATING INCOME/(EXPENSES)</b>			
Investment income	13,390	2,571	5,493,470
Change in fair value of investments	(5,995,297)	(4,554,831)	-
<b>TOTAL NON-OPERATING INCOME/(EXPENSES)</b>	<b>(5,981,907)</b>	<b>(4,552,260)</b>	<b>5,493,470</b>
<b>INCOME/(LOSS) BEFORE OPERATING TRANSFERS</b>	<b>(1,460,685)</b>	<b>(3,580,774)</b>	<b>4,021,692</b>
Transfers in	6,455,485	995,514	26,241,624
Transfers out	(8,427,523)	(835,121)	(27,553,616)
<b>CHANGE IN NET POSITION</b>	<b>(3,432,723)</b>	<b>(3,420,381)</b>	<b>2,709,700</b>
<b>NET POSITION, BEGINNING</b>	<b>40,465,243</b>	<b>6,610,899</b>	<b>10,353,934</b>
<b>NET POSITION, ENDING</b>	<b>\$ 37,032,520</b>	<b>\$ 3,190,518</b>	<b>\$ 13,063,634</b>

\*Transfers in and out have been reduced by \$33,730,692 for transfers between subfunds in the Single Family Program Fund.

SECOND MORTGAGE ASSISTANCE LOAN REVENUE		TOTAL SINGLE FAMILY PROGRAMS	
BOND SERIES 1997A-2001A			
\$	14,419	\$	14,688,454
	-		2,466,092
	30,803		44,364
	<u>45,222</u>		<u>17,198,910</u>
	(244,631)		10,033,464
	-		114,279
	-		1,467,499
	-		39,024
	-		28,888
	<u>46,714</u>		<u>1,251,687</u>
	<u>(197,917)</u>		<u>12,934,841</u>
	<u>243,139</u>		<u>4,264,069</u>
	1,477		5,510,908
	<u>(68,716)</u>		<u>(10,618,844)</u>
	<u>(67,239)</u>		<u>(5,107,936)</u>
	175,900		(843,867)
	1,651,285		1,613,216 *
	<u>(1,905,411)</u>		<u>(4,990,979) *</u>
	(78,226)		(4,221,630)
	275,728		57,705,804
\$	<u>197,502</u>	\$	<u>53,484,174</u>

DELAWARE STATE HOUSING AUTHORITY  
SCHEDULE OF REVENUE BONDS PAYABLE  
FOR THE YEAR ENDED JUNE 30, 2017

The details of and changes in the Authority's mortgage revenue bonds during the Year Ended June 30, 2017 are as follows:

Bond Issue	Interest Rate	Final Maturity Date	Bonds Outstanding June 30, 2016	Matured	Called	Other	Bonds Outstanding June 30, 2017
Single Family Mortgage Revenue Bonds 2007 Series A	4.35% - 5.90%	2048	11,861,111	-	10,845,000	(1,016,111)	-
Single Family Mortgage Revenue Bonds 2007 Series B	4.05% - 5.60%	2048	12,106,169	80,000	11,105,000	(921,169)	-
Single Family Mortgage Revenue Bonds 2007 Series C	5.30% - 5.55%	2049	9,091,230	-	1,770,000	(56,546)	7,264,684
Single Family Mortgage Revenue Bonds 2007 Series D	4.63% - 5.80%	2049	11,186,536	-	2,540,000	(82,078)	8,564,458
Single Family Mortgage Revenue Bonds 2008 Series A	4.75% - 6.65%	2039	11,416,586	-	1,375,000	(47,965)	9,993,621
Single Family Mortgage Revenue Bonds 2008 Series B	4.00% - 5.45%	2040	18,150,000	690,000	3,530,000	-	13,930,000
Single Family Mortgage Revenue Bonds 2009 Series A	3.45% - 5.45%	2040	15,859,736	510,000	2,360,000	(29,550)	12,960,186
Single Family Mortgage Revenue Bonds 2011 Series A/B	4.25% - 5.10%	2031	16,935,771	-	4,232,377	(77,033)	12,626,361
Single Family Mortgage Revenue Bonds 2013 Series A	2.60%	2043	40,124,888	-	3,324,714	-	36,800,174
Single Family Mortgage Revenue Bonds 2010-1 (NIBP)	3.01% - 4.55%	2041	50,725,213	-	6,175,000	(129,677)	44,420,536
Single Family Mortgage Revenue Bonds 2011-2 (NIBP)	1.80% - 4.38%	2041	47,301,799	355,000	6,545,000	(56,286)	40,345,513
Single Family Mortgage Revenue Bonds 2013-1 (NIBP)	1.26% - 4.40%	2041	58,730,000	475,000	7,250,000	-	51,005,000
SMAL Mortgage Revenue Bonds 1997 Series A	5.3%	2029	467,574	-	480,052	12,478	-
SMAL Mortgage Revenue Bonds 1998 Series A	5.3%	2030	332,424	-	347,085	14,661	-
SMAL Mortgage Revenue Bonds 1998 Series B	5.25%	2030	911,090	-	900,591	(10,499)	-
SMAL Mortgage Revenue Bonds 2001 Series A	5.67%	2033	135,095	-	132,354	(2,741)	-
<b>TOTAL</b>			<b>\$ 305,335,222</b>	<b>\$ 2,110,000</b>	<b>\$ 62,912,173</b>	<b>\$(2,402,516)</b>	<b>\$ 237,910,533</b>

The "Other" category totaling \$(2,402,516) represents accretion on capital appreciation bonds, netted by deferred amounts on refunding and bond forgiveness.

Tax exemption - interest on bonds is not includable in gross income for purposes of federal income taxation with the following exceptions:

Single Family Mortgage Revenue Bonds 2007 Series D, Subseries D-2 (original issue amount of \$18,000,000).

Single Family Mortgage Revenue Bonds 2013-1 NIBP (original issue amount of \$58,150,000).

All SMAL Mortgage Revenue Bonds.



DELAWARE STATE HOUSING AUTHORITY  
SINGLE AUDIT SUPPLEMENT





BELFINT • LYONS • SHUMAN  
Certified Public Accountants

[www.belfint.com](http://www.belfint.com)

---

***Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards***

To the Delaware State Housing Authority  
Dover, Delaware

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Delaware State Housing Authority (DSHA), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise DSHA's basic financial statements, and have issued our report thereon dated October 23, 2017.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered DSHA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DSHA's internal control. Accordingly, we do not express an opinion on the effectiveness of DSHA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant

To the Delaware State Housing Authority  
Dover, Delaware

deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether DSHA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Belfint, Lyons & Shuman, P.A.*

October 23, 2017

Wilmington, Delaware



BELFINT • LYONS • SHUMAN  
Certified Public Accountants

---

[www.belfint.com](http://www.belfint.com)

---

***Independent Auditors' Report on Compliance for Each Major Program and on  
Internal Control Over Compliance Required by the Uniform Guidance***

To the Delaware State Housing Authority  
Dover, Delaware

***Report on Compliance for Each Major Federal Program***

We have audited the Delaware State Housing Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Delaware State Housing Authority's major federal programs for the year ended June 30, 2017. Delaware State Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Delaware State Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Delaware State Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

To the Delaware State Housing Authority  
Dover, Delaware

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Delaware State Housing Authority's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Delaware State Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

***Report on Internal Control Over Compliance***

Management of Delaware State Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Delaware State Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Delaware State Housing Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Delaware State Housing Authority  
Dover, Delaware

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Belfint, Lyons & Shuman, P.A.*

October 23, 2017

Wilmington, Delaware





DELAWARE STATE HOUSING AUTHORITY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

PART A - SUMMARY OF AUDITOR'S RESULTS

---

FINANCIAL STATEMENTS

Type of auditor's report issued (unqualified, adverse, or disclaimer):

Unqualified

---

Internal control over financial reporting:

- Material weakness(es) identified?                      Yes                      X No
- Significant deficiency(ies) identified?                      Yes                      X None reported
- Noncompliance material to financial statements noted?                      Yes                      X No

FEDERAL AWARDS

Type of auditor's report issued on compliance for major programs (unqualified, adverse, or disclaimer):

Unqualified

---

Internal control over major programs:

- Material weakness(es) identified?                      Yes                      X No
- Significant deficiency(ies) identified?                      Yes                      X None reported

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

                     Yes                      X No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>                    </u> 14.881	<u>                    </u> Moving to Work Demonstration Program
<u>                    </u> 14.239	<u>                    </u> HOME Investment Partnerships Program
<u>                    </u>	<u>                    </u>
<u>                    </u>	<u>                    </u>
<u>                    </u>	<u>                    </u>
<u>                    </u>	<u>                    </u>

Dollar threshold used to distinguish between Type A and Type B programs:                      \$1,771,982

Auditee qualified as low-risk auditee?                      X Yes                      No

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

---

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

PART C - FINDINGS RELATED TO FEDERAL AWARDS

---

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

DELAWARE STATE HOUSING AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FEDERAL GRANTOR/PROGRAM TITLE	CFDA NUMBER	CONTRACT NUMBER	TOTAL PROGRAM EXPENDITURES	SUB-RECIPIENT EXPENDITURES
<b>DIRECT GRANTS:</b>				
<b>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
Mortgage Insurance - Homes	14.117	N/A	\$ 55,561	\$ -
Comprehensive Housing Counseling Grant Program	14.169	HC150341002	52,734	52,734
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	B-14-DC-10-0001	32,753	32,753
		B-15-DC-10-0001	593,718	573,256
		B-16-DC-10-0001	1,275,590	1,139,246
		B-08-DN-10-0001	1,047,768	978,895
Total CDBG/State's Program and Non-Entitlement Grants in Hawaii			<u>2,949,829</u>	<u>2,724,150</u>
Emergency Solutions Grant Program	14.231	E15-DC-10-0001	47,094	47,094
		E16-DC-10-0001	106,828	106,828
Total Emergency Solutions Grant Program			<u>153,922</u>	<u>153,922</u>
HOME Investment Partnerships Program	14.239 *	M-13-SG-10-0100	337,617	337,617
		M-14-SG-10-0100	1,297,177	9,936
		M-15-SG-10-0100	1,054,261	576,514
		M-16-SG-10-0100	73,420	-
		Program income	1,750,644	459,465
Total HOME Investment Partnerships Program			<u>4,513,119</u>	<u>1,383,532</u>
Housing Opportunities for Persons with AIDS	14.241	DEH15F999	82,773	82,773
		DEH16F999	146,274	146,274
Total Housing Opportunities for Persons with AIDS			<u>229,047</u>	<u>229,047</u>
Section 811 Project Rental Assistance Demonstration	14.326	DE26DRD1201	280,637	200,812
Performance Based Contract Administrator Program	14.327 *	Various	40,118,132	38,578,059
Family Unification Program	14.880	2009FUPDE9018010	300,346	300,346
Moving to Work Demonstration Program:	14.881			
Public and Indian Housing Program		DE004-0000316D	1,549,048	215,848
		DE004-0000317D	1,673,824	-
Public Housing Capital Fund		Various	597,179	-
Lower Income Housing Assistance Program (Section 8):				
Moving To Work Vouchers		DE901VOW083-088	5,920,491	-
VASH		DE901VOR01	21,646	-
Special Administrative Fees		DE901AFR416	1,619	-
Special Administrative Fees		DE901AFE001-002	378,807	-
Special Administrative Fees		DE901AF0084-0088	15,220	-
Total Moving to Work Demonstration Program			<u>10,157,834</u>	<u>215,848</u>
Total U. S. Department of Housing and Urban Development			<u>58,811,161</u>	<u>48,544,949</u>
<b>TOTAL DIRECT GRANTS</b>			<u><b>58,811,161</b></u>	<u><b>48,544,949</b></u>

Continued on next page

DELAWARE STATE HOUSING AUTHORITY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FEDERAL GRANTOR/PROGRAM TITLE	CFDA NUMBER	CONTRACT NUMBER	TOTAL PROGRAM EXPENDITURES	SUB-RECIPIENT EXPENDITURES
<b>INDIRECT GRANTS:</b>				
United States Congress				
Appropriation allocated to HUD and passed through to Neighborhood Reinvestment Corporations (dba NeighborWorks® America) via Public Law				
National Foreclosure Mitigation Counseling Program	14.xxx	PL110-161:95X1350	137,186	128,675
Appropriation allocated to U.S. Dept. of Justice, Office of Justice Programs and passed through to Delaware Criminal Justice Council via Public Law				
Second Chance Act	16.812		<u>117,720</u>	<u>117,720</u>
<b>TOTAL INDIRECT GRANTS</b>			<u>254,906</u>	<u>246,395</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 59,066,067</u>	<u>\$ 48,791,344</u>

N/A - Not Available.

\* Denotes a major federal program.

(1) As of June 30, 2017, the amount of outstanding single family mortgages purchased by the Authority and covered by either FHA insurance or a VA guarantee was \$7,766,568 and \$1,775,396, respectively.

(2) HOME Investment Partnerships Program Income cash receipts included \$256 of interest revenue for the fiscal year ended June 30, 2017.

See notes to supplemental schedule of expenditures of federal awards.

DELAWARE STATE HOUSING AUTHORITY  
 SUPPLEMENTAL STATEMENT OF PUBLIC HOUSING ACTUAL MODERNIZATION CAPITAL FUND  
 GRANT COSTS  
 AS OF JUNE 30, 2017

ANNUAL CONTRIBUTIONS CONTRACT P-4520

	PROJECT NUMBER		
	DE26-P004- 50115	DE26-P004- 50116	TOTAL
Funds advanced	\$ 694,913	\$ 401,569	\$ 1,096,482
Management improvements	24,885	41,723	66,608
Site improvements	606,121	281,378	887,499
Administration	63,907	78,468	142,375
Funds expended	694,913	401,569	1,096,482
Excess (deficiency) of funds advanced	\$ -	\$ -	\$ -

**DELAWARE STATE HOUSING AUTHORITY**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND SUPPLEMENTAL STATEMENT OF PUBLIC HOUSING ACTUAL MODERNIZATION CAPITAL FUND GRANT COSTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

HUD regulations prescribe the accounting principles and financial reporting requirements to be followed by the Authority in the preparation of supplemental schedules prepared under the annual contributions contracts. The following is a summary of the significant accounting and reporting policies followed by the Authority.

Basis of Accounting - The schedule of expenditures of federal awards is prepared on the accrual basis of accounting with the exception of advance payments, which are considered to be expenditures when passed through to the sub-recipient.

**2. OTHER INFORMATION**

The Authority charges administrative expenses to federal programs based on its June 2016 Indirect Cost Allocation Plan.

