

**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, 2019  
With Summarized Totals for June 30, 2018**

**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 State of Delaware Net Pension Liability	73
Notes to Schedule of State of Delaware Net Pension Liability	74
Schedule of Employer Contributions to State of Delaware Pension Plan	75
Schedule of Changes in Net OPEB Liability	76
Notes to Schedule of Changes in Net OPEB Liability	77
Schedule of Contributions	78
Schedule of Annual Money-Weighted Rate of Return on Investments	79
Schedule of State of Delaware Other Post Employment Benefits Plan	80
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
Schedule of Activities - Entity-wide	84
Balance Sheet - Nonmajor Governmental Funds	86
Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds	88
Schedule of Net Position - Proprietary Fund - Subfunds of the Federal Programs Enterprise Fund	90
Schedule of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund - Subfunds of the Federal Programs Enterprise Fund	92
Schedule of Net Position - Proprietary Fund - Subfunds of the Single Family Programs Enterprise Fund	94
Schedule of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund - Subfunds of the Single Family Programs Enterprise Fund	96
Schedule of Revenue Bonds Payable	98

**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>	101
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	103
Schedule of Findings and Questioned Costs	107
Schedule of Expenditures of Federal Awards	109
Supplemental Statement of Public Housing Actual Modernization Capital Fund Grant Costs	110
Notes to Schedule of Expenditures of Federal Awards and Supplemental Statement of Public Housing Actual Modernization Capital Fund Grant Costs	111
Corrective Action Plan	115
Summary Schedule of Prior Audit Findings	116



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*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, 2019, 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

To the Delaware State Housing Authority  
Dover, Delaware

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, 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, 2019, 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, 2018 financial statements, and our report dated November 7, 2018 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, 2018 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 State of Delaware Net Pension Liability and related notes on pages 73 and 74, Schedule of Employer Contributions to State of Delaware Pension Plan on page 75, Schedule of Changes in Net OPEB Liability and related notes on pages 76 and 77, Schedule of Contributions on page 78, Schedule of Annual Money-Weighted Rate of Return on Investments on page 79, and Schedule of State of Delaware Other Post Employment Benefits Plan on page 80 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.

To the Delaware State Housing Authority  
Dover, Delaware

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 Other Supplementary Information as listed in the table of contents and the supplemental statement of public housing actual modernization capital fund grant costs and related notes are presented for purposes of additional analysis and 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 as listed in the table of contents, 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 as listed in the table of contents, 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 November 13, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.*

November 13, 2019  
Wilmington, Delaware



DELAWARE STATE HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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 accomplished through mortgage backed security purchases and sales in the To-Be-Announced (TBA) market. 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, 2019. 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 and deferred outflows exceeded liabilities and deferred inflows at the close of the fiscal year by \$533,282,054 (net position).
- The Authority's total net position increased by \$38,003,654 (7.7%) in fiscal year 2019 when compared to the previous year's ending net position. Net position of governmental activities increased by \$45,913,535 (12.5%) from the previous year and net position of business-type activities decreased by \$7,909,890 (-6.1%) 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; (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; and (3) the appropriation of \$6,525,000 from the State of Delaware to serve individuals who have access to continuing supportive services but require affordable housing to live safely and independently in the community. The most significant factors contributing to the business-type activities decreases were the receipt of \$1,500,585 in General Funds for the purpose of making loans to support homeownership needs (a decrease of \$682,398 from 2018) offset by: (1) the transfer of administrative fees of \$1,648,064 from the Single Family Mortgage Revenue Bond Programs to the General Fund in support of operations and (2) the transfer of over \$6,300,000 from the



To-Be-Announced (TBA) fund to the Preferred Plus Loan program, governmental activities, in support of the programs' objectives to make down payment assistance available to qualified homebuyers.

- Unrestricted net position totaled \$15,594,188. 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 \$40,106,812 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 \$425,488,266, an increase of \$44,545,585 (11.7%) 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 \$35,708,121 (19.0%) during fiscal year 2019. The Single Family Programs issued revenue bonds of \$20,630,000, paid scheduled maturities of \$510,000, paid bond calls of \$53,074,261 which were primarily the result of bond redemption and mortgage prepayments, and paid \$2,753,860 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 28-70 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 71-80.

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 84-98.

Also contained in this report is the Authority's Single Audit Supplement, presented in compliance with U.S. Office of Management and Budget's Uniform Guidance. The Single Audit Supplement can be found on pages 101-116.

### **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, 2019:

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Noncapital assets	\$473,902,848	\$424,634,749	\$277,136,534	\$317,149,890	\$ 751,039,382	\$ 741,784,639
Capital assets	1,098,484	1,203,934	7,594,602	8,499,337	8,693,086	9,703,271
Total assets	475,001,332	425,838,683	284,731,136	325,649,227	759,732,468	751,487,910
Deferred outflow of resources	1,116,121	1,036,650	90,648	140,671	1,206,769	1,177,321
Long-term liabilities outstanding	57,957,209	56,714,064	157,570,724	186,769,841	215,527,933	243,483,905
Other liabilities	324,738	276,511	3,870,997	9,758,050	4,195,735	10,034,561
Total liabilities	58,281,947	56,990,575	161,441,721	196,527,891	219,723,668	253,518,466
Deferred inflow of resources	5,606,977	3,569,764	2,326,538	298,592	7,933,515	3,868,356
Net position:						
Invested in capital assets	1,098,484	1,203,934	7,594,602	8,499,337	8,693,086	9,703,271
Restricted	395,535,857	350,211,291	113,458,923	120,464,078	508,994,780	470,675,369
Unrestricted	15,594,188	14,899,769	-	-	15,594,188	14,899,769
Total net position	\$412,228,529	\$366,314,994	\$121,053,525	\$128,963,415	\$ 533,282,054	\$ 495,278,409

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, 2019:

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 14,064,021	\$ 11,790,834	\$ 11,063,497	\$ 14,054,481	\$ 25,127,518	\$ 25,845,315
Operating grants & contributions	28,859,405	24,870,895	59,712,344	57,519,387	88,571,749	82,390,282
Capital grants & contributions	-	-	526,499	1,050,397	526,499	1,050,397
General revenues, principally						
Investment income (loss)	3,244,739	(458,071)	10,062,079	(1,935,685)	13,306,818	(2,393,756)
Total revenues	<u>46,168,165</u>	<u>36,203,658</u>	<u>81,364,419</u>	<u>70,688,580</u>	<u>127,532,584</u>	<u>106,892,238</u>
Expenses:						
Administrative	4,353,427	5,438,058	-	-	4,353,427	5,438,058
Affordable rental housing	10,053,889	11,158,589	58,061,235	59,690,280	68,115,124	70,848,869
Community rehabilitation	4,316,312	6,610,951	2,516,189	2,607,042	6,832,501	9,217,993
Home ownership	2,592,994	3,209,735	7,535,982	10,341,553	10,128,976	13,551,288
Housing rehabilitation	98,911	393,767	-	-	98,911	393,767
Total expenses	<u>21,415,533</u>	<u>26,811,100</u>	<u>68,113,406</u>	<u>72,638,875</u>	<u>89,528,939</u>	<u>99,449,975</u>
Change in net position before transfers	24,752,632	9,392,558	13,251,013	(1,950,295)	38,003,645	7,442,263
Transfers	21,160,903	9,163,797	(21,160,903)	(9,163,797)	-	-
Prior period adjustment	-	-	-	-	-	-
Changes in net position	45,913,535	18,556,355	(7,909,890)	(11,114,092)	38,003,645	7,442,263
Net position, beginning	366,314,994	347,758,639	128,963,415	140,077,507	495,278,409	487,836,146
Net position, ending	<u>\$412,228,529</u>	<u>\$366,314,994</u>	<u>\$121,053,525</u>	<u>\$128,963,415</u>	<u>\$ 533,282,054</u>	<u>\$ 495,278,409</u>

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 \$533,282,054 at the close of the fiscal year.

Of the Authority's total assets, 57.9% represent mortgage loans outstanding, including securitized mortgage loans. Cash and investments comprise 31.8% of the total assets, while other noncapital assets make up 8.9% of total assets. Investment in capital assets accounts for 1.4% of total assets. Of the Authority's total liabilities, 69.5% consists of revenue bonds payable. Escrow deposits represent 25.0% of total liabilities, with miscellaneous liabilities comprising 5.5% 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 (95.5%) of the Authority's net position is restricted by bond covenants, federal and state grantors, and the Authority's Loan Program. Another 1.6% of net position reflects the Authority's investment in capital assets (e.g. land, buildings, improvements, and equipment). The remaining 2.9% 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 change in net position in governmental activities and a negative change in net position in business-type activities.

As a result of its operations, the Authority's total net position increased by \$38,003,645 for the fiscal year ending June 30, 2019. Of this amount, governmental activities net position increased by \$45,913,535 and business-type net position decreased by \$7,909,890.

These decreases in net positions are discussed in detail below, under Governmental Activities and Business-type Activities headings.

Of the Authority's total revenues, 69.5% were derived from operating grants and contributions, mostly from HUD and the State of Delaware. Another 19.7% came from charges for services which are mostly comprised of mortgage loan interest. Investment income represents 10.4% of total revenues, while capital grants make up the remaining 0.4%.

Of the Authority's total expenses, 76.1% were for affordable rental housing function, mostly as housing assistance payments. Another 11.3% 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 7.7%, mostly in the form of grants, leaving only 4.9% of total costs attributable to Authority administrative function.

During the fiscal year, net transfers of \$21,160,903 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 \$1,648,064 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 \$1,500,000 from the General Fund, a governmental activity, to the To-Be-Announced (TBA) fund, a business-type activity, in support of the program's objective to make down payment assistance available to qualified homebuyers, (3) a cash transfer of \$6,373,688 from the To-Be-Announced (TBA) fund, a business-type activity, to the Preferred Plus Program, a business-type activity, in support of the program's objective to make down payment assistance available to qualified homebuyers, and (4) a noncash transfer of the transfer of \$12,098,889 in loans from the Single Family Program, a business-type activity, to the Authority Loan Program, a governmental activity. Additional information regarding the Authority's interfund transactions can be found in note IV., E. on page 53 of this report.

Governmental Activities

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

Function	Fiscal Year 2019		Fiscal Year 2018	
	Expenses	Revenues	Net (Exp)/Rev	Net (Exp)/Rev
Administration	\$ 4,353,427	\$ 4,203,227	\$ (150,200)	\$ (2,556,764)
Affordable rental housing	10,053,889	21,939,788	11,885,899	10,052,626
Community rehabilitation	4,316,312	11,500,000	7,183,688	1,894,614
Home ownership	2,592,994	5,235,133	2,642,139	803,657
Housing rehabilitation	98,911	45,278	(53,633)	(343,504)
Total	\$ 21,415,533	\$ 42,923,426	\$ 21,507,893	\$ 9,850,629

**Governmental Activities  
Revenues by Source**

Source	Fiscal Year 2019		Fiscal Year 2018	
	Revenue	Percent	Revenue	Percent
Charges for services	\$ 14,064,021	21%	\$ 11,790,834	26%
Operating grants and contributions	28,859,405	43%	24,870,895	55%
Other general revenues	3,244,739	5%	(458,071)	1%
Transfers	21,160,903	31%	9,163,797	20%
Total	\$ 67,329,068	100%	\$ 45,367,455	100%

Governmental activities increased the Authority's net position by \$45,913,535. 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; (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; and (3) the appropriation of \$6,525,000 from the State of Delaware to serve individuals who have access to continuing supportive services but require affordable housing to live safely and independently in the community .

### Business-type Activities

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

Function	Fiscal Year 2019			Fiscal
	Expenses	Revenues	Net (Exp)/Rev	Year 2018
Affordable rental housing	\$ 58,061,235	\$ 60,255,119	\$ 2,193,884	\$ (1,140,459)
Community rehabilitation	2,516,189	2,520,404	4,215	(10,930)
Home ownership	7,535,982	8,526,817	990,835	1,136,779
Total	<u>\$ 68,113,406</u>	<u>\$ 71,302,340</u>	<u>\$ 3,188,934</u>	<u>\$ (14,610)</u>

#### **Business-type Activities Revenues by Source**

Source	Fiscal Year 2019		Fiscal Year 2018	
	Revenue	Percent	Revenue	Percent
Charges for services	\$ 11,063,497	14%	\$ 14,054,481	20%
Operating grants and contributions	59,712,344	73%	57,519,387	81%
Capital grants and contributions	526,499	1%	1,050,397	1%
Other general revenues	10,062,079	12%	(1,935,685)	-3%
Total	<u>\$ 81,364,419</u>	<u>100%</u>	<u>\$ 70,688,580</u>	<u>100%</u>

Business-type activities decreased the Authority's net position by \$7,909,890. The key elements of this decrease were: the receipt of \$2,094,779 in HOME Funds for the purpose of making loans to support homeownership needs offset by: (1) the transfer of administrative fees of \$1,648,064 from the Single Family Mortgage Revenue Bond Programs to the General Fund in support of operations; (2) \$5,679,455 interest expense on bonds; and (3) the transfer of over \$6,300,000 from the To-Be-Announced (TBA) fund to the Preferred Plus Loan program, governmental activities, in support of the programs' objectives 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 \$425,488,266, an increase of \$44,545,585 (11.7%) 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 \$72,841,196, an increase of \$28,469,815 (64.2%) in comparison with the prior year. The key factors of this increase mostly consisted of General Fund revenues of \$6,817,879 from interest income, fees, and other income, combined with expenditures of \$5,488,527, and transfers in the amount of \$21,986,362 from the Single Family Programs which includes \$12,098,889 for loans transferred to Authority Loans, \$1,648,064 for administrative fees, and \$1,865,721 in proceeds for 2018A Bonds, and \$6,373,688 for the Preferred Plus program resulted in a net change in fund balance of \$28,469,815 in comparison to the previous year net change in fund balance of \$3,995,011. 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 \$261,651,152, of which \$232,041,400 is restricted, to be used for the specific purposes of HDF activities per enabling legislation and \$29,609,752 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 \$10,283,521 (4.1%) 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, \$5,216,464 in interest and investment income, \$1,055,331 in fee revenue, and \$5,123 in other revenue offset by Affordable Rental Housing expenditures of \$3,493,397.

The Downtown Development Districts Grant Program (DDD) had a fund balance of \$27,991,788, 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 2019 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 \$31,918,135, which is reported as restricted. The net decrease in the fund balance during the fiscal year was \$3,385,936 (-9.60%) in comparison with the prior year. The decrease was the result of interest income received and accrued in the amount of \$1,044,132, offset by a \$5,205,173 transfer to the Preferred Plus Program, a Business-type Activity, to fund the Authority's second mortgage assistance loan initiatives.

#### 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 \$86,793,115, and those of the Single Family Programs Funds amounted to \$34,260,410. The total increase in net position for the Federal Programs Fund was \$2,266,780 (2.7%) in comparison with the prior year, primarily due to the receipt of \$2,094,779 in HOME Program grant offset by operating expenses in the program of \$1,345,627 and the decrease of \$179,925 for the MTW program.

The total decrease in net position for the Single Family Program Funds was \$10,176,670 (-22.9%) in comparison with the prior year. This is primarily due to the receipt of over \$17,000,000 in interest income and gains on the sale of investments within the DSHA Mortgaged Backed Securities Purchase Program resulting from mortgage backed security purchases and sales in the To-Be-Announced (TBA) market. This was offset by net transfers out of \$21,160,903.

### 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, 2019, amounts to \$8,693,086 (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 10.4% (a 8.8% decrease for governmental activities and a 10.6% 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 and construction costs for a repaving project at one public housing site.
- Playground Equipment at two public housing sites.
- Replacing one van for DSHA electrician.
- Purchasing one van for DSHA painter.

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 509,500	\$ 509,500	\$ 1,000,828	\$ 1,000,828	\$ 1,510,328	\$ 1,510,328
Buildings held for resale	-	-	261,292	330,911	261,292	330,911
Construction in progress	-	-	172,975	616,164	172,975	616,164
Buildings	516,185	572,818	1,596,145	1,835,434	2,112,330	2,408,252
Land/site improvements	2,078	6,228	4,294,987	4,565,622	4,297,065	4,571,850
Vehicles	-	-	53,181	36,569	53,181	36,569
Other equipment	70,721	115,388	215,194	113,809	285,915	229,197
<b>Total</b>	<b>\$ 1,098,484</b>	<b>\$ 1,203,934</b>	<b>\$ 7,594,602</b>	<b>\$ 8,499,337</b>	<b>\$ 8,693,086</b>	<b>\$ 9,703,271</b>

Additional information on the Authority's capital assets can be found in note IV., D. on page 52 of this report.

#### Long-term Debt

At the end of the current fiscal year, Delaware State Housing Authority had total bonded debt outstanding of \$152,630,027. 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	
	2019	2018	2019	2018	2019	2018
Revenue bonds payable	\$ -	\$ -	\$152,630,027	\$188,338,148	\$ 152,630,027	\$ 188,338,148
Total	\$ -	\$ -	\$152,630,027	\$188,338,148	\$ 152,630,027	\$ 188,338,148

The Authority's outstanding debt, excluding compensated absences, decreased by \$35,708,121 (19.0%) in comparison to the prior year. Key factors in this decrease were Single Family Programs Enterprise Fund bond calls of \$53,074,261, scheduled maturities of \$510,000, bond accretion of \$2,753,860 offset by \$20,630,000 in Bonds issued. The bond calls of \$53,074,261 in the Single Family programs were primarily the result of issuing the 2018A Bonds to redeem 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 54-57 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, 2019  
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2018)

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL 2019	TOTAL 2018
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 42,156,211	\$ 8,516,365	\$ 50,672,576	\$ 63,488,123
Investments	82,925,886	18,191,991	101,117,877	59,122,711
Mortgage loans receivable, net	1,095,790	1,050,058	2,145,848	2,802,057
Accrued interest & other receivables	4,368,022	1,433,461	5,801,483	3,841,659
Grants receivable-US Dept of HUD	-	243,981	243,981	318,071
Internal balances	251,643	(251,643)	-	-
Prepaid expenses	181,004	3,978,669	4,159,673	3,997,732
Total current assets	130,978,556	33,162,882	164,141,438	133,570,353
Non-current assets:				
Cash, restricted for payment of escrows	-	1,468,535	1,468,535	1,261,322
Investments	82,190,376	6,368,958	88,559,334	88,178,888
Securitized mortgage loans	8,112,262	153,031,780	161,144,042	190,606,287
Mortgage loans receivable, net	203,631,084	72,991,270	276,622,354	270,185,981
Accrued interest & other receivables, net	45,200,914	13,902,765	59,103,679	57,981,808
Internal balances	3,789,656	(3,789,656)	-	-
Capital assets:				
Capital assets not being depreciated	509,500	1,173,803	1,683,303	2,126,492
Capital assets net of accumulated depreciation	588,984	6,420,799	7,009,783	7,576,779
Total non-current assets	344,022,776	251,568,254	595,591,030	617,917,557
<b>TOTAL ASSETS</b>	<b>475,001,332</b>	<b>284,731,136</b>	<b>759,732,468</b>	<b>751,487,910</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amounts on State of DE Pension and OPEBs	1,116,121	-	1,116,121	1,036,650
Deferred amounts on bond refundings	-	90,648	90,648	140,671
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,116,121</b>	<b>90,648</b>	<b>1,206,769</b>	<b>1,177,321</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and other current liabilities	312,199	616,595	928,794	900,432
Due to State of Delaware-pension costs	1,743	1,017	2,760	3,108
Compensated absences payable	10,796	3,641	14,437	13,606
Revenue bonds payable	-	3,249,744	3,249,744	4,829,412
Total current liabilities	324,738	3,870,997	4,195,735	5,746,558
Non-current liabilities:				
Compensated absences payable	587,793	280,954	868,747	904,950
State of Delaware pension obligation	292,497	-	292,497	414,818
OPEB liability	9,996,632	-	9,996,632	12,281,002
Escrow deposits	47,080,287	7,909,487	54,989,774	50,662,402
Revenue bonds payable	-	149,380,283	149,380,283	183,508,736
Total non-current liabilities	57,957,209	157,570,724	215,527,933	247,771,908
<b>TOTAL LIABILITIES</b>	<b>58,281,947</b>	<b>161,441,721</b>	<b>219,723,668</b>	<b>253,518,466</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred amounts on State of Delaware pensions	5,606,977	-	5,606,977	3,569,764
Deferred amounts on bond refundings	-	2,326,538	2,326,538	298,592
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>5,606,977</b>	<b>2,326,538</b>	<b>7,933,515</b>	<b>3,868,356</b>
<b>NET POSITION</b>				
Invested in capital assets	1,098,484	7,594,602	8,693,086	9,703,271
Restricted by federal and state regulations	322,991,442	79,198,513	402,189,955	388,057,766
Restricted by bond covenants	-	34,260,410	34,260,410	44,437,080
Restricted for Authority Loan Program	72,544,415	-	72,544,415	38,180,523
Unrestricted, for Authority's purposes	15,594,188	-	15,594,188	14,899,769
<b>TOTAL NET POSITION</b>	<b>\$ 412,228,529</b>	<b>\$ 121,053,525</b>	<b>\$ 533,282,054</b>	<b>\$ 495,278,409</b>

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

DELAWARE STATE HOUSING AUTHORITY  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

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 2019	TOTAL 2018
<b>Governmental activities:</b>								
Administrative	\$ 4,353,427	\$ 4,105,227	\$ 98,000	\$ -	(150,200)	\$ -	\$ (150,200)	\$ (2,556,764)
Affordable rental housing	10,053,889	4,714,788	17,225,000	-	11,885,899	-	11,885,899	10,052,626
Community rehabilitation	4,316,312	-	11,500,000	-	7,183,688	-	7,183,688	1,894,614
Home ownership	2,592,994	5,198,728	36,405	-	2,642,139	-	2,642,139	803,657
Housing rehabilitation	98,911	45,278	-	-	(53,633)	-	(53,633)	(343,504)
<b>Total governmental activities</b>	<b>\$ 21,415,533</b>	<b>\$ 14,064,021</b>	<b>\$ 28,859,405</b>	<b>\$ -</b>	<b>21,507,893</b>	<b>-</b>	<b>21,507,893</b>	<b>9,850,629</b>
<b>Business-type activities:</b>								
Affordable rental housing	\$ 58,061,235	\$ 2,625,704	\$ 57,102,917	\$ 526,499	\$ -	\$ 2,193,885	\$ 2,193,885	\$ (1,140,459)
Community rehabilitation	2,516,189	27,048	2,493,356	-	-	4,215	4,215	(10,930)
Home ownership	7,535,982	8,410,745	116,071	-	-	990,834	990,834	1,136,779
<b>Total business-type activities</b>	<b>\$ 68,113,406</b>	<b>\$ 11,063,497</b>	<b>\$ 59,712,344</b>	<b>\$ 526,499</b>	<b>-</b>	<b>3,188,934</b>	<b>3,188,934</b>	<b>(14,610)</b>
<b>General revenues:</b>								
Investment income, gains/(losses) on investments, and miscellaneous earnings					3,244,739	10,056,328	13,301,067	(1,546,281)
Gain/(Loss) on Disposal of Property					-	5,751	5,751	(847,475)
Transfers					21,160,903	(21,160,903)	-	-
<b>Total general revenues and transfers</b>					<b>24,405,642</b>	<b>(11,098,824)</b>	<b>13,306,818</b>	<b>(2,393,756)</b>
Change in net position					45,913,535	(7,909,890)	38,003,645	7,442,263
Net position, beginning of year					366,314,994	128,963,415	495,278,409	487,836,146
<b>Net position, end of year</b>					<b>\$ 412,228,529</b>	<b>\$ 121,053,525</b>	<b>\$ 533,282,054</b>	<b>\$ 495,278,409</b>

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



DELAWARE STATE HOUSING AUTHORITY  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2019  
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2018)

	GENERAL FUND	HOUSING DEVELOPMENT FUND	DOWNTOWN DEVELOPMENT DISTRICTS GRANT FUND	STATE RENTAL ASSISTANCE PROGRAM	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
						2019	2018
<b>ASSETS</b>							
Cash & cash equivalents	\$ 8,375,767	\$ 9,175,204	\$ 9,378,763	\$ 3,652,952	\$ 11,573,525	\$ 42,156,211	\$ 56,346,537
Investments	31,148,343	104,890,484	18,613,025	1,660,755	8,803,652	165,116,259	125,020,110
Securitized mortgage loans	8,112,262	-	-	-	-	8,112,262	-
Interfund receivables	4,137,205	-	-	-	10	4,137,215	4,933,293
Loans receivable:							
Mortgages receivable, net	15,081,333	159,744,811	-	-	29,900,730	204,726,874	193,115,326
Accrued interest & other receivables	7,745,003	34,363,081	-	-	7,460,854	49,568,938	45,968,390
Prepaid items	181,004	-	-	-	-	181,004	166,241
<b>TOTAL ASSETS</b>	<b>\$ 74,780,917</b>	<b>\$ 308,173,580</b>	<b>\$ 27,991,788</b>	<b>\$ 5,313,707</b>	<b>\$ 57,738,771</b>	<b>\$ 473,998,763</b>	<b>\$ 425,549,897</b>
<b>LIABILITIES &amp; FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts payable	\$ 311,650	\$ -	\$ -	\$ -	\$ 549	\$ 312,199	\$ 264,398
Due to St of Delaware-pension costs	1,743	-	-	-	-	1,743	2,169
Interfund payables	31,502	24,054	-	-	40,359	95,915	915,148
Escrow deposits	574,473	46,498,374	-	-	7,440	47,080,287	43,425,501
<b>TOTAL LIABILITIES</b>	<b>919,368</b>	<b>46,522,428</b>	<b>-</b>	<b>-</b>	<b>48,348</b>	<b>47,490,144</b>	<b>44,607,216</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred amounts on Developer Fee	1,020,353	-	-	-	-	1,020,353	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,020,353</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,020,353</b>	<b>-</b>
<b>FUND BALANCES</b>							
Nonspendable	29,906,533	-	-	-	-	29,906,533	13,635,828
Restricted	-	232,041,400	27,991,788	5,313,707	57,644,546	322,991,441	314,336,165
Committed	42,934,663	29,609,752	-	-	-	72,544,415	52,808,210
Assigned	-	-	-	-	45,877	45,877	162,478
<b>TOTAL FUND BALANCES</b>	<b>72,841,196</b>	<b>261,651,152</b>	<b>27,991,788</b>	<b>5,313,707</b>	<b>57,690,423</b>	<b>425,488,266</b>	<b>380,942,681</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$ 73,760,564</b>	<b>\$ 308,173,580</b>	<b>\$ 27,991,788</b>	<b>\$ 5,313,707</b>	<b>\$ 57,738,771</b>	<b>\$ 473,998,763</b>	<b>\$ 425,549,897</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, 2019

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

TOTAL FUND BALANCES OF GOVERNMENTAL FUNDS (page 18)	\$ 425,488,266
Other post-employment benefits (OPEB) assets/(liabilities) are not financial resources and, therefore, are not reported in the funds.	(9,996,632)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,098,484
Deferred outflows of resources related to State of Delaware pensions and OPEBs	1,116,121
Long-term liabilities are not due and payable in the current period and, therefore not reported in the funds.	(891,086)
Deferred inflows of resources related to Developer Fee	1,020,353
Deferred inflows of resources related to State of Delaware pensions and OPEBs	<u>(5,606,977)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES (page 15)	<u>\$ 412,228,529</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, 2019  
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

	GENERAL FUND	HOUSING DEVELOPMENT FUND	DOWNTOWN DEVELOPMENT DISTRICTS GRANT FUND	STATE RENTAL ASSISTANCE PROGRAM	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
						2019	2018
<b>REVENUES</b>							
Interest income:							
Investments	\$ 1,575,155	\$ 981,529	\$ 113,025	\$ 13,697	\$ 52,678	\$ 2,736,084	\$ 805,512
Loans	859,845	3,569,106	-	-	1,128,117	5,557,068	5,167,462
Total interest income	2,435,000	4,550,635	113,025	13,697	1,180,795	8,293,152	5,972,974
Grants	98,000	-	-	-	-	98,000	250,895
Payments from primary government	-	10,000,000	8,500,000	6,525,000	3,736,405	28,761,405	24,620,000
Gains/(losses) on investments	306,488	665,829	-	-	-	972,317	(458,071)
Fees	2,979,487	1,055,331	-	-	206,416	4,241,234	3,518,779
Other revenue	998,904	5,123	-	-	1,777,677	2,781,704	2,299,082
<b>TOTAL REVENUES</b>	<b>6,817,879</b>	<b>16,276,918</b>	<b>8,613,025</b>	<b>6,538,697</b>	<b>6,901,293</b>	<b>45,147,812</b>	<b>36,203,659</b>
<b>EXPENDITURES</b>							
Current:							
Administrative	5,488,527	-	-	-	-	5,488,527	5,547,270
Affordable rental housing	-	3,493,397	-	6,272,671	371,568	10,137,636	11,158,588
Community rehabilitation	-	-	3,950,923	-	365,390	4,316,313	6,610,951
Home ownership	-	-	-	-	1,805,492	1,805,492	2,998,373
Housing rehabilitation	-	-	-	-	15,162	15,162	393,769
<b>TOTAL EXPENDITURES</b>	<b>5,488,527</b>	<b>3,493,397</b>	<b>3,950,923</b>	<b>6,272,671</b>	<b>2,557,612</b>	<b>21,763,130</b>	<b>26,708,951</b>
<b>EXCESS/(DEFICIT) REVENUE OVER EXPENDITURES</b>	<b>1,329,352</b>	<b>12,783,521</b>	<b>4,662,102</b>	<b>266,026</b>	<b>4,343,681</b>	<b>23,384,682</b>	<b>9,494,708</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	29,071,909	-	-	-	1,604,346	30,676,255	10,663,797
Transfers out	(1,931,446)	(2,500,000)	-	-	(5,083,906)	(9,515,352)	(1,500,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>27,140,463</b>	<b>(2,500,000)</b>	<b>-</b>	<b>-</b>	<b>(3,479,560)</b>	<b>21,160,903</b>	<b>9,163,797</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>28,469,815</b>	<b>10,283,521</b>	<b>4,662,102</b>	<b>266,026</b>	<b>864,121</b>	<b>44,545,585</b>	<b>18,658,505</b>
<b>FUND BALANCES, BEGINNING</b>	<b>44,371,381</b>	<b>251,367,631</b>	<b>23,329,686</b>	<b>5,047,681</b>	<b>56,826,302</b>	<b>380,942,681</b>	<b>362,284,176</b>
<b>FUND BALANCES, ENDING</b>	<b>\$ 72,841,196</b>	<b>\$ 261,651,152</b>	<b>\$ 27,991,788</b>	<b>\$ 5,313,707</b>	<b>\$ 57,690,423</b>	<b>\$ 425,488,266</b>	<b>\$ 380,942,681</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, 2019

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

NET CHANGES IN FUND BALANCE-TOTAL GOVERNMENTAL FUNDS (page 20)	\$	44,545,585
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 change in the net OPEB Liability. This amount is the net effect of this difference in the treatment of OPEB expenditure/expense.		416,853
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.		(105,450)
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.		4,097
Governmental funds report revenues that are available soon enough after yearend to pay the current year's expenditures. Certain revenues are reported as deferred inflows in the governmental funds because they were not available pay the current year's expenditures.		1,020,353
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	\$	48,463
Cost of benefits earned net of employee contributions		(16,366)
		32,097
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (page 16)	\$	45,913,535

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



DELAWARE STATE HOUSING AUTHORITY  
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2019  
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2018)

	FEDERAL PROGRAMS ENTERPRISE FUND	SINGLE FAMILY PROGRAMS ENTERPRISE FUND	TOTAL ENTERPRISE FUNDS	
			2019	2018
<b>ASSETS</b>				
Current Assets:				
Cash & cash equivalents	\$ 5,036,575	\$ 3,479,790	\$ 8,516,365	\$ 7,141,586
Investments	1,901,370	16,290,621	18,191,991	16,312,883
Mortgage loans receivable, net	-	1,050,058	1,050,058	2,288,141
Accrued interest and other receivables	145,749	1,287,712	1,433,461	1,821,308
Grants receivable-US Dept of HUD	243,981	-	243,981	318,071
Interfund receivables	29,452	-	29,452	75,060
Prepaid expenses	3,978,669	-	3,978,669	3,831,491
Total current assets	11,335,796	22,108,181	33,443,977	31,788,540
Non-Current Assets:				
Cash, restricted for payment of escrows	1,468,535	-	1,468,535	1,261,322
Investments	6,368,958	-	6,368,958	5,968,606
Securitized mortgage loans	-	153,031,780	153,031,780	190,606,287
Mortgage loans receivable, net	59,944,931	13,046,339	72,991,270	77,584,571
Accrued interest and other receivables, net	12,758,468	1,144,297	13,902,765	14,033,769
Interfund receivables	26,094	-	26,094	25,282
Capital assets not being depreciated	1,173,803	-	1,173,803	1,616,992
Capital assets net of accumulated depreciation	6,420,799	-	6,420,799	6,882,345
Total non-current assets	88,161,588	167,222,416	255,384,004	297,979,174
<b>TOTAL ASSETS</b>	<b>99,497,384</b>	<b>189,330,597</b>	<b>288,827,981</b>	<b>329,767,714</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Deferred amount on bond refunding	-	90,648	90,648	140,671
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<b>-</b>	<b>90,648</b>	<b>90,648</b>	<b>140,671</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	616,515	80	616,595	636,034
Due St of Delaware-pension costs	1,017	-	1,017	939
Interfund payables	76,955	204,140	281,095	304,787
Compensated absences payable	3,641	-	3,641	3,662
Revenue bonds payable	-	3,249,744	3,249,744	4,829,412
Total current liabilities	698,128	3,453,964	4,152,092	5,774,834
Non-Current Liabilities:				
Interfund payables	3,815,700	50	3,815,750	3,813,700
Compensated absences payable	280,954	-	280,954	312,207
Escrow deposits	7,909,487	-	7,909,487	7,236,901
Revenue bonds payable	-	149,380,283	149,380,283	183,508,736
Total non-current liabilities	12,006,141	149,380,333	161,386,474	194,871,544
<b>TOTAL LIABILITIES</b>	<b>12,704,269</b>	<b>152,834,297</b>	<b>165,538,566</b>	<b>200,646,378</b>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Deferred amount on bond refunding	-	2,326,538	2,326,538	298,592
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<b>-</b>	<b>2,326,538</b>	<b>2,326,538</b>	<b>298,592</b>
<b>NET POSITION</b>				
Invested in capital assets	7,594,602	-	7,594,602	8,499,337
Restricted by federal regulations	79,198,513	-	79,198,513	76,026,998
Restricted by bond covenants	-	34,260,410	34,260,410	44,437,080
<b>TOTAL NET POSITION</b>	<b>\$ 86,793,115</b>	<b>\$ 34,260,410</b>	<b>\$ 121,053,525</b>	<b>\$ 128,963,415</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, 2019  
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

	FEDERAL PROGRAMS ENTERPRISE FUND	SINGLE FAMILY PROGRAMS ENTERPRISE FUND	TOTAL ENTERPRISE FUNDS	
			2019	2018
<b>OPERATING REVENUES</b>				
Interest income on loans	\$ 1,268,556	\$ 7,771,469	\$ 9,040,025	\$ 11,618,509
Federal housing program grants	59,712,344	-	59,712,344	57,519,386
Rental income	682,315	-	682,315	678,568
Amortization of deferred revenues	-	627,314	627,314	-
Miscellaneous	701,881	11,962	713,843	706,392
<b>TOTAL OPERATING REVENUES</b>	<b>62,365,096</b>	<b>8,410,745</b>	<b>70,775,841</b>	<b>70,522,855</b>
<b>OPERATING EXPENSES</b>				
Interest expense on bonds	-	5,679,455	5,679,455	6,494,742
Administrative	5,281,302	1,261,919	6,543,221	7,421,202
Grants and housing assistance payments	52,145,435	-	52,145,435	54,290,467
Public housing maintenance & utilities	1,933,929	-	1,933,929	1,495,814
Amortization of deferred expenses	-	343,752	343,752	-
Depreciation	1,278,023	-	1,278,023	1,252,124
Loan servicing fees	-	20,822	20,822	29,091
Other expenses	-	168,769	168,769	604,423
<b>TOTAL OPERATING EXPENSES</b>	<b>60,638,689</b>	<b>7,474,717</b>	<b>68,113,406</b>	<b>71,587,863</b>
<b>OPERATING INCOME</b>	<b>1,726,407</b>	<b>936,028</b>	<b>2,662,435</b>	<b>(1,065,008)</b>
<b>NON-OPERATING INCOME/(EXPENSES)</b>				
Investment income	8,123	7,463,952	7,472,075	6,528,424
Change in fair value of investments	-	2,584,253	2,584,253	(7,616,633)
Gain/(Loss) on Disposal of Property	5,751	-	5,751	(847,475)
<b>TOTAL NON-OPERATING INCOME/(EXPENSES)</b>	<b>13,874</b>	<b>10,048,205</b>	<b>10,062,079</b>	<b>(1,935,684)</b>
<b>INCOME/(LOSS) BEFORE CAPITAL GRANTS AND OPERATING TRANSFERS</b>				
	1,740,281	10,984,233	12,724,514	(3,000,692)
Capital grants	526,499	-	526,499	1,050,397
Transfers in	-	1,500,435	1,500,435	2,941,607
Transfers out	-	(22,661,338)	(22,661,338)	(12,105,404)
<b>CHANGE IN NET POSITION</b>	<b>2,266,780</b>	<b>(10,176,670)</b>	<b>(7,909,890)</b>	<b>(11,114,092)</b>
<b>NET POSITION, BEGINNING</b>	<b>84,526,335</b>	<b>44,437,080</b>	<b>128,963,415</b>	<b>140,077,507</b>
<b>NET POSITION, ENDING</b>	<b>\$ 86,793,115</b>	<b>\$ 34,260,410</b>	<b>\$ 121,053,525</b>	<b>\$ 128,963,415</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, 2019  
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

	FEDERAL	SINGLE	TOTAL ENTERPRISE	
	PROGRAMS	FAMILY	FUNDS	
	ENTERPRISE	ENTERPRISE	2019	2018
	FUND	FUND		
<b>OPERATING ACTIVITIES:</b>				
Securitized mortgage loans principal repayments received	\$ -	\$ 31,989,007	\$ 31,989,007	\$ 41,032,814
Mortgage loans principal repayments received	719,473	1,660,935	2,380,408	3,877,631
Mortgage interest payments received	352,403	7,866,269	8,218,672	10,233,456
Grants received	59,755,867	-	59,755,867	57,733,073
Rental and related rental income	697,568	-	697,568	662,808
Insurance claims received	-	442,830	442,830	546,607
Escrow receipts	1,827,487	-	1,827,487	2,038,877
Other receipts	706,820	-	706,820	973,349
New mortgages disbursed	(1,231,472)	-	(1,231,472)	(1,986,965)
Grants disbursed	(52,027,785)	(48,407)	(52,076,192)	(52,613,175)
Goods/Services expenses	(2,260,368)	(25,966)	(2,286,334)	(2,204,726)
Employee expenses	(3,303,884)	-	(3,303,884)	(3,310,646)
Maintenance and utility expenses	(1,939,621)	-	(1,939,621)	(1,495,814)
Trustee and servicing fees paid	-	(63,194)	(63,194)	(94,076)
Escrow disbursements	(1,230,939)	-	(1,230,939)	(1,713,603)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>2,065,549</b>	<b>41,821,474</b>	<b>43,887,023</b>	<b>53,679,610</b>
<b>NONCAPITAL FINANCING ACTIVITIES:</b>				
Proceeds from revenue bonds	-	20,630,000	20,630,000	-
Interfund payments received	-	22,734,851	22,734,851	2,452,595
Repayments of principal on revenue bonds	-	(53,584,261)	(53,584,261)	(48,547,669)
Payments of interest on revenue bonds	-	(5,679,454)	(5,679,454)	(7,470,829)
Bond issuance costs	-	(293,729)	(293,729)	-
Premium on bond call	-	(98,600)	(98,600)	(43,950)
Interfund payments made	-	(31,441,454)	(31,441,454)	(5,764,146)
<b>NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>-</b>	<b>(47,732,647)</b>	<b>(47,732,647)</b>	<b>(59,373,999)</b>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital grant funds from US Dept of HUD	526,499	-	526,499	1,050,397
Proceeds from sales of capital assets	31,011	-	31,011	431,791
Purchase of capital assets	(398,547)	-	(398,547)	(733,174)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>158,963</b>	<b>-</b>	<b>158,963</b>	<b>749,014</b>
<b>INVESTING ACTIVITIES:</b>				
Proceeds from sales and maturities of investments	25,765,158	55,353,761	81,118,919	65,898,506
Interest income on investments	8,123	240,066	248,189	65,288
Purchase of investment securities	(26,319,659)	(49,778,796)	(76,098,455)	(59,701,542)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(546,378)</b>	<b>5,815,031</b>	<b>5,268,653</b>	<b>6,262,252</b>
<b>NET INCREASE (DECREASE) IN CASH/CASH EQUIVALENTS</b>	<b>1,678,134</b>	<b>(96,142)</b>	<b>1,581,992</b>	<b>1,316,877</b>
<b>CASH/CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>4,826,976</b>	<b>3,575,932</b>	<b>8,402,908</b>	<b>7,086,031</b>
<b>CASH/CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 6,505,110</b>	<b>\$ 3,479,790</b>	<b>9,984,900</b>	<b>\$ 8,402,908</b>

Continued on next page.

DELAWARE STATE HOUSING AUTHORITY  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

	FEDERAL PROGRAMS ENTERPRISE FUND	SINGLE FAMILY PROGRAMS ENTERPRISE FUND	TOTAL ENTERPRISE FUNDS	
			2019	2018
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES				
OPERATING INCOME/(LOSS)	\$ 1,726,407	\$ 936,028	\$ 2,662,435	\$ (1,065,008)
Adjustments to reconcile operating income to net cash provided(used) by operating activities:				
Amortization of deferred bond costs	-	343,753	343,753	30,976
Amortization of bond premium	-	(627,313)	(627,313)	(1,051,013)
Depreciation expense	1,278,023	-	1,278,023	1,252,124
Interest expense on bonds	-	5,679,455	5,679,455	7,514,779
Decrease / (Increase) in fair value of securitized mortgage loans	-	2,584,253	2,584,253	(7,616,634)
Noncash transfers of mortgages	-	(12,454,190)	(12,454,190)	(5,684,545)
Noncash grants	-	-	-	1,825,817
Changes in assets and liabilities:				
(Increase) decrease in accrued interest and other receivables	(828,507)	1,466,292	637,785	2,783,235
(Increase) decrease in securitized mortgage loans	-	37,574,507	37,574,507	48,649,447
(Increase) decrease in mortgage loans receivable	(511,999)	6,343,383	5,831,384	6,825,922
(Increase) decrease in other assets	(147,178)	-	(147,178)	(54,319)
Increase (decrease) in accounts payable and accrued expenses	(47,745)	(24,694)	(72,439)	(56,445)
Increase (decrease) in escrow deposits	596,548	-	596,548	325,274
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 2,065,549	\$ 41,821,474	\$ 43,887,023	\$ 53,679,610
NONCASH NONCAPITAL FINANCING ACTIVITIES				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	(12,454,190)	(12,454,190)	(5,684,545)
NET NONCASH TRANSFERS	\$ -	\$ (12,454,190)	\$ (12,454,190)	\$ (5,684,545)
NONCASH CAPITAL ACTIVITIES				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	(1,825,817)
NET NONCASH TRANSFERS	\$ -	\$ -	\$ -	\$ (1,825,817)
NONCASH INVESTING ACTIVITIES				
Increase (decrease) in fair value of escrow investments	\$ 76,037	\$ -	\$ 76,037	\$ (38,413)

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

DELAWARE STATE HOUSING AUTHORITY  
 STATEMENTS OF FIDUCIARY NET POSITION  
 JUNE 30, 2019 AND 2018

	<u>DSHA RETIREE MEDICAL TRUST</u>	
	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ -
Interest receivable on investments	33,713	31,193
Interest receivable on loans	4,934	4,895
Investments, at fair value:		
Savings account	92,773	34,859
Corporate Notes	2,414,735	2,323,377
Commercial Paper	249,665	-
U.S. Treasury Obligations	865,164	841,386
U.S. Government Agencies	3,274,586	2,686,730
Loans receivable	1,154,082	1,174,727
Total assets	<u>8,089,652</u>	<u>7,097,167</u>
<b>LIABILITIES</b>		
Accounts payable	948	10,939
Total liabilities	<u>948</u>	<u>10,939</u>
<b>NET POSITION</b>		
Net Position Restricted for OPEB	<u>\$ 8,088,704</u>	<u>\$ 7,086,228</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, 2019 AND 2018

	<u>DSHA RETIREE MEDICAL TRUST</u>	
	<u>2019</u>	<u>2018</u>
<b>ADDITIONS</b>		
Contributions:		
Employer contributions	\$ 748,852	\$ 713,293
Total contributions	<u>748,852</u>	<u>713,293</u>
Investment earnings:		
Interest	141,407	93,117
Interest on loan	58,181	59,190
Net increase (decrease) in fair value	189,150	(98,511)
Total investment earnings	<u>388,738</u>	<u>53,796</u>
Less: Investment expense	(3,484)	(3,197)
Net investment earnings	<u>385,254</u>	<u>50,599</u>
Total additions	<u>1,134,106</u>	<u>763,892</u>
<b>DEDUCTIONS</b>		
Benefits paid	122,330	112,483
Administrative expenses	9,300	12,050
Total deductions	<u>131,630</u>	<u>124,533</u>
Net Increase in net position	1,002,476	639,359
Net position - beginning	7,086,228	6,446,869
Net position - ending	<u>\$ 8,088,704</u>	<u>\$ 7,086,228</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, 2019**

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	37
D.	Assets, liabilities, and net position or equity	39
II.	RECONCILIATION OF ENTITY-WIDE AND FUND FINANCIAL STATEMENTS	45
A.	Explanation of certain differences between the governmental fund balance sheet and the entity-wide statement of net position	45
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	45
III.	COMPLIANCE AND ACCOUNTABILITY	45
IV.	DETAILED NOTES ON ALL FUNDS	45
A.	Deposits and investments	45
B.	Receivables	50
C.	Accounts payable	51
D.	Capital assets	52
E.	Interfund transactions	53
F.	Short-term and long-term debt	54
G.	Segment information	56
V.	OTHER INFORMATION	57
A.	Risk management	57
B.	Related organizations and related party transactions	58
C.	Economic dependency	58
D.	Post-retirement health care benefits	58
E.	Pension plans	65
F.	Contingent liabilities	70
G.	Subsequent events	70
H.	Implementation of new pronouncement	70

**DELAWARE STATE HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**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, 2018 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 \$8,500,000 as part of its fiscal year 2019 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 Department 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. In fiscal year 2018, the Authority created a new program called Preferred Plus to fund all new SMAL loans.
- **Home 4 Good** – The Authority has partnered with the Federal Home Loan Bank of Pittsburgh to establish the Home 4 Good Program. The program has been funded by a grant from the Federal Home Loan Bank of Pittsburgh and a transfer from the HDF. The purpose of the program is to provide direct funding to approved nonprofit organizations that provide Housing Support programs for Homelessness Prevention, Rapid Re-Housing, and other similar types of activities to very low and low-income residents.
- **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. The remaining HRLP funds are gradually being transferred to the DSHA SMAL as repayments are received.
- **Pre-Development Loan Program** – The Pre-Development Loan Program is an HDF program that supports the development of housing for low- and moderate-income households. The program lends funds to non-profit entities to finance pre-development expenses of future affordable housing projects.
- **Preferred Plus** – In fiscal year 2018, DSHA SMAL funded additional second mortgage assistance loans to qualified homebuyers with funds provided by DSHA's Preferred Plus program. This program provides no-interest second-mortgage loans of two percent to five percent of the homebuyers' overall loan amount.
- **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.
- **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.
- **Housing Trust Fund** – This program is a compliment to existing Federal, State, and local efforts to increase and preserve the supply of affordable housing for extremely low and very low-income households including families experiencing homelessness.
- **ROSS Grant** – A Resident Service Case Manager will serve Teenage, Disabled, and elderly residents (Public Housing and Housing Choice Voucher) to provide job training opportunities, financial literacy classes, legal assistance, mental health counseling to promote successful outcomes.
- **2017 Mainstream Voucher** – In September 2018, HUD awarded the Authority 50 Mainstream Housing Choice Vouchers to provide nonelderly persons with disabilities exiting institutions or exiting homelessness with immediate access to permanent housing. This program is a subset of HUD's Housing Choice Voucher program.

#### **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.

### **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 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. 86 “*Certain Debt Extinguishment Issues.*” The primary 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. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Authority is currently evaluating the future impact of this statement.

In 2017, the GASB issued No. 87 “*Leases.*” The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Authority is currently evaluating the future impact of this statement.

In 2019, the GASB issued No. 89 “*Accounting for Interest Cost Incurred before the End of a Construction Period.*” The primary objective of this statement is to establish accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a

business-type activity or enterprise fund. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The Authority is currently evaluating the future impact of this statement.

In 2018, the GASB issued No. 90 *“Majority Equity Interests”* an amendment of GASB Statements No. 14 and No. 61. The primary objectives of this Statement are to improve consistency and comparability of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged on in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or a permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. 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 GASBS 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 \$20,909 has been established for tenant accounts receivable in the business-type activities and the Federal Programs Enterprise Fund as of June 30, 2019. 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 is recorded 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. The Authority recognizes 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 allowance as of June 30, 2019 was \$4,016,169 in the Housing Development Fund, governmental activity and major governmental fund; and \$3,092,856 in the HOME Investment Partnership Program, a business-type activity and Federal Programs Enterprise Fund. The allowance amount is calculated based on 90% which is anticipated to be granted in the future.

An allowance for doubtful accounts is recorded for loans from the Housing Development Fund that are expected to be converted to grants upon the grantees' compliance with the terms of the award. At June 30, 2019, an allowance for doubtful accounts equal to 90% of the forgivable loans outstanding was recorded. The allowance for doubtful accounts is the amount that the Authority anticipates will be converted to grants in the future. The allowance as of June 30, 2019 was \$1,127,183.

### **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.

### **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.

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

In addition to assets and liabilities, the statement of net position and balance sheet will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements, deferred outflows of resources and deferred inflows of resources, represent consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental activities have deferred outflows and inflows that relate to the net pension liability and net OPEB liability, which include the Authority's contributions subsequent to the measurement date, which is recognized as a reduction of the net pension liability and net OPEB liability in the subsequent year. They also include changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between the Authority's contributions and proportionate share of contributions, which are deferred and amortized. They also include the net difference between projected and actual earnings on plan investments, which is deferred and amortized. Deferred inflows of resources also include a deferred charge on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized.

## **Net Pension Obligation**

In accordance with GASB Statement No. 68 the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Delaware Public Employees' Retirement System - State Employees' Pension Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## **Net Other Post-Employment Benefits (OPEB) Liability**

In accordance with GASB Statement No. 75 the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEBs, and OPEB expense, information about the fiduciary net position of the State of Delaware - State Employees' OPEB Plan and the DSHA Medical Retiree Trust and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## **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, 2019, 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	\$ 29,906,533	\$ -	\$ -	\$ -	\$ -	\$ 29,906,533
Total nonspendable	29,906,533	-	-	-	-	29,906,533
<b>Restricted:</b>						
Housing Development	-	232,041,400	-	-	-	232,041,400
Downtown Development District	-	-	27,991,788	-	-	27,991,788
Rental Assistance	-	-	-	5,313,707	-	5,313,707
Foreclosure Prevention and Housing Counseling	-	-	-	-	16,776,471	16,776,471
Housing Rehabilitation	-	-	-	-	746,024	746,024
Mortgage Assistance	-	-	-	-	31,918,135	31,918,135
Neighborhood Revitalization	-	-	-	-	7,716,956	7,716,956
Other Purposes	-	-	-	-	486,960	486,960
Total restricted	-	232,041,400	27,991,788	5,313,707	57,644,546	322,991,441
<b>Committed:</b>						
General Fund	42,934,663	-	-	-	-	42,934,663
Housing Development	-	29,609,752	-	-	-	29,609,752
Total committed	42,934,663	29,609,752	-	-	-	72,544,415
<b>Assigned:</b>						
Housing Rehabilitation	-	-	-	-	-	-
Other Purposes	-	-	-	-	45,877	45,877
Total assigned	-	-	-	-	45,877	45,877
Total Fund Balance	\$ 72,841,196	\$ 261,651,152	\$ 27,991,788	\$ 5,313,707	\$ 57,690,423	\$ 425,488,266

### 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, 2018, 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 and demand deposits. 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 \$1,098,484 difference are as follows:

Capital assets	\$3,507,312
Less: Accumulated depreciation	<u>(2,408,828)</u>
Net capital asset adjustment	<u>\$1,098,484</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 \$(891,086) difference are as follows:

Compensated absences	\$ (598,589)
State of Delaware pension obligation	<u>(292,497)</u>
Net long-term liabilities adjustment	<u>\$ (891,086)</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 \$(105,450) difference are as follows:

Capital outlay	\$0
Less: Depreciation expense	<u>(105,450)</u>
Net capital asset adjustment	<u>\$ (105,450)</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 6/30/2019	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	\$ 18,557,509	\$ 8,225,556	\$10,331,953	\$ -	\$ -	\$ -
U.S.Treasury Bonds	25,128	-	-	25,128	-	-
U.S.Treasury Strips	415,378	-	-	415,378	-	-
U.S. Agencies	37,031,386	14,612,322	22,419,064	-	-	-
Corporate Notes	33,398,584	6,485,643	26,912,941	-	-	-
Commercial Paper	4,033,169	4,033,169	-	-	-	-
Bank Money Market Accounts	47,431,143	47,431,143	-	-	-	-
State of Delaware Investment Pool	226,989	226,989	-	-	-	-
Uninvested Principal Cash	23,996,976	23,996,976	-	-	-	-
Securitized Mortgage Loans	8,112,262	-	-	-	-	8,112,262
<b>Total Governmental Activities Investments</b>	<b>173,228,524</b>	<b>105,011,798</b>	<b>59,663,958</b>	<b>440,506</b>	<b>-</b>	<b>8,112,262</b>
<b>Business-type activities:</b>						
U.S.Treasury Notes	909,078	419,721	489,357	-	-	-
U.S. Agencies	1,714,705	468,972	1,245,733	-	-	-
Corporate Notes	1,695,204	1,240,720	454,484	-	-	-
Money Market Saving Accounts	1,131,385	1,131,385	-	-	-	-
Bank Money Market Accounts	18,647,469	18,647,469	-	-	-	-
State of Delaware Investment Pool	3	3	-	-	-	-
Uninvested Principal Cash	463,105	463,105	-	-	-	-
Securitized Mortgage Loans	153,031,780	-	-	-	-	153,031,780
<b>Total Business-type Activities Investments</b>	<b>177,592,729</b>	<b>22,371,375</b>	<b>2,189,574</b>	<b>-</b>	<b>-</b>	<b>153,031,780</b>
<b>Total Entity-wide Investments</b>	<b>\$ 350,821,253</b>	<b>\$ 127,383,173</b>	<b>\$61,853,532</b>	<b>\$ 440,506</b>	<b>\$ -</b>	<b>\$ 161,144,042</b>
<b>Fiduciary Fund Investments:</b>						
U.S.Treasury Notes	\$ 865,164	\$ 338,433	\$ 526,731	\$ -	\$ -	\$ -
U.S. Agencies	3,274,586	424,156	2,850,430	-	-	-
Corporate Notes	2,414,735	109,969	2,304,766	-	-	-
Commercial Paper	249,665	249,665	-	-	-	-
Bank Money Market Accounts	92,773	92,773	-	-	-	-
Mortgage Loan Receivable	1,154,082	21,701	98,492	308,572	551,859	173,458
<b>Total Fiduciary Fund Investments</b>	<b>\$ 8,051,005</b>	<b>\$ 1,236,697</b>	<b>\$ 5,780,419</b>	<b>\$ 308,572</b>	<b>\$ 551,859</b>	<b>\$ 173,458</b>

## 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, 2019, the Authority's investments were rated as detailed below, in addition, the Fiduciary Fund investments include a mortgage loan receivable of \$1,154,082 which the Authority, in the event of loan default, has guaranteed. Additionally, the Fiduciary Fund Corporate Notes includes a NOVARTIS Capital Corp investment in the amount of \$554,631 and a Federal Farm Credit Bank investment in the amount of \$557,786 which each exceeds 8% of the total investments.

Investment Type	Ratings (S & P)						U.S. government guaranteed
	A1	A1+	AA-	AA	AA+	AAA	
<b>Governmental activities:</b>							
U.S. Treasury Notes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,557,509
U.S. Treasury Bonds	-	-	-	-	-	-	25,128
U.S. Treasury Strips	-	-	-	-	-	-	415,378
U.S. Agencies	-	-	-	-	37,031,386	-	-
Corporate Notes	-	-	17,711,643	4,498,836	9,667,036	1,521,069	-
Commercial Paper	3,337,580	695,589	-	-	-	-	-
Securitized Mortgage Loans	-	-	-	-	-	-	8,112,262
<b>Business-type activities:</b>							
U.S. Treasury Notes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 909,078
U.S. Agencies	-	-	-	-	1,714,705	-	-
Corporate Notes	-	-	900,051	222,904	472,420	99,829	-
Securitized Mortgage Loans	-	-	-	-	-	-	153,031,780
<b>Fiduciary Fund:</b>							
U.S. Treasury Notes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 865,164
U.S. Agencies	-	-	-	-	3,274,586	-	-
Commercial Paper	249,665	-	-	-	-	-	-
Corporate Notes	-	-	1,502,398	385,686	327,805	198,846	-

## 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 up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The bank and savings money markets balance at June 30, 2019 of \$133,917,884 was 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. No deposits were uninsured or uncollateralized at June 30, 2019.

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 \$402,962,365 investment balance, no deposits were 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 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 6/30/2019	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	\$ 18,557,509	\$ 18,557,509	\$ -	\$ -
U.S. Treasury Bonds	25,128	25,128	-	-
U.S. Treasury Strips	415,378	415,378	-	-
U.S. Agencies	37,031,386	37,031,386	-	-
Corporate Notes	33,398,584	33,398,584	-	-
Commercial Paper	4,033,169	4,033,169	-	-
Bank Money Market Accounts	47,431,143	47,431,143	-	-
State of Delaware Investment Pool	226,989	226,989	-	-
Uninvested Principal Cash	23,996,976	23,996,976	-	-
Securitized Mortgage Loans	8,112,262	8,112,262	-	-
Total Governmental Activities Investments	173,228,524	173,228,524	-	-
<b>Business-type activities:</b>				
U.S. Treasury Notes	909,078	909,078	-	-
U.S. Agencies	1,714,705	1,714,705	-	-
Corporate Notes	1,695,204	1,695,204	-	-
Money Market Saving Accounts	1,131,385	1,131,385	-	-
Bank Money Market Accounts	18,647,469	18,647,469	-	-
State of Delaware Investment Pool	3	3	-	-
Uninvested Principal Cash	463,105	463,105	-	-
Securitized Mortgage Loans	153,031,780	153,031,780	-	-
Total Business-type Activities Investments	177,592,729	177,592,729	-	-
Total Entity-wide Investments	\$ 350,821,253	\$ 350,821,253	\$ -	\$ -
<b>Fiduciary Fund Investments:</b>				
U.S. Treasury Notes	\$ 865,164	\$ 865,164	\$ -	\$ -
U.S. Agencies	3,274,586	3,274,586	-	-
Corporate Notes	2,414,735	2,414,735	-	-
Commercial Paper	249,665	249,665	-	-
Bank Money Market Accounts	92,773	92,773	-	-
Mortgage Loan Receivable	1,154,082	-	-	1,154,082
Total Fiduciary Fund Investments	\$ 8,051,005	\$ 6,896,923	\$ -	\$ 1,154,082

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, 2019.

## B. Receivables

Total receivables as of June 30, 2019 are as follows:

Receivables	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Mortgage loans	\$ 211,556,205	\$ 75,252,309	\$ 286,808,514
Accrued interest	52,936,598	18,482,392	71,418,990
Other receivables	1,502,164	240,026	1,742,190
Grants receivable	-	243,981	243,981
Total receivables	<u>265,994,967</u>	<u>94,218,708</u>	<u>360,213,675</u>
Allowance for doubtful accounts	<u>(11,699,157)</u>	<u>(4,597,173)</u>	<u>(16,296,330)</u>
Total receivables, net	<u>\$ 254,295,810</u>	<u>\$ 89,621,535</u>	<u>\$ 343,917,345</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 248,831,449</u>	<u>\$ 86,894,035</u>	<u>\$ 335,725,484</u>

### Mortgage loans receivable

A summary of mortgage loans receivable as of June 30, 2019 is shown below:

#### Governmental Activities:

General Fund	\$ 14,340,199
Housing Development Fund	161,179,171
Non-major governmental funds	<u>36,036,835</u>
Mortgage loans receivable, governmental activities	211,556,205
Less: Allowance for doubtful accounts	<u>(6,829,331)</u>
Net mortgage loan receivables, governmental activities	<u>204,726,874</u>

#### Business-type Activities:

Federal Programs Fund	60,494,931
Single Family Programs Fund	<u>14,757,378</u>
Mortgage loans receivable, business-type activities	75,252,309
Less: Allowance for doubtful accounts	<u>(1,210,981)</u>
Net mortgage loan receivables, business-type activities	<u>74,041,328</u>

**Total mortgage loans receivable, net** \$ 278,768,202

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, 2019 are as follows:

	Governmental Activities			Business-type Activities		Total
	General Fund	Housing	Nonmajor	Federal Programs	Single	
		Development Fund	Governmental Funds		Family Programs	
Loan interest	\$ 5,124,858	\$ 34,163,235	\$ 7,452,889	\$ 12,777,365	\$ 2,432,009	\$ 61,950,356
Investment interest	108,614	199,846	-	-	-	308,460
HDF projects	877,908	-	-	-	-	877,908
Other projects	1,230,840	-	-	-	-	1,230,840
Servicers	29,942	-	-	-	-	29,942
Tenants, net	-	-	-	28,165	-	28,165
Other	372,841	-	7,965	98,687	-	479,493
<b>Total</b>	<b>\$ 7,745,003</b>	<b>\$ 34,363,081</b>	<b>\$ 7,460,854</b>	<b>\$ 12,904,217</b>	<b>\$ 2,432,009</b>	<b>\$ 64,905,164</b>

### C. Accounts payable

Accounts payables as of June 30, 2019 are as follows:

	Governmental Activities			Business-type Activities		Total
	General Fund	Housing	Nonmajor	Federal Programs	Single Family	
		Development Fund	Governmental Funds		Programs	
Vendors	\$ 72,366	\$ -	\$ -	\$ 252,329	\$ -	\$ 324,695
Salaries	167,966	-	-	94,532	-	262,498
Security deposits	-	-	-	151,777	-	151,777
Other	71,318	-	-	117,877	80	189,275
<b>Total</b>	<b>\$ 311,650</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 616,515</b>	<b>\$ 80</b>	<b>\$ 928,245</b>

## D. Capital assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance		Ending Balance	
	June 30, 2018	Increases	Decreases	June 30, 2019
<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	549,167	-	-	549,167
Equipment	265,067	-	-	265,067
Telecommunications Equipment	36,747	-	-	36,747
Total capital assets being depreciated	2,997,812	-	-	2,997,812
Less accumulated depreciation for:				
Buildings	1,362,084	56,633	-	1,418,717
Land/Site Improvements	205,701	4,150	-	209,851
Computer Equipment	433,778	44,667	-	478,445
Equipment	265,068	-	-	265,068
Telecommunications Equipment	36,747	-	-	36,747
Total accumulated depreciation	2,303,378	105,450	-	2,408,828
Total capital assets, being depreciated, net	694,434	(105,450)	-	588,984
Governmental activities capital assets, net	\$ 1,203,934	\$ (105,450)	\$ -	\$ 1,098,484
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,000,828	\$ -	\$ -	\$ 1,000,828
Construction in Progress	616,164	172,975	616,164	172,975
Total capital assets, not being depreciated	1,616,992	172,975	616,164	1,173,803
Capital assets, being depreciated:				
Buildings	17,791,792	-	-	17,791,792
Buildings held for resale	261,292	-	-	261,292
Land/Site Improvements	19,583,176	634,322	3,467	20,214,031
Vehicles	130,020	56,699	31,511	155,208
Equipment	743,039	155,183	-	898,222
Total capital assets being depreciated	38,509,319	846,204	34,978	39,320,545
Less accumulated depreciation for:				
Buildings	15,886,739	308,908	-	16,195,647
Land/Site Improvements	15,017,554	901,490	-	15,919,044
Vehicles	93,451	13,827	5,251	102,027
Equipment	629,230	53,798	-	683,028
Total accumulated depreciation	31,626,974	1,278,023	5,251	32,899,746
Total capital assets, being depreciated, net	6,882,345	(431,819)	29,727	6,420,799
Business-type activities capital assets, net	\$ 8,499,337	\$ (258,844)	\$ 645,891	\$ 7,594,602

Depreciation expense of \$105,450 was charged to the administrative function in the governmental activities. Depreciation expense of \$1,278,023 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, 2019. The projects include renovations at the various public housing developments. At year end, the Authority had commitments with contractors of \$172,795, relating to business-type activities and the Federal Programs Enterprise Fund.

## E. Interfund transactions

The composition of interfund balances as of June 30, 2019, is as follows:

Due to:	Governmental Activities				Business-type Activities			Total
	General Fund	Housing Development Fund	Downtown Development District	Nonmajor Governmental Funds	Federal Programs	Single Family Programs		
<b>Current:</b>								
General Fund	\$ -	\$ -	\$ -	\$ 40,209	\$ 76,955	\$ 204,141	\$ -	\$ 321,305
Nonmajor Govt Funds	10	-	-	-	-	-	-	10
Federal Programs	5,398	24,054	-	-	-	-	-	29,452
Single Family Programs	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 5,408</b>	<b>\$ 24,054</b>	<b>\$ -</b>	<b>\$ 40,209</b>	<b>\$ 76,955</b>	<b>\$ 204,141</b>	<b>\$ -</b>	<b>\$ 350,767</b>
<b>Non-current:</b>								
General Fund	\$ -	\$ -	\$ -	\$ 150	\$ 3,815,700	\$ 50	\$ -	\$ 3,815,900
Federal Programs	26,094	-	-	-	-	-	-	26,094
<b>Total</b>	<b>\$ 26,094</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 150</b>	<b>\$ 3,815,700</b>	<b>\$ 50</b>	<b>\$ -</b>	<b>\$ 3,841,994</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, \$80,000 to the Section 811 Project Rental Assistance Demonstration (PRAD) 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, 2019 consisted of the following:

Transfers in:	Governmental Activities			Business-type Activities			Total transfer in
	General Fund	Housing Development Fund	Nonmajor Governmental Funds	Federal Programs	Single Family Programs		
<b>Transfers out:</b>							
General Fund	\$ -	\$ 1,449,812	\$ 5,083,906	\$ -	\$ 22,538,191	\$ -	\$ 29,071,909
Nonmajor Governmental Funds	431,011	1,050,188	-	-	123,147	-	1,604,346
Single Family Programs	1,500,435	-	-	-	-	-	1,500,435
<b>Total transfer out</b>	<b>\$ 1,931,446</b>	<b>\$ 2,500,000</b>	<b>\$ 5,083,906</b>	<b>\$ -</b>	<b>\$ 22,661,338</b>	<b>\$ -</b>	<b>\$ 32,176,690</b>

The governmental activities transfers consist of: (1) the General Fund, a major governmental fund, transferred \$1,500,435 to the Single Family, a major business-type fund, in support of the program's objective to make down payment assistance available to qualified homebuyers; (2) the General Fund, a major governmental fund, transferred \$571,910 to the Delaware Housing Insurance Fund (DHIF), a governmental activity and non-major governmental fund, to support the DHIF's program activities; (3) the Housing Development Fund, a major governmental fund, transferred \$1,500,000 to the Single Family, a major business-type fund, in support of the program's objective to make down payment assistance available to qualified homebuyers; (4) the Housing Development Fund, a major governmental fund, transferred \$500,000 to Home 4 Good, a governmental activity and non-major governmental fund, in support of the program's objective to provide housing assistance and other social service programs; (5) the Housing Development Fund, a major governmental fund, transferred \$500,000 to Pre-Development Loan Program, a governmental activity and non-major governmental fund, in support of the program's objective to fund pre-development loans to cover pre-development expenses for future affordable housing projects; (6) DSHA SMAL, a



governmental activity and non-major governmental fund, transferred \$5,205,173 to Preferred Plus program, a Single Family Programs Enterprise Fund, in support of the program's objective to make down payment assistance available to qualified homebuyers; (7) Post Foreclosure Financial Coaching, a governmental activity and non-major governmental fund, transferred \$250,000 to Stand by Me in the General Fund, a major governmental fund, to support the program objectives to offer pre-purchase financial coaching to households interested in homeownership but need to work longer-term on savings, debt, and credit to be mortgage ready; (8) the DHIF, a governmental activity and non-major governmental fund, transferred \$43,562 to the Single Family Program, a major business-type fund, to reimburse the Single Family Program for foreclosure expenses, and (9) the DHIF, a governmental activity and non-major governmental fund, transferred \$48,182 to the General Fund, a major governmental fund, to reimburse the General Fund for foreclosure expenses.

Within business-type activities, Single Family Programs reported cash transfers consisting mainly of the transfer of: (1) administrative fees of \$1,648,064 and 2018A Bond closing proceeds of \$1,865,721 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; (2) \$6,373,688 from the DSHA Mortgage Backed Securities Purchase Program, a Single Family Programs Enterprise Fund, to the Preferred Plus Loan Program, a governmental activity and General Fund program, in support of the program's objective to make down payment assistance available to qualified homebuyers; (3) \$166,139 from the DSHA Mortgage Backed Securities Purchase Program, a Single Family Programs Enterprise Fund, to the Authority Loans – SMAL in the General Fund, a governmental activity and major governmental fund, in support of the program's objective to make down payment assistance available to qualified homebuyers; (4) \$19,389 from the Single Family Mortgage Revenue Bond Programs, a Single Family Programs Enterprise Fund, to the Preferred Plus Loan Program, a governmental activity and General Fund program for loan repayments. Single Family Programs also reported non-cash transfers of: (1) \$329,310 from Single Family Loans, a Single Family Programs Enterprise Fund, to DSHA SMAL, a governmental activity and non-major governmental fund; and (2) \$12,098,889 Single Family Loans, a Single Family Programs Enterprise Fund to Authority Loans – SMAL in the General Fund, a governmental activity and major governmental fund to transfer the outstanding loan balances and corresponding accrued interest.

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

Short-term and long-term debt activity for the year ended June 30, 2019, was as follows:

	Beginning Balance				Ending Balance	
	June 30, 2018	Increases	Decreases	June 30, 2019	Due Within	One Year
<b>Governmental activities:</b>						
Compensated absences, relating to the General Fund	\$ 602,687	\$ 341,731	\$ 345,829	\$ 598,589	\$	10,796
Governmental activity long-term liabilities	\$ 602,687	\$ 341,731	\$ 345,829	\$ 598,589	\$	10,796
<b>Business-type activities:</b>						
Compensated absences, relating to the Federal Programs Fund	\$ 315,869	\$ 206,352	\$ 237,626	\$ 284,595	\$	3,641
Revenue bonds payable, Single Family Programs Fund	183,612,505	20,630,000	53,584,261	150,658,244		3,040,000
Bond Premium & Discount	4,725,643	-	2,753,860	1,971,783		209,744
Total Revenue Bonds Payable	188,338,148	20,630,000	56,338,121	152,630,027		3,249,744
FHLB Loans, relating to MBS Purchase Program*	-	-	-	-		-
Business-type activity long-term liabilities	\$ 188,654,017	\$ 20,836,352	\$ 56,575,747	\$ 152,914,622	\$	3,253,385

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 5.45% with maturities of such bonds up through July 1, 2048.

On July 11, 2018, the Authority issued \$20,630,000 Single Family Mortgage Revenue Bonds 2018 Series A to fully refund the Single Family Mortgage Revenue Bonds 2007 Series C, 2007 Series D, and 2008 Series B resulting in an economic gain of \$3,753,942. The outstanding mortgage loans and mortgage back securities in these refunded issues were transferred to the 2018 Series A and the Authority.

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

DSHA has a collateralized line of credit with the FHLB of Pittsburgh. For fiscal year 2019, 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, 2019, nine issues with debt of \$47,887,846 are outstanding.

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

Interest expense of \$5,679,455 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 \$5,679,455 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
2020	3,249,744	4,721,650	7,971,394
2021	3,185,000	4,599,579	7,784,579
2022	3,385,000	4,471,206	7,856,206
2023	3,575,000	4,329,752	7,904,752
2024	3,755,000	4,174,934	7,929,934
2025 - 2029	19,720,000	18,274,671	37,994,671
2030 - 2034	15,969,559	15,011,984	30,981,543
2035 - 2039	18,475,000	12,733,298	31,208,298
2040 - 2044	63,024,349	8,007,911	71,032,260
2045 - 2048	18,291,375	1,273,080	19,564,455
Totals	\$ 152,630,027	\$ 77,598,065	\$ 230,228,092

### 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 D, 2008 Series A and B, 2009 Series A, 2011 Series A/B, 2013 Series A, 2018 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.

#### CONDENSED STATEMENT OF NET POSITION - SINGLE FAMILY PROGRAMS FUND SEGMENTS JUNE 30, 2019

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2007D-2018A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES NIBP 2010-2013-1	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM	TOTAL SINGLE FAMILY PROGRAMS
<b>Assets</b>				
Current assets	\$ 3,158,080	\$ 378,743	\$ 18,571,358	\$ 22,108,181
Current interfund receivables	-	-	-	-
Non-current assets	65,974,327	101,248,089	-	167,222,416
Total assets	69,132,407	101,626,832	18,571,358	189,330,597
<b>Deferred outflow of resources</b>				
Deferred amount on bond refunding	90,648	-	-	90,648
Total deferred outflow of resources	90,648	-	-	90,648
<b>Liabilities</b>				
Current liabilities	656,770	2,592,974	80	3,249,824
Current interfund payables	204,030	-	110	204,140
Non-current liabilities	53,557,802	95,822,481	-	149,380,283
Non-current interfund payables	50	-	-	50
Total liabilities	54,418,652	98,415,455	190	152,834,297
<b>Deferred inflow of resources</b>				
Deferred amount on bond refunding	2,053,532	273,006	-	2,326,538
Total deferred inflow of resources	2,053,532	273,006	-	2,326,538
Net position, restricted	\$ 12,750,871	\$ 2,938,371	\$ 18,571,168	\$ 34,260,410

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - SINGLE FAMILY PROGRAMS FUND SEGMENTS FOR THE YEAR ENDED JUNE 30, 2019

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2007D-2018A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES NIBP 2010-2013-1	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM	TOTAL SINGLE FAMILY PROGRAMS
Operating revenues*	\$ 4,260,300	\$ 4,150,445	\$ -	\$ 8,410,745
Operating expenses:				
Interest expense on bonds	2,377,210	3,302,245	-	5,679,455
Other	1,771,256	23,135	871	1,795,262
Operating income/(loss)	111,834	825,065	(871)	936,028
Non-operating revenue/(expenses):				
Investment income	15,407	7,207	7,441,338	7,463,952
Change in Fair Value of Investments	483,126	2,101,127	-	2,584,253
Transfers in/(out)	(16,206,028)	84,516	(5,039,391)	(21,160,903)
Change in net position	(15,595,661)	3,017,915	2,401,076	(10,176,670)
Beginning net position	28,346,532	(79,544)	16,170,092	44,437,080
Ending net position	\$ 12,750,871	\$ 2,938,371	\$ 18,571,168	\$ 34,260,410

\*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, 2019

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2007D-2018A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES NIBP 2010-2013-1	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM	TOTAL SINGLE FAMILY PROGRAMS
Net cash provided (used) by:				
Operating activities	\$ 22,519,712	\$ 19,351,025	\$ (49,263)	\$ 41,821,474
Noncapital financing activities	(23,315,637)	(19,377,728)	(5,039,282)	(47,732,647)
Investing activities	805,868	26,703	4,982,460	5,815,031
Net increase/(decrease)	9,943	-	(106,085)	(96,142)
Beginning cash and cash equivalents	75,075	5	3,500,852	3,575,932
Ending cash and cash equivalents	\$ 85,018	\$ 5	\$ 3,394,767	\$ 3,479,790

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. The State bears all risks associated with the Authority's state employees. The Authority's non-state employee 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 \$198,400 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 \$1,000 to \$50,000 per occurrence.

The primary insurance coverage was \$2 million (with \$25,000 deductible) for property insurance; up to \$2.0 million (with \$10,000 deductible) for general liability insurance; up to \$1.0 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), Delaware Rental Preservation Corporation, Liberty Court General Partner Corporation, and Liberty Court Preservation, LP (LCPLP) 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, 2019, HCHC and LCPLP are under agreements with the Authority for the management of their operations. For the Year Ended June 30, 2019, HCHC paid management fees to the Authority totaling \$34,068 and labor charges totaling \$138,943. LCPLP paid management fees to the Authority totaling \$85,215 and labor charges totaling \$190,417.

As of June 30, 2019, HCHC, WVHC, and LCPLP were indebted to the Authority for Housing Development Fund loans in the amounts of \$2,740,159, \$1,917,165, and \$2,098,964, respectively. WVHC and LCPLP were also indebted to the Authority for HOME loans in the amount of \$1,645,216 and \$2,066,955, respectively. WVHC is indebted to the General Fund for a construction loan in the amount of \$333,800

For the Year Ended June 30, 2019, Section 8 Contract Administration housing assistance payments totaling \$356,382 from the HUD passed through the Authority to HCHC.

## **C. Economic dependency**

During the Year Ended June 30, 2019, the Authority's business-type activities received 84.5 percent of their revenue from the U.S. Department of Housing and Urban Development.

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

### **State Employees**

1. Plan Description - The State of Delaware Other Postemployment Benefits Fund Trust (OPEB Trust) is a cost-sharing multiple-employer defined benefit plan established by Delaware Code. The OPEB Trust provides retirement medical coverage to pensioners and their eligible dependents in the State Employees', Judiciary, New State Police, and Closed State Police pension plans. This includes the employees of the State as well as employees of the State's component units and affiliated agencies which are part of the State Employees' pension plan. Those employers are Delaware State University, Delaware Charter Authorities, University of Delaware, and Delaware Solid Waste Authority.

On July 1, 2007, the OPEB Trust was established pursuant to Section 115 of the Internal Revenue Code and separate from the DPERS. The OPEB Trust is administered by the DPERS Board of Directors. Policy for and management of the OPEB Trust benefits provided to retirees are the responsibility of the State. The following are brief descriptions of the Plan in effect as of June 30, 2019. For a more complete description, please refer to the State of Delaware's Consolidated Annual Financial Report available online at <https://accounting.delaware.gov> or the OPEB Trust's stand-alone financial statement at [open.omb.delaware.gov/financialreports/OPEB-Financial\\_reports.shtml](https://open.omb.delaware.gov/financialreports/OPEB-Financial_reports.shtml).

2. Summary of Significant Accounting Policies - The Authority's state employees are covered under the State of Delaware Other Postemployment Benefits Plan (OPEB). For purposes of measuring the Authority's allocation of net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from its fiduciary net position have been determined on the same basis as they are reported by State of Delaware. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

3. Service Benefits - Substantially all State employees become eligible for post-retirement benefits if they reach retirement age while working for the State. The costs of providing these benefits are shared between the State and the retired employee.

4. Vesting Provisions –

- Early Retirement: Age 55 with 15 years of service or any age with 25 years of service
- Normal Retirement (hired before January 1, 2012): Age 62 with 5 years of service, or age 60 with 15 years of service, or any age with 30 years of service
- Normal Retirement (hired on or after January 1, 2012): Age 65 with 10 years of service, or age 60 with 20 years of service, or any age with 30 years of service
- Spouse and Survivor Coverage: Both are available under any of the plan options with similar retiree contributions. Surviving spouses are eligible for coverage after the retiree's death.

5. Benefits Provided - During the fiscal year ended June 30, 2019, the State provided health insurance options through several providers.

6. Retiree Contributions - If hired prior to July 1, 1991, no contributions are required. If hired on or after July 1, 1991 (except disability pension), contributions depend on years of service, as shown on the table below:

Between July 1, 1991 and December 31, 2006		After January 1, 2007	
Years of Service	Percent of Premium Paid	Years of Service	Percent of Premium Paid
Less than 10	0%	Less than 15	0%
10 - 14	50%	15 - 17.5	50%
15 - 19	75%	17.5 - 19	75%
20 or more	100%	20 or more	100%

7. Funding Policy - The State of Delaware funds the OPEB for current retirees on a pay-as-you-go basis along with funding for future benefits at a rate that is approved in the annual budget, but not actuarially determined, typically from the General Fund. Additional funding has also been provided on an ad hoc basis. By State Statute Chapter 52, Title 29 of the Delaware Code, contribution requirements of plan members and the government are established and may be amended by the State Legislature. Funds are recorded in the OPEB Trust for the payment of retiree healthcare claims, administrative and investment expenses. Administrative costs are financed through investment earnings. State appropriations, other employer contributions, and retiree contributions for healthcare are recorded in the OPEB Trust. The funds available are invested under the management of the DPERS Board of Pension Trustees, which acts as the Board of Trustees for the OPEB Trust and is responsible for the financial management of the OPEB Trust.

8. Contributions - The contribution rates for the employer and retiree are established annually by the budgeting process of the State. Those rates include an employer contribution based on projected pay-as-you go financing requirements as a percent of covered payroll, with an additional amount to prefund benefits, which is not actuarially determined. For fiscal year 2019, the Authority's contribution was 9.69% of covered payroll and totaled \$33,238.

Retiree contribution rates are affected by the retiree date of hire, with eligible retirees hired after June 30, 1991 paying a proportionately higher rate if their years of service total less than 20.

9. Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - As of June 30, 2019, the Authority reported a liability of \$1,812,358 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the total OPEB liability as of June 30, 2017 to June 30, 2018. The Authority's proportion of the net OPEB liability was calculated utilizing the employer's contribution as it relates to the total reported contributions. As of the June 30, 2018 measurement, the Authority's proportion was 0.0221%.

For the year ended June 30, 2019, the Authority recognized OPEB income of \$182,719. As of June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to the OPEB as follows:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Net difference between projected and actual earnings on plan investments	\$ -	\$ 4,554
Changes of Assumptions	-	246,234
Changes in the proportion	-	979,587
Contributions	33,238	-
Total	<u>\$ 33,238</u>	<u>\$ 1,230,375</u>

The Authority's share of net deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30</u>	
2020	\$ (222,386)
2021	(222,386)
2022	(222,386)
2023	(222,367)
2024	(178,472)
Thereafter	<u>(162,378)</u>
	<u>\$ (1,230,375)</u>

10. Actuarial Assumptions - The collective total OPEB liability as of June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total OPEB liability to June 30, 2018. The actuarial assumptions used the following actuarial assumptions:

Actuarial Cost Method - Entry Age Normal

Investment Rate of Return – 3.87%

Discount Rate - 3.87%

Projected Salary Increases - 3.25% plus merit

Healthcare Cost Trend Rate - 6.80% decreasing 0.2% per year to 4% in 2032.

Mortality rates were based on the sex-distinct RP-2014 Total Dataset Health Annuitant Mortality Table, including adjustments for healthy annuitant and disabled annuitant factors for each covered pension plan. Future mortality improvements are projected to 2020.

The total OPEB liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in 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.

The long-term expected rate of return on 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 plan 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 arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return	Target Asset Allocation Range
Equity	5.7%	20% - 80%
Fixed Income	2.0%	20% - 80%
Cash and equivalents	-	2.0%

The discount rate and investment rate of return used to measure the total OPEB liability was 3.58 percent at the beginning of the current measurement period and 3.87 percent at the end, based on the Bond Buyer GO 20- Bond Municipal Bond Index, an index satisfying the GASB requirement of an index rate for 20- year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The discount rate assumed that contributions from plan members will be made at the current contribution rate and that employer contributions to the Plan will continue to follow the pay as you go contribution policy. Based on the assumptions of a pay-as-you-go plan, the discount rates used at the June 30, 2018 measurement date is equal to the applicable rate of the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.



11. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability of the OPEB Trust, as well as what the OPEB Trust's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) and 1-percentage-point higher (4.87 percent) than the current discount rate:

1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
\$ 2,156,618	\$ 1,812,358	\$ 1,541,606

12. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the net OPEB liability of the OPEB Trust, as well as what the OPEB Trust's net OPEB liabilities would be if it were calculated using healthcare cost trend rates that are 1- percentage-point lower (6.8 percent decreasing to 5.8 percent) and 1-percentage higher (6.8 increasing to 7.8 percent) than the current healthcare trend rates:

1% Decrease 5.80%	Current Trend Rate 6.80%	1% Increase 7.80%
\$ 1,543,085	\$ 1,812,358	\$ 2,140,189

### 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 (DSHA OPEB). The following disclosures are for the June 30, 2018 plan measurement date and the June 30, 2019 employer reporting date as defined by GASBS Nos. 74 and 75. No stand-alone financial report is issued for the Medial Retiree Trust.

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, can be amended by the Board of Trustees. 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, 2018, there were 107 active plan members, 18 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 contribution requirement can be amended by the Board of Trustees. The Authority contributed \$748,852 for the Year Ended June 30, 2019. The Authority's OPEB expense for this plan for the year ended June 30, 2019 was \$(234,133). 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, 2019 was 5.29%.

4. Funded Status and Funding Progress - As of June 30, 2018 measurement (June 30, 2019 employer reporting), the total OPEB liability was \$15,270,502. The plan's fiduciary net position was \$7,086,228, resulting in a net OPEB liability of \$8,184,274. The plan's fiduciary net position as a percentage of the total OPEB liability calculates to 46%.

5. The following schedule summarizes the change in the net pension liability for the measurement period ended June 30, 2018 (employer reporting as of June 30, 2019):

	Plan		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
June 30, 2017 measurement date and June 30, 2018 reporting date	\$ 16,445,290	\$ 6,446,869	\$ (9,998,421)
Service Date	776,605	-	(776,605)
Interest Cost	614,727	-	(614,727)
Differences between expected and actual experience	(1,186,338)	-	1,186,338
Changes in assumptions	(1,267,300)	-	1,267,300
Benefit payments	(112,482)	(112,482)	-
Employer contributions		713,293	713,293
Net investment income		50,598	50,598
Administrative expense		(12,050)	(12,050)
June 30, 2018 measurement date and June 30, 2019 reporting date	<u>\$ 15,270,502</u>	<u>\$ 7,086,228</u>	<u>\$ (8,184,274)</u>

As of June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to the DSHA OPEB as follows:

	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ -	\$ 1,056,548
Changes in assumptions	-	3,147,068
Differences between expected and actual net investment income	221,755	-
Contributions made after measurement date	748,852	-
Total	<u>\$ 970,607</u>	<u>\$ 4,203,616</u>

Amounts recognized in the deferred outflows of resources and deferred inflows of resources related to DSHA will be recognized in OPEB expense as follows:

2020	\$	(647,240)
2021		(647,240)
2022		(647,241)
2023		(670,272)
2024		(708,437)
Thereafter		<u>(661,431)</u>
	\$	<u>(3,981,861)</u>

6. Actuarial Methods and Assumptions - The following table shows the actuarial methods and assumptions of DSHA OPEB's most recent actuarial valuation:

Valuation date	July 1, 2018
Measurement date	June 30, 2018
Actuarial cost method	Entry age normal
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	3.87%
Discount rate	3.87%
20-Year municipal bond rate	3.87%
Municipal bond rate basis	Bond buyers' general obligation 20 year Municipal bond index
Salary Increases	2.00%
Inflation rate	2.00%
Ultimate rate of medical inflation	
Pre-65 trend	7.50% in 2018 decreasing to 4.50% in 2028
Post-65 trend	8.25% in 2018 decreasing to 4.50% in 2028
Mortality rate	RP-2014 mortality table projected generationally with scale MP-2017 from the central year
Asset method	Fair market value

The following assumptions were updated for the June 30, 2018 measurement:

	June 30, 2018 Measurement	June 30, 2017 Measurement
Discount Rate	3.87%	3.58%
20-Year municipal bond rate	3.87%	3.58%
Ultimate rate of medical inflation		
Pre-65 trend	7.50% in 2018 decreasing to 4.50% in 2028	6.00% in 2016 decreasing to 4.50% in 2027
Post-65 trend	8.25% in 2018 decreasing to 4.50% in 2028	5.00% in 2016 decreasing to 4.50% in 2027
Mortality Rate Scale	MP 2017	MP 2015

The following table illustrates the impact of healthcare cost trend sensitivity on the Net OPEB Liability as of the June 30, 2018 measurement (June 30, 2019 reporting):

	1% Decrease	Trend Rate	1% Increase
Total OPEB Liability	\$ 12,360,348	\$ 15,270,502	\$ 19,147,134
Plan Fiduciary Net Position	7,086,228	7,086,228	7,086,228
Net OPEB Liability	\$ 5,274,120	\$ 8,184,274	\$ 12,060,906

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 June 30, 2018	Percent of Portfolio	Long-Term Expected Real Rate of Return
Corporate Notes	\$ 2,323,377	32.9%	1.7%
U.S. Agencies	\$ 2,686,730	38.0%	1.7%
U.S. Treasury Notes	\$ 841,386	11.9%	1.6%
Money Market Savings	\$ 34,859	0.5%	0.0%
Loans Receivable	\$ 1,174,727	16.6%	5.0%

The following table illustrates the impact of interest rate sensitivity on the Net OPEB Liability as of the June 30, 2018 measurement (June 30, 2019 reporting):

	1% Decrease 2.87%	Trend Rate 3.87%	1% Increase 4.87%
Total OPEB Liability	\$ 18,852,445	\$ 15,270,502	\$ 12,544,998
Plan Fiduciary Net Position	7,086,228	7,086,228	7,086,228
Net OPEB Liability	\$ 11,766,217	\$ 8,184,274	\$ 5,458,770

## 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 state 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, 2019, the Authority was required to contribute 11.52% of covered payroll to the plan. The Authority's contribution to the State PERS for the Year Ended June 30, 2019 was \$46,063, equal to the required contribution for the year. The Authority's contributions to the State PERS for the Years Ended June 30, 2018 and June 30, 2017 were \$46,856 and \$52,807, 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, 2019, the Authority reported a liability of \$292,497 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 with update procedures used to roll forward the total pension liability to June 30, 2018. As of the June 30, 2018 and 2017 measurement dates, the Authority's proportion was 0.0226 percent and 0.0283 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.

As of June 30, 2019, the Authority reported deferred inflows and outflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Net difference between projected and actual earnings experience	\$ 15,286	\$ 4,221
Net difference to change in proportion	-	156,366
Net difference between projected and actual earnings on plan investments	-	12,399
Changes of Assumptions	50,927	-
Contributions made after the measurement date	46,063	-
Total	<u>\$ 112,276</u>	<u>\$ 172,986</u>

The \$46,063 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, 2019.

4. Actuarial Assumptions - The collective total pension liability for June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017 and update procedures were used to roll forward the total pension liability to June 30, 2018. These actuarial valuations used the following actuarial assumptions:

Investment rate of return/discount rate*	7.0%
Projected salary increases*	2.5% + Merit
Cost-of-living adjustments	0%

\*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%	30.7%
International equity	5.7%	13.9%
Fixed income	2.0%	23.3%
Alternative investments	7.8%	24.4%
Cash and equivalents	-	7.7%

Discount Rate - The discount rate for all plans used to measure the total pension liability was 7.0%. 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 7.0%, 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
\$ 567,222	\$ 292,497	\$ 61,488

5. 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:

2020	\$ 9,922
2021	(3,410)
2022	(35,896)
2023	(27,710)
2024	(23,617)
Thereafter	(26,062)
	<u>\$ (106,773)</u>

6. Pension Expense - For the year ended June 30, 2019, the Authority recognized pension expense of \$(16,366).

7. The components of the pension expense for the year ending June 30, 2018 are as follows:

Service Costs	\$ 44,659
interest on Total Pension Liability	157,646
Member Contributions	(14,566)
Administrative Expenses	1,306
Change in Benefit Terms	2,498
Projected Earnings on Plan Investments	(132,227)
Differences between projected and actual earnings on plan investments	(13,004)
Differences between projected and actual experiences with regard to or other inputs in the measurement of total pension liability	1,578
Change in Assumption with regard to factors or other inputs in the measurement of total pension liability	14,312
Net Amortization of deferred amounts from Changes in Proportion	(78,568)
Pension Expense	<u><u>\$ (16,366)</u></u>

8. Plan Assets - 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, 2019. The Authority's



contribution to the Housing Renewal and Local Agency Retirement Plan for the Year Ended June 30, 2019 was \$522,245 equal to the required contribution for the year. The Authority's contributions to the plan for the Years Ended June 30, 2018 and June 30, 2017 were \$498,474 and \$498,277, 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 November 13, 2019, the date the financial statements were available to be issued.

**H. Implementation of new pronouncement**

For the year ended June 30, 2019, the Authority has implemented Governmental Standards Board Statement No. 88 (GASBS No. 88), Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

DELAWARE STATE HOUSING AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION



DELAWARE STATE HOUSING AUTHORITY  
STATE OF DELAWARE EMPLOYEES' PENSION PLAN  
SCHEDULE OF NET PENSION LIABILITY  
AS OF JUNE 30, 2019

Actuarial Valuation Date	Proportion of Collective Net Pension Liability	Proportion of Total Pension Liability	Authority's Covered Payroll	Net Pension Liability as a Percentage of Covered 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%
6/30/2017	0.038%	\$ 414,818	\$ 459,368	90.3%	85.3%
6/30/2018	0.023%	\$ 292,497	\$ 357,909	81.7%	87.5%

\* 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  
NOTES TO SCHEDULE OF NET PENSION LIABILITY  
AS OF JUNE 30, 2019

Employer Reporting Date	June 30, 2019	June 30, 2018	June 30, 2017
Actuarial Valuation Date	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2018	June 30, 2017	June 30, 2016
Investment Rate of return/discount rate*	7.0%	7.0%	7.2%
Projected salary increases*	2.5% + Merit	2.5% + Merit	2.5% + Merit
Cost-of-living adjustments	0%	0%	0%
Mortality rates	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.		

\*Inflation is included at 2.5%

DELAWARE STATE HOUSING AUTHORITY  
STATE OF DELAWARE EMPLOYEES' PENSION PLAN  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
AS OF JUNE 30, 2019

Date	Required Employer Contribution	Contributions Recognized in Relation to the Required Employer Contribution	Contribution Deficiency/(Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
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%
6/30/2018	\$ 46,856	\$ 46,856	\$ -	459,368	10.20%
6/30/2019	\$ 46,063	\$ 46,063	\$ -	357,909	12.87%

NOTE TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

The Authority contributes required contribution as defined by the State of Delaware's Operating Budget.

DELAWARE STATE HOUSING AUTHORITY  
 RETIREE MEDICAL TRUST FUND  
 SCHEDULE OF CHANGES IN NET OPEB LIABILITY  
 AS OF JUNE 30, 2019

Measurement Date	June 30, 2018	June 30, 2017
Reporting Date	June 30, 2019	June 30, 2018
Beginning OPEB Liability Balance	\$ 16,445,290	\$ 17,911,837
Service Cost	776,605	937,606
Interest Cost	614,727	535,772
Difference Between Expected and Actual Experience	(1,186,338)	(39,636)
Change in assumptions	(1,267,300)	(2,798,750)
Benefit payments	(112,482)	(101,539)
Ending OPEB Liability Balance	\$ 15,270,502	\$ 16,445,290
Beginning Plan Fiduciary Net Position	\$ 6,446,869	\$ 5,767,009
Benefit payments	(112,482)	(101,539)
Employer contributions	713,293	732,138
Net Investment Income	50,598	58,061
Administrative expense	(12,050)	(8,800)
Ending Plan Fiduciary Net Position	7,086,228	6,446,869
Net OPEB Liability	\$ 8,184,274	\$ 9,998,421
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.40%	39.20%

DELAWARE STATE HOUSING AUTHORITY  
 RETIREE MEDICAL TRUST FUND  
 NOTES TO SCHEDULE OF CHANGES IN NET OPEB LIABILITY  
 AS OF JUNE 30, 2019

Valuation date	July 1, 2016	July 1, 2016
Measurement date	June 30, 2018	June 30, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Asset Valuation Method	Market Value	Market Value
Actuarial Assumptions:		
Investment Rate of Return	3.87%	3.00%
Discount Rate	3.87%	2.85%
20 Year Municipal Bond Rate	3.87%	2.85%
Municipal Bond Rate Basis	Bond Buyers General Obligation 20 Year Municipal Bond Index	
Inflation Rate	2.00%	2.00%
Ultimate Rate of Medical Inflation		
Pre-65 Trend	7.50% in 2016 decreasing to 4.50% in 2028	
Post-65 Trend	8.25% in 2016 decreasing to 4.50% in 2028	
Mortality Rate	RP-2014 Mortality Table projected generationally with scale MP-2015 from the central year.	
Asset Method	Fair Market Value	

\*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, 2019

Fiscal Year End Date	Actuarially Determined Contribution	Contributions Recognized by Plan	Contribution Deficiency (Excess)
6/30/2019	\$ 1,169,622	\$ 748,852	\$ 420,770
6/30/2018	1,471,550	713,293	758,257
6/30/2017	1,471,550	732,138	739,412

Notes to Schedule of Contribution

Valuation Date:	Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported
Actuarial Cost Method:	Projected Unit Credit with 30-year fresh start amortization period for the unfunded liability
Asset Valuation Method:	Market Value
Investment Rate of Return:	3.87%, net of OPEB plan investment expense, including inflation
Retirement Age:	Varies by age
Mortality:	RP 2014 Mortality Table projected generational with scale MP-2015 from the central year

\* 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, 2019

Fiscal Year End Date	Annual Money-Weighted Rate of Return on Investments
6/30/2019	5.29%
6/30/2018	0.82%
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  
STATE OF DELAWARE OTHER POST EMPLOYMENT BENEFITS PLAN  
JUNE 30, 2019

In accordance with GASB No. 75, the following required supplementary information is provided with respect to the Authority's NET OPEB Liability. Information prior to 2018 is not readily available.

	June 30, 2019	June 30, 2018
<u>Schedule of Net OPEB Liability</u>		
Measurement Date	June 30, 2018	June 30, 2017
Percentage Proportion	0.0002%	0.0276%
Net OPEB Liability Share	\$ 1,812,358	\$ 2,282,581
Employer Covered Payroll	357,909	653,928
OPEB Liability as a Percentage of Covered Plan's Fiduciary Net Position as a Percentage of Total OPEB Liability	506.37%	349.06%
	4.44%	4.13%
<u>Schedule of Contributions</u>		
Required Contribution	\$ 49,585	\$ 65,589
Actual Contribution	49,585	65,589
Contribution Deficiency / (Excess)	\$ -	\$ -
Employer Covered Payroll	\$ 357,909	\$ 653,928
Actual contribution as a percentage of covered payroll	13.85%	10.03%
<u>Notes to Required Supplementary Information</u>		
Actuarial Valuation Date	June 30, 2017	June 30, 2016
Actuarial Cost Method	entry age normal	entry age normal
Discount Rate	3.87%	3.58%
Healthcare Trend Rate	6.80%	7.00%
Mortality Rate	RP-2014 Total Dataset Health Annuitant Mortality Table	RP-2014 Total Dataset Health Annuitant Mortality Table
<u>Investment Allocation</u>		
Domestic Equity	20% - 80%	36.70%
International Equity	20% - 80%	19.20%
Fixed Income	20% - 80%	38.10%
Cash and Equivalents	0.00%	6.00%
<u>Investment Rate of Return</u>		
Domestic Equity	5.70%	3.75%
International Equity	5.70%	3.75%
Fixed Income	2.00%	3.75%
Cash and Equivalents	0.00%	0.00%



DELAWARE STATE HOUSING AUTHORITY  
OTHER SUPPLEMENTARY INFORMATION



DELAWARE STATE HOUSING AUTHORITY  
 SCHEDULE OF ACTIVITIES - ENTITY-WIDE  
 FOR THE YEAR ENDED JUNE, 30, 2019

EXPENSES	\$	89,528,939
PROGRAM REVENUE		
Charges for services		25,127,518
Operating grants and contributions		88,571,749
Capital grants and contributions		<u>526,499</u>
NET OPERATING REVENUE		24,696,827
GENERAL REVENUE		
Gain/(Loss) on Fixed Assets		5,751
Investment gains/(losses)		<u>13,301,067</u>
TOTAL GENERAL REVENUE		<u>13,306,818</u>
CHANGE IN NET POSITION		38,003,645
NET POSITION, BEGINNING		<u>495,278,409</u>
NET POSITION, ENDING	\$	<u><u>533,282,054</u></u>





DELAWARE STATE HOUSING AUTHORITY  
BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2019

	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	\$ 6,761,616	\$ 487,010	\$ -	\$ 1,991,517	\$ 314,679
Investments	1,673,249	-	76,746	-	-
Interfund receivables	10	-	-	-	-
Loans receivable:					
Mortgages receivable, net	6,238,136	-	-	22,940,169	-
Accrued interest & other receivables	409,523	-	-	6,995,939	-
<b>TOTAL ASSETS</b>	<b>\$ 15,082,534</b>	<b>\$ 487,010</b>	<b>\$ 76,746</b>	<b>\$ 31,927,625</b>	<b>\$ 314,679</b>
<b>LIABILITIES &amp; FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred credit	-	-	-	-	-
Interfund payables	119	50	30,600	9,490	-
Escrow deposits	7,440	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>7,559</b>	<b>50</b>	<b>30,600</b>	<b>9,490</b>	<b>-</b>
<b>FUND BALANCES</b>					
Restricted	15,074,975	486,960	46,146	31,918,135	314,679
Assigned	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>15,074,975</b>	<b>486,960</b>	<b>46,146</b>	<b>31,918,135</b>	<b>314,679</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$ 15,082,534</b>	<b>\$ 487,010</b>	<b>\$ 76,746</b>	<b>\$ 31,927,625</b>	<b>\$ 314,679</b>

HOUSING REHABILITATION LOAN PROGRAM	POST FORECLOSURE FINANCIAL COACHING PROGRAM	STRONG NEIGHBORHOODS HOUSING FUND	HOME 4 GOOD PROGRAM	PRE DEVELOPMENT LOAN PROGRAM	NEIGHBOR- WORKS PROJECT REINVEST	WILMINGTON SENIOR TAX ASSISTANCE PROGRAM	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ -	\$ -	\$ 663,299	\$ 828,481	\$ 468,806	\$ 12,240	\$ 45,877	\$ 11,573,525
-	-	7,053,657	-	-	-	-	8,803,652
-	-	-	-	-	-	-	10
691,181	-	-	-	31,244	-	-	29,900,730
55,392	-	-	-	-	-	-	7,460,854
<b>\$ 746,573</b>	<b>\$ -</b>	<b>\$ 7,716,956</b>	<b>\$ 828,481</b>	<b>\$ 500,050</b>	<b>\$ 12,240</b>	<b>\$ 45,877</b>	<b>\$ 57,738,771</b>
\$ 549	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 549
-	-	-	-	-	-	-	-
-	-	-	50	50	-	-	40,359
-	-	-	-	-	-	-	7,440
549	-	-	50	50	-	-	48,348
746,024	-	7,716,956	828,431	500,000	12,240	-	57,644,546
-	-	-	-	-	-	45,877	45,877
746,024	-	7,716,956	828,431	500,000	12,240	45,877	57,690,423
<b>\$ 746,573</b>	<b>\$ -</b>	<b>\$ 7,716,956</b>	<b>\$ 828,481</b>	<b>\$ 500,050</b>	<b>\$ 12,240</b>	<b>\$ 45,877</b>	<b>\$ 57,738,771</b>

DELAWARE STATE HOUSING AUTHORITY  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	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	\$ 7,885	\$ -	\$ 994	\$ -	\$ -
Loans	57,818	-	-	1,044,132	-
Total interest income	65,703	-	994	1,044,132	-
Payments from primary government	-	-	-	-	-
Gains/(losses) on investments	-	-	-	-	-
Fees	-	-	206,400	-	-
Other revenue	1,278,445	-	-	480,138	-
<b>TOTAL REVENUES</b>	<b>1,344,148</b>	<b>-</b>	<b>207,394</b>	<b>1,524,270</b>	<b>-</b>
<b>EXPENDITURES</b>					
Current:					
Affordable rental housing	-	-	-	-	-
Community rehabilitation	-	-	-	-	-
Home ownership	671,346	-	199,673	553,380	336,949
Housing rehabilitation	-	-	-	-	-
<b>TOTAL EXPEDITURES</b>	<b>671,346</b>	<b>-</b>	<b>199,673</b>	<b>553,380</b>	<b>336,949</b>
<b>EXCESS/(DEFICIT) REVENUE OVER EXPENDITURES</b>	<b>672,802</b>	<b>-</b>	<b>7,721</b>	<b>970,890</b>	<b>(336,949)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	571,760	-	1,204,191	383,333
Transfers out	-	(91,743)	-	(5,561,017)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>480,017</b>	<b>-</b>	<b>(4,356,826)</b>	<b>383,333</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>672,802</b>	<b>480,017</b>	<b>7,721</b>	<b>(3,385,936)</b>	<b>46,384</b>
FUND BALANCES, BEGINNING	14,402,173	6,943	38,425	35,304,071	268,295
<b>FUND BALANCES, ENDING</b>	<b>\$ 15,074,975</b>	<b>\$ 486,960</b>	<b>\$ 46,146</b>	<b>\$ 31,918,135</b>	<b>\$ 314,679</b>

\* The transfers in and out have been reduced by \$1,569,396 for transfers between Nonmajor Programs.

HOUSING REHABILITATION LOAN PROGRAM	POST FORECLOSURE FINANCIAL COACHING PROGRAM	STRONG NEIGHBORHOODS HOUSING FUND	HOME 4 GOOD PROGRAM	PRE DEVELOPMENT LOAN PROGRAM	NEIGHBOR- WORKS PROJECT REINVEST	WILMINGTON SENIOR TAX ASSISTANCE PROGRAM	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ 690	\$ -	\$ 43,109	\$ -	\$ -	\$ -	\$ -	\$ 52,678
26,167	-	-	-	-	-	-	1,128,117
26,857	-	43,109	-	-	-	-	1,180,795
-	-	3,000,000	-	-	36,405	-	3,036,405
-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	206,416
19,094	-	-	700,000	-	-	-	2,477,677
45,967	-	3,043,109	700,000	-	36,405	-	6,901,293
-	-	-	371,568	-	-	-	371,568
-	-	365,390	-	-	-	-	365,390
-	-	-	-	-	36,998	7,146	1,805,492
15,162	-	-	-	-	-	-	15,162
15,162	-	365,390	371,568	-	36,998	7,146	2,557,612
30,805	-	2,677,719	328,432	-	(593)	(7,146)	4,343,681
14,458	-	-	500,000	500,000	-	-	1,604,346
(367,209)	(633,333)	-	-	-	-	-	(5,083,906)
(352,751)	(633,333)	-	500,000	500,000	-	-	(3,479,560)
(321,946)	(633,333)	2,677,719	828,432	500,000	(593)	(7,146)	864,121
1,067,970	633,333	5,039,236	-	-	12,833	53,023	56,826,302
\$ 746,024	\$ -	\$ 7,716,955	\$ 828,432	\$ 500,000	\$ 12,240	\$ 45,877	\$ 57,690,423

DELAWARE STATE HOUSING AUTHORITY  
SCHEDULE OF NET POSITION - PROPRIETARY FUND - SUBFUNDS OF THE FEDERAL PROGRAMS ENTERPRISE FUND  
JUNE 30, 2019

	COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAMS	COMPREHENSIVE HOUSING COUNSELING GRANT PROGRAM	FAMILY UNIFICATION PROGRAM	HOME INVESTMENT PARTNERSHIP PROGRAM	HOUSING TRUST FUND
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 4,450	\$ -	\$ 58,940	\$ 50	\$ 64
Investments	-	-	-	1,432,314	-
Accrued interest and other receivables	-	-	-	18,896	157
Grants receivable-U.S. Dept of HUD	-	-	-	-	-
Interfund receivables	-	-	-	24,054	-
Prepaid expenses	-	-	28,697	-	-
Total current assets	<u>4,450</u>	<u>-</u>	<u>87,637</u>	<u>1,475,314</u>	<u>221</u>
Non-Current Assets:					
Cash, restricted for payment of escrows	-	-	37,190	-	-
Investments	-	-	-	6,368,958	-
Mortgages receivable, net	-	-	-	59,864,225	80,706
Accrued interest and other receivables, net	-	-	-	12,758,468	-
Interfund receivables	26,094	-	-	-	-
Capital assets not being depreciated	-	-	-	-	-
Capital assets net of accumulated depreciation	-	-	-	-	-
Total non-current assets	<u>26,094</u>	<u>-</u>	<u>37,190</u>	<u>78,991,651</u>	<u>80,706</u>
<b>TOTAL ASSETS</b>	<u><b>30,544</b></u>	<u><b>-</b></u>	<u><b>124,827</b></u>	<u><b>80,466,965</b></u>	<u><b>80,927</b></u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	18,055	-	-	8,151	4,551
Due St of Delaware-pension costs	518	-	-	-	-
Interfund payables	-	-	-	76,897	-
Compensated absences payable	2,050	-	-	-	-
Total current liabilities	<u>20,623</u>	<u>-</u>	<u>-</u>	<u>85,048</u>	<u>4,551</u>
Non-Current Liabilities:					
Interfund payables	200	-	30,000	50	150
Compensated absences payable	21,077	-	-	1,990	6,720
Escrow deposits	-	-	37,190	6,368,958	-
Total non-current liabilities	<u>21,277</u>	<u>-</u>	<u>67,190</u>	<u>6,370,998</u>	<u>6,870</u>
<b>TOTAL LIABILITIES</b>	<u><b>41,900</b></u>	<u><b>-</b></u>	<u><b>67,190</b></u>	<u><b>6,456,046</b></u>	<u><b>11,421</b></u>
<b>NET POSITION</b>					
Invested in capital assets	-	-	-	-	-
Restricted by federal regulations	(11,356)	-	57,637	74,010,919	69,506
<b>TOTAL NET POSITION</b>	<u><b>\$ (11,356)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 57,637</b></u>	<u><b>\$ 74,010,919</b></u>	<u><b>\$ 69,506</b></u>

MOVING TO WORK DEMONSTRATION PROGRAM	NATIONAL FORECLOSURE MITIGATION COUNSELING	SECOND CHANCE ACT/ I-ADAPT HOUSING PROGRAM	SECTION 8 CONTRACT ADMINISTRATION PROGRAM	2017 MAINSTREAM VOUCHER PROGRAM	SECTION 811 PROJECT RENTAL ASSISTANCE DEMONSTRATION PROGRAM	TOTAL FEDERAL PROGRAMS
\$ 3,795,849	\$ -	\$ 3,088	\$ 934,425	\$ 193,533	\$ 46,176	\$ 5,036,575
469,056	-	-	-	-	-	1,901,370
125,581	-	-	1,115	-	-	145,749
2,288	-	-	229,855	-	11,838	243,981
5,398	-	-	-	-	-	29,452
557,505	-	-	3,363,651	-	28,816	3,978,669
4,955,677	-	3,088	4,529,046	193,533	86,830	11,335,796
1,431,345	-	-	-	-	-	1,468,535
-	-	-	-	-	-	6,368,958
-	-	-	-	-	-	59,944,931
-	-	-	-	-	-	12,758,468
-	-	-	-	-	-	26,094
1,173,803	-	-	-	-	-	1,173,803
6,420,799	-	-	-	-	-	6,420,799
9,025,947	-	-	-	-	-	88,161,588
13,981,624	-	3,088	4,529,046	193,533	86,830	99,497,384
559,737	-	-	18,067	-	7,954	616,515
499	-	-	-	-	-	1,017
58	-	-	-	-	-	76,955
1,591	-	-	-	-	-	3,641
561,885	-	-	18,067	-	7,954	698,128
505,100	-	50	3,200,000	50	80,100	3,815,700
199,575	-	-	51,592	-	-	280,954
1,503,339	-	-	-	-	-	7,909,487
2,208,014	-	50	3,251,592	50	80,100	12,006,141
2,769,899	-	50	3,269,659	50	88,054	12,704,269
7,594,602	-	-	-	-	-	7,594,602
3,617,123	-	3,038	1,259,387	193,483	(1,224)	79,198,513
\$ 11,211,725	\$ -	\$ 3,038	\$ 1,259,387	\$ 193,483	\$ (1,224)	\$ 86,793,115

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, 2019

	COMPREHENSIVE				
	COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAMS	HOUSING COUNSELING GRANT PROGRAM	FAMILY UNIFICATION PROGRAM	HOME INVESTMENT PARTNERSHIP PROGRAM	HOUSING TRUST FUND
<b>OPERATING REVENUES</b>					
Interest income on loans	\$ -	\$ -	\$ -	\$ 1,268,522	\$ 34
Federal housing program grants	2,493,356	116,071	333,891	2,094,779	352,282
Rental income	-	-	-	-	-
Miscellaneous	27,048	-	3,226	20,830	-
<b>TOTAL OPERATING REVENUES</b>	<b>2,520,404</b>	<b>116,071</b>	<b>337,117</b>	<b>3,384,131</b>	<b>352,316</b>
<b>OPERATING EXPENSES</b>					
Administrative	175,260	61,074	-	249,763	279,477
Grants and housing assistance payments	2,352,965	-	315,886	1,095,864	-
Public housing maintenance & utilities	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>TOTAL OPERATING EXPENSES</b>	<b>2,528,225</b>	<b>61,074</b>	<b>315,886</b>	<b>1,345,627</b>	<b>279,477</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>(7,821)</b>	<b>54,997</b>	<b>21,231</b>	<b>2,038,504</b>	<b>72,839</b>
<b>NON-OPERATING INCOME/(EXPENSES)</b>					
Investment income	-	-	-	3,910	-
Gain/(Loss) on Disposal of Property	-	-	-	-	-
<b>TOTAL NON-OPERATING INCOME/EXPENSES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,910</b>	<b>-</b>
<b>INCOME/(LOSS) BEFORE CAPITAL GRANTS AND OPERATING TRANSFERS</b>					
	(7,821)	54,997	21,231	2,042,414	72,839
Capital grants and contributions	-	-	-	-	-
<b>CHANGE IN NET POSITION</b>	<b>(7,821)</b>	<b>54,997</b>	<b>21,231</b>	<b>2,042,414</b>	<b>72,839</b>
<b>NET POSITION, BEGINNING</b>	<b>(3,535)</b>	<b>(54,997)</b>	<b>36,406</b>	<b>71,968,505</b>	<b>(3,333)</b>
<b>NET POSITION, ENDING</b>	<b>\$ (11,356)</b>	<b>\$ -</b>	<b>\$ 57,637</b>	<b>\$ 74,010,919</b>	<b>\$ 69,506</b>

\* The transfer in and out have been reduced by \$899,846 for transfers between Federal Programs.

MOVING TO WORK DEMONSTRATION PROGRAM	NATIONAL FORECLOSURE MITIGATION COUNSELING	SECOND CHANCE ACT/ I-ADAPT HOUSING PROGRAM	SECTION 8 CONTRACT ADMINISTRATION	2017 MAINSTREAM VOUCHER PROGRAM	SECTION 811 PROJECT RENTAL ASSISTANCE DEMONSTRATION PROGRAM	TOTAL FEDERAL PROGRAMS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,268,556
11,494,237	-	-	42,111,280	193,483	522,965	59,712,344
682,315	-	-	-	-	-	682,315
650,777	-	-	-	-	-	701,881
12,827,329	-	-	42,111,280	193,483	522,965	62,365,096
3,152,104	190	-	1,291,115	-	72,319	5,281,302
7,179,661	-	-	40,749,189	-	451,870	52,145,435
1,933,929	-	-	-	-	-	1,933,929
1,278,023	-	-	-	-	-	1,278,023
13,543,717	190	-	42,040,304	-	524,189	60,638,689
(716,388)	(190)	-	70,976	193,483	(1,224)	1,726,407
4,213	-	-	-	-	-	8,123
5,751	-	-	-	-	-	5,751
9,964	-	-	-	-	-	13,874
(706,424)	(190)	-	70,976	193,483	(1,224)	1,740,281
526,499	-	-	-	-	-	526,499
(179,925)	(190)	-	70,976	193,483	(1,224)	2,266,780
11,391,650	190	3,038	1,188,411	-	-	84,526,335
\$ 11,211,725	\$ -	\$ 3,038	\$ 1,259,387	\$ 193,483	\$ (1,224)	\$ 86,793,115



DELAWARE STATE HOUSING AUTHORITY  
SCHEDULE OF NET POSITION - PROPRIETARY FUND - SUBFUNDS OF THE SINGLE FAMILY PROGRAMS  
ENTERPRISE FUND  
JUNE 30, 2019

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2007D-2018A	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	\$ 85,019	\$ 5	\$ 3,394,766
Investments	1,033,982	80,047	15,176,592
Mortgage loan receivable, net	1,050,058	-	-
Accrued interest and other receivables	989,021	298,691	-
Total current assets	<u>3,158,080</u>	<u>378,743</u>	<u>18,571,358</u>
Non-Current Assets:			
Securitized mortgage loans, net	51,783,691	101,248,089	-
Mortgage loan receivable, net	13,046,339	-	-
Accrued interest and other receivables	1,144,297	-	-
Total non-current assets	<u>65,974,327</u>	<u>101,248,089</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>69,132,407</u>	<u>101,626,832</u>	<u>18,571,358</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred amount on bond refunding	90,648	-	-
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<u>90,648</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	-	-	80
Interfund payables	204,030	-	110
Revenue bonds payable	656,770	2,592,974	-
Total current liabilities	<u>860,800</u>	<u>2,592,974</u>	<u>190</u>
Non-Current Liabilities:			
Interfund payables	50	-	-
Revenue bonds payable	53,557,802	95,822,481	-
Total non-current liabilities	<u>53,557,852</u>	<u>95,822,481</u>	<u>-</u>
<b>TOTAL LIABILITES</b>	<u>54,418,652</u>	<u>98,415,455</u>	<u>190</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred amount on bond refunding	2,053,532	273,006	-
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<u>2,053,532</u>	<u>273,006</u>	<u>-</u>
<b>NET POSITION</b>			
Restricted by bond covenants	12,750,871	2,938,371	18,571,168
<b>TOTAL NET POSITION</b>	<u>\$ 12,750,871</u>	<u>\$ 2,938,371</u>	<u>\$ 18,571,168</u>

TOTAL SINGLE  
FAMILY  
PROGRAMS

---

\$ 3,479,790  
16,290,621  
1,050,058  
1,287,712  

---

22,108,181

153,031,780  
13,046,339  
1,144,297  

---

167,222,416  

---

189,330,597

90,648  

---

90,648

80  
204,140  
3,249,744  

---

3,453,964

50  
149,380,283  

---

149,380,333  

---

152,834,297

2,326,538  

---

2,326,538

34,260,410  

---

\$ 34,260,410

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, 2019

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2007D-2018A	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	\$ 3,842,632	\$ 3,928,837	\$ -
Discount on securitized mortgage loans	-	-	-
Amortization of deferred revenues	405,706	221,608	-
Miscellaneous	11,962	-	-
<b>TOTAL OPERATING REVENUES</b>	<b>4,260,300</b>	<b>4,150,445</b>	<b>-</b>
<b>OPERATING EXPENSES</b>			
Interest expense on bonds	2,377,210	3,302,245	-
Administrative	1,261,048	-	871
Loan servicing fees	20,822	-	-
Amortization of deferred expenses	343,752	-	-
Other expenses	145,634	23,135	-
<b>TOTAL OPERATING EXPENSES</b>	<b>4,148,466</b>	<b>3,325,380</b>	<b>871</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>111,834</b>	<b>825,065</b>	<b>(871)</b>
<b>NON-OPERATING INCOME/(EXPENSES)</b>			
Investment income	15,407	7,207	7,441,338
Change in fair value of investments	483,126	2,101,127	-
<b>TOTAL NON-OPERATING INCOME/(EXPENSES)</b>	<b>498,533</b>	<b>2,108,334</b>	<b>7,441,338</b>
<b>INCOME/(LOSS) BEFORE OPERATING TRANSFERS</b>	<b>610,367</b>	<b>2,933,399</b>	<b>7,440,467</b>
Transfers in	-	206,780	1,502,125
Transfers out	(16,206,028)	(122,264)	(6,541,516)
<b>CHANGE IN NET POSITION</b>	<b>(15,595,661)</b>	<b>3,017,915</b>	<b>2,401,076</b>
<b>NET POSITION, BEGINNING</b>	<b>28,346,532</b>	<b>(79,544)</b>	<b>16,170,092</b>
<b>NET POSITION, ENDING</b>	<b>\$ 12,750,871</b>	<b>\$ 2,938,371</b>	<b>\$ 18,571,168</b>

\* Transfers in and out have been reduced by \$208,470 for transfers between Bond Series.

TOTAL SINGLE  
FAMILY  
PROGRAMS

\$	7,771,469
	-
	627,314
	11,962
	<u>8,410,745</u>
	5,679,455
	1,261,919
	20,822
	343,752
	168,769
	<u>7,474,717</u>
	<u>936,028</u>
	7,463,952
	2,584,253
	<u>10,048,205</u>
	10,984,233
	1,500,435
	<u>(22,661,338)</u>
	(10,176,670)
	44,437,080
\$	<u>34,260,410</u>

DELAWARE STATE HOUSING AUTHORITY  
SCHEDULE OF REVENUE BONDS PAYABLE  
FOR THE YEAR ENDED JUNE 30, 2019

The details of and changes in the Authority's mortgage revenue bonds during the Year Ended June 30, 2019 are as follows:

Bond Issue	Interest Rate	Final Maturity Date	Bonds Outstanding June 30, 2018	Issued	Matured	Called	Other	Bonds Outstanding June 30, 2019
Single Family Mortgage Revenue Bonds 2007 Series C	5.30% - 5.55%	2049	5,636,488	-	-	(4,670,000)	(966,488)	-
Single Family Mortgage Revenue Bonds 2007 Series D	4.63% - 5.80%	2049	7,012,288	-	-	(5,730,000)	(1,282,288)	-
Single Family Mortgage Revenue Bonds 2008 Series B	4.00% - 5.45%	2040	8,895,000	-	-	(8,895,000)	-	-
Single Family Mortgage Revenue Bonds 2009 Series A	3.45% - 5.45%	2040	10,519,856	-	(430,000)	(9,885,000)	(204,856)	-
Single Family Mortgage Revenue Bonds 2011 Series A/B	4.25% - 5.10%	2031	9,825,534	-	-	(2,075,000)	(104,205)	7,646,329
Single Family Mortgage Revenue Bonds 2013 Series A	2.60%	2043	31,677,505	-	-	(3,400,636)	-	28,276,869
Single Family Mortgage Revenue Bonds 2018 Series A	3.48%	2048	-	20,630,000	-	(2,338,625)	-	18,291,375
Single Family Mortgage Revenue Bonds 2010-1 (NIBP)	3.01% - 4.55%	2041	38,681,107	-	-	(4,830,000)	(133,129)	33,717,978
Single Family Mortgage Revenue Bonds 2011-2 (NIBP)	1.80% - 4.38%	2041	33,970,370	-	-	(5,240,000)	(62,894)	28,667,476
Single Family Mortgage Revenue Bonds 2013-1 (NIBP)	1.26% - 4.40%	2041	42,120,000	-	(80,000)	(6,010,000)	-	36,030,000
<b>TOTAL</b>			<b>\$ 188,338,148</b>	<b>\$ 20,630,000</b>	<b>\$ (510,000)</b>	<b>\$ (53,074,261)</b>	<b>\$ (2,753,860)</b>	<b>\$ 152,630,027</b>

The "Other" category totaling \$(2,753,860) 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

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***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, 2019, and the related notes to the financial statements, which collectively comprise DSHA's basic financial statements, and have issued our report thereon dated November 13, 2019.

***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.



To the Delaware State Housing Authority  
Dover, Delaware

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 deficiencies and, therefore material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2019-001, that we consider to be a significant deficiency.

### ***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*.

### ***DSHA's Response to Finding***

DSHA's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. DSHA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***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.*

November 13, 2019  
Wilmington, Delaware



***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, 2019. 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, 2019.

### ***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.*

November 13, 2019  
Wilmington, Delaware



DELAWARE STATE HOUSING AUTHORITY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

PART A - SUMMARY OF AUDITOR'S RESULTS

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FINANCIAL STATEMENTS

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?                      Yes           X           No
- Significant deficiency(ies) identified?           X           Yes                      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>14.327</u>	<u>Performance Based Contract Administrator Program</u>
<u>14.228</u>	<u>Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii</u>
<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:           \$1,829,483          

Auditee qualified as low-risk auditee?           X           Yes                      No

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

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CURRENT YEAR FINDINGS AND RECOMMENDATIONS

See finding on page 113

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

See summary of prior finding on page 116

PART C - FINDINGS RELATED TO FEDERAL AWARDS

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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, 2019

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>				
Comprehensive Housing Counseling Grant Program	14.169	HC150341002	\$ 116,071	\$ 116,071
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228*	B-16-DC-10-0001	27,534	27,534
		B-17-DC-10-0001	842,427	808,413
		B-18-DC-10-0001	1,049,566	931,364
		B-08-DN-10-0001	157,401	175,137
Total CDBG/State's Program and Non-Entitlement Grants in Hawaii			<u>2,076,928</u>	<u>1,942,448</u>
Emergency Solutions Grant Program	14.231	E-17-DC-10-0001	65,829	62,829
		E-18-DC-10-0001	142,432	130,610
Total Emergency Solutions Grant Program			<u>208,261</u>	<u>193,439</u>
HOME Investment Partnerships Program	14.239	M-14SG1-00100	1,866	-
		M-15SG1-00100	243,177	243,177
		M-16SG1-00100	1,381,723	1,381,723
		M-17SG1-00100	221,897	83,333
		M-18SG1-00100	246,116	-
		Program income	1,057,303	273,568
Total HOME Investment Partnerships Program			<u>3,152,082</u>	<u>1,981,801</u>
Housing Opportunities for Persons with AIDS	14.241	DEH17F999	82,464	75,302
		DEH18F999	151,938	151,938
Total Housing Opportunities for Persons with AIDS			<u>234,402</u>	<u>227,240</u>
Section 811 Project Rental Assistance Demonstration	14.326	DE26DRD1201	511,127	451,870
Performance Based Contract Administrator Program	14.327 *	Various	42,199,496	40,749,189
ROSS Grant	14.870	DE004RPS121A015	27,940	-
Housing Trust Fund	14.275	F16SG1-00100	39,789	-
		F17SG1-00100	312,493	80,706
Total Housing Trust Fund			<u>352,282</u>	<u>80,706</u>
Family Unification Program	14.880	2009FUPDE9018010	303,102	295,729
Moving to Work Demonstration Program: Public and Indian Housing Program	14.881	DE004-0000316D	3,401	-
		DE004-0000317D	1,463,005	-
		DE004-0000318D	1,640,794	-
Public Housing Capital Fund		Various	376,704	-
Lower Income Housing Assistance Program (Section 8):				
Moving To Work Vouchers		DE901VOW098-106	6,767,746	-
VASH		DE901VO0130	39,313	-
RAD		DE901VO0120	340,291	-
Special Administrative Fees		DE901AFR118	17,463	-
Special Administrative Fees		DE901AFE012-018	976,967	-
Special Administrative Fees		DE901AFRD03-04	32,564	-
Special Administrative Fees		DE901AF0098-0104	144,693	-
Total Moving to Work Demonstration Program			<u>11,802,941</u>	<u>-</u>
Total U. S. Department of Housing and Urban Development			<u>60,984,632</u>	<u>46,038,493</u>
<b>TOTAL DIRECT GRANTS</b>			<u>60,984,632</u>	<u>46,038,493</u>

Continued on next page

DELAWARE STATE HOUSING AUTHORITY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

FEDERAL GRANTOR/PROGRAM TITLE	CFDA NUMBER	CONTRACT NUMBER	TOTAL PROGRAM EXPENDITURES	SUB-RECIPIENT EXPENDITURES
INDIRECT GRANTS:				
TOTAL INDIRECT GRANTS			-	-
TOTAL FEDERAL AWARDS			<u>\$ 60,984,632</u>	<u>\$ 46,038,493</u>

N/A - Not Available.

\* Denotes a major federal program.

- (1) As of June 30, 2019, the amount of outstanding single family mortgages purchased by the Authority and covered by either FHA insurance or a VA guarantee was \$5,205,232 and \$1,089,011, respectively.
- (2) HOME Investment Partnerships Program Income cash receipts included \$3,910 of interest revenue for the fiscal year ended June 30, 2019.

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, 2019

ANNUAL CONTRIBUTIONS CONTRACT P-4520

	PROJECT NUMBER		
	DE26-P004- 50117	DE26-P004- 50118	TOTAL
Funds advanced	\$ 741,026	\$ 132,908	\$ 873,934
Management improvements	80,422	23,367	103,789
Site improvements	559,859	26,254	586,113
Administration	100,745	83,287	184,032
Funds expensed	741,026	132,908	873,934
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**

The Uniform Guidance prescribes the accounting principles and financial reporting requirements to be followed by the Authority in the preparation of the schedule of expenditures of federal awards. 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.

#### **3. ANNUAL CONTRIBUTIONS CONTRACT**

HUD regulations prescribe the accounting principles and financial reporting requirements to be followed by the Authority in the preparation of supplement schedules prepared under the annual contributions contracts.



**DELAWARE STATE HOUSING AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**JUNE 30, 2019**

**I. Financial Statement Findings**

**Reference Number: 2019-001**

**Type of Finding: Significant Deficiency**

**Department of Finance - Financial Reporting Close Process**

**Condition:** During our audit work, we noted misstatements of general ledger balances requiring material adjusting journal entries. These adjustments should have been made by the Financial Analysis and Reporting Section during the year-end financial close process but had not yet been made or were required as a result of our audit procedures. The material adjusting journal entries included the following and did not impact any of DSHA's federal programs:

- A \$2,120,000 entry to correct the recording of deferred inflows related to the 2018A series refunding bond.
- A \$1,020,000 entry in DSHA's general fund to accrue a developer fee for the development of the Liberty Court housing project.

**Criteria:** Preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires adequate review and adjustment of the year-end accounting data and financial information used to prepare the DSHA's financial statements.

**Cause:** While the Financial Analysis & Reporting Section's financial closing procedures captured most of the necessary routine entries, the procedures did not pick up certain unusual or complex entries. The vacancy of various accounting positions during the year also contributed to the condition.

**Effect:** These two material misstatements were discovered by the auditor during the course of fieldwork that required adjustments to the financial statements.

**Recommendation:** We recommend DSHA enhance its financial closing procedures. As part of the process, the Financial Analysis and Reporting Section should evaluate all post-closing entries and audit adjustments, from the previous fiscal year, to ensure that procedures and controls are in place to properly identify and record similar entries in the future, on a timely basis. Additionally, all significant or non-routine transactions and adjustments should be subjected to a second level of review.

**Views of Responsible Authority Officials and Planned Corrective Actions:** See Corrective Action Plan

**DELAWARE STATE HOUSING AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**JUNE 30, 2019**

**II. Federal Award Findings and Questioned Costs**

None

**DELAWARE STATE HOUSING AUTHORITY**  
*18 The Green*  
*Dover, Delaware 19901*

**III. Corrective Action Plan**

**Finding 2019-001:**

**June 30, 2019**

The Fiscal Administrative Officer within the Financial Analysis and Reporting Section is responsible for recording deferred inflows related to refunding bonds. For future bond refunding, the Fiscal Administrative Officer will review the accounting adjustments necessary with the Financial Analysis and Reporting Section Manager and the audit firm, if necessary, for uncommon entries.

The Fiscal Management Analyst within the Financial Analysis and Reporting Section is responsible for the accrual of various revenues and expenses in relation to other entities for which DSHA maintains the books. Through the transition of future Rental Assistance Demonstration (RAD) projects, the Fiscal Management Analyst and the Financial Analysis and Reporting Section Manager will review receivables and payables on the books of all entities to confirm that the revenue and expense accruals are recorded properly for all entities.

The Director of Financial Management will review quarterly financial statements in addition to reviewing Journal Entries for unusual and infrequent transactions.

These action plans have been implemented immediately for the 2020 Fiscal Year and will remain in effect going forward.

**DELAWARE STATE HOUSING AUTHORITY**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**JUNE 30, 2019**

**I. Financial Statement Findings**

**Reference Number: 2018-001**

**Type of Finding: Significant Deficiency**

**Department of Finance - Financial Reporting Close Process**

**Condition:** During our audit work, we noted misstatements of general ledger balances requiring material adjusting journal entries. These adjustments should have been made by the Financial Analysis & Reporting Section during the year-end financial close process but had not yet been made or were required as a result of our audit procedures. The material adjusting journal entries included the following:

- Four entries, totaling \$1,000,000, to adjust the bad debt allowance for mortgages receivable to actual, based on management's estimate of bad debt.
- Two entries, totaling \$202,000, to capitalize fixed asset purchases and record prepaid expense for the related service agreement.
- A \$670,000 entry to correct the recording of interest income related to loans transferred from the Single Family Programs Enterprise Fund to the DSHA Second Mortgage Assistance Loan Program.

**Recommendation:** We recommend that the DSHA enhance its financial closing procedures in the current year. As part of the process, the Financial Analysis & Reporting Section should evaluate all fiscal year 2018 post-closing and audit adjustments to ensure that procedures and controls are in place to properly identify and record similar entries in the future, on a timely basis. Additionally, all significant or non-routine adjustments should be subjected to a second level of review.

**Current Status:** A similar condition was noted during the June 30, 2019 audit. See finding 2019-001.

**II. Federal Award Findings and Questioned Costs**

**None**