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

Basic Financial Statements and Supplemental Information for the Year Ended June 30, 2010, Including Requirements of the Single Audit Act, and Independent Auditor's Reports

TABLE OF CONTENTS

TABLE OF CONTENTS	i-ii
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION & ANALYSIS	3-10
BASIC FINANCIAL STATEMENTS	
Entity-wide Financial Statements	
Statement of Net Assets	11
Statement of Activities	13
Fund Financial Statements	
Balance Sheet - Governmental Funds	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Fund Net Assets - Proprietary Funds	18
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	19
Statement of Cash Flows - Proprietary Funds	20-21
Statement of Fund Net Assets - Fiduciary Funds	22
Statement of Changes in Fiduciary Net Assets	23
Notes to Financial Statements	24-50
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis) - General Fund	53
Schedule of Funding Progress for Delaware State Housing Authority Retiree Medical Plan	54
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Activities - Entity-wide	57
Balance Sheet - Nonmajor Governmental Funds	58-59
Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	60-61
Schedule of Net Assets - Proprietary Fund - Subfunds of the Federal Programs Enterprise Fund	62-63
Schedule of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund - Subfunds of the Federal Programs Enterprise Fund	64-65
Schedule of Net Assets - Proprietary Fund - Subfunds of the Single Family Programs Enterprise Fund	66

TABLE OF CONTENTS, continued

Schedule of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund - Subfunds of the Single Family Programs Enterprise Fund 67

Schedule of Net Assets - Proprietary Fund - Subfunds of the Multi-Family Programs Enterprise Fund 68-69

Schedule of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund - Subfunds of the Multi-Family Programs Enterprise Fund 70-71

Schedule of Revenue Bonds Payable 72-73

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 Government Auditing Standards 77-78

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance With OMB Circular A-133 and Schedule of Expenditures of Federal Awards 79-80

Schedule of Findings and Questioned Costs 81-82

Supplemental Schedule of Expenditures of Federal Awards 83

Supplemental Statement of Public Housing Actual Modernization Capital Fund Grant Costs 84

Notes to Supplemental Schedule of Expenditures of Federal Awards and Supplemental Statement of Public Housing Actual Modernization Capital Fund Grant Costs 85

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INDEPENDENT AUDITOR'S REPORT

September 28, 2010

To the Delaware State Housing Authority
Dover, Delaware

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 the Delaware State Housing Authority (the "Authority"), a component unit of the State of Delaware, as of and for the year ended June 30, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Authority's 2009 financial statements and, in our report dated September 25, 2009, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

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 the *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the Delaware State Housing Authority, as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

BARBACANE
THORNTON
&COMPANY[1]
CERTIFIED PUBLIC ACCOUNTANTS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2010 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information, and schedule of funding progress on pages 1 through 10 and pages 53 and 54 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The other supplementary information and Supplemental Statement of Public Housing Actual Modernization Capital Fund Grant Costs listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information and Supplemental Statement of Public Housing Actual Modernization Capital Fund Grant Costs have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

Management's Discussion and Analysis

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

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, 2010. 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 11).

Financial Highlights

- The Authority's assets exceeded liabilities at the close of the fiscal year by $322,800,280 (net assets).
- Unrestricted net assets totaled $28,038,071. This amount is dedicated to the Authority's operations, pursuant to Title 31, Chapter 40 of the State of Delaware Code and the Authority's bond resolutions. A General Fund cash and investment balance of $26,996,461 contributes to this unrestricted net asset total.
- The Authority's total net assets increased by $12,814,598. Governmental activities increased by $7,429,923, while business-type activities increased by $5,384,675. The two most significant factors contributing to the increase were the appropriation from the State of Delaware to the Housing Development Fund in the amount of $6,820,000 for the purpose of making loans and grants to meet affordable housing needs and the receipt of $1,370,562 in federal grant funds for capital asset improvements.
- At the close of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of $220,126,462, an increase of $8,419,539 in comparison with the prior year. Approximately 22.1 percent of this total amount, $48,682,495, is available for spending at the Authority's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was $27,542,443.
- The Authority's total debt, excluding compensated absences, decreased by $28,505,709 (2.9 percent) during the fiscal year 2010. The General Fund's debt increased by a $851,914 note payable to the Federal Home Loan Bank of Pittsburgh. The Single Family Programs issued new debt of $190,070,322 during the fiscal year. This amount was offset by scheduled maturities of $6,780,000, bond calls of $210,965,998, primarily the result of mortgage prepayments experienced by the Single Family and Multi-Family Programs, and $1,610,516 representing the net of accretion on capital appreciation bonds, deferred amounts on refunding, and bond forgiveness.
- The American Recovery and Reinvestment Act of 2009 (ARRA), created to help the economy and increase employment, provided the Authority with nearly $19 million during fiscal 2010. This increased funding was used to make capital improvements to public housing sites, provide additional resources to the Community Development Block Grant Program, and fund a new program for homeless prevention. ARRA also created the Housing Tax Credit Assistance Program which, along with additional funding for exchanging unused low income housing tax credits for cash through the IRS, was used in the financing of low income housing development projects.

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 assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 11-13 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 twelve 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, and the DSHA Second Mortgage Assistance Loan 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 14-17 of this report.

The Authority adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has

been provided for the General Fund after the notes to the financial statements to demonstrate that actual activities were in compliance with the budget.

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, single family, and multi-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, single family, and multi-family funds, all of which are considered to be major funds of the Authority. The basic proprietary fund financial statements can be found on pages 18-21 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 assets available for post-employment healthcare insurance premiums of DSHA non-state employees. The basic fiduciary fund financial statements can be found on pages 22-23 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 24-50 of this report.

Other Information

This report contains certain individual fund, program, and bond financial schedules on pages 57-73. Also contained in this report is the Authority's Single Audit Supplement, pages 77-85 in compliance with U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Nonprofit Organizations.

Entity-wide Financial Analysis

Delaware Housing Authority's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Noncapital assets	$ 241,789,149	$ 232,682,738	$1,058,874,754	$1,085,314,420	$1,300,663,903	$1,317,997,158
Capital assets	1,874,037	1,953,102	18,331,922	18,776,586	20,205,959	20,729,688
Total assets	243,663,186	234,635,840	1,077,206,676	1,104,091,006	1,320,869,862	1,338,726,846
Long-term liabilities outstanding	21,787,320	21,146,387	805,381,214	981,915,677	827,168,534	1,003,062,064
Other liabilities	1,300,483	343,993	169,600,565	25,335,107	170,901,048	25,679,100
Total liabilities	23,087,803	21,490,380	974,981,779	1,007,250,784	998,069,582	1,028,741,164
Net assets:						
Invested in capital assets	1,874,037	1,953,102	18,331,922	18,776,586	20,205,959	20,729,688
Restricted	190,663,275	181,747,900	83,892,975	78,063,636	274,556,250	259,811,536
Unrestricted	28,038,071	29,444,458	-	-	28,038,071	29,444,458
Total net assets	$ 220,575,383	$ 213,145,460	$ 102,224,897	$ 96,840,222	$ 322,800,280	$ 309,985,682

Delaware State Housing Authority's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	$ 6,832,212	$ 5,592,223	$ 54,597,823	$ 56,020,665	$ 61,430,035	$ 61,612,888
Operating grants & contributions	6,895,000	18,732,062	76,725,673	46,820,322	83,620,673	65,552,384
Capital grants & contributions	-	-	1,370,562	947,763	1,370,562	947,763
General revenues, principally						
Investment Income	1,014,151	833,459	5,086,994	5,690,805	6,101,145	6,524,264
Total revenues	14,741,363	25,157,744	137,781,052	109,479,555	152,522,415	134,637,299
Expenses:						
Administrative	5,606,080	5,425,558	-	-	5,606,080	5,425,558
Home ownership	425,890	795,249	53,560,371	53,162,937	53,986,261	53,958,186
Affordable rental housing	2,658,675	1,280,698	64,519,709	46,485,985	67,178,384	47,766,683
Housing rehabilitation	66,632	280,527	-	-	66,632	280,527
Community rehabilitation	-	4,507	12,870,460	2,272,284	12,870,460	2,276,791
Total expenses	8,757,277	7,786,539	130,950,540	101,921,206	139,707,817	109,707,745
Change in net assets before transfers	5,984,086	17,371,205	6,830,512	7,558,349	12,814,598	24,929,554
Transfers	1,445,837	5,544,991	(1,445,837)	(5,544,991)	-	-
Changes in net assets	7,429,923	22,916,196	5,384,675	2,013,358	12,814,598	24,929,554
Net assets, beginning	213,145,460	190,229,264	96,840,222	94,826,864	309,985,682	285,056,128
Net assets, ending	$ 220,575,383	$ 213,145,460	$ 102,224,897	$ 96,840,222	$ 322,800,280	$ 309,985,682

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Authority's assets exceeded its liabilities by $322,800,280 at the close of the fiscal year.

Of the Authority's total assets, 71.3 percent represent mortgage loans outstanding. Cash and investments comprise 23.1 percent of the total assets, while other noncapital assets make up 4.1 percent of total assets. Investment in capital assets accounts for 1.5 percent of total assets. Of the Authority's total liabilities, 96.6 percent consists of revenue bonds payable. Escrow deposits represent 2.9 percent of total liabilities, with miscellaneous liabilities comprising 0.5 percent of total liabilities.

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

Most (84.0 percent) of the Authority's net assets are restricted by bond covenants and federal and state grantors. Another 6.3 percent of net assets reflect the Authority's investment in capital assets (e.g. land, buildings, improvements, and equipment). The remaining 9.7 percent of net assets are unrestricted. Net assets for the previous fiscal year had a similar composition.

At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net assets, both for the Authority as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The Authority's net assets increased by $12,814,598 for the fiscal year ending June 30, 2010. Of this amount, governmental activities net assets increased by $7,429,923 and business-type net assets increased by $5,384,675.

Of the Authority's total revenues, 54.8 percent are derived from operating grants and contributions, mostly from US Dept of HUD. Another 40.3 percent comes from charges for services which are mostly comprised of mortgage interest. Investment income represents 4.0 percent of total revenues, while capital grants make up the remaining 0.9 percent.

Nearly half of the Authority's total expenses, 48.1 percent, are for affordable rental housing. Another 38.6 percent of total expenses are for homeownership. Community and housing rehabilitation account for 9.2 and 0.1 percent, respectively, leaving only 4.0 percent of total costs attributable to Authority administration.

During the fiscal year, cash transfers of $5,424,420 were made from business-type activities to the governmental activities. The Authority's General Fund operations are supported by transfers of surplus funds and administrative fees from the Single and Multi-Family Programs. Additional information on the Authority's interfund transactions can be found in note IV. E. on page 41 of this report.

Governmental Activities

Governmental Activities
Net (Expenses)/Revenues by Function

Function	Fiscal 2010 Expenses	Fiscal 2010 Revenues	Fiscal 2010 Net (Exp)/Rev	Fiscal 2009 Net (Exp)/Rev
Administration	$ 5,606,080	$ 1,277,109	$ (4,328,971)	$ (4,420,262)
Home ownership	425,890	1,652,196	1,226,306	9,777,595
Affordable rental housing	2,658,675	10,722,217	8,063,542	11,355,763
Housing rehabilitation	66,632	75,690	9,058	(195,843)
Community rehabilitation	-	-	-	20,493
Total	$ 8,757,277	$ 13,727,212	$ 4,969,935	$ 16,537,746

Governmental Activities
Revenues by Source

Source	Fiscal 2010 Revenue	Fiscal 2010 Percent	Fiscal 2009 Revenue	Fiscal 2009 Percent
Charges for services	$ 6,832,212	42%	$ 5,592,223	18%
Operating grants and contributions	6,895,000	43%	18,732,062	61%
Other general revenues	1,014,151	6%	833,459	3%
Transfers	1,445,837	9%	5,544,991	18%
Total	$ 16,187,200	100%	$ 30,702,735	100%

Governmental activities increased the Authority's net assets by $7,429,923. The key element of this increase was the appropriation from the State of Delaware to the Housing Development Fund (HDF) of $6,820,000 to address affordable housing needs in the form of loans or grants.

Business-type Activities

Business-type Activites
Net (Expenses)/Revenues by Function

Function	Fiscal 2010 Expenses	Fiscal 2010 Revenues	Fiscal 2010 Net (Exp)/Rev	Fiscal 2009 Net (Exp)/Rev
Home ownership	$ 53,560,371	$ 53,448,168	$ (112,203)	$ (1,327,798)
Affordable rental housing	64,519,709	66,375,430	1,855,721	3,195,342
Community rehabilitation	12,870,460	12,870,460	-	-
Total	$ 130,950,540	$ 132,694,058	$ 1,743,518	$ 1,867,544

Business-type Activites
Revenues by Source

Source	Fiscal 2010 Revenue	Fiscal 2010 Percent	Fiscal 2009 Revenue	Fiscal 2009 Percent
Charges for services	$ 54,597,823	40%	$ 56,020,665	51%
Operating grants and contributions	76,725,673	55%	46,820,322	43%
Capital grants and contributions	1,370,562	1%	947,763	1%
Other general revenues	5,086,994	4%	5,690,805	5%
Total	$ 137,781,052	100%	$ 109,479,555	100%

Business-type activities increased the Authority's net assets by $5,384,675. The key elements of this increase were (a) cash transfers totaling $3,853,048 from governmental activities for the purpose of early bond redemptions thereby reducing debt outstanding, and (b) the non-cash transfer of a $1,024,798 loan portfolio from governmental activities used as collateral for the Single Family Mortgage Revenue Bonds 2009 Series A issue.

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, unreserved 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 $220,126,462, an increase of $8,419,539 in comparison with the prior year. Approximately 22.1 percent of this total amount, $48,682,495, constitutes unreserved fund balance, which is available for spending at the Authority's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it is comprised of long-term receivables.

The General Fund is the chief operating fund of the Authority. At the end of the current fiscal year, unreserved fund balance of the General Fund for the Authority's purposes was $27,542,443. The fund balance of the Authority's General Fund decreased by $495,836 during the current fiscal year. The key factor in this decrease were the cash transfers made during the year to the proprietary funds in the amount of $3,853,048 to fund early bond redemptions and cost of issuance for new bond issues.

The HDF has a total fund balance of $160,996,664, of which $134,019,558 is reserved for long term receivables in the form of mortgages and accrued interest. Additionally, $12,593,849 has been reserved and legally segregated for loan commitments and $255,472 for a long term interfund receivable. The unreserved fund balance designated by the Authority's General Order No. 532 for the fiscal 2011 Low Income Housing Tax Credit (LIHTC) program was $14,127,785 at June 30, 2010. The net increase in the fund balance during the current year in the HDF was $7,877,106. The increase is the result of grants in the amount of $6,820,000 from the State of Delaware used to generate mortgages and grants, $3,171,564 in interest income, $932,781 in fee revenue, $10,708 in other revenue, and a $15,187 transfer in from another program offset by administrative and grant expenditures of $500,000 and $1,573,134, respectively. The HDF also reports a cash transfer out of $1,000,000 to fund the Authority's State Voucher for the Homeless Program.

The DSHA Second Mortgage Assistance Loan Program (SMAL) has a total fund balance of $13,726,805, $13,350,542 of which is reported as reserved for long term receivables in the form of mortgages and accrued interest. The net decrease in the fund balance during the fiscal year was $490,188. The decrease is the result of a non-cash transfer of a portion of its loan portfolio in the amount of $1,024,798 to the Single Family Program to be used as collateral for the Single Family Mortgage Revenue Bonds 2009 Series A issue.

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 assets of the Federal Programs Fund at the end of the year amounted to $47,250,276, and those of Single Family and Multi-Family Programs Funds amounted to $15,470,297 and $21,172,402, respectively. The total change in net assets for the Federal Programs Fund was $1,818,145, primarily due to the receipt of $1,370,592 in grant funds for capital asset improvements. The total change in net assets for the Single Family Program Funds was $2,518,171, primarily due to a non-cash transfer of a $1,024,798 loan portfolio from governmental activities used as collateral for the single Family Mortgage Revenue Bonds 2009 A issue. The total change in net assets for the Multi-Family Programs Funds was $1,048,359, primarily due to mortgage payoffs.

General Fund Budgetary Highlights

There was a 17.3% reduction between the General Fund's total original budget and the total final amended budget for fiscal 2010, almost all of it within the salary and other employment costs area.

During the year expenditures were $384,055 (15.2%) less than budgetary estimates. In all areas, except salaries and other employment costs, the Authority was under budget as follows:

Salary and other employment costs	$ (23,450)
Travel	83,059
Contractual services	275,228
Energy	23,471
Supplies and materials	25,747
Total under budget amount	$ 384,055

The Authority's continual monitoring of revenues and expenditures resulted in the under variance in all budget categories except salaries and other employment costs.

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, 2010, amounts to $20,205,959 (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 2.5 percent (a 4.1 percent decrease for governmental activities and a 2.4 percent decrease for business-type activities). Major capital asset events during the fiscal year included the following:

- Repaving of parking lots at three public housing sites.
- Roof, gutter, and fascia replacement at two public housing sites.
- Bathroom renovations at one public housing site.
- Window replacement at one public housing site.

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	$ 797,960	$ 797,960	$ 2,336,842	$ 2,336,842	$ 3,134,802	$ 3,134,802
Buildings held for resale	-	-	330,911	330,911	330,911	330,911
Construction in progress	-	-	1,100,943	1,180,046	1,100,943	1,180,046
Buildings	1,031,138	1,089,523	6,634,524	7,336,213	7,665,662	8,425,736
Land/site improvements	39,429	43,579	7,629,498	7,546,154	7,668,927	7,589,733
Computer equipment	5,510	22,040	-	-	5,510	22,040
Vehicles	-	-	17,596	14,315	17,596	14,315
Other equipment	-	-	281,608	32,105	281,608	32,105
Total	$ 1,874,037	$ 1,953,102	$ 18,331,922	$ 18,776,586	$ 20,205,959	$ 20,729,688

Additional information on the Authority's capital assets can be found in note IV. D. on page 40 of this report.

Long-term Debt

At the end of the current fiscal year, Delaware State Housing Authority had total notes and bonded debt outstanding of $965,372.864. The Authority's debt represents notes payable and bonds secured solely by specified revenue sources (i.e. revenue bonds).

Delaware State Housing Authority's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Notes payable	$ 851,914	$ -	$ 250,395	$ 321,826	$ 1,102,309	$ 321,826
Revenue bonds payable	-	-	964,270,555	993,556,747	964,270,555	993,556,747
Total	$ 851,914	$ -	$ 964,520,950	$ 993,878,573	$ 965,372,864	$ 993,878,573

The Authority's total debt, excluding compensated absences, decreased by $28,505,709 (2.9 percent) during the current year. A key factor in this decrease was new bond issuances of $190,070,322 in the Single Family programs Enterprise Fund netted by total Authority bond calls of $210,965,998 and scheduled maturities of $6,780,000.

The bond calls of $203,370,998 in the Single Family programs were primarily the result of numerous mortgage prepayments in all the programs. The bond calls of $7,595,000 in the Multi-Family Program Enterprise Fund were primarily the result of mortgage payoffs.

The Authority maintains a range of "BB" to "AAA" ratings from Standard & Poor's and a range of "A1" 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 42-43 of this report.

Economic Factors and Next Year's Budget and Rates

The Authority's fiscal year 2011 General Fund Budget contains salary and other employment cost decreases of $15,578; travel expense increases of $79,559; energy cost increases of $23,471, general contractual service and supply cost increases of $293,075 for an average budget increase of 17.7 percent over fiscal 2010 actual expenditures.

The Authority considered increases in health care costs and pension contributions, in addition to general cost inflation, in preparing its General Fund budget for the 2011 fiscal year.

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 Assistant Director, Financial Management, Delaware State Housing Authority, 18 The Green, Dover, DE 19901.

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2010
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2009)

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL 2010	TOTAL 2009
ASSETS				
Current assets:				
Cash and cash equivalents	$ 19,234	$ 163,504	$ 182,738	$ 6,998
Investments	34,089,943	164,378,292	198,468,235	92,990,599
Mortgages receivable	-	15,857,001	15,857,001	16,502,338
Accrued interest & other receivables	26,408,508	5,769,863	32,178,371	31,336,455
Grants receivable-US Dept of HUD	-	304,464	304,464	269,620
Internal balances	4,755,408	(4,755,408)	-	-
Other post employment benefits (OPEB) asset	2,480	-	2,480	746
Prepaid expenses	63,000	3,327,308	3,390,308	2,961,206
Deferred bond issuance costs	-	763,673	763,673	659,630
Total current assets	65,338,573	185,808,697	251,147,270	144,727,592
Non-current assets:				
Investments	40,958,823	65,971,463	106,930,286	79,666,125
Mortgages receivable, net	135,491,753	791,071,964	926,563,717	1,078,876,278
Accrued interest & other receivables, net	-	7,432,405	7,432,405	5,544,915
Deferred bond issuance costs	-	8,590,225	8,590,225	9,182,248
Capital assets:				
Capital assets not being depreciated	797,960	3,768,696	4,566,656	4,645,759
Capital assets net of accumulated depreciation	1,076,077	14,563,226	15,639,303	16,083,929
Total non-current assets	178,324,613	891,397,979	1,069,722,592	1,193,999,254
TOTAL ASSETS	$ 243,663,186	$ 1,077,206,676	$ 1,320,869,862	$ 1,338,726,846
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	$ 430,358	$ 617,469	$ 1,047,827	$ 4,000,735
Due to St of Delaware-pension costs	5,511	1,515	7,026	8,093
Accrued arbitrage rebate payable	-	233,643	233,643	159,305
Compensated absences payable	12,446	13,044	25,490	37,225
Accrued interest payable	254	87,806	88,060	4,282
Nonrefundable deferred commitment fees	-	67,519	67,519	125,095
Notes payable	851,914	122,836	974,750	71,431
Revenue bonds payable	-	168,456,733	168,456,733	21,272,934
Total current liabilities	1,300,483	169,600,565	170,901,048	25,679,100
Non-current liabilities:				
Accrued arbitrage rebate payable	-	241,243	241,243	469,870
Compensated absences payable	563,236	387,755	950,991	875,593
Escrow deposits	21,224,084	8,098,837	29,322,921	28,371,550
Nonrefundable deferred commitment fees	-	711,998	711,998	810,843
Notes payable	-	127,559	127,559	250,395
Revenue bonds payable	-	795,813,822	795,813,822	972,283,813
Total non-current liabilities	21,787,320	805,381,214	827,168,534	1,003,062,064
TOTAL LIABILITIES	23,087,803	974,981,779	998,069,582	1,028,741,164
NET ASSETS				
Invested in capital assets	1,874,037	18,331,922	20,205,959	20,729,688
Restricted by federal and state regulations	187,197,689	47,250,276	234,447,965	223,601,543
Restricted by bond covenants	-	36,642,699	36,642,699	33,076,169
Restricted for Authority Loan Program	3,465,586	-	3,465,586	3,133,824
Unrestricted, for Authority's purposes	28,038,071	-	28,038,071	29,444,458
TOTAL NET ASSETS	220,575,383	102,224,897	322,800,280	309,985,682
TOTAL LIABILITIES AND NET ASSETS	$ 243,663,186	$ 1,077,206,676	$ 1,320,869,862	$ 1,338,726,846

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

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DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2009)

		PROGRAM REVENUE			NET(EXPENSES) REVENUE AND CHANGES IN NET ASSETS			
FUNCTION	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL 2010	TOTAL 2009
Governmental activities:								
Administrative	$ 5,606,080	$ 1,202,109	$ 75,000	$ -	$ (4,328,971)	$ -	$ (4,328,971)	$ (4,420,262)
Home ownership	425,890	1,652,196	-	-	1,226,306	-	1,226,306	9,777,595
Affordable rental housing	2,658,675	3,902,217	6,820,000	-	8,063,542	-	8,063,542	11,355,763
Housing rehabilitation	66,632	75,690	-	-	9,058	-	9,058	(195,843)
Community rehabilitation	-	-	-	-	-		-	20,493
Total governmental activities	$ 8,757,277	$ 6,832,212	$ 6,895,000	$ -	4,969,935	-	4,969,935	16,537,746
Business-type activities:								
Home ownership	$ 53,560,371	$ 49,760,929	$ 3,687,239	$ -	-	(112,203)	(112,203)	(1,327,798)
Affordable rental housing	64,519,709	4,836,894	60,167,974	1,370,562	-	1,855,721	1,855,721	3,195,342
Community rehabilitation	12,870,460	-	12,870,460	-	-	-	-	-
Total business-type activities	$130,950,540	$ 54,597,823	$ 76,725,673	$ 1,370,562	-	1,743,518	1,743,518	1,867,544
General revenues:								
Investment income, gains/(losses) on investments, and miscellaneous earnings					1,014,151	5,086,994	6,101,145	6,524,264
Transfers					1,445,837	(1,445,837)	-	-
Total general revenues and transfers					2,459,988	3,641,157	6,101,145	6,524,264
Change in net assets					7,429,923	5,384,675	12,814,598	24,929,554
Net assets, beginning of year					213,145,460	96,840,222	309,985,682	285,056,128
Net assets, end of year					$ 220,575,383	$ 102,224,897	$ 322,800,280	$ 309,985,682

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

DELAWARE STATE HOUSING AUTHORITY
BALANCE SHEET-GOVERNMENTAL FUNDS
JUNE 30, 2010
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2009)

	GENERAL FUND	HOUSING DEVELOPMENT FUND	DSHA SECOND MORTGAGE ASSISTANCE LOAN PROGRAM	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS 2010	TOTAL GOVERNMENTAL FUNDS 2009
ASSETS						
Cash & cash equivalents	$ 19,234	$ -	$ -	$ -	$ 19,234	$ 6,998
Investments	26,977,227	41,559,171	643,496	5,868,872	75,048,766	75,339,746
Interfund receivables	4,980,294	2,670,589	-	-	7,650,883	2,364,644
Loans receivable:						
Mortgages receivable, net	38,836	115,753,714	10,248,026	9,451,177	135,491,753	131,440,826
Interfund	-	255,472	-	-	255,472	256,422
Accrued interest & other receivables	970,242	21,981,802	2,835,558	620,906	26,408,508	23,854,541
Prepaid items	63,000	-	-	-	63,000	63,000
TOTAL ASSETS	$ 33,048,833	$ 182,220,748	$ 13,727,080	$ 15,940,955	$ 244,937,616	$ 233,326,177
LIABILITIES & FUND BALANCES						
LIABILITIES						
Accounts payable	$ 430,298	$ -	$ -	$ 60	$ 430,358	$ 311,441
Due to St of Delaware-pension costs	5,511	-	-	-	5,511	6,477
Interfund payables	224,111	-	275	1,089	225,475	387,763
Compensated absences payable	-	-	-	-	-	20,810
Accrued interest payable	254	-	-	-	254	-
Escrow deposits	-	21,224,084	-	-	21,224,084	20,636,341
Interfund loans payable	2,925,472	-	-	-	2,925,472	256,422
TOTAL LIABILITIES	3,585,646	21,224,084	275	1,149	24,811,154	21,619,254
FUND BALANCES						
Reserved for long-term loans receivable and accrued interest receivable	38,468	134,019,558	13,350,542	9,303,802	156,712,370	149,664,425
Reserved for loan commitments	1,882,276	12,593,849	-	-	14,476,125	14,552,403
Reserved for long term interfund receivables	-	255,472	-	-	255,472	256,422
Unreserved, reported in:						
General fund	27,542,443	-	-	-	27,542,443	29,959,023
Special revenue funds	-	14,127,785	376,263	6,636,004	21,140,052	17,274,650
TOTAL FUND BALANCES	29,463,187	160,996,664	13,726,805	15,939,806	220,126,462	211,706,923
TOTAL LIABILITIES & FUND BALANCES	$ 33,048,833	$ 182,220,748	$ 13,727,080	$ 15,940,955	$ 244,937,616	$ 233,326,177

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 ASSETS
JUNE 30, 2010

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

TOTAL FUND BALANCES OF GOVERNMENTAL FUNDS (page 14)	$	220,126,462
Other post-employment benefits (OPEB) assets are not financial resources and, therefore, are not reported in the funds.		2,480
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,874,037
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(1,427,596)
NET ASSETS OF GOVERNMENTAL ACTIVITIES (page 11)	$	220,575,383

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

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2009)

	GENERAL FUND	HOUSING DEVELOPMENT FUND	DSHA SECOND MORTGAGE ASSISTANCE LOAN PROGRAM	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS 2010	TOTAL GOVERNMENTAL FUNDS 2009
REVENUES						
Interest income:						
Investments	$ 489,376	$ 212,836	$ 4,759	$ 36,043	$ 743,014	$ 1,121,234
Loans	15,185	2,958,728	730,630	397,231	4,101,774	3,149,345
Total interest income	504,561	3,171,564	735,389	433,274	4,844,788	4,270,579
Grants	75,000	-	-	-	75,000	9,162,062
Payments from primary government	-	6,820,000	-	-	6,820,000	9,570,000
Gains/(losses) on investments	268,640	-	-	2,497	271,137	(287,775)
Fees	859,705	932,781	-	200	1,792,686	1,975,583
Other revenue	340,898	10,708	14,376	571,770	937,752	467,295
TOTAL REVENUES	2,048,804	10,935,053	749,765	1,007,741	14,741,363	25,157,744
EXPENDITURES						
Current:						
Administrative	5,468,378	-	-	-	5,468,378	5,381,231
Home ownership	789	-	215,155	209,946	425,890	795,249
Affordable rental housing	-	2,073,134	-	585,541	2,658,675	1,280,698
Housing rehabilitation	-	-	-	66,632	66,632	280,527
Community rehabilitation	-	-	-	-	-	4,507
TOTAL EXPENDITURES	5,469,167	2,073,134	215,155	862,119	8,619,575	7,742,212
EXCESS/(DEFICIT) REVENUE OVER EXPEDITURES	(3,420,363)	8,861,919	534,610	145,622	6,121,788	17,415,532
OTHER FINANCING SOURCES (USES)						
Transfers in	6,261,965	15,187	-	2,264,061	8,541,213	10,091,095
Transfers out	(4,189,352)	(1,000,000)	(1,024,798)	(881,226)	(7,095,376)	(4,546,104)
Proceeds from issuance of debt	851,914	-	-	-	851,914	-
TOTAL OTHER FINANCING SOURCES (USES)	2,924,527	(984,813)	(1,024,798)	1,382,835	2,297,751	5,544,991
NET CHANGE IN FUND BALANCES	(495,836)	7,877,106	(490,188)	1,528,457	8,419,539	22,960,523
FUND BALANCES, BEGINNING	29,959,023	153,119,558	14,216,993	14,411,349	211,706,923	188,746,400
FUND BALANCES, ENDIING	$ 29,463,187	$ 160,996,664	$ 13,726,805	$ 15,939,806	$ 220,126,462	$ 211,706,923

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, 2010

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

NET CHANGES IN FUND BALANCE-TOTAL GOVERNMENTAL FUNDS (page 16)	$	8,419,539
Governmental funds report other post-employment benefit (OPEB) expenditures equal to the amount contributed to the plan or expected to be liquidated with expendable available financial resources. However, in the statement of activities, OPEB expense for the year is reported in relation to the annual required contribution (ARC) equal to the annual OPEB cost. This amount is the net effect of this difference in the treatment of OPEB expenditures/expense.		1,734
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 effect of the difference in the treatment of capital outlay.		(79,065)
Governmental funds report the proceeds from issuance of long-term debt when first issued, whereas this amount is deferred and amortized in the statement of activities. This amount is the net effect of this difference in the treatment of long-term debt.		(851,914)
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.		(60,371)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (page 13)	$	7,429,923

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

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2010
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2009)

	FEDERAL PROGRAMS ENTERPRISE FUND	SINGLE FAMILY PROGRAMS ENTERPRISE FUND	MULTI-FAMILY PROGRAMS ENTERPRISE FUND	TOTAL ENTERPRISE FUNDS 2010	TOTAL ENTERPRISE FUNDS 2009
ASSETS					
Current Assets:					
Cash & cash equivalents	$ 600	$ 161,610	$ 1,294	$ 163,504	$ -
Investments	5,717,757	155,528,441	3,132,094	164,378,292	57,705,443
Mortgages receivable, net	-	13,635,191	2,221,810	15,857,001	16,502,338
Accrued interest and other receivables	119,122	5,212,811	437,930	5,769,863	7,481,914
Grants receivable-US Dept of HUD	304,464	-	-	304,464	269,620
Interfund receivables	224,111	445	-	224,556	63,569
Prepaid expenses	3,327,308	-	-	3,327,308	2,898,206
Deferred bond issuance costs	-	743,600	20,073	763,673	659,630
Total current assets	9,693,362	175,282,098	5,813,201	190,788,661	85,580,720
Non-Current Assets:					
Investments	3,158,277	45,682,997	17,130,189	65,971,463	39,611,535
Mortgages receivable, net	36,048,606	743,653,954	11,369,404	791,071,964	947,435,452
Accrued interest and other receivables, net	6,556,142	876,263	-	7,432,405	5,544,915
Deferred bond issuance costs	-	8,542,552	47,673	8,590,225	9,182,248
Capital assets not being depreciated	3,768,696	-	-	3,768,696	3,847,799
Capital assets net of accumulated depreciation	14,563,226	-	-	14,563,226	14,928,787
Total non-current assets	64,094,947	798,755,766	28,547,266	891,397,979	1,020,550,736
TOTAL ASSETS	$ 73,788,309	$ 974,037,864	$ 34,360,467	$1,082,186,640	$1,106,131,456
LIABILITIES AND NET ASSETS					
LIABILITIES					
Current Liabilities:					
Accounts payable	$ 582,531	$ 28,357	$ 6,581	$ 617,469	$ 3,689,294
Due St of Delaware-pension costs	1,515	-	-	1,515	1,616
Interfund payables	3,330,530	1,649,434	-	4,979,964	2,040,450
Accrued arbitrage rebate payable	-	233,643	-	233,643	159,305
Compensated absences payable	13,044	-	-	13,044	11,150
Accrued interest payable	-	84,893	2,913	87,806	4,282
Nonrefundable deferred commitment fees	-	67,519	-	67,519	125,095
Notes payable	-	-	122,836	122,836	71,431
Revenue bonds payable	-	165,874,673	2,582,060	168,456,733	21,272,934
Total current liabilities	3,927,620	167,938,519	2,714,390	174,580,529	27,375,557
Non-Current Liabilities:					
Accrued arbitrage rebate payable	-	112,587	128,656	241,243	469,870
Compensated absences payable	387,755	-	-	387,755	365,547
Escrow deposits	3,890,736	-	4,208,101	8,098,837	7,735,209
Nonrefundable deferred commitment fees	-	711,998	-	711,998	810,843
Notes payable	-	-	127,559	127,559	250,395
Revenue bonds payable	-	789,804,463	6,009,359	795,813,822	972,283,813
Total non-current liabilities	4,278,491	790,629,048	10,473,675	805,381,214	981,915,677
TOTAL LIABILITIES	8,206,111	958,567,567	13,188,065	979,961,743	1,009,291,234
NET ASSETS					
Invested in capital assets	18,331,922	-	-	18,331,922	18,776,586
Restricted by federal regulations	47,250,276	-	-	47,250,276	44,987,467
Restricted by bond covenants	-	15,470,297	21,172,402	36,642,699	33,076,169
TOTAL NET ASSETS	65,582,198	15,470,297	21,172,402	102,224,897	96,840,222
TOTAL LIABILITIES AND NET ASSETS	$ 73,788,309	$ 974,037,864	$ 34,360,467	1,082,186,640	1,106,131,456
Adjustment to reflect the consolidation of interfund activities related to enterprise funds				(4,979,964)	(2,040,450)
Total liabilities and net assets of business-type activities				$1,077,206,676	$1,104,091,006

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

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2009)

	FEDERAL PROGRAMS ENTERPRISE FUND	SINGLE FAMILY PROGRAMS ENTERPRISE FUND	MULTI-FAMILY PROGRAMS ENTERPRISE FUND	TOTAL ENTERPRISE FUNDS	
				2010	2009
OPERATING REVENUES					
Interest income on loans	$ 1,061,025	$ 46,738,539	$ 1,704,080	$ 49,503,644	$ 52,540,502
Federal housing program grants	76,725,673	-	-	76,725,673	46,914,234
Rental income	578,673	-	-	578,673	608,946
Amortization of deferred revenues	-	3,006,348	-	3,006,348	2,159,373
Miscellaneous	309,424	16,042	1,183,692	1,509,158	617,932
TOTAL OPERATING REVENUES	78,674,795	49,760,929	2,887,772	131,323,496	102,840,987
OPERATING EXPENSES					
Interest expense on bonds	-	49,155,384	974,462	50,129,846	52,725,344
Administrative	5,417,425	-	-	5,417,425	4,831,687
Grants and housing assistance payments	69,738,511	-	100,000	69,838,511	39,395,348
Public housing maintenance & utilities	1,473,961	-	-	1,473,961	1,374,326
Amortization of deferred bond issuance costs	-	1,387,520	161,968	1,549,488	1,055,441
Depreciation	1,627,114	-	-	1,627,114	1,520,387
Loan servicing fees	-	130,464	9,735	140,199	163,995
Other expenses	500	418,427	16,990	435,917	437,068
TOTAL OPERATING EXPENSES	78,257,511	51,091,795	1,263,155	130,612,461	101,503,596
OPERATING INCOME/(LOSS)	417,284	(1,330,866)	1,624,617	711,035	1,337,391
NON-OPERATING INCOME/(EXPENSES)					
Interest income on investments	30,299	4,216,617	867,485	5,114,401	5,569,118
Net increase/(decrease) in fair value of investments	-	(8,776)	(24,866)	(33,642)	121,687
US Dept of HUD financing adjustment factor payments	-	-	(31,353)	(31,353)	(249,608)
Rebate expense	-	-	(18,262)	(18,262)	(148,186)
Excess yield expense	-	-	(288,464)	(288,464)	(19,816)
Miscellaneous revenue/(expense)	-	6,235	-	6,235	-
TOTAL NON-OPERATING INCOME/(EXPENSES)	30,299	4,214,076	504,540	4,748,915	5,273,195
INCOME/(LOSS) BEFORE CAPITAL GRANTS AND OPERATING TRANSFERS	447,583	2,883,210	2,129,157	5,459,950	6,610,586
Capital grants	1,370,562	-	-	1,370,562	947,763
Transfers in	-	3,478,943	1,427,397	4,906,340	1,101,460
Transfers out	-	(3,843,982)	(2,508,195)	(6,352,177)	(6,646,451)
CHANGE IN NET ASSETS	1,818,145	2,518,171	1,048,359	5,384,675	2,013,358
NET ASSETS, BEGINNING	63,764,053	12,952,126	20,124,043	96,840,222	94,826,864
NET ASSETS, ENDING	$ 65,582,198	$ 15,470,297	$ 21,172,402	$ 102,224,897	$ 96,840,222

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, 2010
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2009)

	FEDERAL PROGRAMS ENTERPRISE FUND	SINGLE FAMILY PROGRAMS ENTERPRISE FUND	MULTI-FAMILY PROGRAMS ENTERPRISE FUND	TOTAL ENTERPRISE FUNDS 2010	TOTAL ENTERPRISE FUNDS 2009
OPERATING ACTIVITIES:					
Mortgage principal repayments received	$ 6,209	$ 230,848,603	$ 5,743,049	$ 236,597,861	$ 82,628,276
Mortgage interest payments received	49,797	48,074,432	1,795,192	49,919,421	50,176,088
Grants received	76,709,348	-	-	76,709,348	46,846,192
Rental and related rental income	615,661	-	-	615,661	625,376
Insuance claims received	-	4,469	-	4,469	816,919
Servicing fees received	-	-	29,726	29,726	29,726
Escrow receipts	2,748,262	-	1,185,566	3,933,828	2,719,663
Other receipts	285,656	8,765	1,116,340	1,410,761	341,463
New mortgages disbursed	(365,588)	(81,146,215)	-	(81,511,803)	(156,810,161)
Grants disbursed	(68,771,221)	-	(100,000)	(68,871,221)	(39,278,191)
Administrative expenses	(4,610,811)	-	-	(4,610,811)	(4,823,485)
Maintenance and utility expenses	(1,473,961)	-	-	(1,473,961)	(1,374,326)
Trustee and servicing fees paid	-	(284,203)	(26,655)	(310,858)	(330,107)
Bond insurance premiums	-	(84,705)	-	(84,705)	(163,362)
Mortgage pool insurance premiums paid	-	(8,570)	-	(8,570)	(7,411)
Foreclosure disbursements	-	(44,978)	-	(44,978)	(43,452)
Escrow disbursements	(1,320,236)	-	(2,249,964)	(3,570,200)	-
Oher disbursements	(192,360)	-	-	(192,360)	(6,327,343)
NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES	3,680,756	197,367,598	7,493,254	208,541,608	(24,974,135)
NONCAPITAL FINANCING ACTIVITIES:					
Proceeds from revenue bonds	-	190,581,594	-	190,581,594	175,782,356
Interfund payments received	-	10,295,981	1,611,628	11,907,609	2,087,291
Repayments of principal on revenue bonds	-	(209,120,997)	(8,625,000)	(217,745,997)	(79,664,202)
Payments of interest on revenue bonds	-	(48,530,916)	(975,831)	(49,506,747)	(52,264,500)
Bond issuance costs	-	(888,500)	-	(888,500)	(1,608,000)
US Dept of HUD financing adjustment factor expense	-	-	(621,400)	(621,400)	(163,258)
Excess yield payments	-	-	(288,464)	(288,464)	(19,816)
Repayments of notes payable	-	-	(71,431)	(71,431)	(72,234)
Interfund payments made	-	(11,150,778)	(2,692,426)	(13,843,204)	(6,608,583)
NET CASH PROVIDED(USED) BY NONCAPITAL FINANCING ACTIVITIES	-	(68,813,616)	(11,662,924)	(80,476,540)	37,469,054
CAPITAL FINANCING ACTIVITIES:					
Capital grant funds from US Dept of HUD	1,370,562	-	-	1,370,562	947,763
Purchase of capital assets	(1,182,450)	-	-	(1,182,450)	(1,069,972)
NET CASH PROVIDED(USED) BY CAPITAL FINANCING ACTIVITIES	188,112	-	-	188,112	(122,209)
INVESTING ACTIVITIES:					
Proceeds from sales and maturities of investments	116,808,819	610,839,570	52,608,343	780,256,732	613,428,213
Interest income on investments	30,299	4,231,065	883,981	5,145,345	5,566,743
Purchase of investment securities	(120,707,386)	(743,294,526)	(49,321,360)	(913,323,272)	(631,360,174)
Rebate of excess investment interest	-	(168,481)	-	(168,481)	(7,622)
NET CASH PROVIDED(USED) BY INVESTING ACTIVITIES	(3,868,268)	(128,392,372)	4,170,964	(128,089,676)	(12,372,840)
NET INCREASE (DECREASE) IN CASH/CASH EQUIVALENTS	600	161,610	1,294	163,504	(130)
CASH/CASH EQUIVALENTS, BEGINNING OF YEAR	-	-	-	-	130
CASH/CASH EQUIVALENTS, END OF YEAR	$ 600	$ 161,610	$ 1,294	163,504	$ -

Continued on next page.

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2009)

	FEDERAL PROGRAMS ENTERPRISE FUND	SINGLE FAMILY PROGRAMS ENTERPRISE FUND	MULTI-FAMILY PROGRAMS ENTERPRISE FUND	TOTAL ENTERPRISE FUNDS 2010	TOTAL ENTERPRISE FUNDS 2009
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES					
OPERATING INCOME/(LOSS)	$ 417,284	$ (1,330,866)	$ 1,624,617	$ 711,035	$ 1,337,391
Adjustments to reconcile operating income/(loss) to net cash provided(used) by operating activities:					
Amortization of deferred bond issuance costs	-	1,387,520	161,968	1,549,488	1,055,441
Amortization of deferred revenues	-	(3,006,348)	-	(3,006,348)	(2,159,373)
Depreciation expense	1,627,114	-	-	1,627,114	1,520,387
Interest expense on bonds	-	49,155,384	974,462	50,129,846	52,725,344
Noncash contributions	-	33,315	-	33,315	1,053,621
Changes in assets and liabilities:					
(Increase) decrease in accrued interest and other receivables	(1,218,983)	766,272	53,485	(399,226)	(1,717,828)
(Increase) decrease in mortgage loans receivable	992,591	150,299,852	5,743,050	157,035,493	(75,024,940)
(Increase) decrease in other assets	(429,102)	-	-	(429,102)	47,044
Increase (decrease) in accounts payable and accrued expenses	863,826	73,583	70	937,479	32,012
Increase (decrease) in bonds payable	-	(11,114)	-	(11,114)	(23,122)
Increase (decrease) in escrow deposits	1,428,026	-	(1,064,398)	363,628	(3,820,112)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 3,680,756	$ 197,367,598	$ 7,493,254	$ 208,541,608	$ (24,974,135)
NONCASH NONCAPITAL FINANCING ACTIVITIES					
Transfers in	$ -	$ 1,025,243	$ -	$ 1,025,243	$ 1,053,621
Transfers out	-	(991,928)	-	(991,928)	(37,868)
NET NONCASH TRANSFERS	$ -	$ 33,315	$ -	$ 33,315	$ 1,015,753
NONCASH INVESTING ACTIVITIES					
Increase (decrease) in fair value of investments	$ -	$ (8,776)	$ (24,866)	$ (33,642)	$ 121,687

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

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF FUND NET ASSETS - FIDUCIARY FUNDS
JUNE 30, 2010

	DSHA RETIREE MEDICAL TRUST
ASSETS	
Interest receivable	$ 8,651
Investments, at fair value:	
Savings account	60,773
U.S.Treasury Notes	913,700
U.S. Agencies	829,222
Total assets	1,812,346
LIABILITIES	
Accounts payable	222
Total liabilities	222
NET ASSETS	
Assets held in trust for retiree health benefits and other purposes	$ 1,812,124

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

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	DSHA RETIREE MEDICAL TRUST
ADDITIONS	
Employer contributions	$ 617,828
Investment earnings:	
Interest	27,560
Net increase/(decrease) in fair value	16,154
Total investment earnings	43,714
Less Investment expense	(2,560)
Net investment earnings	41,154
Total additions	658,982
DEDUCTIONS	
Benefits paid	54,249
Total deductions	54,249
CHANGE IN NET ASSETS	604,733
Net assets - beginning	1,207,391
Net assets - ending	$ 1,812,124

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

DELAWARE STATE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Index

I.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES		25
	A.	Reporting Entity	25
	B.	Entity-wide and fund financial statements	25
	C.	Measurement focus, basis of accounting, and financial statement presentation	30
	D.	Assets, liabilities, and net assets or equity	31
II.	RECONCILIATION OF ENTITY-WIDE AND FUND FINANCIAL STATEMENTS		34
	A.	Explanation of certain differences between the governmental fund balance sheet and the entity-wide statement of net assets	34
	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	34
III.	COMPLIANCE AND ACCOUNTABILITY		34
IV.	DETAILED NOTES ON ALL FUNDS		35
	A.	Deposits and investments	35
	B.	Receivables	38
	C.	Accounts payable	39
	D.	Capital assets	40
	E.	Interfund transactions	41
	F.	Short-term and long-term debt	42
	G.	Segment information	44
V.	OTHER INFORMATION		47
	A.	Risk management	47
	B.	Related party transactions	47
	C.	Economic dependency	47
	D.	Post-retirement health care benefits	47
	E.	Pension plans	49
	F.	Contingent liabilities	50
	G.	Subsequent events	50

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 Authority's financial report consists of entity-wide financial statements and fund financial statements, accompanied by these 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 assets 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 (US Dept of HUD) approved cost allocation plan. 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 US Dept of 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, and the DSHA Second Mortgage Assistance Loan Program as major governmental funds. All other governmental funds are reported as non-major. The Authority also reports its only enterprise funds - the Federal Programs, Single Family Programs, and Multi-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 is the Authority's only governmental fund to have a legally adopted annual budget. This budget is approved by the State of Delaware Legislature prior to the start of each fiscal year. The State of Delaware Budget Office permits changes between expenditure lines within a reasonable amount; however, the total appropriated budget cannot be exceeded.

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:

1. Housing Development Fund (HDF) - This Fund was established to make 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. Funding is provided by the State through annual grant appropriations.

2. DSHA Second Mortgage Assistance Loan Program - This fund accounts for a program originally financed by the HDF that provided second mortgage loan assistance to qualified first time home buyers who had inadequate savings to cover up-front costs associated with a home purchase. The Authority discontinued this 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. During fiscal year 2009, over $1 million of this program's loan portfolio was then granted to DSHA's Single Family Program to be used as collateral for the Single Family Mortgage Revenue Bonds 2008 Series B issue, which included over $2 million of bond proceeds to be made available for second mortgage assistance loans. During fiscal year 2010, over $1 million of this program's remaining loan portfolio was again granted to DSHA's Single Family Program to be used as collateral for the Single Family Mortgage Revenue Bond 2009 Series A issue, which included over $2 million of bond proceeds to be made available for second mortgage assistance loans.

3. Delaware Housing Insurance Fund (DHIF) - This Fund was established to account for the activity related to the Authority's administration of State funds which provide loan insurance for certain housing development loans. This fund is reported as a nonmajor governmental fund.

4. Neighborhood Revitalization Fund (NRF) - This Fund was established under the 21st Century Fund of the State to support the revitalization of communities and preserve the affordable housing stock for low and moderate income families by rehabilitating substandard houses in selected communities throughout the State. This fund is reported as a nonmajor governmental fund.

5. Northeast Initiative (NE) - This Fund accounts for a loan program financed by the HDF which provided interest-free deferrable loans to renovate owner occupied housing and low-interest deferrable loans to investors. This fund is reported as a nonmajor governmental fund.

6. Housing Rehabilitation Loan Program (HRLP) - This Fund accounts for a program financed by the HDF that provides low-interest rate loans to qualified owners/ investors to rehabilitate homes. This fund is reported as a nonmajor governmental fund.

7. Authority Loan Program (AL) - This fund accounts for certain single family loans released from Bond Indenture requirements as a result of the refunding in previous fiscal years of the 1984 Series A, 1987 Series A, 1988 Series B, 1989 Series A issues; and the fiscal 2004 refunding of the 1989 Series B, 1990 Series A, 1991 Series A and B, and 1993 Series A issues. This fund is reported as a nonmajor governmental fund.

8. Live Near Your Work Program (LNYW) - This Fund accounts for a grant program financed by the HDF which provides matching grants up to $1,000 per eligible family to assist with down payment/settlement costs. The program is in cooperation with Delaware Development Office, Delaware Chamber of Commerce, certain businesses and local jurisdictions to provide financial assistance for employees to purchase homes near their workplace. This fund is reported as a nonmajor governmental fund.

9. Delaware Emergency Mortgage Assistance Program (DEMAP) - Funded through the HDF, 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 hardship beyond their control. DEMAP low-interest loans provide eligible homeowners up to $15,000 for reinstating delinquent mortgages and keeping the mortgage up to date for a period of up to 12 months from the initial date of delinquency. This fund is reported as a nonmajor governmental fund.

10. Neighborhood Assistance Act (NAA) Tax Credits Administration - DSHA received a General Fund appropriation from the State of Delaware for fiscal 2009 in the amount of $25,000 to be used for the administration of the Neighborhood Assistance Act Tax Credit Program. The Neighborhood Assistance Act Tax Credit Program gives state tax credits to businesses and individuals who pay Delaware State income taxes for donations to programs serving impoverished neighborhoods or serving low- and moderate-income families. This fund is reported as a nonmajor governmental fund.

11. State Voucher for the Homeless Program - The State Voucher for the Homeless Program, the "Step-Up Program." is a grant program funded by the Housing Development Fund. This pilot program offers three-year rental assistance to emancipated youth exiting the foster care system who are at risk of homelessness and individuals with mental health and/or substance abuse conditions who are chronically homeless or at risk for chronic homelessness. This fund is reported as a nonmajor governmental fund.

Proprietary Fund Type

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

1. Federal Programs Fund

Public Housing Program - Accounts for the activity related to the Authority's operation of ten housing projects or sites under the US Dept of HUD Low Income Housing Program. Under this Program, US Dept of 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 Moving To Work Program sign a Contract of Mutual Participation which outlines a plan to assist them in becoming more financially independent.

Housing Choice Voucher Program - Accounts for the activity related to the Authority's administration of a US Dept of HUD Section 8 Housing Assistance Program. Under this Program, rental subsidies are received from US Dept of HUD via annual contributions contracts and disbursed to landlords in order to preserve the low rental nature of the housing units. Escrow deposits in this program represent amounts set aside from rental subsidies for participants within the Section 8 Housing Assistance Program who also participate in the Authority's MTW program.

Community Development Block Grant Program - The US Dept of HUD grants accounted for under this program are as follows:

Community Development Block Grants (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 DSHA 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 Shelter Grants (ESGP) - 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 Persons with AIDS Grants (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.

HOME Investment Partnership Program - US Dept of 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.

Section 8 Contract Administration - Contract Administration (CA) services for 59 US Dept of HUD financed/insured Section 8 developments in Delaware.

National Foreclosure Mitigation Counseling Program - DSHA has been awarded funds from NeighborWorks America, a congressionally chartered nonprofit organization dedicated to improving distressed communities. DSHA's role is that of an administrative pass-through agency to three nonprofit agencies, who are paid set fees per client for mortgage delinquency and foreclosure prevention counseling sessions.

The American Reinvestment and Recovery Act of 2009 Programs

The American Recovery and Reinvestment Act of 2009 (ARRA), created to help the economy and increase employment, provided DSHA with increased funding to be used to make capital improvements to public housing sites, provide additional resources to the Community Development Block Grant Program, and fund a new program for homeless prevention. ARRA also created the Housing Tax Credit Assistance Program which, along with additional funding for exchanging unused tax credits for cash through the IRS, will be used in the financing of low income housing development projects.

- Community Development Block Grant (CDBG) Formula Grant – DSHA awarded CDBG funds to sub

grantees Kent and Sussex Counties to complete a total of 25 energy-efficient housing rehabilitation projects from a total US Dept of HUD grant of $537,718. This grant is reported in the Community Development Block Grant Program subfund of the Federal Programs. As of June 30, 2010, $389,438 of this grant was spent.

- Homeless Prevention and Rapid Re-Housing Program (HPRP) Grant - DSHA awarded HPRP funds to five sub grantees for homeless prevention and rapid re-housing and one sub grantee for data collection and reporting. Of the $934,980 total US Dept of HUD grant, $611,039 was awarded for financial assistance, $227,912 was awarded for housing relocation and stabilization services, $17,129 was awarded for administration and $50,850 was awarded for data collection and reporting. In addition, DSHA will retain $28,050 for administration. This grant is reported in the Community Development Block Grant Program subfund of the Federal Programs. As of June 30, 2010, $604,403 of the grant was spent.

- Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs Indirect Grant – The Delaware Division of Social Services (DSS) partnered with DSHA to provide emergency assistance to low and moderate income households. Under the provisions of this grant, DSS allocated $3,400,000 received from a US Dept of Health and Human Services ARRA grant to DSHA for the purpose of expanding the resources available to low income families experiencing or facing homelessness. DSHA is disbursing a portion of the funds to qualifying homeless shelters and is disbursing grants to qualifying homeowners facing foreclosure through its Homeowner Grant Assistance Program (HGAP). This grant is reported as a subfund of the Federal Programs. As of June 30, 2010, $2,186,974 of the grant was spent.

- Neighborhood Stabilization Program (NSP2) Competitive Grant - DSHA's NSP2 targets the census tracts identified by HUD as those most at risk of being destabilized because of foreclosures. The NSP2 funds of over $10 million will be used for two activities to stabilize those neighborhoods, (1) financing and (2) purchase/rehabilitation. Financing may include down payment assistance, below interest mortgages or second mortgages where the principle due is reduced during the tenure of the homeowner. Purchase/Rehabilitation allows local governments and nonprofits to acquire foreclosed and abandon properties to restore to code and upgrade with energy efficient appliances and other green technologies. These homes will be sold using finance mechanisms listed above. DSHA has allocated funds to four Jurisdictions who will act as our sub-recipients and work with the venders. The Jurisdictions are as follows: New Castle County, City of Wilmington, Kent County, and Sussex County. These sub recipients will carry out the NSP activities in their targeted census tracts. As of June 30, 2010, no funds have been expended in this program.

- Public Housing Capital Fund Competitive Grant – This grant program provides US Dept of HUD funding of $369,626 to install electric producing solar panels at two DSHA public housing community sites to produce electricity for the community buildings, daycare centers, and offices. As of June 30, 2010, no funds have been expended in this program.

- Public Housing Capital Fund Formula Grant – This program provides US Dept of HUD funding of $1,027,870 for capital improvements and projects at ten DSHA public housing communities in Delaware owned and managed by DSHA. Capital projects include: removing and replacing shingles at the McLane Gardens and Peach Circle apartment communities; re-paving parking lots at Clark's Corner, Mifflin Meadows, Liberty Court I and Liberty Court II apartment communities; HVAC replacement at the Hickory Tree apartment community, bathroom renovations at the McLane Gardens Annex apartment community; replacing smoke detectors at the Burton Village apartment community; removal and replacement of playground equipment, and storm water management work at the Liberty Court I and Liberty Court II apartment communities; and the Holly Square apartment community will have several porch pads replaced. Projects were selected that would have a significant impact on the community, and would be capital improvements that would last in excess of 15 years. This grant is reported in the Public Housing Program subfund of the Federal Programs. As of June 30, 2010, $1,013,934 of the grant was spent.

- Tax Credit Assistance Program (TCAP) - provides US Dept of HUD funding of over $6.6 million in assistance to eligible Low-Income Housing Tax Credit projects. The program is intended primarily to

supplement affordable housing developments that have been unable to secure adequate equity commitments in the current market. This grant is reported in the HOME Investment Partnership Program subfund of the Federal Programs. As of June 30, 2010, $4,476,656 of the grant was spent.

- Low Income Housing Tax Credit Exchange Program – provides US Treasury funding of over $22,000,000 for DSHA to "exchange" a portion of its 2009 housing credit ceiling for cash, which can be used to make "subawards" to finance the construction or acquisition and rehabilitation of qualified low-income buildings. This grant is reported as a subfund of the Federal Programs. As of June 30 2010, $10,230,847 of the grant was spent.

2. 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. 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 loans. 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.

Second Mortgage Assistance Loan (SMAL) Bond Program - This Program accounts for the proceeds of the Senior SMAL Mortgage Revenue Bonds, which provided second mortgages for qualifying home buyers.

3. Multi-Family Programs Fund

Multi-Family Bond Program - This program accounts for the proceeds of Housing Development Revenue Bonds used to provide both construction and long-term permanent financing for newly constructed multi-family housing projects; the proceeds of Multi-Family Mortgage Revenue Bonds used to provide permanent financing for multi-family housing projects; and the proceeds of the Multi-Family Mortgage Revenue Refunding Bonds used to refund other multi-family bond issues. Separate accounts are maintained for each bond issue in accordance with the bond resolutions and indentures; however, for financial statement purposes, these accounts have been combined. Any excess of revenues over expenses in these accounts as defined by the respective resolutions and indentures is not available for the general and lawful use of the Authority until all restrictive covenants of the bond resolutions and indentures have been met.

Financing Adjustment Factor (FAF) Reserve Program - The FAF Reserve accounts for the proceeds of the General Obligation bonds issued on behalf of the Authority by the State of Delaware to enable the Authority to obtain immediate benefit of the FAF savings as required by US Dept of HUD to permit US Dept of HUD to obtain the benefit of lower financing interest rates.

Fiduciary Fund Type

The DSHA Retiree Medical Trust Fund accounts for transactions, assets, liabilities, and net 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed in both the entity-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 US Dept of 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 nonoperating 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 judgment, are recorded only when payment is due.

D. Assets, liabilities, and net assets or equity

Cash and Cash Equivalents

The Authority considers all checking deposits, demand deposits and uninvested principal cash to be cash and cash equivalents.

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.)

Accrued Interest and Other Receivables

An allowance for doubtful accounts in the amount of $24,760 has been established for tenant accounts receivable in the business-type activities and the Federal Programs Enterprise Fund as of June 30, 2010.

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.

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 each loan program at June 30. These percentages are reviewed and revised by the Authority on an annual basis.

Capital Assets

Capital assets acquired for general Authority operations are capitalized in the entity-wide and proprietary fund financial statements at cost 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 Circular A-87.

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
Telecommunication Equipment	10 years
Computer Equipment	3 years
Vehicles	3 years
Other Equipment	5 years

Deferred Bond Issuance Costs

Bond issuance costs are capitalized and amortized over the term of the bond issue using the bonds outstanding method which approximates the level yield method.

Accrued Arbitrage Rebate Payable

The Authority accrues the arbitrage rebate owed to the Internal Revenue Service when the investment earnings exceed the allowable earnings.

Compensated Absences Payable

In accordance with GASB Statement No. 16, the Authority has accrued a liability for future absences, recognizing the obligation relating to compensation for absences attributable to services already rendered.

The current portion of compensated absences for both the entity-wide and fund proprietary financial statements includes all annual leave amounts that exceed a 318 hour maximum allowable carryover per employee, as these amounts will have to be used within the next year or be forfeited. The Authority believes that those balances will be used and not forfeited. Additionally, current compensated absences include annual leave balances payable to employees at fiscal yearend based on the Authority's knowledge of pending retirements or resignations. The balance of annual leave accrual is considered noncurrent. The Authority considers all sick leave accruals noncurrent.

Escrow Deposits

In the Multi-Family Programs Enterprise Fund, escrow deposits represent amounts withheld from housing assistance contributions received from US Dept of HUD for the payment of property insurance, property taxes and property replacement requirements for the Multi-Family Program. Additionally, the Multi-Family Program project and development cost escrows which represent amounts withheld from the disbursement of mortgage loans for the payment of capital, start-up, and operating costs of the projects to the extent that income from the projects may be insufficient. Each project's share of the project cost escrow is refundable to the borrower upon repayment in full of its mortgage and other 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 Special Revenue Funds, 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.

Nonrefundable Deferred Commitment Fees

Commitment and application fees in the Single Family Programs Fund represent non-refundable payments from contractors for the purpose of securing a commitment for permanent mortgage loans for single family units to be constructed by the contractor. These fees are capitalized and amortized over the loan period using the bonds outstanding method which approximates the level yield method.

Restricted Resources

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

Net Assets/Fund Equity

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

The Authority records reservations for portions of governmental fund balances which are legally segregated for specific future use or which do not present available spendable resources and therefore not available for appropriation. Unreserved fund balance indicates the portion of fund balance which is available for appropriation in future periods. Amounts reserved for long term loans receivable in the non-major governmental funds are reduced by estimated principal payments for the next 12 months in the HRLP and AL, and DEMAP programs.

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 restated and reclassified, as needed, from the presentation in the Authority's June 30, 2009, financial statements to be comparative with the current-year presentation.

Statement of Cash Flows

For purposes of reporting cash flows of Proprietary Funds, cash balances consist of checking deposits, demand deposits, and uninvested principal cash. GASB Statement No. 9 requires reporting both

purchases and sales of investments under Investing Activities. As permitted under Statement No. 9, however, certain investment transactions have been reported as a net change in the statement of cash flows because the turnover rate of such investments is high and their maturities are short.

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 assets

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the entity-wide statement of net assets. 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 $1,874,037 difference are as follows:

Capital assets	$3,422,184
Less: Accumulated depreciation	(1,548,147)
Net capital asset adjustment	$1,874,037

The other element of that reconciliation explains that long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The details of this $1,427,596 difference are as follows:

Compensated absences	$ 575,682
Notes payable	851,914
Net long-term liability adjustment	$1,427,596

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 assets 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 $(79,065) difference are as follows:

Capital outlay	$ -
Less: Depreciation expense	(79,065)
Net capital asset adjustment	$ (79,065)

Another element of that reconciliation states that the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of the governmental funds. Neither transactions, however, has any effect on net assets. The details of this $(851,914) difference are as follows:

Debt issued or incurred	$(851,914)
Principal repayments	-
Net debt adjustment	$(851,914)

III. COMPLIANCE AND ACCOUNTABILITY

The following individual program within the Single Family Program fund has accumulated deficit equity as of June 30, 2010:

Second Mortgage Assistance Loan (SMAL) Bond Program	$(60,808)

The SMAL Bond Program deficit represents the cumulative effect of amortization of deferred bond

issuance costs.

The following individual program within the Multi-Family Program fund has accumulated deficit equity as of June 30, 2010:

FAF Reserves	$(189,710)

The debt service requirement for the FAF Reserves is funded by transfers from other multi-family issues when payments are due. Therefore, the liabilities exceed the assets due to the nature of their funding.

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:

a. Obligations of or explicitly guaranteed by the U.S. or Delaware state governments.
b. Obligations of U.S. government-sponsored enterprises and U.S. government agencies and instrumentalities.
c. Obligations of depositories and other financial institutions.
d. Bankers' acceptances.
e. Commercial paper
f. Money market mutual funds
g. Corporate debt obligations
h. The State of Delaware investment pool with the State Treasurer's Office.
i. 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.

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.

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 following is a listing of investments and their maturities.

Investment type	Fair Value	Investment Maturities (in Years) Less than 1	1 to 5	5 to 10	10 to 20	20 to 30	More than 30
Governmental activities:							
U.S. Treasury Notes	$ 6,054,858	$ 2,000,000	$ 4,000,000	$ -	$ -	$ -	$ -
U.S. Treasury Strips	73,353	-	-	-	133,000	-	-
U.S. Agencies	15,165,251	3,128,312	10,940,200	-	-	850,508	-
Corporate Notes	2,498,212	1,619,000	817,000	-	-	-	-
Commercial Paper	104,478	104,478	-	-	-	-	-
Bank Money Market Accounts	29,611,544	29,611,544	-	-	-	-	-
State of Delaware Investment Pool	21,541,070	21,541,070	-	-	-	-	-
Total Governmental Activities Investments	75,048,766	58,004,404	15,757,200	-	133,000	850,508	-
Business-type activities:							
U.S. Treasury Notes	464,310	243,000	34,000	-	334,000	-	-
U.S. Treasury Bonds	25,009	-	-	-	19,000	-	-
U.S. Treasury Strips	2,723,186	1,232,000	1,520,000	-	-	-	-
U.S. Agencies	2,641,746	516,688	2,119,800	-	-	-	-
Certificates of Deposit	770,517	731,522	38,995	-	-	-	
Investment Agreements	211,158,928	153,717,904	3,587,402	8,398,062	1,209,274	13,244,200	31,002,086
Money Market Savings Accounts	1,997,019	1,997,019	-	-	-	-	-
Bank Money Market Accounts	9,523,802	9,523,802	-	-	-	-	-
State of Delaware Investment Pool	1,045,238	1,045,238	-	-	-	-	-
Total Business-type Activities Investments	230,349,755	169,007,173	7,300,197	8,398,062	1,562,274	13,244,200	31,002,086
Total Entitiy-wide Investments	$ 305,398,521	$ 227,011,577	$ 23,057,397	$ 8,398,062	$ 1,695,274	$ 14,094,708	$ 31,002,086
Fiduciary Fund Investments:							
U.S. Treasury Notes	$ 913,700	$ -	$ 901,000	$ -	$ -	$ -	$ -
U.S. Agencies	829,222	266,000	548,000	-	-	-	-
Bank Money Market Accounts	60,773	60,773	-	-	-	-	-
Total Fiduciary Fund Investments	$ 1,803,695	$ 326,773	$ 1,449,000	$ -	$ -	$ -	$ -

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:

a. Single Family & Multi-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.

b. 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.

c. 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.

d. 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.

e. 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 and Multi-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. 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, 2010, the Authority's investments were rated as follows:

	Ratings (S & P)					
Investment Type	AAA	AA+	AA-	A+	A	NR
Governmental activities:						
U.S.Agencies	$ 15,165,251					
Corporate Notes		$ 445,748	$ 251,003	$ 922,150	$ 879,311	
Commercial Paper						$ 104,478
Business-type activities:						
U.S.Agencies	2,641,746					
Fiduciary Fund:						
U.S.Agencies	829,222					

Custodial Credit Risk

For deposits (i.e., cash and cash equivalents) custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. All of the Authority's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2010, the carrying value and the bank balances of the Authority's deposits were $182,738 and $1,507,683 respectively.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Authority's $305,398,521 investment balance, $211,158,928 represents deposits held by various Guaranteed Investment Contract (GIC) providers under investment agreements. These accounts are uninsured and uncollateralized. The funds are specifically identified for the Authority, but the custodial credit risk cannot be categorized for these funds. Credit risk for such investments depends on the financial stability of the GIC provider whose rating must equal or exceed that of the bond rating. The bank and savings money markets must be collateralized at 102% or greater by securities pledged and identified as held in the Authority's name. Although the State Investment Pool is not collateralized, the State's Cash Management Policy board requires that investments meet certain ratings, investment types and maturity criteria. The Authority's investment policy does not limit the amount of securities that can be held by the counterparties.

B. Receivables

Total receivables as of June 30, 2010 are as follows:

Receivables	Governmental Activities	Business-type Activities	Total
Mortgage loans	$ 135,856,262	$ 807,329,282	$ 943,185,544
Accrued interest	25,499,439	12,534,092	38,033,531
Other receivables	988,968	719,358	1,708,326
Grants receivable	-	304,464	304,464
Total receivables	162,344,669	820,887,196	983,231,865
Allowance for doubtful accounts	444,408	451,499	895,907
Total receivables, net	$ 161,900,261	$ 820,435,697	$ 982,335,958
Amounts not scheduled for collection during the subsequent year	$ 135,491,753	$ 798,504,369	$ 933,996,122

Mortgage loans receivable

A summary of mortgage loans receivable as of June 30, 2010 is shown below:

Governmental activities:	
General Fund	$ 39,353
Housing Development Fund	115,753,714
DSHA Second Mortgage Assistance Loan Program	10,457,331
Non-major governmental funds	9,605,864
Mortgage loans receivable, governmental activities	135,856,262
Less: Allowance for doubtful accounts	(364,509)
Net mortgage loan receivables, governmental activities	135,491,753
Business-type activities:	
Federal Programs Fund	36,048,606
Single Family Programs Fund	757,689,462
Multi-family Programs Fund	13,591,214
Mortgage loans receivable, business-type activities	807,329,282
Less: Allowance for doubtful accounts	(400,317)
Net mortgage loan receivables, business-type activities	806,928,965
Total mortgage loans receivable, net	$ 942,420,718

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.

Consistent with program purposes (see Note I., B.), certain loans from the Housing Development Fund are subject to forgiveness contingent upon a number of conditions. As of June 30, 2010, loans of $977,882 have specific forgiveness provisions. Currently, no outstanding loans have met these provisions.

Mortgage loans receivable in the Single Family Programs Fund, which include certain mortgage loans receivable that have been securitized by Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA), and Federal Home Loan Mortgage Corp (FHLMC) 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 4.5% to 10.85% with maturities of such loans ranging from 15 to 40 years.

Mortgage loans outstanding in the Multi-Family Programs Fund are insured by the FHA or secured by pledged Section 8 housing assistance payments payable under the projects' Housing Assistance Payments Contract with HUD. Some of these loans have been securitized by FNMA. Interest is charged at rates ranging from 7.75% to 12.425%. Interest charges during the construction phases of the projects are capitalized as part of loans outstanding. Maturity dates of these loans range from 2 to 15 years.

Accrued interest and other receivables

Accrued interest and other receivables as of June 30, 2010 are as follows:

	Governmental Activities				Business-type Activities			
	General Fund	Housing Development Fund	DSHA Second Mortgage Assistance Loan Program	Nonmajor Governmental Funds	Federal Programs	Single Family Programs	Multi-Family Programs	Total
Loan interest	$ 14,912	$ 21,977,173	$ 2,835,558	$ 593,329	$ 6,556,142	$ 5,837,755	$ 113,774	$ 37,928,643
Investment interest	116,585	-	-	3,337	-	4,190	324,156	448,268
HDF projects	342,925	-	-	-	-	-	-	342,925
Other projects	25,523	-	-	-	-	-	-	25,523
Servicers	-	-	-	24,240	-	241,320	-	265,560
Tenants, net	-	-	-	-	19,030	-	-	19,030
Other	470,297	4,629	-	-	100,092	5,809	-	580,827
Total	$ 970,242	$ 21,981,802	$ 2,835,558	$ 620,906	$ 6,675,264	$ 6,089,074	$ 437,930	$ 39,610,776

C. Accounts payable

Accounts payables as of June 30, 2010 are as follows:

	Governmental Activities		Business-type Activities			
	General Fund	Nonmajor Governmental Funds	Federal Programs	Single Family Programs	Multi-Family Programs	Total
Vendors	$ 220,548	$ -	$ 221,070	$ -	$ -	$ 441,618
Salaries	155,858	-	93,506	-	-	249,364
US Dept of HUD	-	-	-	-	6,511	6,511
Security deposits	-	-	160,183	-	-	160,183
Other	53,892	60	107,772	28,357	70	190,151
Total	$ 430,298	$ 60	$ 582,531	$ 28,357	$ 6,581	$ 1,047,827

D. Capital assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance June 30, 2009	Increases	Decreases	Ending Balance June 30, 2010
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 797,960	$ -	$ -	$ 797,960
Total capital assets, not being depreciated	797,960	-	-	797,960
Capital assets, being depreciated:				
Buildings	1,934,902	-	-	1,934,902
Land/Site Improvements	211,929	-	-	211,929
Computer Equipment	415,167	-	-	415,167
Equipment	25,479	-	-	25,479
Telecomminications Equipment	36,747	-	-	36,747
Total capital assets being depreciated	2,624,224	-	-	2,624,224
Less accumulated depreciation for:				
Buildings	845,379	58,385	-	903,764
Land/Site Improvements	168,350	4,150	-	172,500
Computer Equipment	393,127	16,530	-	409,657
Equipment	25,479	-	-	25,479
Telecomminications Equipment	36,747	-	-	36,747
Total accumulated depreciation	1,469,082	79,065	-	1,548,147
Total capital assets, being depreciated, net	1,155,142	(79,065)	-	1,076,077
Governmental activities capital assets, net	$ 1,953,102	$ (79,065)	$ -	$ 1,874,037
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 2,336,842	$ -	$ -	$ 2,336,842
Buildings held for resale	330,911	-	-	330,911
Construction in Progress	1,180,046	860,778	939,881	1,100,943
Total capital assets, not being depreciated	3,847,799	860,778	939,881	3,768,696
Capital assets, being depreciated:				
Buildings	22,600,570	-	-	22,600,570
Land/Site Improvements	15,428,026	929,832	-	16,357,858
Vehicles	27,122	14,786	-	41,908
Equipment	176,806	316,935	-	493,741
Total capital assets being depreciated	38,232,524	1,261,553	-	39,494,077
Less accumulated depreciation for:				
Buildings	15,264,357	701,689	-	15,966,046
Land/Site Improvements	7,881,872	846,488	-	8,728,360
Vehicles	12,807	11,505	-	24,312
Equipment	144,701	67,432	-	212,133
Total accumulated depreciation	23,303,737	1,627,114	-	24,930,851
Total capital assets, being depreciated, net	14,928,787	(365,561)	-	14,563,226
Business-type activities capital assets, net	$ 18,776,586	$ 495,217	$ 939,881	$ 18,331,922

Depreciation expense of $79,065 was charged to the administrative function in the Governmental activities. Depreciation expense of $1,627,114 was charged to the affordable rental housing function in the business-type activities.

Construction commitments

The Authority has active capital projects as of June 30, 2010. The projects include renovations at the various public housing developments. At year end, the Authority had commitments with contractors of $136,253, relating to business-type activities and the Federal Programs Enterprise Fund.

E. Interfund transactions

The composition of interfund balances as of June 30, 2010, is as follows:

Due to/from other funds:

Current:	Due from:	Governmental Activities		Business-type Activities		
	General Fund	DSHA Second Mortgage Assistance Loan Progam	Nonmajor governmental funds	Federal programs	Single family programs	Total
Due to:						
General Fund	$ -	$ 275	$ 55	$ 3,330,530	$ 1,649,434	$ 4,980,294
Housing Development Fund	2,670,000	-	589	-	-	2,670,589
Federal programs	224,111	-	-	-	-	224,111
Single family programs	-	-	445	-	-	445
Total	$ 2,894,111	$ 275	$ 1,089	$ 3,330,530	$ 1,649,434	$ 7,875,439

Non-current:	Due from: General Fund	Total
Due to:		
Housing Development Fund	$ 255,472	$ 255,472
Total	$ 255,472	$ 255,472

The current balances resulted from the time lag between the dates payments between funds are made. The non-current balance of $255,472 represents a loan made from the Housing Development Fund to the general fund for the purpose of the Lewes land acquisition.

Interfund transfers for the year ended June 30, 2010 consisted of the following:

	Transfers out:	Governmental Activities			Business-type Activities		
	General Fund	Housing Development Fund	DSHA Second Mortgage Assistance Loan Program	Nonmajor Governmental Funds	Single Family Programs	Multi-Family Programs	Total
Transfers in:							
General Fund	$ -	$ -	$ -	$ 837,545	$ 2,916,225	$ 2,508,195	$ 6,261,965
Housing Development Fund	-	-	-	15,187	-	-	15,187
Nonmajor Governmental Funds	336,304	1,000,000	-	-	927,757	-	2,264,061
Single Family Programs	2,425,651	-	1,024,798	28,494	-	-	3,478,943
Multi-family Programs	1,427,397	-	-	-	-	-	1,427,397
Total transfer out	$ 4,189,352	$ 1,000,000	$ 1,024,798	$ 881,226	$ 3,843,982	$ 2,508,195	$ 13,447,553

Transfers from the Authority Loan Program (a non-major governmental fund), the Single Family and Multi-Family programs to the General Fund support general fund operations. These transfers are surplus funds, administrative fees, and early repayment of bonds.

The Housing Development Fund reports a cash transfer of $1,000,000 as fiscal 2010 funding for the Authority's Delaware Emergency Mortgage Assistance Program (DEMAP) and State Voucher for the Homeless Program.

The Second Mortgage Assistance Loan Bond Program (a single family program) reports a non-cash

transfer of a $906,278 loan portfolio to the Authority Loan Program (a non-major governmental fund) due to the early repayment of bonds.

The DSHA Second Mortgage Assistance Loan Program reports a non-cash transfer of a $1,024,798 loan portfolio to the Single Family Program. This loan portfolio was used as collateral for the Single Family Mortgage Revenue Bonds 2009 Series A issue.

The General Fund reports cash transfers of $2,425,651 to the Single Family Programs. These transfers represent cash used in the programs for the Second Mortgage Assistance Loan Revenue Bond Series 1995A, 1996B, and 1999A early redemption; cost of issuance for the Single Family Mortgage Revenue Bond 2009 and 2009 Series A bond issues; and Second mortgage assistance loan purchases under the Single Family Mortgage Revenue Bonds 2008 Series B issue. The General Fund also reports cash transfers of $1,427,397 to the Multi-Family Programs. This transfer represents cash used in the program for the Multi-Family Mortgage Revenue Refunding Bonds 1992 Series C issue.

F. Short-term and long-term debt

1. Short-term and long-term debt activity for the year ended June 30, 2010, was as follows:

	Beginning Balance June 30, 2009	Increases	Decreases	Ending Balance June 30, 2010	Due Within One Year
Governmental activities:					
Note payable, General Fund	$ -	$ 851,914	$ -	$ 851,914	$ 851,914
Compensated absences, relating to the General Fund	536,121	309,869	270,308	575,682	12,446
Governmental activity long-term liabilities	$ 536,121	$ 1,161,783	$ 270,308	$ 1,427,596	$ 864,360
Business-type activities:					
Compensated absences, relating to the Federal Programs Fund	$ 376,697	$ 185,280	$ 161,178	$ 400,799	$ 13,044
Notes Payable, Multi-family Programs Fund	321,826	-	71,431	250,395	122,836
Revenue bonds payable, Single Family Programs Fund	976,435,339	190,070,322	210,826,525	955,679,136	165,874,673
Revenue bonds payable, Multi-family Programs Fund	17,121,408	95,011	8,625,000	8,591,419	2,582,060
Business-type activity long-term liabilities	$ 994,255,270	$ 190,350,613	$ 219,684,134	$ 964,921,749	$ 168,592,613

2. Description of 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.

Notes Payable

Notes payable in the Governmental Activities, relating to the General Fund represent an obligation to the Federal Home Loan Bank (FHLB) Pittsburgh. The Authority is borrowing based on an existing agreement with FHLBank Pittsburgh dated May 29, 2002 to provide funds to warehouse mortgage backed securities prior to the issuance of bonds. The loan has a maturity date of December 27, 2010 and an interest rate of 0.58% due at maturity.

Notes payable in the Business-type Activities and the Enterprise Funds represent obligations to the State. The State issued General Obligation bonds on behalf of the Authority to provide funding for low-income housing loans. Proceeds from these bonds enabled the Authority to receive the savings from the Financing Adjustment Factor ("FAF") issues in advance. Interest rates on these notes payable range

from 4.60% to 6.10% with maturities through February 1, 2015.

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 1.35% to 7.75% with maturities of such bonds up through July 1, 2048.

On September 11, 2009, DSHA issued $40,070,322 of Single Family Mortgage Revenue Bonds 2009 Series A. The proceeds of the sale were used to provide down payment assistance and low rate mortgages to first-time home buyers and to provide over $2,000,000 of Second Mortgage Assistance Loans for down payment and closing cost assistance to qualified home buyers.

On December 23, 2009, DSHA issued $150,000,000 of Single Family Mortgage Revenue Bonds 2009 pursuant to the New Issue Bond Program (NIBP) established jointly by Fannie Mae, Freddie Mac, the Federal Housing Finance Agency, and the U.S. Department of the Treasury (US Treasury) under which the US Treasury provides funding for bond issuance. The proceeds from the sale are currently held in escrow pending matching DSHA bond issuances of market bonds to make fund available to finance qualifying single family mortgage loans. The Authority has until December 31, 2010 to meet the requirement for matching bond issuances. If this deadline is not met the $150,000,000 NIBP bonds are subject to mandatory redemption plus the payment of accrued interest. As of June 30, 2010, all of the NIBP bonds have been classified as a current liability.

Interest Expense on Long-Term Debt

Interest expense of $50,129,846 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 and Multi-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. Interest expense of $49,155,384 was charged to the home ownership function and $974,462 was charged to the affordable rental housing function in the business-type activities.

3. Annual Requirements - Principal and Interest on Long-Term Debt

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

Multi-Family Programs Fund Note Payable Annual Debt Service Requirements

	Principal	Interest	Total
2011	$ 122,836	$ 116,781	$ 239,617
2012	69,164	116,560	185,724
2013	19,733	2,774	22,507
2014	19,465	1,836	21,301
2015	19,197	912	20,109
Totals	$ 250,395	$ 238,863	$ 489,258

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

	Principal	Interest	Total
2011	$ 168,456,733	$ 40,798,431	$ 209,255,164
2012	17,435,000	39,749,177	57,184,177
2013	18,475,000	38,876,721	57,351,721
2014	18,395,000	37,988,551	56,383,551
2015	18,445,000	37,085,942	55,530,942
2016-2020	99,800,000	171,057,328	270,857,328
2021-2025	118,297,642	143,281,674	261,579,316
2026-2030	143,239,841	109,862,386	253,102,227
2031-2035	158,315,956	71,135,433	229,451,389
2036-2040	150,712,635	23,364,430	174,077,065
2041-2045	23,750,000	7,414,719	31,164,719
2046-2049	28,947,748	1,375,195	30,322,943
Totals	$ 964,270,555	$ 721,989,987	$ 1,686,260,542

G. Segment information

The Authority maintains three major Enterprise Funds, each with a group of subfunds. Indentures for bonds reported in the Single Family and Multi-Family Programs 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 1997 Series A and B, 1999 Series A, 2000 Series A, 2001 Series A, 2002 Series A and B, 2003 Series A and B, 2004 Series A, 2005 Series A, and 2006 Series A, B, C, and D, 2007 Series A, B, C, and D, 2008 Series A and B, 2009 Series A, and 2009. The fund also accounts for the Authority's second mortgage program, which includes the Senior SMAL Revenue bonds, 1995 Series A, 1996 Series A, 1996 Series B, 1997 Series A, 1998 Series A and B, 1999 Series A, and 2001 Series A.

The Multi-Family Programs Fund accounts for the Authority's multi-family mortgage program. The Multi-Family Programs Fund includes the Mortgage Revenue Refunding Bonds 1992 Series C, the 1992 Series D and E, the 2001 Series A, and the FAF Reserves.

CONDENSED STATEMENT OF NET ASSETS - SINGLE FAMILY PROGRAMS FUND SEGMENTS
JUNE 30, 2010

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 1997A-2009A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2009	SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND SERIES 1995A-2001A	TOTAL SINGLE FAMILY PROGRAMS
Assets				
Current assets other than interfund receivables	$ 23,614,971	$ 150,279,151	$ 1,387,531	$ 175,281,653
Current interfund receivables	-	-	445	445
Non-current assets	796,794,947	-	1,960,819	798,755,766
Total assets	820,409,918	150,279,151	3,348,795	974,037,864
Liabilities				
Current liabilities other than interfund payables	16,204,192	150,084,893	-	166,289,085
Current interfund payables	1,648,323	-	1,111	1,649,434
Non-current liabilities	787,220,556	-	3,408,492	790,629,048
Total liabilities	805,073,071	150,084,893	3,409,603	958,567,567
Net assets (deficit), restricted	$ 15,336,847	$ 194,258	$ (60,808)	$ 15,470,297

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - SINGLE FAMILY PROGRAMS FUND SEGMENTS
FOR THE YEAR ENDED JUNE 30, 2010

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 1997A-2009A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2009	SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND SERIES 1995A-2001A	TOTAL SINGLE FAMILY PROGRAMS
Operating revenues*	$ 49,566,795	$ -	$ 194,134	$ 49,760,929
Operating expenses				
Interest expense on bonds	48,858,018	84,893	212,473	49,155,384
Other	1,689,067	194,250	53,094	1,936,411
Operating loss	(980,290)	(279,143)	(71,433)	(1,330,866)
Non-operating reveue/(expenses):				
Interest income on investments	4,122,585	84,901	9,131	4,216,617
Other non-operating revenue/(expenses)	(3,945)	-	1,404	(2,541)
Transfers in/(out)	(916,102)	388,500	162,563	(365,039)
Change in net assets	2,222,248	194,258	101,665	2,518,171
Beginning net assets (deficit)	13,114,599	-	(162,473)	12,952,126
Ending net assets (deficit)	$ 15,336,847	$ 194,258	$ (60,808)	$ 15,470,297

*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, 2010

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 1997A-2009A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2009	SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND SERIES 1995A-2001A	TOTAL SINGLE FAMILY PROGRAMS
Net cash provided (used) by:				
Operating activities	$ 197,164,834	$ -	$ 202,764	$ 197,367,598
Noncapital financing activities	(218,572,498)	150,000,000	(241,118)	(68,813,616)
Investing activities	21,569,274	(150,000,000)	38,354	(128,392,372)
Net increase	161,610	-	-	161,610
Beginning cash and cash equivalents	-	-	-	-
Ending cash and cash equivalents	$ 161,610	$ -	$ -	$ 161,610

CONDENSED STATEMENT OF NET ASSETS - MULTI-FAMILY PROGRAMS FUND SEGMENTS
JUNE 30, 2010

	MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1992C	MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1992D & E	MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 2001A	FAF RESERVES	TOTAL MULTI-FAMILY PROGRAMS
Assets					
Current assets	$ 1,628,735	$ 2,769,829	$ 1,351,039	$ 63,598	$ 5,813,201
Non-current assets	1,530,296	6,576,395	20,440,575	-	28,547,266
Total assets	3,159,031	9,346,224	21,791,614	63,598	34,360,467
Liabilities					
Current liabilities	70	1,645,000	943,571	125,749	2,714,390
Non-current liabilities	167,287	3,068,717	7,110,112	127,559	10,473,675
Total liabilities	167,357	4,713,717	8,053,683	253,308	13,188,065
Net assets (deficit), restricted	$ 2,991,674	$ 4,632,507	$ 13,737,931	$ (189,710)	$ 21,172,402

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - MULTI-FAMILY PROGRAMS FUND SEGMENTS
FOR THE YEAR ENDED JUNE 30, 2010

	MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1992C	MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1992D & E	MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 2001A	FAF RESERVES	TOTAL MULTI-FAMILY PROGRAMS
Operating revenues*	$ 215,161	$ 257,827	$ 2,414,784	$ -	$ 2,887,772
Operating expenses					
Interest expense on bonds	158,009	356,310	451,236	8,907	974,462
Other	12,371	27,679	248,643	-	288,693
Operating income (loss)	44,781	(126,162)	1,714,905	(8,907)	1,624,617
Non-operating reveue/(expenses):					
Interest income on investments	8,939	395,911	462,345	290	867,485
Other non-operating revenue/(expenses)	(85,930)	(24,866)	(252,149)	-	(362,945)
Transfers in/(out)	1,419,202	(2,500,000)	(76,569)	76,569	(1,080,798)
Change in net assets	1,386,992	(2,255,117)	1,848,532	67,952	1,048,359
Beginning net assets (deficit)	1,604,682	6,887,624	11,889,399	(257,662)	20,124,043
Ending net assets (deficit)	$ 2,991,674	$ 4,632,507	$ 13,737,931	$ (189,710)	$ 21,172,402

*Operating revenues consist primarily of interest income on loans.

CONDENSED STATEMENT OF CASH FLOWS - MULTI-FAMILY PROGRAMS FUND SEGMENTS
FOR THE YEAR ENDED JUNE 30, 2010

	MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1992C	MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1992D & E	MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 2001A	FAF RESERVES	TOTAL MULTI-FAMILY PROGRAMS
Net cash provided (used) by:					
Operating activities	$ 710,282	$ 1,122,474	$ 5,660,498	$ -	$ 7,493,254
Noncapital financing activities	(1,139,737)	(4,831,310)	(5,686,739)	(5,138)	(11,662,924)
Investing activities	429,455	3,710,130	26,241	5,138	4,170,964
Net increase	-	1,294	-	-	1,294
Beginning cash and cash equivalents	-	-	-	-	-
Ending cash and cash equivalents	$ -	$ 1,294	$ -	$ -	$ 1,294

V. OTHER INFORMATION

A. Risk management

The Authority is exposed to various risks of loss related to workers' compensation, non-state employee health care and accident, automobile, and property and casualty claims. The latter discussion of post-retirement health care benefits defines state and non-state employees. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

For its State employee health care and accident insurance coverage, the Authority is a participant in the State of Delaware's risk management program which covers all claim settlements and judgments out of its General Fund. The Authority pays a semi-monthly premium to the State for this health and accident insurance coverage. The State's General Fund is considered a self-sustaining risk pool that will provide coverage for its members with an unlimited lifetime benefit per individual for all covered health care benefits received under a plan offered by the State.

B. Related party transactions

The Authority has created several related nonprofit corporations for the purposes of providing low income housing and loan assistance. These nonprofit entities, which it manages, are separate from the Authority for both legal and accounting purposes. However, most of the current boards are comprised of Authority employees.

Outstanding Housing Development Fund loans due from these corporations as of June 30, 2010, are $7,470,737.

C. Economic dependency

During the year ended June 30, 2010, the Authority's business-type activities received 49.0 percent of its revenue from the U.S. Department of Housing and Urban Development (HUD).

D. Post-retirement health care benefits

State Employees

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

The State provides post-retirement health care benefits, in accordance with the State statutes, to all State employees of the Authority who retire from the State after meeting the eligibility requirements. Please refer to the State Comprehensive Annual Financial Report (CAFR) for post-retirement health care benefits. A copy of the CAFR may be obtained by writing to The State of Delaware, Department of Finance, Division of Accounting, 820 Silver Lake Boulevard, Dover, DE 19904, calling 1-302-672-5505, or visiting http://accounting.delaware.gov.

The Authority's contribution to the State of Delaware Employees' Pension Plan, a cost-sharing, multiple-employer defined benefit public employees retirement system (the "State PERS"), for post-retirement health care benefits for the year ended June 30, 2010 was $86,308, equal to the required contribution for the year. The Authority's contributions to the State PERS for post-retirement health care benefits for the years ended June 30, 2009 and June 30, 2008 were $95,859 and $110,604, respectively, equal to the required contribution for each year.

Non-State Employees

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

1. Plan Description - The Delaware State Housing Authority (DSHA) retiree medical program is a

single-employer defined benefit healthcare plan administered by the Authority. The DSHA retiree medical program provides health care insurance benefits to its non-state retirees and their spouses and dependents in accordance with Authority General Order Number 325.

The amount the Authority pays for the medical insurance premiums for retirees and spouses 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.

2. Funding Policy - Contributions to the plan are made by the Authority to the DSHA Retiree Medical Trust as established by the Authority on March 1, 2008. The Authority contributes to the Trust periodically the amounts it determines necessary or appropriate.

The Authority contributed $617,828 for the fiscal year ended June 30, 2010.

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

Annual Required Contribution (ARC)	$ 615,089
Interest on net OPEB obligation	-
Adjustment to annual required contribution	1,005
Annual OPEB cost (expense) (AOC)	616,094
Contributions made	(617,828)
Increase (decrease) in net OPEB obligation	(1,734)
Net OPEB obligation, beginning of year	(746)
Net OPEB obligation, end of year	$ (2,480)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributions to the plan, and the net OPEB obligation for fiscal 2010 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2008	$593,959	111.3%	$(67,092)
06/30/2009	$675,296	90.2%	$(746)
06/30/2010	$616,094	100.28%	$(2,480)

4. Funded Status and Funding Progress - As of July 1, 2009, the plan was 26% funded. The actuarial accrued liability (AAL) for benefits was $4,526,854 and the actuarial value of assets was $1,187,694, resulting in an unfunded actuarial accrued liability (UAAL) of $3,339,160. The covered payroll (annual payroll of active non-state employees covered by the plan) was $4,166,000, and the ratio of the UAAL to the covered payroll was 80.2%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined

regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2009 actuarial valuation the projected unit credit cost method was used. The actuarial assumptions included a 5.0% investment rate of return and an annual healthcare cost trend rate of 9.0% initially grading down to 5% in year 2017 and thereafter. The level dollar open amortization method is being used to amortize the UAAL over 30 years.

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

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

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

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, 2010, the Authority was required to contribute 15.27% of covered payroll to the plan.

The Authority's contribution to the State PERS for the year ended June 30, 2010 was $97,756, equal to the required contribution for the year. The Authority's contributions to the State PERS for the years

ended June 30, 2009 and June 30, 2008 were $144,028 and $173,724, respectively, equal to the required contribution for each year.

Non-State Employees

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

1. Plan Description - Full-time non-state employees (108) 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 employees covered 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 fiscal year ended June 30, 2010.

The Authority's contribution to the Housing Renewal and Local Agency Retirement Plan for the year ended June 30, 2010 was $408,371 equal to the required contribution for the year. The Authority's contributions to the plan for the years ended June 30, 2009 and June 30, 2008 were $376,453 and $514,104, 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, although the Authority expects such amounts, if any, to be immaterial.

G. Subsequent events

As of September 28, 2010, the Authority had borrowed an additional $40,020,473 from FHLB Pittsburgh under the agreement disclosed on page 42 of this report. This additional borrowing was used for the purchase of mortgage backed securities and will be repaid with the proceeds of a bond issue expected to occur in the near future.

DELAWARE STATE HOUSING AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

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DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS			OVER (UNDER)
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Interest income on investments	$ -	$ -	$ 489,376	$ 489,376
Interest income on loans	-	-	15,185	15,185
Grants	-	-	75,000	75,000
Gain/(loss) on investments	-	-	268,640	268,640
Fees	-	-	859,705	859,705
Other revenues	-	-	340,898	340,898
TOTAL REVENUES	-	-	2,048,804	2,048,804
EXPENDITURES (BY APPROPRIATION)				
Salary and other employment costs	1,861,400	1,336,228	1,359,678	23,450
Travel	106,600	105,100	22,041	(83,059)
Contractual services	909,100	907,100	631,872	(275,228)
Energy	85,000	85,000	61,529	(23,471)
Supplies and materials	98,400	97,900	72,153	(25,747)
TOTAL EXPENDITURES (BY APPROPRIATION)	3,060,500	2,531,328	2,147,273	(384,055)
EXCESS OF EXPENDITURES OVER REVENUES		$ (2,531,328)	(98,469)	$ 2,432,859
OTHER FINANCING SOURCES (USES):				
Authority expenditures not required to be budgeted above			(3,626,733)	
Operating transfers in			2,072,613	
Debt Service			851,914	
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES			(800,675)	
RECONCILING ITEMS BETWEEN BUDGETARY AND GAAP BASIS				
(Increase)/decrease in other assets			(65,320)	
Increase/(decrease) in payables			110,878	
Unrealized gain/(unrealized loss) on investments			259,281	
REVENUES AND OTHER FINANCING SOURCES OVER/UNDER EXPENDITURES AND OTHER FINANCING USES			$ (495,836)	
Net change in fund balance from Statement of Revenues, Expenditures, and Changes in Fund Balance			$ (495,836)	

The General fund budget is prepared on the cash basis of accounting.

There is no budget for the Housing Development Fund or the DSHA Second Mortgage Loan Program, which are major Special Revenue Funds.

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF FUNDING PROGRESS FOR DELAWARE STATE HOUSING AUTHORITY
RETIREE MEDICAL PLAN
AS OF JUNE 30, 2010

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -PUC (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (Estimated) (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
07/01/2007	$ -	$ 3,575,853	$ 3,575,853	0%	$ 3,215,000	111.2%
07/01/2008	611,719	4,327,108	3,715,389	14%	3,891,000	95.5%
07/01/2009	1,187,694	4,526,854	3,339,160	26%	4,166,000	80.2%

DELAWARE STATE HOUSING AUTHORITY

OTHER SUPPLEMENTARY INFORMATION

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DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF ACTIVITIES - ENTITY-WIDE
FOR THE YEAR ENDED JUNE, 30, 2010

EXPENSES	$	139,707,817
PROGRAM REVENUE		
Charges for services		61,430,035
Operating grants and contributions		83,620,673
Capital grants and contributions		1,370,562
NET OPERATING REVENUE		6,713,453
GENERAL REVENUE		
Investment earnings		6,101,145
TOTAL GENERAL REVENUE		6,101,145
CHANGE IN NET ASSETS		12,814,598
NET ASSETS, BEGINNING		309,985,682
NET ASSETS, ENDING	$	322,800,280

DELAWARE STATE HOUSING AUTHORITY
BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	DELAWARE HOUSING INSURANCE FUND	NEIGHBORHOOD REVITALIZATION FUND	NORTHEAST INITIATIVE	HOUSING REHABILITATION LOAN PROGRAM
ASSETS				
Investments	$ 596,757	$ 44,432	$ -	$ 2,415,739
Loans receivable:				
Mortgages receivable, net	-	37,719	1,966,822	2,466,118
Accrued interest & other receivables	-	5,427	-	15,290
TOTAL ASSETS	$ 596,757	$ 87,578	$ 1,966,822	$ 4,897,147
LIABILITIES & FUND BALANCES				
LIABILITIES				
Accounts payable	$ -	$ -	$ -	$ 60
Interfund payables	445	55	-	-
TOTAL LIABILITIES	445	55	-	60
FUND BALANCES				
Reserved for long-term loans receivable and accrued interest receivable	-	44,026	1,966,822	2,075,686
Unreserved, reported in:				
Special revenue funds	596,312	43,497	-	2,821,401
TOTAL FUND BALANCES	596,312	87,523	1,966,822	4,897,087
TOTAL LIABILITIES & FUND BALANCES	$ 596,757	$ 87,578	$ 1,966,822	$ 4,897,147

AUTHORITY LOAN PROGRAM	LIVE NEAR YOUR WORK PROGRAM	DELAWARE EMERGENCY MORTGAGE ASSISTANCE PROGRAM	NAA TAX CREDIT ADMIN PROGRAM	STATE VOUCHER FOR THE HOMELESS PROGRAM	TOTAL NONMAJOR GOVERNMENTAL FUNDS
$ -	$ 30,408	$ 1,057,048	$ -	$ 1,724,488	$ 5,868,872
2,942,751	-	2,037,767	-	-	9,451,177
522,835	-	77,354	-	-	620,906
$ 3,465,586	$ 30,408	$ 3,172,169	$ -	$ 1,724,488	$ 15,940,955
$ -	$ -	$ -	$ -	$ -	$ 60
-	8	-	-	581	1,089
-	8	-	-	581	1,149
3,145,066	-	2,072,202	-	-	9,303,802
320,520	30,400	1,099,967	-	1,723,907	6,636,004
3,465,586	30,400	3,172,169	-	1,723,907	15,939,806
$ 3,465,586	$ 30,408	$ 3,172,169	$ -	$ 1,724,488	$ 15,940,955

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	DELAWARE HOUSING INSURANCE FUND	NEIGHBORHOOD REVITALIZATION FUND	NORTHEAST INITIATIVE	HOUSING REHABILITATION LOAN PROGRAM
REVENUES				
Interest income:				
Investments	$ 898	$ 424	$ -	$ 23,433
Loans	-	1,155	-	74,535
Total interest income	898	1,579	-	97,968
Grants & government appropriations	-	-	-	-
Gains on investments	-	-	-	2,497
Fees	-	-	-	-
Other revenue	-	-	-	-
TOTAL REVENUES	898	1,579	-	100,465
EXPENDITURES				
Current:				
Home ownership	-	-	-	-
Affordable rental housing	-	-	-	-
Housing rehabilitation	-	15,261	43,359	8,012
TOTAL EXPEDITURES	-	15,261	43,359	8,012
EXCESS/(DEFICIT) REVENUE OVER EXPENDITURES	898	(13,682)	(43,359)	92,453
OTHER FINANCING SOURCES (USES)				
Transfers in	345,673	-	-	-
Transfers out	(28,943)	-	(15,187)	-
TOTAL OTHER FINANCING SOURCES (USES)	316,730	-	(15,187)	-
NET CHANGE IN FUND BALANCES	317,628	(13,682)	(58,546)	92,453
FUND BALANCES, BEGINNING	278,684	101,205	2,025,368	4,804,634
FUND BALANCES, ENDING	$ 596,312	$ 87,523	$ 1,966,822	$ 4,897,087

*The transfers in and out have been reduced by $118 for transfers between non-major governmental funds.

AUTHORITY LOAN PROGRAM	LIVE NEAR YOUR WORK PROGRAM	DELAWARE EMERGENCY MORTGAGE ASSISTANCE PROGRAM	NAA TAX CREDIT ADMIN PROGRAM	STATE VOUCHER FOR THE HOMELESS PROGRAM	TOTAL NONMAJOR GOVERNMENTAL FUNDS
$ -	$ -	$ 11,054	$ 234	$ -	$ 36,043
269,410	-	52,131	-	-	397,231
269,410	-	63,185	234	-	433,274
-	-	-	-	-	-
-	-	-	-	-	2,497
-	200	-	-	-	200
-	-	571,770	-	-	571,770
269,410	200	634,955	234	-	1,007,741
62,615	14,900	132,431	-	-	209,946
-	-	-	-	585,541	585,541
-	-	-	-	-	66,632
62,615	14,900	132,431	-	585,541	862,119
206,795	(14,700)	502,524	234	(585,541)	145,622
918,506	-	250,000	-	750,000	2,264,061 *
(793,539)	-	-	(43,675)	-	(881,226) *
124,967	-	250,000	(43,675)	750,000	1,382,835
331,762	(14,700)	752,524	(43,441)	164,459	1,528,457
3,133,824	45,100	2,419,645	43,441	1,559,448	14,411,349
$ 3,465,586	$ 30,400	$ 3,172,169	$ -	$ 1,723,907	$ 15,939,806

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF NET ASSETS - PROPRIETARY FUND - SUBFUNDS OF THE FEDERAL PROGRAMS ENTERPRISE FUND
JUNE 30, 2010

	PUBLIC HOUSING PROGRAM	HOUSING CHOICE VOUCHERS PROGRAM	COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM	HOME INVESTMENT PARTNERSHIP PROGRAM
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 600	$ -	$ -	$ -
Investments	1,712,605	2,642,290	528	23,560
Accrued interest and other receivables	29,937	88,653	-	-
Grants receivable-U.S. Dept of HUD	16,962	-	65,226	-
Interfund receivables	6,357	1,150	24,244	-
Prepaid expenses	7,295	475,545	-	-
Total current assets	1,773,756	3,207,638	89,998	23,560
Non-Current Assets:				
Investments	-	-	-	2,742,226
Mortgages receivable, net	-	-	-	36,048,606
Accrued interest and other receivables, net	-	-	-	6,556,142
Capital assets:not being depreciated	3,533,046	235,650	-	-
Capital assets:net of accumulated depreciation	11,194,551	3,368,675	-	-
Total non-current assets	14,727,597	3,604,325	-	45,346,974
TOTAL ASSETS	$ 16,501,353	$ 6,811,963	$ 89,998	$ 45,370,534
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 341,740	$ 134,999	$ 67,989	$ 12,105
Due St of Delaware-pension costs	-	502	311	384
Interfund payables	1,275	456,391	-	-
Compensated absences payable	7,425	52	2,555	3,012
Total current liabilities	350,440	591,944	70,855	15,501
Non-Current Liabilities:				
Compensated absences payable	187,388	96,132	19,143	23,713
Escrow deposits	455,699	276,758	-	2,742,227
Total non-current liabilities	643,087	372,890	19,143	2,765,940
TOTAL LIABILITIES	993,527	964,834	89,998	2,781,441
NET ASSETS				
Invested in capital assets	14,727,597	3,604,325	-	-
Restricted by federal regulations	780,229	2,242,804	-	42,589,093
TOTAL NET ASSETS	15,507,826	5,847,129	-	42,589,093
TOTAL LIABILITIES AND NET ASSETS	$ 16,501,353	$ 6,811,963	$ 89,998	$ 45,370,534

SECTION 8 CONTRACT ADMINISTRATION	NATIONAL FORECLOSURE MITIGATION COUNSELING PROGRAM	LOW INCOME HOUSING TAX CREDIT EXCHANGE PROGRAM	TANF/HOME OWNERSHIP GRANT ASSISTANCE PROGRAM	TOTAL FEDERAL PROGRAMS
$ -	$ -	$ -	$ -	$ 600
303,636	14,472	-	1,020,666	5,717,757
532	-	-	-	119,122
222,276	-	-	-	304,464
-	-	-	192,360	224,111
2,844,468	-	-	-	3,327,308
3,370,912	14,472	-	1,213,026	9,693,362
416,051	-	-	-	3,158,277
-	-	-	-	36,048,606
-	-	-	-	6,556,142
-	-	-	-	3,768,696
-	-	-	-	14,563,226
416,051	-	-	-	64,094,947
$ 3,786,963	$ 14,472	$ -	$ 1,213,026	$ 73,788,309
$ 25,698	$ -	$ -	$ -	$ 582,531
318	-	-	-	1,515
2,871,860	1,004	-	-	3,330,530
-	-	-	-	13,044
2,897,876	1,004	-	-	3,927,620
61,379	-	-	-	387,755
416,052	-	-	-	3,890,736
477,431	-	-	-	4,278,491
3,375,307	1,004	-	-	8,206,111
-	-	-	-	18,331,922
411,656	13,468	-	1,213,026	47,250,276
411,656	13,468	-	1,213,026	65,582,198
$ 3,786,963	$ 14,472	$ -	$ 1,213,026	$ 73,788,309

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND -
SUBFUNDS OF THE FEDERAL PROGRAMS ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2010

	PUBLIC HOUSING PROGRAM	HOUSING CHOICE VOUCHERS PROGRAM	COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM	HOME INVESTMENT PARTNERSHIP PROGRAM
OPERATING REVENUES				
Interest income on loans	$ -	$ -	$ -	$ 1,061,025
Federal housing program grants	2,528,664	7,305,985	12,870,460	5,372,257
Rental income	578,673	-	-	-
Miscellaneous	191,253	105,696	-	12,475
TOTAL OPERATING REVENUES	3,298,590	7,411,681	12,870,460	6,445,757
OPERATING EXPENSES				
Administrative	1,973,966	1,063,138	814,612	276,520
Grants and housing assistance payments	-	5,612,590	12,055,848	6,152,453
Public housing maintenance & utilities	1,473,961	-	-	-
Depreciation	1,296,900	330,214	-	-
Other expenses	500	-	-	-
TOTAL OPERATING EXPENSES	4,745,327	7,005,942	12,870,460	6,428,973
OPERATING INCOME/(LOSS)	(1,446,737)	405,739	-	16,784
NON-OPERATING INCOME/(EXPENSES)				
Interest income on investments	11,145	18,818	-	312
TOTAL NON-OPERATING INCOME/EXPENSES)	11,145	18,818	-	312
INCOME/(LOSS) BEFORE CAPITAL GRANTS AND OPERATING TRANSFERS	(1,435,592)	424,557	-	17,096
Capital grants and contributions	1,370,562	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
CHANGE IN NET ASSETS	(65,030)	424,557	-	17,096
NET ASSETS, BEGINNING	15,572,856	5,422,572	-	42,571,997
NET ASSETS, ENDING	$ 15,507,826	$ 5,847,129	$ -	$ 42,589,093

SECTION 8 CONTRACT ADMINISTRATION	NATIONAL FORECLOSURE MITIGATION COUNSELING PROGRAM	LOW INCOME HOUSING TAX CREDIT EXCHANGE PROGRAM	TANF/HOME OWNERSHIP GRANT ASSISTANCE PROGRAM	TOTAL FEDERAL PROGRAMS
$ -	$ -	$ -	$ -	$ 1,061,025
34,730,221	287,239	10,230,847	3,400,000	76,725,673
-	-	-	-	578,673
-	-	-	-	309,424
34,730,221	287,239	10,230,847	3,400,000	78,674,795
1,007,588	281,601	-	-	5,417,425
33,499,799	-	10,230,847	2,186,974	69,738,511
-	-	-	-	1,473,961
-	-	-	-	1,627,114
-	-	-	-	500
34,507,387	281,601	10,230,847	2,186,974	78,257,511
222,834	5,638	-	1,213,026	417,284
24	-	-	-	30,299
24	-	-	-	30,299
222,858	5,638	-	1,213,026	447,583
-	-	-	-	1,370,562
-	-	-	-	-
-	-	-	-	-
222,858	5,638	-	1,213,026	1,818,145
188,798	7,830	-	-	63,764,053
$ 411,656	$ 13,468	$ -	$ 1,213,026	$ 65,582,198

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF NET ASSETS - PROPRIETARY FUND - SUBFUNDS OF THE SINGLE FAMILY PROGRAMS
ENTERPRISE FUND
JUNE 30, 2010

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 1997A--2009A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2009	SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND SERIES 1995A-2001A	TOTAL SINGLE FAMILY PROGRAMS
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 161,610	$ -	$ -	$ 161,610
Investments	5,364,781	150,084,901	78,759	155,528,441
Mortgages receivable, net	13,635,191	-	-	13,635,191
Accrued interest and other receivables	3,907,505	-	1,305,306	5,212,811
Interfund receivables	-	-	445	445
Deferred bond issuance costs	545,884	194,250	3,466	743,600
Total current assets	23,614,971	150,279,151	1,387,976	175,282,098
Non-Current Assets:				
Investments	45,531,740	-	151,257	45,682,997
Mortgages receivable, net	741,888,488	-	1,765,466	743,653,954
Accrued interest and other receivables	876,263	-	-	876,263
Deferred bond issuance costs	8,498,456	-	44,096	8,542,552
Total non-current assets	796,794,947	-	1,960,819	798,755,766
TOTAL ASSETS	$ 820,409,918	$ 150,279,151	$ 3,348,795	$ 974,037,864
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 28,357	$ -	$ -	$ 28,357
Interfund payables	1,648,323	-	1,111	1,649,434
Accrued arbitrage rebate payable	233,643	-	-	233,643
Accrued interest payable	-	84,893	-	84,893
Nonrefundable deferred commitment fees	67,519	-	-	67,519
Revenue bonds payable	15,874,673	150,000,000	-	165,874,673
Total current liabilities	17,852,515	150,084,893	1,111	167,938,519
Non-Current Liabilities:				
Accrued arbitrage rebate payable	112,588	-	-	112,588
Nonrefundable deferred commitment fees	711,998	-	-	711,998
Revenue bonds payable	786,395,970	-	3,408,492	789,804,462
Total non-current liabilities	787,220,556	-	3,408,492	790,629,048
TOTAL LIABILITES	805,073,071	150,084,893	3,409,603	958,567,567
NET ASSETS				
Restricted by bond covenants	15,336,847	194,258	(60,808)	15,470,297
TOTAL NET ASSETS (DEFICIT)	15,336,847	194,258	(60,808)	15,470,297
TOTAL LIABILITIES AND NET ASSETS	$ 820,409,918	$ 150,279,151	$ 3,348,795	$ 974,037,864

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND -
SUBFUNDS OF THE SINGLE FAMILY PROGRAMS ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2010

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 1997A--2009A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2009	SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND SERIES 1995A-2001A	TOTAL SINGLE FAMILY PROGRAMS
OPERATING REVENUES				
Interest income on loans	$ 46,560,319	$ -	$ 178,220	$ 46,738,539
Amortization of deferred revenues	3,006,348	-	-	3,006,348
Miscellaneous	128	-	15,914	16,042
TOTAL OPERATING REVENUES	49,566,795	-	194,134	49,760,929
OPERATING EXPENSES				
Interest expense on bonds	48,858,018	84,893	212,473	49,155,384
Amortization of deferred bond issuance costs	1,167,188	194,250	26,082	1,387,520
Loan servicing fees	130,464	-	-	130,464
Other expenses	391,415	-	27,012	418,427
TOTAL OPERATING EXPENSES	50,547,085	279,143	265,567	51,091,795
OPERATING LOSS	(980,290)	(279,143)	(71,433)	(1,330,866)
NON-OPERATING INCOME/(EXPENSES)				
Interest income on investments	4,122,585	84,901	9,131	4,216,617
Net increase/(decrease) in fair value of investments	(10,180)	-	1,404	(8,776)
Rebate expense	-	-	-	-
Miscellaneous revenue/(expense)	6,235	-	-	6,235
TOTAL NON-OPERATING INCOME/(EXPENSES)	4,118,640	84,901	10,535	4,214,076
INCOME/(LOSS) BEFORE CAPITAL GRANTS AND OPERATING TRANSFERS	3,138,350	(194,242)	(60,898)	2,883,210
Transfers in	9,003,494	388,500	1,147,515	3,478,943 *
Transfers out	(9,919,596)	-	(984,952)	(3,843,982) *
CHANGE IN NET ASSETS	2,222,248	194,258	101,665	2,518,171
NET ASSETS (DEFICIT), BEGINNING	13,114,599	-	(162,473)	12,952,126
NET ASSETS (DEFICIT), ENDING	$ 15,336,847	$ 194,258	$ (60,808)	$ 15,470,297

*The transfers in and out have been reduced by $7,060,566 for transfers between subfunds in the Single Family Program Fund.

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF NET ASSETS - PROPRIETARY FUND - SUBFUNDS OF THE MULTI-FAMILY PROGRAMS
ENTERPRISE FUND
JUNE 30, 2010

	MULTI-FAMILY MORTGAGE REVENUE REFUNDING SERIES 1992C	MULTI-FAMILY MORTGAGE REVENUE REFUNDING SERIES 1992D&E	MULTI-FAMILY MORTGAGE REVENUE REFUNDING SERIES 2001A
ASSETS			
Current Assets:			
Cash and cash equivalents	$ -	$ 1,294	$ -
Investments	1,276,156	1,792,201	139
Mortgages receivable, net	336,014	634,281	1,251,515
Accrued interest and other receivables	16,565	335,525	85,840
Deferred bond issuance costs	-	6,528	13,545
Total current assets	1,628,735	2,769,829	1,351,039
Non-Current Assets:			
Investments	167,287	6,043,398	10,919,504
Mortgages receivable, net	1,363,009	526,842	9,479,553
Deferred bond issuance costs	-	6,155	41,518
Total non-current assets	1,530,296	6,576,395	20,440,575
TOTAL ASSETS	$ 3,159,031	$ 9,346,224	$ 21,791,614
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 70	$ -	$ 6,511
Accrued interest payable	-	-	-
Notes payable	-	-	-
Revenue bonds payable	-	1,645,000	937,060
Total current liabilities	70	1,645,000	943,571
Non-Current Liabilities:			
Accrued arbitrage rebate payable	-	-	128,655
Escrow deposits	167,287	1,518,717	2,522,097
Notes payable	-	-	-
Revenue bonds payable	-	1,550,000	4,459,360
Total non-current liabilities	167,287	3,068,717	7,110,112
TOTAL LIABILITIES	167,357	4,713,717	8,053,683
NET ASSETS			
Restricted by bond covenants	2,991,674	4,632,507	13,737,931
TOTAL NET ASSETS (DEFICIT)	2,991,674	4,632,507	13,737,931
TOTAL LIABILITIES AND NET ASSETS	$ 3,159,031	$ 9,346,224	$ 21,791,614

FAF RESERVES PROGRAM	TOTAL MULTI-FAMILY REFUNDING LOAN PROGRAMS
$ -	$ 1,294
63,598	3,132,094
-	2,221,810
-	437,930
-	20,073
63,598	5,813,201
-	17,130,189
-	11,369,404
-	47,673
-	28,547,266
$ 63,598	$ 34,360,467

$ -	$ 6,581
2,913	2,913
122,836	122,836
-	2,582,060
125,749	2,714,390
-	128,655
-	4,208,101
127,559	127,559
-	6,009,360
127,559	10,473,675
253,308	13,188,065
(189,710)	21,172,402
(189,710)	21,172,402
$ 63,598	$ 34,360,467

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND - SUBFUNDS OF THE MULTI-FAMILY PROGRAMS ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2010

	MULTI-FAMILY MORTGAGE REVENUE REFUNDING SERIES 1992C	MULTI-FAMILY MORTGAGE REVENUE REFUNDING SERIES 1992D&E	MULTI-FAMILY MORTGAGE REVENUE REFUNDING SERIES 2001A
OPERATING REVENUES			
Interest income on loans	$ 215,161	$ 220,201	$ 1,268,718
Miscellaneous	-	37,626	1,146,066
TOTAL OPERATING REVENUES	215,161	257,827	2,414,784
OPERATING EXPENSES			
Interest expense on bonds	158,009	356,310	451,236
Grant payments	-	-	100,000
Amortization of deferred bond issuance costs	10,591	10,304	141,073
Loan servicing fees	-	9,735	-
Other expenses	1,780	7,640	7,570
TOTAL OPERATING EXPENSES	170,380	383,989	699,879
OPERATING INCOME/(LOSS)	44,781	(126,162)	1,714,905
NON-OPERATING INCOME/(EXPENSES)			
Interest income on investments	8,939	395,911	462,345
Net increase/(decrease) in fair value of investments	-	(24,866)	-
US Dept of HUD financing adjustment factor payments	(85,930)	-	54,577
Rebate expense	-	-	(18,262)
Excess yield expense	-	-	(288,464)
TOTAL NON-OPERATING INCOME/(EXPENSES)	(76,991)	371,045	210,196
INCOME/(LOSS) BEFORE CAPITAL GRANTS AND OPERATING TRANSFERS	(32,210)	244,883	1,925,101
Transfers in	1,435,592	99,467	-
Transfers out	(16,390)	(2,599,467)	(76,569)
CHANGE IN NET ASSETS	1,386,992	(2,255,117)	1,848,532
NET ASSETS (DEFICIT), BEGINNING	1,604,682	6,887,624	11,889,399
NET ASSETS (DEFICIT), ENDING	$ 2,991,674	$ 4,632,507	$ 13,737,931

*The transfers in and out have been reduced by $184,231 for transfers between subfunds in the Multi-Family Program Fund.

FAF RESERVES PROGRAM	TOTAL MULTI-FAMILY REFUNDING LOAN PROGRAMS	
$ -	$ 1,704,080	
-	1,183,692	
-	2,887,772	
8,907	974,462	
-	100,000	
-	161,968	
-	9,735	
-	16,990	
8,907	1,263,155	
(8,907)	1,624,617	
290	867,485	
-	(24,866)	
-	(31,353)	
-	(18,262)	
-	(288,464)	
290	504,540	
(8,617)	2,129,157	
76,569	1,427,397	*
-	(2,508,195)	*
67,952	1,048,359	
(257,662)	20,124,043	
$ (189,710)	$ 21,172,402	

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE
FOR THE YEAR ENDED JUNE 30, 2010

The details of and changes in the Authority's mortgage revenue bonds during the year ended June 30, 2010 are as follows:

Bond Issue	Interest Rate	Final Maturity Date	Bonds Outstanding June 30, 2009	Issued	Matured	Called	Other	Bonds Outstanding June 30, 2010
Single Family Mortgage Revenue Bonds 1997 Series A	5.70% - 6.05%	2028	$ 3,226,075	$ -	$ -	$ 3,270,607	$ 44,532	$ -
Single Family Mortgage Revenue Bonds 1997 Series B	5.01%	2029	6,680,434	-	-	830,000	29,695	5,880,129
Single Family Mortgage Revenue Bonds 1999 Series A	5.17% - 5.65%	2031	7,967,415	-	-	1,420,000	40,821	6,588,236
Single Family Mortgage Revenue Bonds 2000 Series A	4.69% - 6.00%	2032	12,290,584	-	190,000	1,500,000	19,051	10,619,635
Single Family Mortgage Revenue Bonds 2001 Series A	3.95% - 4.73%	2033	8,560,023	-	55,000	1,215,000	13,326	7,303,349
Single Family Mortgage Revenue Bonds 2002 Series A	4.18% - 5.40%	2034	5,260,783	-	115,000	120,000	(11,501)	5,014,282
Single Family Mortgage Revenue Bonds 2002 Series B	4.50% - 6.63%	2033	5,086,417	-	5,000	1,235,000	(50,191)	3,796,226
Single Family Mortgage Revenue Bonds 2003 Series A	4.65% - 6.00%	2035	8,758,873	-	-	1,738,462	(67,184)	6,953,227
Single Family Mortgage Revenue Bonds 2003 Series B	4.00% - 5.20%	2025	9,977,032	-	-	1,880,000	(29,906)	8,067,126
Single Family Mortgage Revenue Bonds 2004 Series A	4.60% - 5.75%	2036	29,357,210	-	-	5,670,403	(147,891)	23,538,916
Single Family Mortgage Revenue Bonds 2005 Series A	4.00% - 5.80%	2036	43,634,061	-	520,000	8,705,000	(170,915)	34,238,146
Single Family Mortgage Revenue Bonds 2006 Series A	3.80% - 5.75%	2037	52,382,186	-	550,000	9,330,000	(220,607)	42,281,579
Single Family Mortgage Revenue Bonds 2006 Series B	4.10% - 6.20%	2037	69,184,401	-	625,000	16,645,000	(335,504)	51,578,897
Single Family Mortgage Revenue Bonds 2006 Series C	4.20% - 6.25%	2037	49,878,196	-	400,000	13,875,000	(236,864)	35,366,332
Single Family Mortgage Revenue Bonds 2006 Series D	3.90% - 5.875%	2048	79,959,859	-	575,000	13,775,000	(225,894)	65,383,965
Single Family Mortgage Revenue Bonds 2007 Series A	3.95% - 5.90%	2048	96,306,912	-	620,000	17,720,000	(261,939)	77,704,973
Single Family Mortgage Revenue Bonds 2007 Series B	4.05% - 5.60%	2048	97,123,524	-	-	16,610,000	(251,285)	80,262,239
Single Family Mortgage Revenue Bonds 2007 Series C	4.90% - 5.55%	2049	95,517,301	-	-	23,735,000	(254,519)	71,527,782
Single Family Mortgage Revenue Bonds 2007 Series D	4.625%- 5.80%	2049	119,842,688	-	1,075,000	24,790,000	(283,638)	93,694,050
Single Family Mortgage Revenue Bonds 2008 Series A	4.27% - 6.65%	2039	67,861,961	-	-	22,515,000	(159,959)	45,187,002
Single Family Mortgage Revenue Bonds 2008 Series B	2.85% - 6.50%	2040	103,041,723	-	1,020,000	14,825,600	130,305	87,326,428
Single Family Mortgage Revenue Bonds 2009 Series A	1.35% - 7.75%	2040		40,070,322	-	635,378	523,180	39,958,124
Single Family Mortgage Revenue Bonds 2009 (NIBP)	varies	2041		150,000,000	-	-	-	150,000,000

Continued on next page.

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE
FOR THE YEAR ENDED JUNE 30, 2010

The details of and changes in the Authority's mortgage revenue bonds during the year ended June 30, 2010 are as follows:

Bond Issue	Interest Rate	Final Maturity Date	Bonds Outstanding June 30, 2009	Issued	Matured	Called	Other	Bonds Outstanding June 30, 2010
Multi-Family Mortgage Revenue Refunding Bonds 1992C Series	7.375%	2015	2,315,000	-	-	2,315,000	-	-
Multi-Family Mortgage Revenue Refunding Bonds 1992D Series	6.85%	2012	3,005,000	-	-	1,325,000	-	1,680,000
Multi-Family Mortgage Revenue Refunding Bonds 1992E Series	6.95%	2014	2,165,000	-	-	650,000	-	1,515,000
Multi-Family Mortgage Revenue Refunding Bonds 2001A Series	4.75% - 5.40%	2024	9,636,408	-	1,030,000	3,305,000	95,012	5,396,420
SMAL Mortgage Revenue Bonds 1995 Series A	5.7%	2027	353,933	-	-	364,018	10,085	-
SMAL Mortgage Revenue Bonds 1996 Series B	5.7%	2028	438,449	-	-	23,422	22,392	437,419
SMAL Mortgage Revenue Bonds 1996 Series B	5.7%	2028	433,726	-	-	445,202	11,476	-
SMAL Mortgage Revenue Bonds 1997 Series A	5.3%	2029	418,276	-	-	3,701	22,125	436,700
SMAL Mortgage Revenue Bonds 1998 Series A	5.3%	2030	360,034	-	-	12,190	18,816	366,660
SMAL Mortgage Revenue Bonds 1998 Series B	5.25%	2030	961,182	-	-	69,183	42,389	934,388
SMAL Mortgage Revenue Bonds 1999 Series A	5.43%	2031	353,068	-	-	362,658	9,590	-
SMAL Mortgage Revenue Bonds 2001 Series A	5.67%	2033	1,219,013	-	-	50,174	64,486	1,233,325
TOTAL			$ 993,556,747	$ 190,070,322	$ 6,780,000	$ 210,965,998	$(1,610,516)	$ 964,270,555

The "Other " category totaling $(1,610,516) represents accretion on capital appreciation bonds, netted by deferred amounts on refunding and bond forgiveness.

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

Single Family Mortgage Revenue Bonds 2003 Series B, Subseries B-2 (original issue amount of $5,650,000).
Single Family Mortgage Revenue Bonds 2007 Series C, Subseries C-2 (original issue amount of $10,000,000).
Single Family Mortgage Revenue Bonds 2007 Series D, Subseries D-2 (original issue amount of $18,000,000).
All SMAL Mortgage Revenue Bonds.

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DELAWARE STATE HOUSING AUTHORITY

SINGLE AUDIT SUPPLEMENT

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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*

September 28, 2010

To the Delaware State Housing Authority
Dover, Delaware

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 the Delaware State Housing Authority (the "Authority"), a component unit of the State of Delaware, as of and for the year ended June 30, 2010, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 28, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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.

BARBACANE
THORNTON
&COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Delaware State Housing Authority
Dover, Delaware

This report is intended solely for the information and use of the Authority's management, federal awarding agencies and pass-through entities, Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget, Department of Finance, and Office of Auditor of Accounts; and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del.C., Section 10002(d), this report is a public record and its distribution is not limited.

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 28, 2010

To the Delaware State Housing Authority
Dover, Delaware

Compliance

We have audited the compliance of the Delaware State Housing Authority (the "Authority") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments and Nonprofit Organizations. Those standards and OMB Circular A-133 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 the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the Authority's internal control over compliance.

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&COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Delaware State Housing Authority
Dover, Delaware

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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedules of Expenditures of Federal Awards

We have audited the basic financial statements of the Delaware State Housing Authority, a component unit of the State of Delaware, as of and for the year ended June 30, 2010 and have issued our report thereon dated September 28, 2010. Our audit was performed for the purpose of forming opinions on the basic financial statements of the Authority. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Nonprofit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Authority's management, federal awarding agencies and pass-through entities, Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget, Department of Finance, and Office of Auditor of Accounts; and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del.C., Section 10002(d), this report is a public record and its distribution is not limited.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

DELAWARE STATE HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PART A - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued [unqualified, qualified, adverse or disclaimer]:

Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

Type of auditors' report issued on compliance for major programs [unqualified, qualified, adverse or disclaimer]:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ Yes ___X___ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.228	CDBG and Neighborhood Stabilization Program
14.255	CDBG – ARRA Formula
14.257	Homeless Prevention and Rapid Re-Housing Program - ARRA
14.258	HOME Tax Credit Assistance Program - ARRA
14.885	Public Housing Capital Fund – ARRA Formula
21.000	Low Income Housing Tax Credit Exchange Program – ARRA

Dollar threshold used to distinguish between Type A and Type B programs: $2,319,619

Auditee qualified as low-risk auditee? ___X___ Yes _____ No

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

DELAWARE STATE HOUSING AUTHORITY
SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

FEDERAL GRANTOR/PROGRAM TITLE	CFDA NUMBER		CONTRACT NUMBER	EXPENDITURES	
DIRECT GRANTS:					
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Federal Housing Administration (FHA) - Insurance Proceeds (1)	14.117		N/A	$ 4,469	$ 4,469
Section 8 Contract Administration/New Construction and Substantial Rehabilitation	14.182		Various	34,730,221	34,730,221
Community Development Block Grant (CDBG) States' Program	14.228	*	B-09-DC-10-0001	863,006	
			B-08-DN-10-0001	965,272	
Neighborhood Stabilization Program		*	B-08-DN-10-0001	9,735,198	
Total CDBG States' Programs					11,563,476
Emergency Shelter Grants	14.231		S08-DC-10-0001	19,087	
			S09-DC-10-0001	100,233	
Total Emergency Shelter Grants					119,320
HOME Programs	14.239		M-07-SG-10-0100	432,032	
			M-08-SG-10-0100	148,800	
			M-09-SG-10-0100	314,769	
Total HOME Programs					895,601
Housing Opportunities for People with AIDS (HOPWA)	14.241		DE26-H08-FY999	40,015	
			DE26-H09-FY999	153,808	
Total Housing Opportunities for People with AIDS (HOPWA)					193,823
MTW Demonstration Program:	14.881				
Public and Indian Housing Program			P-4520	2,528,664	
Public Housing Capital Fund			Various	356,628	
Lower Income Housing Assistance Program (Section 8):					
Moving To Work Vouchers			DE901VOW040-048	7,086,671	
Housing Conversion Vouchers			DE901VO0043-0051	29,641	
Special Fees			DE901AF0016-0030	1,539	
Family Unification Program			2009-FUP-DE901-8010	188,134	
Total MTW Demonstration Program					10,191,277
McKinney Savings	14.000		N/A		438,581
TOTAL DIRECT GRANTS					58,136,768
INDIRECT GRANTS:					
U. S. TREASURY					
Neighborworks					
National Foreclosure Mitigation Counseling	21.000		PL110-161:95X1350		281,601
TOTAL INDIRECT GRANTS					281,601
AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) GRANTS					
DIRECT GRANTS:					
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Community Development Block Grant (CDBG) - ARRA Formula	14.255	*	B-09-DY-10-0001		389,438
Homeless Prevention and Rapid Re-Housing Program - ARRA	14.257	*	S-09-DY-10-0001		604,403
HOME Tax Credit Assistance Program - ARRA	14.258	*	M-09-ES-10-0100		4,476,656
Public Housing Capital Fund - ARRA Formula	14.885	*	DE26-S004-50109		1,013,934
Total U. S. Department of Housing and Urban Development					6,484,431
U. S. TREASURY					
Low Income Housing Tax Credit Exchange Program - ARRA	21.000	*	S9032715		10,230,847
TOTAL ARRA DIRECT GRANTS					16,715,278
INDIRECT GRANTS:					
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Delaware Division of Social Services					
Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs - ARRA	93.714		N/A		2,186,974
TOTAL ARRA INDIRECT GRANTS					2,186,974
TOTAL ARRA GRANTS					18,902,252
TOTAL FEDERAL AWARDS					$ 77,320,621

N/A - Not Available.
* Denotes a major federal program.
(1) As of June 30, 2010, the amount of outstanding single family mortgages purchased by the Authority and covered by either FHA insurance, FMHA insurance, or a VA guarantee was approximately $24,184,011, $332,038, and $4,687,537 respectively.

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, 2010

ANNUAL CONTRIBUTIONS CONTRACT P-4520

	PROJECT NUMBER			
	DE26-P004-50108	DE26-P004-50109	DE26-S004-50108	TOTAL
Funds advanced	$ 514,291	$ 137,054	$ 1,013,934	$ 1,665,279
Management improvements	29,329	3,432	-	32,761
Site improvements	403,759	52,778	291,637	748,174
Dwelling structures	-	-	555,678	555,678
Dwelling equipment - nonexpendable	-	-	118,618	118,618
Nondwelling structures/equipment	-	-	48,001	48,001
Administration	81,203	80,844	-	162,047
Fees and costs	-	-	-	-
Funds expensed	514,291	137,054	1,013,934	1,665,279
Excess (deficiency) of funds advanced	$ -	$ -	$ -	$ -

DELAWARE STATE HOUSING AUTHORITY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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