

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

Basic Financial Statements
And Supplemental Information
For the Fiscal Year Ended June 30, 2016
With Summarized Totals for June 30, 2015

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

Issuance Date: October 31, 2016

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Independent Auditors' Report

To the Delaware State Housing Authority
Dover, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Delaware State Housing Authority (DSHA), a component unit of the State of Delaware, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise DSHA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

To the Delaware State Housing Authority
Dover, Delaware

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

Opinions

In our opinions, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of DSHA, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited DSHA's June 30, 2015 financial statements, and our report dated October 30, 2015 expressed unmodified opinions on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 14, Schedule of Funding Progress for the Delaware State Housing Authority Retiree Medical Plan on page 65, Schedule of State of Delaware Net Pension Liability on page 66, and Schedule of Employer Contributions to State of Delaware Pension Plan on page 67, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

To the Delaware State Housing Authority
Dover, Delaware

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2016 on our consideration of DSHA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DSHA's internal control over financial reporting and compliance.

Belfint, Lyons & Shuman, P.A.

October 25, 2016
Wilmington, Delaware



DELAWARE STATE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

As management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the Fiscal Year Ended June 30, 2016. The Authority's Management's Discussion and Analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual fund issues or concerns.

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

Financial Highlights

- The Authority's assets exceeded liabilities at the close of the fiscal year by \$481,386,150 (net position).
- The Authority's total net position increased by \$26,186,711 (5.8%) in fiscal year 2016 when compared to the previous year's ending net position. Net position of governmental activities increased by \$18,294,051 (5.7%) from the previous year and net position of business-type activities increased by \$7,892,660 (5.8%) from the previous year.

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

The most significant factors contributing to the business-type activities increases were: (1) the receipt of \$4,135,422 in HOME Investment Partnership Program federal grant funds for the purpose of making loans and grants to meet affordable housing needs and (2) the receipt of over \$5,500,000 in gains on sales of investments within the DSHA Mortgage Backed Securities (MBS) Purchase Program resulting from MBS purchases and sales in the To-Be-Announced (TBA) market; offset by: (1) the transfer of administrative fees of \$1,304,622 from

the Single Family Mortgage Revenue Bond Programs to the General Fund in support of operations and (2) the transfer of \$1,459,587 from the DSHA Mortgage Backed Securities Purchase Program to the DSHA Second Mortgage Assistance Loan program, a governmental activities program, in support of the program's objective to make down payment assistance available to qualified homebuyers.

- Unrestricted net position totaled \$34,379,912. This amount is dedicated to the Authority's operations, pursuant to Title 31, Chapter 40 of the Delaware Code and Authority bond resolutions. A General Fund cash and investment balance of \$25,506,443 contributes to this unrestricted net position total.
- At the close of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$336,269,995, an increase of \$18,222,343 (5.7%) in comparison with the prior year balances. The significant factors contributing to governmental funds fund balances increases were the same as those contributing to the governmental activities net position increases discussed above.
- The Authority's total debt, excluding compensated absences, decreased by \$81,359,917 (21.0%) during fiscal year 2016. The Single Family Programs paid revenue bond scheduled maturities of \$1,445,000, bond calls of \$77,591,387, primarily the result of bond redemption and mortgage prepayments, and \$2,323,530 representing the net of accretion on capital appreciation bonds, deferred amounts on refunding, and bond forgiveness.

Overview of the Financial Statements

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

Entity-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements. The notes to the financial statements can be found on pages 28-62 of this report.

Other Information

This report contains certain required supplementary information concerning the Authority's progress in funding its obligation to provide pension and other post-employment benefits to its employees. The required supplementary information can be found on pages 63-67.

This report contains certain other supplementary information schedules concerning the Authority's individual funds, programs, and revenue bond issues. The other supplementary information can be found on pages 68-84.

Also contained in this report is the Authority's Single Audit Supplement, presented in compliance with U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Nonprofit Organizations. The Single Audit Supplement can be found on pages 85-97.

Entity-wide Financial Analysis

The following condensed financial information is derived from the entity-wide Statement of Net Position and reflects the net position at June 30, 2016:

Delaware Housing Authority's Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Noncapital assets	\$385,189,910	\$351,556,115	\$444,352,910	\$516,607,572	\$ 829,542,820	\$ 868,163,687
Capital assets	1,258,030	1,366,731	13,377,242	14,180,860	14,635,272	15,547,591
Total assets	<u>386,447,940</u>	<u>352,922,846</u>	<u>457,730,152</u>	<u>530,788,432</u>	<u>844,178,092</u>	<u>883,711,278</u>
Deferred outflow of resources	69,271	82,415	200,534	227,631	269,805	310,046
Long-term liabilities outstanding	37,928,922	34,005,662	304,587,476	384,153,575	342,516,398	418,159,237
Other liabilities	11,798,941	332,825	8,258,666	9,649,905	20,057,607	9,982,730
Total liabilities	<u>49,727,863</u>	<u>34,338,487</u>	<u>312,846,142</u>	<u>393,803,480</u>	<u>362,574,005</u>	<u>428,141,967</u>
Deferred inflow of resources	140,348	311,825	347,394	368,093	487,742	679,918
Net position:						
Invested in capital assets	1,258,030	1,366,731	13,377,242	14,180,860	14,635,272	15,547,591
Restricted	301,011,058	281,743,764	131,359,908	122,663,630	432,370,966	404,407,394
Unrestricted	34,379,912	35,244,454	-	-	34,379,912	35,244,454
Total net position	<u>\$336,649,000</u>	<u>\$318,354,949</u>	<u>\$144,737,150</u>	<u>\$136,844,490</u>	<u>\$ 481,386,150</u>	<u>\$ 455,199,439</u>

The following condensed financial information is derived from the entity-wide Statement of Activities and reflects the changes in net position during the fiscal year ending June 30, 2016:

Delaware State Housing Authority's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 8,511,381	\$ 8,640,996	\$ 23,644,186	\$ 27,457,955	\$ 32,155,567	\$ 36,098,951
Operating grants & contributions	24,161,755	24,742,600	55,897,492	55,135,693	80,059,247	79,878,293
Capital grants & contributions	-	-	773,550	524,534	773,550	524,534
General revenues, principally						
Investment income (loss)	582,728	1,280,125	2,937,481	(1,650,809)	3,520,209	(370,684)
Total revenues	<u>33,255,864</u>	<u>34,663,721</u>	<u>83,252,709</u>	<u>81,467,373</u>	<u>116,508,573</u>	<u>116,131,094</u>
Expenses:						
Administrative	5,000,961	4,776,262	-	-	5,000,961	4,776,262
Affordable rental housing	8,651,108	9,176,783	52,488,557	51,847,187	61,139,665	61,023,970
Community rehabilitation	2,418,857	360,165	3,149,733	3,850,871	5,568,590	4,211,036
Home ownership	1,627,637	2,934,677	16,968,536	20,066,800	18,596,173	23,001,477
Housing rehabilitation	16,473	138,598	-	-	16,473	138,598
Total expenses	<u>17,715,036</u>	<u>17,386,485</u>	<u>72,606,826</u>	<u>75,764,858</u>	<u>90,321,862</u>	<u>93,151,343</u>
Change in net position before transfers	15,540,828	17,277,236	10,645,883	5,702,515	26,186,711	22,979,751
Transfers	2,753,223	2,106,535	(2,753,223)	(2,106,535)	-	-
Changes in net position	<u>18,294,051</u>	<u>19,383,771</u>	<u>7,892,660</u>	<u>3,595,980</u>	<u>26,186,711</u>	<u>22,979,751</u>
Net position, beginning	318,354,949	298,971,178	136,844,490	133,248,510	455,199,439	432,219,688
Net position, ending	<u>\$336,649,000</u>	<u>\$318,354,949</u>	<u>\$144,737,150</u>	<u>\$136,844,490</u>	<u>\$ 481,386,150</u>	<u>\$ 455,199,439</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Authority's assets exceeded its liabilities by \$481,386,150 at the close of the fiscal year.

Of the Authority's total assets, 68.3% represent mortgage loans outstanding, including securitized mortgage loans. Cash and investments comprise 22.5% of the total assets, while other noncapital assets make up 7.5% of total assets. Investment in capital assets accounts for 1.7% of total assets. Of the Authority's total liabilities, 84.2% consists of revenue bonds payable. Escrow deposits represent 12.0% of total liabilities, with miscellaneous liabilities comprising 3.8% of total liabilities.

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

Most (89.8%) of the Authority's net position is restricted by bond covenants, federal and state grantors, and the Authority's Loan Program. Another 3.0% of net position reflects the Authority's investment in capital assets (e.g. land, buildings, improvements, and equipment). The remaining 7.1% of net position is unrestricted. Net position for the previous fiscal year had a similar composition.

At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net position, 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.

As a result of its operations, the Authority's total net position increased by \$26,186,711 for the fiscal year ending June 30, 2016. Of this amount, governmental activities net position increased by \$18,294,051 and business-type net position increased by \$7,892,660. These increases in net positions are discussed in detail below, under Governmental Activities and Business-type Activities headings.

Of the Authority's total revenues, 68.7% were derived from operating grants and contributions, mostly from HUD and the State of Delaware. Another 27.6% came from charges for services which are mostly comprised of mortgage loan interest. Investment income represents 3.0% of total revenues, while capital grants make up the remaining 0.7%.

Of the Authority's total expenses, 67.7% were for affordable rental housing function, mostly as housing assistance payments. Another 20.6% of total expenses were for home ownership function, mostly for home ownership and foreclosure prevention counseling and grants. Community and housing rehabilitation functions accounted for 6.2%, respectively, mostly in the form of grants, leaving only 5.5% of total costs attributable to Authority administrative function.

During the fiscal year, net transfers of \$2,753,223 were made from business-type activities to the governmental activities. The most significant transfers for the fiscal year were as follows: (1) cash transfers of \$1,304,622 from Single Family Programs, a business-type activity, to the Authority's General Fund, a governmental activity, in the form of administrative fees and (2) a cash transfer of \$1,459,587 from the DSHA Mortgage Backed Securities Purchase Program, a business-type activity, to the DSHA SMAL program, a governmental activity, in support of the program's objective to make down payment assistance available to qualified homebuyers. Additional information regarding the Authority's interfund transactions can be found in note IV., E. on page 52 of this report.

Governmental Activities

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

Function	Fiscal Year 2016			Fiscal
	Expenses	Program Revenues	Net (Exp)/Rev	Year 2015 Net (Exp)/Rev
Administration	\$ 5,000,961	\$ 1,721,871	\$ (3,279,090)	\$ (2,654,375)
Affordable rental housing	8,651,108	19,985,432	11,334,324	9,941,896
Community rehabilitation	2,418,857	8,500,000	6,081,143	9,546,135
Home ownership	1,627,637	2,405,839	778,202	(763,499)
Housing rehabilitation	16,473	59,994	43,521	(73,046)
Total	\$ 17,715,036	\$ 32,673,136	\$ 14,958,100	\$ 15,997,111

**Governmental Activities
Revenues by Source**

Source	Fiscal Year 2016		Fiscal Year 2015	
	Revenue	Percent	Revenue	Percent
Charges for services	\$ 8,511,381	24%	\$ 8,640,996	24%
Operating grants and contributions	24,161,755	67%	24,742,600	67%
Other general revenues	582,728	1%	1,280,125	3%
Transfers	2,753,223	8%	2,106,535	6%
Total	\$ 36,009,087	100%	\$ 36,770,256	100%

Governmental activities increased the Authority's net position by \$18,294,051. The most significant factors contributing to the governmental activities increases were: (1) the appropriation of \$10,000,000 from the State of Delaware to the Housing Development Fund for the purpose of making loans and grants to meet affordable housing needs; and (2) the appropriation of \$8,500,000 from the State of Delaware to fund and administer the Downtown Development Districts Grant Program for the purpose of community rehabilitation in designated areas within Delaware's cities and towns.

Business-type Activities

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

Function	Fiscal Year 2016			Fiscal
	Expenses	Revenues	Net (Exp)/Rev	Year 2015
Affordable rental housing	\$ 52,488,557	\$ 55,880,138	\$ 3,391,581	\$ 2,182,325
Community rehabilitation	3,149,733	3,152,547	2,814	3,864
Home ownership	16,968,536	21,282,543	4,314,007	5,167,135
Total	<u>\$ 72,606,826</u>	<u>\$ 80,315,228</u>	<u>\$ 7,708,402</u>	<u>\$ 7,353,324</u>

**Business-type Activities
Revenues by Source**

Source	Fiscal Year 2016		Fiscal Year 2015	
	Revenue	Percent	Revenue	Percent
Charges for services	\$ 23,644,186	28%	\$ 27,457,955	34%
Operating grants and contributions	55,897,492	67%	55,135,693	67%
Capital grants and contributions	773,550	1%	524,534	1%
Other general revenues	2,937,481	4%	(1,650,809)	-2%
Total	<u>\$ 83,252,709</u>	<u>100%</u>	<u>\$ 81,467,373</u>	<u>100%</u>

Business-type activities increased the Authority's net position by \$7,892,660. The key elements of this increase were: (1) the receipt of \$4,135,422 in HOME Investment Partnership Program federal grant funds for the purpose of making loans and grants to meet affordable housing needs and (2) the receipt of over \$5,500,000 in gains on sales of investments within the DSHA Mortgage Backed Securities (MBS) Purchase Program resulting from MBS purchases and sales in the To-Be-Announced (TBA) market; offset by: (1) the transfer of administrative fees of \$1,304,622 from the Single Family Mortgage Revenue Bond Programs to the General Fund in support of operations and (2) the transfer of \$1,459,587 from the DSHA Mortgage Backed Securities Purchase Program to the DSHA Second Mortgage Assistance Loan program, a governmental activities program, in support of the program's objective to make down payment assistance available to qualified homebuyers.

Financial Analysis of the Authority's Funds

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

Governmental Funds

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

As of the end of the fiscal year, the Authority's governmental funds reported combined ending fund balances of \$336,269,995, an increase of \$18,222,343 (5.7%) in comparison with the prior year. All of the fund balance is nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending.

The General Fund is the chief operating fund of the Authority. At the end of the current fiscal year, the fund balance of the General Fund was \$39,972,695, a decrease of \$1,572,318 (3.8%) in comparison with the prior year. The key factors of this decrease were General Fund revenues of \$2,237,308, a decrease of 19.1% from the previous year, due to decreased Housing Development

Fund and Low Income Housing Tax Credit fees of \$450,000 over the prior year. The decreased revenue combined with expenditures of \$5,108,456, an increase of 4.9% from the previous year, resulted in an operating deficit of \$2,871,148 in comparison to the previous year operating deficit of \$2,103,700. This deficit of operating revenues over expenses together with \$1,304,622 of Single Family Mortgage Revenue Bond Programs administrative fees transferred into the General Fund during the fiscal year resulted in the General Fund fund balance decrease. All of the General Fund fund balance is classified as either nonspendable, in the form of receivables and other prepaid items, or committed by the Authority to support operations and program activities.

The Housing Development Fund (HDF) had a total fund balance of \$232,571,317, of which \$214,693,822 is designated as restricted, to be used for the specific purposes of HDF activities per enabling legislation and \$17,877,495 is designated as committed, authorized for specific purposes but not yet disbursed at the statement date. The net increase in the fund balance during the current year in the HDF was \$10,458,069 (4.7%) in comparison with the prior year. The increase is the result of grants in the amount of \$10,000,000 from the State of Delaware used to generate mortgages and grants, \$3,307,904 in interest income, \$972,543 in fee revenue, and \$15,505 in other revenue offset by Affordable Rental Housing expenditures of \$2,214,142 and a cash transfer of \$2,000,000 to the DSHA Second Mortgage Assistance Loan Program.

The Downtown Development Districts Grant Program (DDD) had a fund balance of \$13,225,426, all of which is designated as restricted, to be used for the specific purposes of DDD activities per enabling legislation. DDD was established and funded by State of Delaware legislation for the purpose of community rehabilitation in designated areas within Delaware's cities and towns. Investors who make qualified real property investments to commercial, industrial, residential and mixed-use buildings or facilities located within the boundaries of a designated DDD may apply to the Authority for a DDD grant. The State of Delaware appropriation of \$8,500,000 to the DDD Grant Program in fiscal year 2016 contributed significantly to the overall increase in the governmental funds fund balance.

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

The DSHA Second Mortgage Assistance Loan Program (DSHA SMAL), a non-major governmental fund, has a total fund balance of \$27,090,043, which is reported as restricted. The net increase in the fund balance during the fiscal year was \$3,848,233 (16.6%) in comparison with the prior year. The increase was the result of interest income received and accrued in the amount of \$874,391 and transfers from the Housing Development Fund, the Housing Rehabilitation Loan Program, a non-major governmental fund, and the DSHA Mortgage Backed Security Purchase Program totaling \$3,559,588 to fund the Authority's second mortgage assistance loan initiatives. These revenue sources, offset by program costs of \$585,938, contributed to the overall increase in the governmental funds fund balance.

Proprietary Funds

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

Restricted net position of the Federal Programs Fund at the end of the year amounted to \$87,031,346, and those of the Single Family Programs Funds amounted to \$57,705,804. The total increase in net position for the Federal Programs Fund was \$3,394,445 (4.1%) in comparison with the prior year, primarily due to the receipt of \$4,135,422 in HOME Investment Partnership Program grant funds for affordable rental housing mortgage loans and grants offset by grant expense in the program of \$973,626.

The total increase in net position for the Single Family Program Funds was \$4,498,215 (8.5%) in

comparison with the prior year, primarily due to the receipt of over \$5,500,000 in gains on the sale of investments within the DSHA Mortgaged Backed Securities Purchase Program resulting for mortgage backed security purchases and sales in the To-Be-Announced (TBA) market and a total operating income of over \$4,300,000 in the Single Family Mortgage Revenue Bond Programs resulting from interest received on mortgage loans exceeding interest paid on bonds; offset by transfers to governmental funds of \$2,782,581, as previously discussed, and the net decrease in the change in fair value of investments of \$2,616,583.

General Fund Budget

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

Capital Asset and Debt Administration

Capital Assets

The Authority's investment in capital assets for its governmental and business type activities as of June 30, 2016, amounts to \$14,635,272 (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 5.9 % (an 8.0% decrease for governmental activities and a 5.7% decrease for business-type activities). The net decrease in capital assets was due to depreciation expense on existing capital assets being greater than capital asset additions and improvements for the fiscal year. Major capital asset events during the fiscal year included the following:

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

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 509,500	\$ 509,500	\$ 2,336,842	\$ 2,336,842	\$ 2,846,342	\$ 2,846,342
Buildings held for resale	-	-	330,911	330,911	330,911	330,911
Construction in progress	-	-	1,027,166	267,659	1,027,166	267,659
Buildings	686,085	742,718	3,142,624	3,710,123	3,828,709	4,452,841
Land/site improvements	14,528	18,678	6,410,338	7,402,385	6,424,866	7,421,063
Vehicles	-	-	62,890	-	62,890	-
Other equipment	47,917	95,835	66,471	132,940	114,388	228,775
Total	\$ 1,258,030	\$ 1,366,731	\$ 13,377,242	\$ 14,180,860	\$ 14,635,272	\$ 15,547,591

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

Long-term Debt

At the end of the current fiscal year, Delaware State Housing Authority had total bonded debt outstanding of \$305,335,222. The Authority's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

Delaware State Housing Authority's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenue bonds payable	\$ -	\$ -	\$305,335,222	\$386,695,139	\$ 305,335,222	\$ 386,695,139
Total	\$ -	\$ -	\$305,335,222	\$386,695,139	\$ 305,335,222	\$ 386,695,139

The Authority's outstanding debt, excluding compensated absences, decreased by \$81,359,917 (21.0%) in comparison to the prior year. Key factors in this decrease were Single Family Programs Enterprise Fund bond calls of \$77,591,387, scheduled maturities of \$1,445,000, and bond accretion of \$2,323,530. The bond calls of \$77,591,387 in the Single Family programs were primarily the result of the redemption of three older bond issues during the year and numerous mortgage prepayments in all the programs.

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

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

Requests for Information

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

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2016
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2015)

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL 2016	TOTAL 2015
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 43,360,427	\$ 6,149,539	\$ 49,509,966	\$ 36,180,720
Investments	48,637,397	16,581,480	65,218,877	58,565,531
Mortgage loans receivable, net	468,693	1,651,796	2,120,489	2,662,311
Accrued interest & other receivables	1,324,402	2,431,624	3,756,026	3,488,355
Grants receivable-US Dept of HUD	-	325,331	325,331	205,386
Internal balances	359,167	(359,167)	-	-
Other post employment benefits (OPEB) asset	109,613	-	109,613	9,450
Prepaid expenses	122,286	3,620,209	3,742,495	3,587,811
Total current assets	94,381,985	30,400,812	124,782,797	104,699,564
Non-current assets:				
Cash, restricted for payment of escrows	-	840,278	840,278	794,119
Investments	62,882,650	11,290,813	74,173,463	76,866,182
Securitized mortgage loans	-	306,589,795	306,589,795	379,201,847
Mortgage loans receivable, net	177,903,702	89,774,821	267,678,523	254,676,710
Accrued interest & other receivables, net	37,610,437	17,867,527	55,477,964	51,925,265
Internal balances	12,411,136	(12,411,136)	-	-
Capital assets:				
Capital assets not being depreciated	509,500	3,694,919	4,204,419	3,444,912
Capital assets net of accumulated depreciation	748,530	9,682,323	10,430,853	12,102,679
Total non-current assets	292,065,955	427,329,340	719,395,295	779,011,714
TOTAL ASSETS	386,447,940	457,730,152	844,178,092	883,711,278
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on State of Delaware pensions	69,271	-	69,271	82,415
Deferred amounts on bond refundings	-	200,534	200,534	227,631
TOTAL DEFERRED OUTFLOWS OF RESOURCES	69,271	200,534	269,805	310,046
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	322,287	637,203	959,490	872,298
Due to State of Delaware-pension costs	2,379	2,651	5,030	6,483
Deferred credit	11,467,800	-	11,467,800	-
Compensated absences payable	6,475	8,951	15,426	29,884
Revenue bonds payable	-	7,609,861	7,609,861	9,074,065
Total current liabilities	11,798,941	8,258,666	20,057,607	9,982,730
Non-current liabilities:				
Compensated absences payable	603,568	401,148	1,004,716	1,023,189
State of Delaware pension obligation	307,518	-	307,518	177,377
Escrow deposits	37,017,836	6,460,967	43,478,803	39,337,597
Revenue bonds payable	-	297,725,361	297,725,361	377,621,074
Total non-current liabilities	37,928,922	304,587,476	342,516,398	418,159,237
TOTAL LIABILITIES	49,727,863	312,846,142	362,574,005	428,141,967
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts on State of Delaware pensions	140,348	-	140,348	311,825
Deferred amounts on bond refundings	-	347,394	347,394	368,093
TOTAL DEFERRED INTFLOWS OF RESOURCES	140,348	347,394	487,742	679,918
NET POSITION				
Invested in capital assets	1,258,030	13,377,242	14,635,272	15,547,591
Restricted by federal and state regulations	296,297,300	73,654,104	369,951,404	345,958,680
Restricted by bond covenants	-	57,705,804	57,705,804	53,207,589
Restricted for Authority Loan Program	4,713,758	-	4,713,758	5,241,125
Unrestricted, for Authority's purposes	34,379,912	-	34,379,912	35,244,454
TOTAL NET POSITION	\$ 336,649,000	\$ 144,737,150	\$ 481,386,150	\$ 455,199,439

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

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

FUNCTION	PROGRAM REVENUE				NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL 2016	TOTAL 2015
Governmental activities:								
Administrative	\$ 5,000,961	\$ 1,599,871	\$ 122,000	\$ -	\$ (3,279,090)	\$ -	\$ (3,279,090)	\$ (2,654,375)
Affordable rental housing	8,651,108	4,445,677	15,539,755	-	11,334,324	-	11,334,324	9,941,896
Community rehabilitation	2,418,857	-	8,500,000	-	6,081,143	-	6,081,143	9,546,135
Home ownership	1,627,637	2,405,839	-	-	778,202	-	778,202	(763,499)
Housing rehabilitation	16,473	59,994	-	-	43,521	-	43,521	(73,046)
Total governmental activities	<u>\$17,715,036</u>	<u>\$ 8,511,381</u>	<u>\$ 24,161,755</u>	<u>\$ -</u>	<u>14,958,100</u>	<u>-</u>	<u>14,958,100</u>	<u>15,997,111</u>
Business-type activities:								
Affordable rental housing	\$52,488,557	\$ 2,580,849	\$ 52,525,739	\$ 773,550	\$ -	\$ 3,391,581	\$ 3,391,581	\$ 2,182,325
Community rehabilitation	3,149,733	-	3,152,547	-	-	2,814	2,814	3,864
Home ownership	16,968,536	21,063,337	219,206	-	-	4,314,007	4,314,007	5,167,135
Total business-type activities	<u>\$72,606,826</u>	<u>\$ 23,644,186</u>	<u>\$ 55,897,492</u>	<u>\$ 773,550</u>	<u>-</u>	<u>7,708,402</u>	<u>7,708,402</u>	<u>7,353,324</u>
General revenues:								
Investment income, gains/(losses) on investments, and miscellaneous earnings					582,728	2,937,481	3,520,209	(370,684)
Transfers					2,753,223	(2,753,223)	-	-
Total general revenues and transfers					<u>3,335,951</u>	<u>184,258</u>	<u>3,520,209</u>	<u>(370,684)</u>
Change in net position					18,294,051	7,892,660	26,186,711	22,979,751
Net position, beginning of year					318,354,949	136,844,490	455,199,439	432,219,688
Net position, end of year					<u>\$ 336,649,000</u>	<u>\$ 144,737,150</u>	<u>\$ 481,386,150</u>	<u>\$ 455,199,439</u>

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



DELAWARE STATE HOUSING AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2015)

						TOTAL GOVERNMENTAL FUNDS	
	GENERAL FUND	HOUSING DEVELOPMENT FUND	DOWNTOWN DEVELOPMENT DISTRICTS GRANT FUND	STATE RENTAL ASSISTANCE PROGRAM	NONMAJOR GOVERNMENTAL FUNDS	2016	2015
ASSETS							
Cash & cash equivalents	\$ 10,616,876	\$ 13,195,221	\$ -	\$ 1,400,776	\$ 18,147,554	\$ 43,360,427	\$ 29,084,792
Investments	14,889,567	75,864,552	13,425,426	2,957,482	4,383,020	111,520,047	109,845,352
Interfund receivables	12,803,819	-	-	2,500,000	505	15,304,324	11,984,100
Loans receivable:							
Mortgages receivable, net	3,409,462	148,226,190	-	-	26,736,743	178,372,395	164,746,293
Accrued interest & other receivables	1,667,325	31,593,814	-	-	5,673,700	38,934,839	36,542,956
Prepaid items	122,286	-	-	-	-	122,286	75,937
TOTAL ASSETS	\$ 43,509,335	\$ 268,879,777	\$ 13,425,426	\$ 6,858,258	\$ 54,941,522	\$ 387,614,318	\$ 352,279,430
LIABILITIES & FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 301,135	\$ -	\$ -	\$ -	\$ 21,152	\$ 322,287	\$ 306,945
Due to St of Delaware-pension costs	2,379	-	-	-	-	2,379	3,973
Deferred credit	-	-	200,000	2,500,000	8,767,800	11,467,800	-
Interfund payables	2,530,663	-	-	-	3,358	2,534,021	732,765
Compensated absences payable	-	-	-	-	-	-	10,051
Escrow deposits	702,463	36,308,460	-	-	6,913	37,017,836	33,178,044
TOTAL LIABILITIES	3,536,640	36,308,460	200,000	2,500,000	8,799,223	51,344,323	34,231,778
FUND BALANCES							
Nonspendable	16,724,248	-	-	-	-	16,724,248	15,441,784
Restricted	-	214,693,822	13,225,426	4,358,258	43,593,507	275,871,013	245,063,914
Committed	23,248,447	17,877,495	-	-	-	41,125,942	54,945,264
Assigned	-	-	-	-	2,548,792	2,548,792	2,596,690
TOTAL FUND BALANCES	39,972,695	232,571,317	13,225,426	4,358,258	46,142,299	336,269,995	318,047,652
TOTAL LIABILITIES & FUND BALANCES	\$ 43,509,335	\$ 268,879,777	\$ 13,425,426	\$ 6,858,258	\$ 54,941,522	\$ 387,614,318	\$ 352,279,430

DELAWARE STATE HOUSING AUTHORITY
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
 THE STATEMENT OF NET POSITION
 JUNE 30, 2015

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

TOTAL FUND BALANCES OF GOVERNMENTAL FUNDS (page 18)	\$ 336,269,995
Other post-employment benefits (OPEB) assets are not financial resources and, therefore, are not reported in the funds.	109,613
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,258,030
Deferred outflows of resources related to State of Delaware pensions	69,271
Long-term liabilities are not due and payable in the current period and, therefore not reported in the funds.	(917,561)
Deferred inflows of resources related to State of Delaware pensions	<u>(140,348)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES (page 15)	<u><u>\$ 336,649,000</u></u>

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

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	GENERAL FUND	HOUSING DEVELOPMENT FUND	DOWNTOWN DEVELOPMENT DISTRICTS GRANT FUND	STATE RENTAL ASSISTANCE PROGRAM	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
						2016	2015
REVENUES							
Interest income:							
Investments	\$ 107,873	\$ 259,648	\$ -	\$ 2,966	\$ 19,806	\$ 390,293	\$ 335,398
Loans	323,349	3,307,904	-	-	1,003,206	4,634,459	4,451,968
Total interest income	431,222	3,567,552	-	2,966	1,023,012	5,024,752	4,787,366
Grants	122,000	14,755	-	-	-	136,755	30,000
Payments from primary government	-	10,000,000	8,500,000	5,525,000	-	24,025,000	24,712,600
Gains/(losses) on investments	69,811	116,611	-	-	6,013	192,435	37,326
Fees	1,529,937	972,543	-	-	165,515	2,667,995	3,097,876
Other revenue	84,338	750	-	-	1,123,839	1,208,927	1,091,152
TOTAL REVENUES	2,237,308	14,672,211	8,500,000	5,527,966	2,318,379	33,255,864	33,756,320
EXPENDITURES							
Current:							
Administrative	5,072,669	-	-	-	-	5,072,669	4,672,955
Affordable rental housing	-	2,214,142	-	6,245,853	191,113	8,651,108	9,176,783
Community rehabilitation	-	-	2,059,725	-	359,132	2,418,857	360,165
Home ownership	35,787	-	-	-	1,591,850	1,627,637	2,934,677
Housing rehabilitation	-	-	-	-	16,473	16,473	138,598
TOTAL EXPENDITURES	5,108,456	2,214,142	2,059,725	6,245,853	2,158,568	17,786,744	17,283,178
EXCESS/(DEFICIT) REVENUE OVER EXPENDITURES	(2,871,148)	12,458,069	6,440,275	(717,887)	159,811	15,469,120	16,473,142
OTHER FINANCING SOURCES (USES)							
Transfers in	1,322,993	-	-	-	3,475,751	4,798,744	4,248,034
Transfers out	(24,163)	(2,000,000)	-	-	(21,358)	(2,045,521)	(2,141,499)
Proceeds from sale of capital asset	-	-	-	-	-	-	1,195,861
TOTAL OTHER FINANCING SOURCES (USES)	1,298,830	(2,000,000)	-	-	3,454,393	2,753,223	3,302,396
NET CHANGE IN FUND BALANCES	(1,572,318)	10,458,069	6,440,275	(717,887)	3,614,204	18,222,343	19,775,538
FUND BALANCES, BEGINNING	41,545,013	222,113,248	6,785,151	5,076,145	42,528,095	318,047,652	298,272,114
FUND BALANCES, ENDING	\$ 39,972,695	\$ 232,571,317	\$ 13,225,426	\$ 4,358,258	\$ 46,142,299	\$ 336,269,995	\$ 318,047,652

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, 2015

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

NET CHANGES IN FUND BALANCE-TOTAL GOVERNMENTAL FUNDS (page 20)	\$	18,222,343
Governmental funds report other post-employment benefit (OPEB) expenditures equal to the amount contributed to the plan or expected to be liquidated with expendable available financial resources. However, in the statement of activities, OPEB expense for the year is reported in relation to the annual required contribution (ARC) equal to the annual OPEB cost. This amount is the net effect of this difference in the treatment of OPEB expenditure/expense.		100,163
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This amount is the net difference in the treatment of capital outlay.		(108,701)
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.		52,054
Governmental funds report DSHA pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
State of Delaware pension contributions	\$	84,367
Cost of benefits earned net of employee contributions		(56,175)
		<u>28,192</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (page 16)	\$	<u><u>18,294,051</u></u>

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

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2016
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2015)

	FEDERAL PROGRAMS ENTERPRISE FUND	SINGLE FAMILY PROGRAMS ENTERPRISE FUND	TOTAL ENTERPRISE FUNDS	
			2016	2015
ASSETS				
Current Assets:				
Cash & cash equivalents	\$ 2,959,263	\$ 3,190,276	\$ 6,149,539	\$ 7,095,928
Investments	1,139,616	15,441,864	16,581,480	12,757,895
Mortgage loans receivable, net	-	1,651,796	1,651,796	1,704,402
Accrued interest and other receivables	220,289	2,211,335	2,431,624	2,360,653
Grants receivable-US Dept of HUD	325,331	-	325,331	205,386
Interfund receivables	5,082	1,368	6,450	4,927
Prepaid expenses	3,620,209	-	3,620,209	3,511,874
Total current assets	8,269,790	22,496,639	30,766,429	27,641,065
Non-Current Assets:				
Cash, restricted for payment of escrows	840,278	-	840,278	794,119
Investments	5,586,985	5,703,828	11,290,813	12,828,466
Securitized mortgage loans	-	306,589,795	306,589,795	379,201,847
Mortgage loans receivable, net	57,135,334	32,639,487	89,774,821	90,888,326
Accrued interest and other receivables, net	12,543,960	5,323,567	17,867,527	16,510,011
Interfund receivables	25,076	-	25,076	25,355
Capital assets not being depreciated	3,694,919	-	3,694,919	2,935,412
Capital assets net of accumulated depreciation	9,682,323	-	9,682,323	11,245,448
Total non-current assets	89,508,875	350,256,677	439,765,552	514,428,984
TOTAL ASSETS	97,778,665	372,753,316	470,531,981	542,070,049
DEFERRED OUTFLOW OF RESOURCES				
Deferred amount on bond refunding	-	200,534	200,534	227,631
TOTAL DEFERRED OUTFLOW OF RESOURCES	-	200,534	200,534	227,631
LIABILITIES				
Current Liabilities:				
Accounts payable	598,448	38,755	637,203	565,353
Due St of Delaware-pension costs	2,651	-	2,651	2,510
Interfund payables	34,604	331,013	365,617	174,480
Compensated absences payable	8,951	-	8,951	7,977
Revenue bonds payable	-	7,609,861	7,609,861	9,074,065
Total current liabilities	644,654	7,979,629	8,624,283	9,824,385
Non-Current Liabilities:				
Interfund payables	3,240,550	9,195,662	12,436,212	11,107,137
Compensated absences payable	401,148	-	401,148	372,948
Escrow deposits	6,460,967	-	6,460,967	6,159,553
Revenue bonds payable	-	297,725,361	297,725,361	377,621,074
Total non-current liabilities	10,102,665	306,921,023	317,023,688	395,260,712
TOTAL LIABILITIES	10,747,319	314,900,652	325,647,971	405,085,097
DEFERRED INFLOW OF RESOURCES				
Deferred amount on bond refunding	-	347,394	347,394	368,093
TOTAL DEFERRED INFLOW OF RESOURCES	-	347,394	347,394	368,093
NET POSITION				
Invested in capital assets	13,377,242	-	13,377,242	14,180,860
Restricted by federal regulations	73,654,104	-	73,654,104	69,456,041
Restricted by bond covenants	-	57,705,804	57,705,804	53,207,589
TOTAL NET POSITION	\$ 87,031,346	\$ 57,705,804	\$ 144,737,150	\$ 136,844,490

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

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	FEDERAL	SINGLE	TOTAL ENTERPRISE	
	PROGRAMS	FAMILY	FUNDS	
	ENTERPRISE	ENTERPRISE	2016	2015
	FUND	FUND		
OPERATING REVENUES				
Interest income on loans	\$ 1,274,455	\$ 18,403,152	\$ 19,677,607	\$ 22,768,909
Federal housing program grants	55,897,492	-	55,897,492	55,135,693
Rental income	753,361	-	753,361	654,275
Amortization of deferred revenues	-	2,608,515	2,608,515	3,414,739
Miscellaneous	553,033	51,670	604,703	620,032
TOTAL OPERATING REVENUES	58,478,341	21,063,337	79,541,678	82,593,648
OPERATING EXPENSES				
Interest expense on bonds	-	13,406,796	13,406,796	17,624,151
Administrative	5,730,223	218,176	5,948,399	5,728,825
Grants and housing assistance payments	46,889,758	2,689,815	49,579,573	47,936,896
Public housing maintenance & utilities	1,585,878	-	1,585,878	1,547,672
Amortization of deferred expenses	-	27,097	27,097	43,824
Depreciation	1,652,636	-	1,652,636	1,644,537
Loan servicing fees	-	47,674	47,674	60,205
Other expenses	-	358,773	358,773	1,178,748
TOTAL OPERATING EXPENSES	55,858,495	16,748,331	72,606,826	75,764,858
OPERATING INCOME	2,619,846	4,315,006	6,934,852	6,828,790
NON-OPERATING INCOME/(EXPENSES)				
Investment income	1,049	5,553,015	5,554,064	3,269,541
Change in fair value of investments	-	(2,616,583)	(2,616,583)	(4,920,350)
TOTAL NON-OPERATING INCOME/(EXPENSES)	1,049	2,936,432	2,937,481	(1,650,809)
INCOME/(LOSS) BEFORE CAPITAL GRANTS AND OPERATING TRANSFERS				
Capital grants	2,620,895	7,251,438	9,872,333	5,177,981
Transfers in	773,550	-	773,550	524,534
Transfers out	-	29,358	29,358	75,464
	-	(2,782,581)	(2,782,581)	(2,181,999)
CHANGE IN NET POSITION	3,394,445	4,498,215	7,892,660	3,595,980
NET POSITION, BEGINNING	83,636,901	53,207,589	136,844,490	133,248,510
NET POSITION, ENDING	\$ 87,031,346	\$ 57,705,804	\$ 144,737,150	\$ 136,844,490

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, 2016
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	FEDERAL	SINGLE	TOTAL ENTERPRISE	
	PROGRAMS	FAMILY	FUNDS	
	ENTERPRISE	ENTERPRISE	2016	2015
	FUND	FUND		
OPERATING ACTIVITIES:				
Securitized mortgage loans principal repayments received	\$ -	\$ 69,982,124	\$ 69,982,124	\$ 85,199,154
Mortgage loans principal repayments received	698,748	3,997,025	4,695,773	5,016,403
Mortgage interest payments received	318,673	17,929,123	18,247,796	21,415,162
Grants received	55,777,546	-	55,777,546	55,217,830
Rental and related rental income	747,205	-	747,205	648,203
Insurance claims received	-	232,274	232,274	222,964
Escrow receipts	1,998,387	-	1,998,387	1,665,405
Other receipts	476,251	3,732	479,983	564,847
New mortgages disbursed	(3,873,370)	-	(3,873,370)	(2,537,279)
Grants disbursed	(46,981,524)	(2,970,361)	(49,951,885)	(47,671,152)
Administrative expenses	(5,652,907)	(217,575)	(5,870,482)	(5,567,725)
Maintenance and utility expenses	(1,585,878)	-	(1,585,878)	(1,547,672)
Trustee and servicing fees paid	-	(137,701)	(137,701)	(156,241)
Bond insurance premiums	-	(2,000)	(2,000)	(6,927)
Mortgage pool insurance premiums paid	-	(254)	(254)	(361)
Foreclosure disbursements	-	-	-	(378)
Escrow disbursements	(1,710,624)	-	(1,710,624)	(1,416,321)
NET CASH PROVIDED BY OPERATING ACTIVITIES	212,507	88,816,387	89,028,894	111,045,912
NONCAPITAL FINANCING ACTIVITIES:				
Interfund payments received	-	12,769,964	12,769,964	9,238,823
Repayments of principal on revenue bonds	-	(79,036,387)	(79,036,387)	(94,072,964)
Payments of interest on revenue bonds	-	(13,137,657)	(13,137,657)	(17,098,608)
Premium on bond call	-	-	-	(26,050)
Interfund payments made	-	(15,363,368)	(15,363,368)	(11,434,761)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	-	(94,767,448)	(94,767,448)	(113,393,560)
CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital grant funds from US Dept of HUD	773,550	-	773,550	710,882
Purchase of capital assets	(849,017)	-	(849,017)	(713,883)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(75,467)	-	(75,467)	(3,001)
INVESTING ACTIVITIES:				
Proceeds from sales and maturities of investments	23,405,321	159,297,202	182,702,523	114,510,547
Interest income on investments	1,049	153,827	154,876	169,994
Purchase of investment securities	(23,566,365)	(154,377,243)	(177,943,608)	(111,560,545)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(159,995)	5,073,786	4,913,791	3,119,996
NET INCREASE (DECREASE) IN CASH/CASH EQUIVALENT	(22,955)	(877,275)	(900,230)	769,347
CASH/CASH EQUIVALENTS, BEGINNING OF YEAR	3,822,496	4,067,551	7,890,047	7,120,700
CASH/CASH EQUIVALENTS, END OF YEAR	\$ 3,799,541	\$ 3,190,276	6,989,817	\$ 7,890,047

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	FEDERAL	SINGLE	TOTAL ENTERPRISE	
	PROGRAMS	FAMILY	FUNDS	
	ENTERPRISE	ENTERPRISE	2016	2015
	FUND	FUND		
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES				
OPERATING INCOME	\$ 2,619,846	\$ 4,315,006	\$ 6,934,852	\$ 6,828,791
Adjustments to reconcile operating income to net cash provided(used) by operating activities:				
Amortization of deferred expenses	-	27,097	27,097	43,823
Amortization of deferred revenues	-	(2,608,515)	(2,608,515)	(3,414,739)
Depreciation expense	1,652,636	-	1,652,636	1,644,537
Interest expense on bonds	-	13,406,796	13,406,796	17,624,153
Decrease in fair value of securitized mortgage loans	-	(2,629,929)	(2,629,929)	(4,923,675)
Noncash contributions	-	(300,766)	(300,766)	63,176
Changes in assets and liabilities:				
(Increase) decrease in accrued interest and other receivables	(1,158,892)	(389,899)	(1,548,791)	(716,201)
(Increase) decrease in securitized mortgage loans	-	72,612,052	72,612,052	90,122,829
(Increase) decrease in mortgage loans receivable	(3,174,621)	4,340,732	1,166,111	3,401,380
(Increase) decrease in other assets	(108,335)	-	(108,335)	14,442
Increase (decrease) in accounts payable and accrued expenses	94,110	48,666	142,776	173,657
Decrease in bonds payable	-	(4,853)	(4,853)	(65,346)
Increase (decrease) in escrow deposits	287,763	-	287,763	249,085
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 212,507	\$ 88,816,387	\$ 89,028,894	\$ 111,045,912
NONCASH NONCAPITAL FINANCING ACTIVITIES				
Transfers in	\$ -	\$ 29,358	\$ 29,358	\$ 7,832
Transfers out	-	(18,372)	(18,372)	-
NET NONCASH TRANSFERS	\$ -	\$ 10,986	\$ 10,986	\$ 7,832
NONCASH INVESTING ACTIVITIES				
Increase (decrease) in fair value of investments	\$ 13,650	\$ 13,347	\$ 26,997	\$ 9,248

DELAWARE STATE HOUSING AUTHORITY
 STATEMENTS OF FIDUCIARY NET POSITION
 JUNE 30, 2016 AND 2015

	<u>DSHA RETIREE MEDICAL TRUST</u>	
	<u>2016</u>	<u>2015</u>
ASSETS		
Interest receivable on investments	\$ 11,874	\$ 11,517
Interest receivable on loans	5,054	-
Other receivables	-	31,735
Investments, at fair value:		
Savings account	89,179	11,534
Corporate Notes	1,615,037	1,573,814
U.S. Treasury Obligations	793,660	957,964
U.S. Government Agencies	2,039,699	2,422,899
Loans receivable	1,213,052	-
Total assets	<u>5,767,555</u>	<u>5,009,463</u>
LIABILITIES		
Accounts payable	<u>546</u>	<u>7,498</u>
Total liabilities	<u>546</u>	<u>7,498</u>
NET POSITION		
Assets held in trust for retiree health benefits and other purposes	<u>\$ 5,767,009</u>	<u>\$ 5,001,965</u>

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

DELAWARE STATE HOUSING AUTHORITY
 STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>DSHA RETIREE MEDICAL TRUST</u>	
	<u>2016</u>	<u>2015</u>
ADDITIONS		
Contributions:		
Employer contributions	\$ 715,783	\$ 623,563
Total contributions	<u>715,783</u>	<u>623,563</u>
Investment earnings:		
Interest	54,534	44,989
Interest on loan	45,715	-
Net increase (decrease) in fair value	<u>37,325</u>	<u>14,300</u>
Total investment earnings	137,574	59,289
Less: Investment expense	<u>(2,463)</u>	<u>(2,577)</u>
Net investment earnings	<u>135,111</u>	<u>56,712</u>
Total additions	<u>850,894</u>	<u>680,275</u>
DEDUCTIONS		
Benefits paid	85,850	67,726
Administrative expenses	-	8,400
Total deductions	<u>85,850</u>	<u>76,126</u>
CHANGE IN NET POSITION		
Net position - beginning	765,044	604,149
Net position - ending	<u>5,001,965</u>	<u>4,397,816</u>
	<u>\$ 5,767,009</u>	<u>\$ 5,001,965</u>

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

**DELAWARE STATE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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**DELAWARE STATE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

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

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

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

B. Entity-wide and fund financial statements

The financial statements include certain prior-year summarized comparative information in total but not by activity type or fund. Such information does not include sufficient detail to constitute a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2015 from which the summarized information was derived.

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

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

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

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

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

The Authority's funds are as follows:

Governmental Fund Types

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

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

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

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

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

between DOJ and the Authority transferred \$3,812,500 into DEMAP for additional loans and allows principal repayments to remain in the original DEMAP account.

- **Delaware Housing Insurance Fund (DHIF)** – This program accounts for the activity related to the Authority’s administration of State funds which provide loan insurance for certain housing development loans. Additionally, the DHIF is used to pay debt service to SMAL bondholders for loans that foreclosed but were not forgiven by the bondholders.
- **Delaware Mortgage Mediation Program** – In January 2012, the Superior Court of the State of Delaware (the Court) delegated responsibility of administering the Automatic Residential Mortgage Foreclosure Mediation Program (Mediation Program) to the Consumer Protection Unit (CPU) of the Delaware Department of Justice. The CPU sub-delegated certain administrative responsibilities to the Authority. The Authority receives mediation fee payments from the Court and makes disbursements as detailed in a Memorandum of Understanding between the Authority, the CPU, and the Court. Disbursements include program and operating expenses and reimbursements to housing counseling agency and non-profit legal service entities that have provided housing counseling assistance in the Mediation Program.
- **DSHA Second Mortgage Assistance Program (DSHA SMAL)** – This program accounts for a program originally financed by the Housing Development Fund that provided second mortgage assistance loans to qualified first time home buyers who had inadequate savings to cover up-front costs associated with a home purchase. The Authority discontinued that program in February 2007, with no new loans being made after that date. Additionally, in August of 2008, the Delaware Housing Partnership granted a loan portfolio of over \$9 million to this program for the purpose of securing additional funding for second mortgage assistance. To date over \$4.5 million of this program’s loan portfolio has been granted to the Authority’s Single Family program to be used as collateral for bond issues that included over \$9 million of bond proceeds to be made available for second mortgage assistance loans. In fiscal year 2016, DSHA SMAL funded additional second mortgage assistance loans to qualified homebuyers with funds provided by the DSHA Mortgage Backed Securities Purchase/TBA Financing Program, a grant from the Housing Development Fund (HDF), and program income.
- **Delaware Department of Justice (DOJ) Mortgage Multistate Settlement Funds** – This program accounts for \$8,888,923 paid to the State of Delaware from the National Mortgage Foreclosure Settlement. The settlement was the result of an investigation by State Attorneys General into widespread mortgage servicing fraud by five of the nation’s largest banks. The use of the funds is restricted to housing-related and financial fraud-related purposes. The Authority entered into a Memorandum of Understanding (MOU) with the Delaware DOJ detailing joint oversight and coordination of the settlement funds. The MOU specifies the allocation of the funds for housing counseling, education and outreach, legal aid, and foreclosure prevention assistance.
- **Housing Rehabilitation Loan Program (HRLP)** - The HRLP was funded through the Housing Development Fund. The purpose of the program is to encourage the preservation of existing housing stock already occupied by low and moderate income people. This program provides an interest rate of 3% on housing rehabilitation loans to qualified owner-occupants and to landlords who rent their units to low-income persons. Owner occupants and investors may borrow 100% of rehabilitation costs. The limit on such rehabilitation costs is \$35,000 for owner-occupied and \$25,000 for investor owned. Loans carry up to a 15 year term. These loans are originated by one

of four Local Administering Agencies (LAA), New Castle County, Kent County, Sussex County, and City of Wilmington. The Authority underwrites and approves the loans. Artisans Bank services these loans. Based on declining demand, the Authority suspended accepting new HRLP applications as of November 2013. Disposition of the remaining HRLP funds will be reviewed and options explored.

- **Post Foreclosure Financial Coaching Program** – The Authority received funding for the Post Foreclosure Financial Coaching Program from the Delaware Department of Justice (DOJ) Mortgage Multistate Settlement funds. The agreement between the Joint Finance Committee of the Delaware Legislature, DOJ, and the Authority allocated \$1,000,000 to the Authority to implement a program to repair credit and poise households to return to successful homeownership. Funding was received in May of 2016 for activities to begin in fiscal year 2017.
- **Strong Neighborhoods Housing Fund (SNHF)** – The Authority received \$2,906,300 from the JPMorgan/Chase Mortgage Settlement, as part of the fiscal year 2015 appropriation from the General Assembly, to establish the Strong Neighborhoods Housing Fund. The SNHF is set up as a revolving fund to be used for the acquisition, renovation, and sale of vacant, abandoned, foreclosed or blighted property throughout the State. The funds are targeted for efforts that: (1) support community development and (2) transform neighborhoods that are experiencing blight or other forms of stress, including high crime. Funds for the pilot program will be disbursed through a competitive process.
- **Vacant Property Maintenance Program** – The Authority received funding for the Vacant Property Maintenance Program from the Delaware Department of Justice (DOJ) Mortgage Multistate Settlement funds. The agreement between the Joint Finance Committee of the Delaware Legislature, DOJ, and the Authority allocated \$500,000 to the Authority to implement a program to provide seed funding to help communities maintain abandoned property resulting from foreclosure. Funding was received in May of 2016 for activities to begin in fiscal year 2017.
- **Wexford Village Rehab (WVR)** – Accounts for Authority funds that management has designated for use in the rehabilitation of Wexford Village, a 48 unit Low Income Housing Tax Credit (LIHTC) site located in Laurel, DE, owned by Wexford Village Housing Corporation, a non-profit corporation related to the Authority. As of June 30, 2016, the rehab is complete and the program has ended.
- **Wilmington Senior Tax Assistance Program (WSTAP)** – The Wilmington Senior Tax assistance Program is designed to assist homeowners in the City of Wilmington who are 62 years of age or older and facing imminent foreclosure due to delinquent property taxes, or sewer and water bills. This program is funded with grants from United Way of Delaware and the City of Wilmington. Program payments of taxes and/or water/sewer bills for approved applicants are made by the Authority directly to the City of Wilmington. The maximum grant amount available under this program is \$3,000.

Proprietary Fund Type

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

Federal Programs Fund

Moving To Work Demonstration Program (MTW) – The MTW Demonstration Program offers the Authority the opportunity to design and test housing and self-sufficiency strategies

for low-, very-low, and extremely low-income families by allowing exemptions from existing public housing and tenant-based Housing Choice Voucher rules and, with HUD approval, permits the Authority to combine operating, capital, and tenant-based assistance funds into a single agency-wide funding source.

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

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

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

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

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

homelessness for the tenant or mortgagor, in Kent and Sussex Counties. Funds may also be used for supportive services. The funds are awarded to the Delaware HIV Consortium.

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

Other Federal Funded Programs

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

- **Section 811 Project Rental Assistance Demonstration Program (S811 PRAD)** – This program accounts for HUD funding provided to create and sustain 170 units of affordable housing over five years for persons with disabilities who have extremely low incomes. The Authority and Delaware Department of Health and Social Services work together to identify persons with disabilities who require long-term services and support to live independently in the community with the Authority managing the housing subsidy.

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 the Authority 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, was used in the financing of low income housing development projects. The funding was short-term and finite in nature. The only remaining Authority program in operation under this act is:

- **Neighborhood Stabilization Program (NSP2) Competitive Grant** – the Authority'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 were 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 principal due is reduced during the tenure of the homeowner. Purchase/Rehabilitation allows local governments and nonprofits to acquire foreclosed and abandoned 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. The Authority has allocated funds to four Jurisdictions who will act as our sub-recipients and work with the vendors. 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. This grant is reported in the Community Development Block Grant Program subfund of the Federal Programs. As of June 30, 2016, the total grant amount was spent.

Single Family Programs Fund

- **Single Family Bond Program** - This program accounts for the proceeds of the single family mortgage revenue bonds that are used to purchase long-term mortgage loans on owner occupied single family homes or mortgage loans securitized by Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA), and Federal Home Loan Mortgage Corporation (FHLMC). Beginning in fiscal 2009, the Authority included provisions for some bond proceeds to be used to purchase second mortgage assistance loans for qualifying home buyers. Private financial institutions act as agents for the Authority and process, disburse and service individual mortgage loans, second mortgage assistance loans are serviced by the Authority. Separate accounts are maintained for each series of bonds in accordance with the applicable bond resolution and indenture; however, for financial statement presentation, these accounts have been combined. Any excess of revenues over expenses in these accounts, as defined by the resolution and indenture, is not available for the general and lawful use of the Authority until all of the restrictive covenants of the applicable bond resolutions and indentures have been met.

- **Delaware State Housing Authority (DSHA) Mortgage Backed Securities Purchase Program** – This program accounts for the purchasing of mortgage backed securities to be held as investments prior to the issuance of revenue bonds under the 1994 General Resolution. The mortgage backed securities are purchased with funds provided by a note payable to the Federal Home Loan Bank (FHLB) Pittsburgh. Proceeds from the next bond issue will be used to pay the note and the mortgage backed securities will become assets of the bond issue. During fiscal year 2013, the Authority began utilizing the To-Be-Announced (TBA) market for single family homeownership financing. Under the DSHA TBA model: (1) Originators issue loans; (2) US Bank purchases and pools the loans; (3) DSHA, using funds borrowed from FHLB, purchases the MBS pools from US Bank; and (4) DSHA sells the MBS pools on the same day to First Southwest Bank at a predetermined price, resulting in funds to pay back FHLB and recognize revenue. The TBA financing allows DSHA to provide competitively priced mortgage loans while generating revenue.
- **Second Mortgage Assistance Loan (SMAL) Bond Program** - This program accounts for the proceeds of the Senior SMAL Mortgage Revenue Bonds, which provided second mortgages for qualifying home buyers.

Fiduciary Fund Type

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

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

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

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

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

- Grant revenues (wherein monies must be expended on specific purposes prior to

the Authority being reimbursed) are recognized as reimbursable expenditures as incurred.

- Service revenues are recognized as earned.
- Interest revenues on cash and investments are recognized as earned.
- Interest revenues on mortgage loans are recognized as earned.

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

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

Impact of Future Accounting Pronouncements

In 2015, the GASB issued No. 73 *“Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.”* The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement is effective for fiscal years beginning after June 15, 2015 or June 15, 2016, depending on the specific requirements. The Authority is currently evaluating the future impact of this statement.

In 2015, the GASB issued No. 74 *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.”* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. The Authority is currently evaluating the future impact of this statement.

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

In 2015, the GASB issued No. 77 *“Tax Abatement Disclosures.”* This Statement requires new disclosures about tax abatement agreements and their impact on the governmental

unit's financial position. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The Authority is currently evaluating the future impact of this statement.

In 2015, the GASB issued No. 78 "*Pensions Provided through Certain Multiple-Employer Defined Benefit Plans.*" This Statement provides accounting and reporting guidance for employers whose employees are provided defined benefit pensions through certain, narrowly defined, private or federally sponsored multiple-employer plans and are unable to obtain the data required to comply with GASBS No. 68. Instead, this amendment provides those governments accounting and financial reporting requirements for pension liabilities, expense/expenditure, note disclosure, and required supplementary information based on obtainable information. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The Authority is currently evaluating the future impact of this statement.

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

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

D. Assets, liabilities, and net position or equity

Cash and Cash Equivalents

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

Investments

The Authority considers all interest bearing bank money market, money market savings and State of Delaware investment pool accounts to be investments. Investment securities are recorded at fair value, except that investment securities with a remaining maturity at time of purchase of one year or less are reported at cost adjusted for the amortization of premium or the accretion of discount over the term of the investment, which approximates fair value (see Note IV., A.). These securities are stated at fair value based upon quoted market prices and changes in the fair value are reported in the statements of revenue, expenses, and changes in net position as net increase (decrease) in fair value of investments, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB No. 31).

Securitized Mortgage Loans

Securitized mortgage loans consist of Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA), and Federal Home Loan Mortgage Corporation (FHLMC) mortgage backed securities (MBS), which were pooled and securitized by a contract servicer utilizing Single Family Mortgage Program loans purchased by the Authority. These securities are stated at fair value, and changes in fair value are reported as revenue in the statements of revenues, expenses, and changes in net position as net increase (decrease) in fair value of investments, in accordance with GASB No. 31. The bond issue trustee uses a third-party pricing service to compute the MBS fair value. Proceeds from the sale of mortgage backed securities are restricted for payment of corresponding bonds assigned to underlying mortgages.

Mortgage Loans Receivable

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

Accrued Interest and Other Receivables

An allowance for doubtful accounts in the amount of \$14,312 has been established for tenant accounts receivable in the business-type activities and the Federal Programs Enterprise Fund as of June 30, 2016. The allowance is based upon an aging of the tenant accounts receivable and is adjusted annually. All tenant account receivable balances with no payment activity within 120 days are considered doubtful accounts.

An allowance for doubtful accounts was established in fiscal year 2015 for the accrued interest on older loans to certain nonprofit developers within the Housing Development Fund and HOME Investment Partnership Program. These loans have deferred payment terms with interest accruing at a rate of 3% per year. It was decided the Authority would recognize an allowance for doubtful accounts for a portion of the accrued interest on these loans. Based on the fact that the present rate is 1% for new nonprofit loans, the Authority established an allowance for doubtful accounts for two thirds of the accrued interest on these older loans. The amounts of the allowance at June 30, 2016 are \$1,687,933 in the Housing Development Fund, governmental activity and major governmental fund; and \$289,477 in the HOME Investment Partnership Program, a business-type activity and Federal Programs Enterprise Fund.

Capital Assets

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

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

Capital assets of the Authority are depreciated using the straight line method over the

following estimated useful lives:

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

Deferred Amounts on Bond Refunding

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

Deferred Credit

In May of fiscal year 2016, the Authority received funding from the Delaware Department of Justice (DOJ) Mortgage Multistate Settlement funds. The agreement between the Joint Finance Committee of the Delaware Legislature, DOJ, and the Authority allocated \$1,500,000 to the Delaware Emergency Mortgage Assistance Program, \$1,000,000 to the Post Foreclosure Financial Coaching Program, \$2,500,000 to the State Rental Assistance Program, \$5,767,000 to the Strong Neighborhoods Housing Fund, and \$500,000 to the Vacant Property Maintenance Program. Funding was received in May of 2016 for activities to begin in fiscal year 2017.

Compensated Absences Payable

In accordance with GASB Statement No. 16, the Authority has accrued a liability for future absences, recognizing the obligation relating to compensation for absences attributable to services already rendered. The current portion of compensated absences for both the entity-wide and fund proprietary financial statements includes all annual leave amounts that exceed a 318 hour maximum allowable carryover per employee, as these amounts will have to be used within the next year or be forfeited. The Authority believes that those balances will be used and not forfeited. Additionally, current compensated absences include annual leave balances payable to employees at fiscal yearend based on the Authority's knowledge of pending retirements or resignations. The balance of annual leave accrual is considered noncurrent. The Authority considers all sick leave accruals noncurrent.

Escrow Deposits

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

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

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

Restricted Resources

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

Net Position/Fund Equity

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

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

General Fund

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

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

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

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

Housing Development Fund

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

Other Governmental Funds

- **Restricted:** Balances used for specific program activities per enabling legislation.
- **Assigned:** Balances include amounts that are constrained by the Authority's intent, as approved by the Director, a position appointed by the Governor and authorized by Delaware Code, Title 31, Chapters 40 and 43, to be used for a specific purpose, but

are neither restricted nor committed.

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

A summary of governmental fund balances at June 30, 2016, is as follows:

	General Fund	Housing Development Fund	Downtown Development Districts Grant Fund	State Rental Assistance Program	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
General Fund	\$ 16,724,248	\$ -	\$ -	\$ -	\$ -	\$ 16,724,248
Total nonspendable	16,724,248	-	-	-	-	16,724,248
Restricted:						
Housing Development	-	214,693,822	-	-	-	214,693,822
Downtown Development District	-	-	13,225,426	-	-	13,225,426
Rental Assistance	-	-	-	4,358,258	-	4,358,258
Foreclosure Prevention and Housing Counseling	-	-	-	-	715,247	715,247
Housing Rehabilitation	-	-	-	-	1,506,887	1,506,887
Mortgage Assistance	-	-	-	-	38,773,324	38,773,324
Neighborhood Revitalization	-	-	-	-	2,401,852	2,401,852
Other Purposes	-	-	-	-	196,197	196,197
Total restricted	-	214,693,822	13,225,426	4,358,258	43,593,507	275,871,013
Committed:						
General Fund	23,248,447	-	-	-	-	23,248,447
Housing Development	-	17,877,495	-	-	-	17,877,495
Total committed	23,248,447	17,877,495	-	-	-	41,125,942
Assigned:						
Housing Rehabilitation	-	-	-	-	2,432,300	2,432,300
Other Purposes	-	-	-	-	116,492	116,492
Total assigned	-	-	-	-	2,548,792	2,548,792
Total Fund Balance	\$ 39,972,695	\$ 232,571,317	\$ 13,225,426	\$ 4,358,258	\$ 46,142,299	\$ 336,269,995

Comparative Data

Comparative total data for the prior year is presented in the basic financial statements to provide an understanding of changes in the Authority's financial position and operations. That comparative data is not at the level of detail required for a presentation in conformity with generally accepted accounting principles and has been reclassified, as needed, from the presentation in the Authority's June 30, 2015, financial statements to be comparative with the current-year presentation.

Statement of Cash Flows

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

Budgetary Comparisons

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

II. RECONCILIATION OF ENTITY-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the entity-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and therefore, are not reported in the funds. The details of this \$1,258,030 difference are as follows:

Capital assets	\$3,373,312
Less: Accumulated depreciation	<u>(2,115,282)</u>
Net capital asset adjustment	<u>\$1,258,030</u>

The other element of that reconciliation explains that long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The details of this \$(917,561) difference are as follows:

Compensated absences	\$(610,043)
State of Delaware pension obligation	<u>(307,518)</u>
Net long-term liabilities adjustment	<u>\$(917,561)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the entity-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$(108,701) difference are as follows:

Capital outlay	\$ -
Less: Depreciation expense	<u>(108,701)</u>
Net capital asset adjustment	<u>\$(108,701)</u>

III. COMPLIANCE AND ACCOUNTABILITY

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

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Investment Policies

The Authority has an investment policy that encompasses all moneys related to the issuance of bonds, as well as, all funds otherwise held by the Authority. The Authority seeks first and foremost to ensure safety of principal, and secondly, to attain the highest possible return available given the risk constraints. The Authority is allowed to invest in certain qualified investments as defined by amended Section 4013, Chapter 40, Title 31, of the Delaware Code and the Authority's formal investment policy. Subject to certain limitations, such as the credit ratings on bonds and the capitalization level of depositories, "qualified investments" include:

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

Certain federal funds administered by the Authority are subject to additional limitations within the qualified investments listed above.

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

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

Investments

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

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

The following is a listing of investments and their maturities:

Investment type	Fair Value 6/30/2016	Investment Maturities (in Years)				
		Less than 1	1 to 5	5 to 10	10 to 20	20 to 30
Governmental activities:						
U.S.Treasury Notes	\$ 13,743,088	\$ 3,592,589	\$10,150,499	\$ -	\$ -	\$ -
U.S.Treasury Strips	224,102	-	-	224,102	-	-
U.S. Agencies	21,022,763	5,510,997	15,511,766	-	-	-
Corporate Notes	23,044,316	6,478,322	16,565,994	-	-	-
Commercial Paper	2,523,407	2,523,407	-	-	-	-
Bank Money Market Accounts	30,734,462	30,734,462	-	-	-	-
State of Delaware Investment Pool	20,227,909	20,227,909	-	-	-	-
Total Governmental Activities Investments	111,520,047	69,067,686	42,228,259	224,102	-	-
Business-type activities:						
U.S.Treasury Notes	5,633,883	2,044,640	3,409,269	179,974	-	-
U.S.Treasury Bonds	28,047	-	-	-	28,047	-
U.S.Agencies	5,897,130	2,289,666	3,607,464	-	-	-
Corporate Notes	1,303,013	359,892	943,121	-	-	-
Commercial Paper	42,939	42,939	-	-	-	-
Investment Agreements	49,950	-	-	-	-	49,950
Money Market Saving Accounts	4,352,950	4,352,950	-	-	-	-
Bank Money Market Accounts	10,427,741	10,427,741	-	-	-	-
State of Delaware Investment Pool	136,640	136,640	-	-	-	-
Securitized Mortgage Loans	306,589,795	-	-	-	-	306,589,795
Total Business-type Activities Investments	334,462,088	19,654,468	7,959,854	179,974	28,047	306,639,745
Total Entity-wide Investments	\$ 445,982,135	\$ 88,722,154	\$50,188,113	\$ 404,076	\$ 28,047	\$ 306,639,745
Fiduciary Fund Investments:						
U.S.Treasury Notes	\$ 793,660	\$ 245,221	\$ 548,439	\$ -	\$ -	\$ -
U.S.Agencies	2,039,699	753,841	1,285,858	-	-	-
Corporate Notes	1,615,037	-	1,615,037	-	-	-
Bank Money Market Accounts	89,179	89,179	-	-	-	-
Mortgage Loan Receivable	1,213,052	18,684	108,778	139,601	704,157	241,832
Total Fiduciary Fund Investments	\$ 5,750,627	\$ 1,106,925	\$ 3,558,112	\$ 139,601	\$ 704,157	\$ 241,832

Interest Rate Risk

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

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

depending upon market conditions.

Credit Risk

The Authority's general investment policy is to make investments with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as, the probable income to be derived. The Authority's investment policy limits its investment choices as mentioned above under Investments. For the Authority's Single Family Programs, the investment rating must be equal to or exceed the bond rating. The Authority's Operating Reserve Account has a specific credit quality requirement as follows: Corporate debt obligations and shares of money market mutual funds shall have a long-term rating of AA and/or Aa, respectively by Standard & Poor's (S&P) and Moody's at the time of purchase. The State of Delaware Investment Pool and money market accounts are not rated by any of the nationally recognized statistical rating organizations. As of June 30, 2016, the Authority's investments were rated as detailed below, in addition, the Fiduciary Fund investments include a mortgage loan receivable of \$1,225,000 which the Authority, in the event of loan default, has guaranteed.

Investment Type	Ratings (S & P)							U.S. government guaranteed
	A1	A1+	A+	AA-	AA	AA+	AAA	
Governmental activities:								
U.S. Treasury Notes								\$ 13,743,088
U.S. Treasury Strips								\$ 224,102
U.S. Agencies						\$ 21,022,763		
Corporate Notes			\$ 2,538,634	\$ 13,812,716	\$ 3,452,715	\$ 1,587,990	\$ 1,652,261	
Commercial Paper	\$ 1,021,815	\$ 1,501,592						
Business-type activities:								
U.S. Treasury Notes								\$ 5,633,883
U.S. Treasury Bonds								\$ 28,047
U.S. Agencies						\$ 5,897,130		
Corporate Notes			\$ 114,148	\$ 809,603	\$ 172,068	\$ 104,346	\$ 102,848	
Commercial Paper	\$ 42,939							
Securitized Mortgage Loans								\$ 306,589,795
Fiduciary Fund:								
U.S. Treasury Notes								\$ 793,660
U.S. Agencies						\$ 2,039,699		
Corporate Notes			\$ 170,515	\$ 483,106	\$ 432,180	\$ 325,800	\$ 203,436	

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, 2016, the carrying value and the bank balances of the Authority's deposits were \$50,350,244 and \$51,159,547, 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 \$445,982,135 investment balance, \$49,950 represents deposits held by various Guaranteed Investment Contract (GIC) providers under investment agreements. These accounts are uninsured and uncollateralized. The funds are specifically identified for the Authority, but the custodial credit risk cannot be categorized for these funds. Credit risk for such investments depends on the financial stability of the GIC provider whose rating must equal or exceed that of the bond rating. The bank and savings money markets must be collateralized at 102% or greater by

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

Fair Value Hierarchy

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

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

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

Investment type	Fair Value 6/30/2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Governmental activities:				
U.S. Treasury Notes	\$ 13,743,088	\$ 13,743,088	\$ -	\$ -
U.S. Treasury Strips	224,102	224,102	-	-
U.S. Agencies	21,022,762	21,022,762	-	-
Corporate Notes	23,044,316	23,044,316	-	-
Commercial Paper	2,523,407	2,523,407	-	-
Bank Money Market Accounts	30,734,462	30,734,462	-	-
State of Delaware Investment Pool	20,227,909	20,227,909	-	-
Total Governmental Activities Investments	111,520,046	111,520,046	-	-
Business-type activities:				
U.S. Treasury Notes	5,633,883	5,633,883	-	-
U.S. Treasury Bonds	28,047	28,047	-	-
U.S. Agencies	5,897,130	5,897,130	-	-
Corporate Notes	1,303,013	1,303,013	-	-
Commercial Paper	42,939	42,939	-	-
Investment Agreements	49,950	49,950	-	-
Money Market Saving Accounts	4,352,950	4,352,950	-	-
Bank Money Market Accounts	10,427,741	10,427,741	-	-
State of Delaware Investment Pool	136,640	136,640	-	-
Securitized Mortgage Loans	306,589,795	306,589,795	-	-
Total Business-type Activities Investments	334,462,088	334,462,088	-	-
Total Entity-wide Investments	\$ 445,982,134	\$ 445,982,134	\$ -	\$ -
Fiduciary Fund Investments:				
U.S. Treasury Securities	\$ 793,660	\$ 793,660	\$ -	\$ -
U.S. Agencies	2,039,699	2,039,699	-	-
Corporate Notes	1,615,037	1,615,037	-	-
Bank Money Market Accounts	89,179	89,179	-	-
Mortgage Loan Receivable	1,213,052	-	-	1,213,052
Total Fiduciary Fund Investments	\$ 5,750,627	\$ 4,537,575	\$ -	\$ 1,213,052

Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. The mortgage loan receivable classified in Level 3 of the fair value hierarchy is valued at the amount of principal due at June 30, 2016.

B. Receivables

Total receivables as of June 30, 2016 are as follows:

Receivables	Governmental Activities	Business-type Activities	Total
Mortgage loans	\$ 180,275,310	\$ 93,024,066	\$ 273,299,376
Accrued interest	40,634,142	20,289,992	60,924,134
Other receivables	345,807	534,632	880,439
Grants receivable	-	325,331	325,331
Total receivables	<u>221,255,259</u>	<u>114,174,021</u>	<u>335,429,280</u>
Allowance for doubtful accounts	<u>(3,948,026)</u>	<u>(2,122,922)</u>	<u>(6,070,948)</u>
Total receivables, net	<u>\$ 217,307,233</u>	<u>\$ 112,051,099</u>	<u>\$ 329,358,332</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 215,514,139</u>	<u>\$ 107,642,348</u>	<u>\$ 323,156,487</u>

Mortgage loans receivable

A summary of mortgage loans receivable as of June 30, 2016 is shown below:

Governmental Activities:

General Fund	\$ 3,453,638
Housing Development Fund	148,319,021
Non-major governmental funds	<u>28,502,651</u>
Mortgage loans receivable, governmental activities	180,275,310
Less: Allowance for doubtful accounts	<u>(1,902,915)</u>
Net mortgage loan receivables, governmental activities	<u>178,372,395</u>

Business-type Activities:

Federal Programs Fund	57,750,334
Single Family Programs Fund	<u>35,273,731</u>
Mortgage loans receivable, business-type activities	93,024,065
Less: Allowance for doubtful accounts	<u>(1,597,448)</u>
Net mortgage loan receivables, business-type activities	<u>91,426,617</u>

Total mortgage loans receivable, net \$ 269,799,012

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

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

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

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

Accrued interest and other receivables

Accrued interest and other receivables as of June 30, 2016 are as follows:

	Governmental Activities			Business-type Activities		Total
	General Fund	Housing	Nonmajor	Federal Programs	Single	
		Development Fund	Governmental Funds		Family Programs	
Loan interest	\$ 1,296,315	\$ 31,537,934	\$ 5,650,408	\$ 12,567,906	\$ 7,186,793	\$ 58,239,356
Investment interest	44,572	55,880	3,924	-	24,132	128,508
HDF projects	27,730	-	-	-	-	27,730
Other projects	238,597	-	-	-	-	238,597
Servicers	7,981	-	-	-	286,654	294,635
Tenants, net	-	-	-	21,174	-	21,174
Other	52,130	-	19,368	175,169	37,323	283,990
Total	\$ 1,667,325	\$ 31,593,814	\$ 5,673,700	\$ 12,764,249	\$ 7,534,902	\$ 59,233,990

C. Accounts payable

Accounts payables as of June 30, 2016 are as follows:

	Governmental Activities		Business-type Activities		Total
	General Fund	Nonmajor Governmental Funds	Federal Programs	Single Family Programs	
Vendors	\$ 122,224	\$ 21,152	\$ 198,913	\$ -	\$ 342,289
Salaries	162,297	-	108,056	-	270,353
Security deposits	-	-	177,274	-	177,274
Other	16,614	-	114,205	38,755	169,574
Total	\$ 301,135	\$ 21,152	\$ 598,448	\$ 38,755	\$ 959,490

D. Capital assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance			Ending Balance
	June 30, 2015	Increases	Decreases	
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 509,500	\$ -	\$ -	\$ 509,500
Total capital assets, not being depreciated	509,500	-	-	509,500
Capital assets, being depreciated:				
Buildings	1,934,902	-	-	1,934,902
Land/Site Improvements	211,929	-	-	211,929
Computer Equipment	415,167	-	-	415,167
Equipment	265,067	-	-	265,067
Telecommunications Equipment	36,747	-	-	36,747
Total capital assets being depreciated	2,863,812	-	-	2,863,812
Less accumulated depreciation for:				
Buildings	1,192,184	56,633	-	1,248,817
Land/Site Improvements	193,251	4,150	-	197,401
Computer Equipment	415,167	-	-	415,167
Equipment	169,232	47,918	-	217,150
Telecommunications Equipment	36,747	-	-	36,747
Total accumulated depreciation	2,006,581	108,701	-	2,115,282
Total capital assets, being depreciated, net	857,231	(108,701)	-	748,530
Governmental activities capital assets, net	\$ 1,366,731	\$ (108,701)	\$ -	\$ 1,258,030
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	267,659	773,550	14,043	1,027,166
Total capital assets, not being depreciated	2,935,412	773,550	14,043	3,694,919
Capital assets, being depreciated:				
Buildings	22,600,570	-	-	22,600,570
Land/Site Improvements	20,859,545	14,043	-	20,873,588
Vehicles	41,908	75,468	-	117,376
Equipment	826,090	-	-	826,090
Total capital assets being depreciated	44,328,113	89,511	-	44,417,624
Less accumulated depreciation for:				
Buildings	18,890,447	567,499	-	19,457,946
Land/Site Improvements	13,457,160	1,006,090	-	14,463,250
Vehicles	41,908	12,578	-	54,486
Equipment	693,150	66,469	-	759,619
Total accumulated depreciation	33,082,665	1,652,636	-	34,735,301
Total capital assets, being depreciated, net	11,245,448	(1,563,125)	-	9,682,323
Business-type activities capital assets, net	\$ 14,180,860	\$ (789,575)	\$ 14,043	\$ 13,377,242

Depreciation expense of \$108,701 was charged to the administrative function in the governmental activities. Depreciation expense of \$1,652,636 was charged to the affordable rental housing function in the business-type activities.

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

Construction commitments

The Authority has active capital projects as of June 30, 2016. The projects include renovations at the various public housing developments. At year end, the Authority had commitments with contractors of \$11,353, relating to business-type activities and the Federal Programs Enterprise Fund.

E. Interfund transactions

The composition of interfund balances as of June 30, 2016, is as follows:

Due to:	Governmental Activities		Business-type Activities			Total	
	Due from:						
	General Fund	Nonmajor Governmental Funds	Federal Programs	Single Family Programs			
Current:							
General Fund	\$ -	\$ 1,890	\$ 34,604	\$ 331,013	\$ -	\$ 367,507	
State Rental Assistance Program	2,500,000	-	-	-	-	2,500,000	
Nonmajor							
Governmental Funds	505	-	-	-	-	505	
Federal Programs	5,082	-	-	-	-	5,082	
Single Family Programs	-	1,368	-	-	-	1,368	
Total	\$ 2,505,587	\$ 3,258	\$ 34,604	\$ 331,013	\$ -	\$ 2,874,462	
Non-current:							
General Fund	\$ -	\$ 100	\$ 3,240,550	\$ 9,195,662	\$ -	\$ 12,436,312	
Federal Programs	25,076	-	-	-	-	25,076	
Total	\$ 25,076	\$ 100	\$ 3,240,550	\$ 9,195,662	\$ -	\$ 12,461,388	

The current balances resulted from the time lag between the dates payments between funds are made.

The non-current balances mainly represent loans made from the general fund to other programs for the purpose program operations. The General Fund has loaned \$30,000 to the Family Unification Program and \$3,200,000 to the Section 8 Contract Administration Program, both business-type activities and Federal Program Enterprise Funds, to allow the programs to disburse housing assistance payments prior to the receipt of the federal funds. The General Fund has loaned the DSHA Mortgage Backed Securities Purchase Program, a business-type activity and Single Family Programs Enterprise Fund, \$9,200,000 in the form of investments held as collateral at the FHLB Pittsburgh in order to facilitate the temporary financing needs of the program's purchases and sales of mortgage backed securities. These loans are at 0% interest and repayment is at the discretion of management as program needs change.

Interfund transfers for the year ended June 30, 2016 consisted of the following:

Transfers in:	Governmental Activities		Business-type Activities			Total	
	Transfers out:						
	General Fund	Housing Development Fund	Nonmajor Governmental Funds	Federal Programs	Single Family Programs		
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 1,322,993	\$ 1,322,993	
Nonmajor							
Governmental Funds	16,163	2,000,000	100,000	-	1,459,588	3,575,751	
Single Family Programs	8,000	-	21,358	-	-	29,358	
Total transfer out	\$ 24,163	\$ 2,000,000	\$ 121,358	\$ -	\$ 2,782,581	\$ 4,928,102	

Within the governmental activities, the Housing Development Fund, a major governmental fund, transferred \$2,000,000 to the DSHA Second Mortgage Assistance Loan Program, a nonmajor governmental fund, in support of the program's objective to make down payment assistance available to qualified homebuyers.

Within business-type activities, Single Family Programs reported cash transfers consisting mainly of the transfer of: (1) administrative fees of \$1,304,622 from the Single Family Mortgage Revenue Bond Programs, a Single Family Programs Enterprise Fund, to the General Fund, a governmental activity and major governmental fund, in support of operations; and (2) \$1,459,587 from the DSHA Mortgage Backed Securities Purchase Program, a Single Family Programs Enterprise Fund, to the DSHA Second Mortgage Assistance Loan Program, a governmental activity and nonmajor governmental fund, in support of the program's objective to make down payment assistance available to qualified homebuyers.

F. Short-term and long-term debt

Short-term and long-term debt activity for the year ended June 30, 2016, was as follows:

	Beginning Balance			Ending Balance		Due Within
	June 30, 2015	Increases	Decreases	June 30, 2016		One Year
Governmental activities:						
Compensated absences, relating to the General Fund	\$ 672,148	\$ 324,568	\$ 386,673	\$ 610,043	\$	6,475
Governmental activity long-term liabilities	\$ 672,148	\$ 324,568	\$ 386,673	\$ 610,043	\$	6,475
Business-type activities:						
Compensated absences, relating to the Federal Programs Fund	\$ 380,925	\$ 215,310	\$ 186,136	\$ 410,099	\$	8,951
Revenue bonds payable, Single Family Programs Fund	386,695,139	269,139	81,629,056	305,335,222		7,609,861
Business-type activity long-term liabilities	\$ 387,076,064	\$ 484,449	\$ 81,815,192	\$ 305,745,321	\$	7,618,812

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

Compensated Absences

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

Revenue Bonds Payable

The revenue bonds outstanding have been issued to provide financing for mortgage loans. The bonds are secured by the mortgage loans made or purchased under the applicable resolutions, the revenues, prepayments and foreclosures proceeds received related to the mortgage loans, and certain funds and accounts established pursuant to the applicable bond resolutions. All bonds are callable subject to certain restrictions. Interest rates on bonds outstanding range from 1.26% to 6.65% with maturities of such bonds up through January 1, 2049.

On December 31, 2015, the Authority called all remaining bonds of the Single Family Mortgage Revenue Bonds 2006 Series B issue and sold all remaining mortgage backed securities associated with the bond issue.

On December 31, 2015, the Authority called all remaining bonds of the Single Family Mortgage Revenue Bonds 2006 Series C issue, all remaining mortgages associated with the bond issue will be moved to another bond issue and mortgage repayments will be used to refund those bonds.

On June 30, 2016, the Authority called all remaining bonds of the Single Family Mortgage Revenue Bonds 2006 Series D issue and sold all remaining mortgage backed securities

associated with the bond issue.

Conduit Debt

Through its Multi-Family Mortgage Revenue Bond Program (MFMRB), the Authority has issued debt to assist private-sector entities in the acquisition, new construction, or substantial rehabilitation of apartment complexes which are available for rent to low-income individuals and families. The bonds are secured by the properties financed and are payable solely from rents and payments received on the underlying mortgage loans. Neither the Authority nor the State is obligated in any manner for repayment of the bonds. Accordingly, the bonds and any related assets are not reported as assets or liabilities in the accompanying financial statements. Application and other fees generated from the administration of this program are recorded in the General Fund. As of June 30, 2016, five issues with debt of \$43,499,706 are outstanding.

Interest Expense on Long-Term Debt

Interest expense of \$13,406,796 on long-term debt has been included in the direct expenses of individual functions on the entity-wide statement of activities. Authorization for general long-term debt is essential for the creation and continuing existence of the Single Family mortgage programs; thus an objective connection can be made to these programs. All interest on long-term debt is reported as a direct expense of the program for which borrowing is related. The interest expense of \$13,406,796 was charged to the home ownership function in the business-type activities.

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

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

Fiscal Year	Principal	Interest	Total
2017	\$ 7,609,861	\$ 11,031,890	\$ 18,641,751
2018	6,925,000	10,768,792	17,693,792
2019	7,030,000	10,480,915	17,510,915
2020	7,285,000	10,172,930	17,457,930
2021	7,666,761	9,865,964	17,532,725
2022 - 2026	44,561,962	43,897,222	88,459,184
2027 - 2031	42,382,940	34,034,842	76,417,782
2032 - 2036	40,366,982	26,157,655	66,524,637
2037 - 2041	43,108,440	18,039,942	61,148,382
2042 - 2046	89,494,888	5,210,805	94,705,693
2047 - 2051	8,903,388	347,298	9,250,686
Totals	\$ 305,335,222	\$ 180,008,255	\$ 485,343,477

G. Segment information

The Authority maintains two major Enterprise Funds, each with a group of subfunds. Indentures for bonds reported in the Single Family Program Funds require that these programs be accounted for separately based on the General Resolutions for each grouping of bond issuances. The Single Family Programs Fund accounts for the Authority's single family mortgage program, which includes the Single Family Mortgage Revenue Bonds 2006 Series B, C, and D, 2007 Series A, B, C, and D, 2008 Series A and B, 2009 Series A, 2011 Series A/B, 2013 Series A; and 2010-1, 2011-2, and 2013-1 of the New Issue Bond Program (NIBP). The fund also accounts for the DSHA Mortgage Backed Securities Purchase Program and for the Authority's second mortgage program, which includes the Senior SMAL Revenue bonds, 1997 Series A, 1998 Series A and B, and 2001 Series A.

CONDENSED STATEMENT OF NET POSITION - SINGLE FAMILY PROGRAMS FUND SEGMENTS
JUNE 30, 2016

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2006B-2013A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES NIBP 2010-2013-1	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM	SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND SERIES 1997A-2001A	TOTAL SINGLE FAMILY PROGRAMS
Assets					
Current assets	\$ 7,579,609	\$ 689,782	\$ 14,142,619	\$ 83,261	\$ 22,495,271
Current interfund receivables	-	-	-	1,368	1,368
Non-current assets	179,628,045	163,145,573	5,445,562	2,037,497	350,256,677
Total assets	187,207,654	163,835,355	19,588,181	2,122,126	372,753,316
Deferred outflow of resources					
Deferred amount on bond refunding	200,534	-	-	-	200,534
Total deferred outflow of resources	200,534	-	-	-	200,534
Liabilities					
Current liabilities	3,647,899	3,962,032	38,685	-	7,648,616
Current interfund payables	210,798	120,050	-	165	331,013
Non-current liabilities	143,084,198	152,794,980	-	1,846,183	297,725,361
Non-current interfund payables	50	-	9,195,562	50	9,195,662
Total liabilities	146,942,945	156,877,062	9,234,247	1,846,398	314,900,652
Deferred inflow of resources					
Deferred amount on bond refunding	-	347,394	-	-	347,394
Total deferred inflow of resources	-	347,394	-	-	347,394
Net position, restricted	\$ 40,465,243	\$ 6,610,899	\$ 10,353,934	\$ 275,728	\$ 57,705,804

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - SINGLE FAMILY PROGRAMS
FUND SEGMENTS
FOR THE YEAR ENDED JUNE 30, 2016

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2006B-2013A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES NIBP 2010-2013-1	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM	SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND SERIES 1997A-2001A	TOTAL SINGLE FAMILY PROGRAMS
Operating revenues*	\$ 14,555,842	\$ 6,363,127	\$ 3,732	\$ 140,636	\$ 21,063,337
Operating expenses:					
Interest expense on bonds	8,049,582	5,262,577	-	94,637	13,406,796
Other	523,314	24,469	2,752,685	41,067	3,341,535
Operating income/(loss)	5,982,946	1,076,081	(2,748,953)	4,932	4,315,006
Non-operating revenue/(expenses):					
Investment income	39,750	2,856	5,502,229	8,180	5,553,015
Other non-operating revenue/(expenses)	(3,808,953)	1,179,024	-	13,346	(2,616,583)
Transfers in/(out)	(1,163,733)	(119,531)	(1,477,959)	8,000	(2,753,223)
Change in net position	1,050,010	2,138,430	1,275,317	34,458	4,498,215
Beginning net position	39,415,233	4,472,469	9,078,617	241,270	53,207,589
Ending net position	\$ 40,465,243	\$ 6,610,899	\$ 10,353,934	\$ 275,728	\$ 57,705,804

*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, 2016

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2006B-2013A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES NIBP 2010-2013-1	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM	SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND SERIES 1997A-2001A	TOTAL SINGLE FAMILY PROGRAMS
Net cash provided (used) by:					
Operating activities	\$ 63,540,822	\$ 28,225,828	\$ (3,029,369)	\$ 79,106	\$ 88,816,387
Noncapital financing activities	(65,156,436)	(28,107,058)	(1,459,587)	(44,367)	(94,767,448)
Investing activities	1,619,976	(118,774)	3,571,719	865	5,073,786
Net increase/(decrease)	4,362	(4)	(917,237)	35,604	(877,275)
Beginning cash and cash equivalents	119,915	7	3,946,659	970	4,067,551
Ending cash and cash equivalents	\$ 124,277	\$ 3	\$ 3,029,422	\$ 36,574	\$ 3,190,276

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.

The Authority, as a public corporation, is responsible for all risk liabilities associated with its operations, with the exception that employees in state-owned vehicles and its offices in the Carvel State Office Building are covered by the State of Delaware. Over the past five years, the Authority insurance premiums have ranged between \$140,000 and \$272,555. The top four policies by premium amount were: commercial property, workers compensation, director and officer liability, and auto. The Authority's retained risk, meaning insurance deductible outlays through self-insurance, has ranged from \$25,000 to \$50,000 per year. The primary insurance coverage was \$41 million (with \$25,000 deductible) for property insurance; up to \$4.0 million (with \$10,000 deductible) for general liability insurance; up to \$3.0 million (with \$1,000 deductible) for auto insurance; and \$1.0 million (with \$50,000 deductible) for director and officer liability insurance.

B. Related organizations and related party transactions

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

During the Year Ended June 30, 2016, HCHC was under agreement with the Authority for the management of its operations. For the Year Ended June 30, 2016, HCHC paid management fees to the Authority totaling \$34,068 and labor charges totaling \$120,870.

As of June 30, 2016, HCHC and WVHC were indebted to the Authority for Housing Development Fund loans in the amounts of \$2,854,460 and \$4,152,318, respectively.

For the Year Ended June 30, 2016, Section 8 Contract Administration housing assistance payments totaling \$329,364 from the HUD passed through the Authority to HCHC.

C. Economic dependency

During the Year Ended June 30, 2016, the Authority's business-type activities received 68.1 percent of their revenue from the U.S. Department of Housing and Urban Development.

D. Post-retirement health care benefits

State Employees

Authority state employees are hired by the Authority through the State of Delaware Office of Personnel and are eligible for State of Delaware employee benefits. The State provides post-retirement health care benefits, in accordance with the State statutes, to all State employees of the Authority who retire from the State after meeting the eligibility requirements. Please refer to the State Comprehensive Annual Financial Report (CAFR) for post-retirement health

care benefits. A copy of the CAFR may be obtained by writing to: State of Delaware, Dept. of Finance, Div. of Accounting, 820 Silver Lake Boulevard, Dover, DE 19904; calling 1-302-672-5505; or visiting: [http:// accounting.delaware.gov](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, 2016 was \$53,643, 7.47% of covered payroll, equal to the required contribution for the year. The Authority's contributions to the State PERS for post-retirement health care benefits for the Years Ended June 30, 2015 and June 30, 2014 were \$64,610 and \$71,158, 7.47% and 8.09% of covered payroll, respectively, equal to the required contribution for each year.

Non-State Employees

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

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, their spouses and dependents participating in the State of Delaware Group Health Insurance Program. The amount the Authority pays for the medical insurance premiums for retirees varies by the individual's service and retirement date. All regular active employees who retire directly from the Authority and meet the eligibility criteria may participate. The Authority issues this publicly available financial report that includes financial statements and required supplementary information for the plan.

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 \$715,783 for the Year Ended June 30, 2016.

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)	\$	615,594
Adjustment to Annual Required Contribution:		
Interest on net OPEB Obligation (NOO)		(64)
Amortization of Net OPEB Obligation (NOO)		90
Annual OPEB Cost (expense) (AOC)		<u>615,620</u>
Contributions made		<u>(715,783)</u>
Increase (decrease) in net OPEB obligation		(100,163)
Net OPEB obligation, beginning of year		(9,450)
Net OPEB obligation, end of year	\$	<u><u>(109,613)</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributions to the plan, and the net OPEB obligation for Fiscal Year 2016 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 615,620	116.27%	\$ (109,613)
6/30/2015	\$ 615,620	101.29%	\$ (9,450)
6/30/2014	\$ 666,973	99.84%	\$ (1,507)

4. **Funded Status and Funding Progress** - As of July 1, 2015, the plan was 72% funded. The actuarial accrued liability (AAL) for benefits was \$6,857,512 and the actuarial value of assets was \$4,948,105, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,909,407. The covered payroll (annual payroll of active non-state employees covered by the plan) was \$4,350,000, and the ratio of the UAAL to the covered payroll was 43.9%.

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. The following table shows the actuarial methods and assumptions of the Authority's most recent actuarial valuation:

Valuation date	July 1, 2014
Actuarial Cost Method	Projected Unit Credit Cost Method
Amortization Method	Level Dollar Open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.25%
Inflation Rate	3.00%
Ultimate Rate of Medical Inflation	4.25%

E. Pension plans

State Employees

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

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

employees are required to contribute to the pension plan according to Chapter 55, Title 29 of the Delaware Code.

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

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

2. Funding Policy - Employees of the Authority are required to contribute 3% of earnings in excess of \$6,000. Additionally, for the Year Ended June 30, 2016, the Authority was required to contribute 10.72% of covered payroll to the plan. The Authority's contribution to the State PERS for the Year Ended June 30, 2016 was \$69,271, equal to the required contribution for the year. The Authority's contributions to the State PERS for the Years Ended June 30, 2015 and June 30, 2014 were \$82,415 and \$97,183, respectively, equal to the required contribution for each year.

3. Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the Authority reported a liability of \$307,518 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. As of June 30, 2015 and 2014, the Authority's proportion was 0.046 percent and 0.048 percent, respectively. The Authority's proportionate share of the Net Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, and Pension Expense (the Collective Pension Amounts) was determined in accordance with Governmental Accounting Standards Board No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). The Plan's Management has elected to allocate the employer's proportionate shares of the Collective Pension amounts on the percentage of actual employer contributions. Intra-fund transfers and journal entries associated with payroll adjustments are not included in the allocation.

For the year ended June 30, 2016, the Authority recognized pension expense of \$56,175. As of June 30, 2016, the Authority reported deferred inflows and outflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Net difference between projected and actual earnings on plan investments	\$ -	\$ 100,923
Net difference to change in proportion	-	39,425
Contributions made after the measurement date	69,271	-
Total	<u>\$ 69,271</u>	<u>\$ 140,348</u>

The \$69,271 of deferred outflows of resources resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of

resources and deferred inflows of resources will be recognized in pension expense during the year ended June 30:

2017	\$	25,231
2018		25,231
2019		25,231
2020		25,230
Total	\$	<u>100,923</u>

4. Actuarial Assumptions – The collective total pension liability for June 30, 2015 measurement date was determined by an actuarial valuation as of June 30, 2014, and update procedures were used to roll forward the total pension liability to June 30, 2015. The collective total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of June 30, 2014. These actuarial valuations used the following actuarial assumptions:

Investment Rate of Return/Discount Rate*	7.2%
Projected Salary Increases*	3.5% to 11.5%
Cost-of-Living Adjustments	Ad hoc

*Inflation is included at 3%

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in the future years. The assumptions used were based on the results of an actuarial experience study conducted in 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Mortality rates were based on the Sex distinct RP - 2000 combined Mortality Table projected to 2015 using scale AA for Males or Females, as appropriate, for mortality improvement.

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

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

Asset Class	Long-term Expected Real Rate of Return
Domestic Equity	5.7%
International Equity	5.7%
Fixed Income	2.0%
Alternative Investments	7.8%

Discount Rate – The discount rate for all plans used to measure the total pension liability was 7.2%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plans fiduciary

net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease	Discount Rate	1% Increase
\$	694,785	\$ 307,518	\$ (146,387)

Deferred Outflows of Resources and Deferred Inflows of Resources

The components of collective deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual earnings on the DPERS investments, are amortized into pension expense over a closed period, which reflects the weighted average remaining service life as of all plan members, beginning the year in which the deferred amount occurs. The amortization period is six years for the State Employees' Plan, for deferred amounts arising in fiscal year 2015. The annual difference between the projected and actual earnings on investments is amortized over a five-year closed period beginning the year in which the difference occurs. The cumulative amounts of collective net deferred outflows (inflows) of resources reported as of June 30, 2015 will be recognized in pension expense during the years ended June 30, as follows:

2017	\$	25,231
2018	\$	25,231
2019	\$	25,231
2020	\$	25,230

Pension Expense

The components of the pension expense for the year ending June 30, 2016 are as follows:

Service Costs	\$	76,398
interest on Total Pension Liability		249,979
Member Contributions		(21,908)
Administrative Expenses		2,809
Change in Benefit Terms		21,346
Projected Earnings on Plan Investments		(236,497)
Amortization of Investment Return Differences		(35,952)
Pension Expense	\$	<u>56,175</u>

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

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

Non-State Employees

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

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

2. Funding Policy - This defined contribution plan is funded by contributions from both the covered employees and the Authority. Non-state employees of the Authority are required to contribute 3.5% of their basic salary. The Authority's contribution rate was 9.59% of covered payroll for the Year Ended June 30, 2016. The Authority's contribution to the Housing Renewal and Local Agency Retirement Plan for the Year Ended June 30, 2016 was \$470,591 equal to the required contribution for the year. The Authority's contributions to the plan for the Years Ended June 30, 2015 and June 30, 2014 were \$441,338 and \$444,976, respectively, equal to the required contributions for each year.

F. Contingent liabilities

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

G. Subsequent events

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

DELAWARE STATE HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION



DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF FUNDING PROGRESS FOR DELAWARE STATE HOUSING AUTHORITY
RETIREE MEDICAL PLAN
AS OF JUNE 30, 2016

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (Estimated) (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
07/01/2013	\$ 3,738,331	\$ 7,124,930	\$ 3,386,599	52%	\$ 4,600,000	73.6%
07/01/2014	\$ 4,385,797	\$ 6,952,629	\$ 2,566,832	63%	\$ 4,840,000	53.0%
07/01/2015	\$ 4,948,105	\$ 6,857,512	\$ 1,909,407	72%	\$ 4,350,000	43.9%

DELAWARE STATE HOUSING AUTHORITY
 SCHEDULE OF NET PENSION LIABILITY
 AS OF JUNE 30, 2016

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

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

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF EMPLOYER CONTRIBUTIONS TO STATE OF DELAWARE PENSION PLAN
AS OF JUNE 30, 2016

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



DELAWARE STATE HOUSING AUTHORITY
OTHER SUPPLEMENTARY INFORMATION



DELAWARE STATE HOUSING AUTHORITY
 SCHEDULE OF ACTIVITIES - ENTITY-WIDE
 FOR THE YEAR ENDED JUNE, 30, 2016

EXPENSES	\$ 90,321,862
PROGRAM REVENUE	
Charges for services	32,155,567
Operating grants and contributions	80,059,247
Capital grants and contributions	<u>773,550</u>
NET OPERATING REVENUE	22,666,502
GENERAL REVENUE	
Investment gains	<u>3,520,209</u>
TOTAL GENERAL REVENUE	<u>3,520,209</u>
CHANGE IN NET POSITION	26,186,711
NET POSITION, BEGINNING	<u>455,199,439</u>
NET POSITION, ENDING	<u><u>\$ 481,386,150</u></u>

DELAWARE STATE HOUSING AUTHORITY
BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	DELAWARE EMERGENCY MORTGAGE ASSISTANCE PROGRAM	DELAWARE HOUSING INSURANCE FUND	DELAWARE MORTGAGE MEDIATION PROGRAM	DSHA SECOND MORTGAGE ASSISTANCE LOAN PROGRAM	DELAWARE DEPARTMENT OF JUSTICE MORTGAGE SETTLEMENT FUND
ASSETS					
Cash and cash equivalents	\$ 4,121,065	\$ 50	\$ -	\$ 2,899,450	\$ 736,053
Investments	2,358,001	136,438	60,622	-	76
Interfund receivables	-	-	505	-	-
Loans receivable:					
Mortgages receivable, net	6,277,643	-	-	19,021,085	-
Accrued interest & other receivables	434,194	-	-	5,170,634	-
TOTAL ASSETS	\$ 13,190,903	\$ 136,488	\$ 61,127	\$ 27,091,169	\$ 736,129
LIABILITIES & FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 20,832
Deferred credit	1,500,000	-	-	-	-
Interfund payables	709	1,418	-	1,126	50
Escrow deposits	6,913	-	-	-	-
TOTAL LIABILITIES	1,507,622	1,418	-	1,126	20,882
FUND BALANCES					
Restricted	11,683,281	135,070	61,127	27,090,043	715,247
Assigned	-	-	-	-	-
TOTAL FUND BALANCES	11,683,281	135,070	61,127	27,090,043	715,247
TOTAL LIABILITIES & FUND BALANCES	\$ 13,190,903	\$ 136,488	\$ 61,127	\$ 27,091,169	\$ 736,129

HOUSING REHABILITATION LOAN PROGRAM	POST FORECLOSURE FINANCIAL COACHING PROGRAM	STRONG NEIGHBORHOODS HOUSING FUND	VACANT PROPERTY MAINTENANCE PROGRAM	WEXFORD VILLAGE REHAB PROGRAM	WILMINGTON SENIOR TAX ASSISTANCE PROGRAM	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ 604,792	\$ 1,000,000	\$ 8,169,652	\$ 500,000	\$ -	\$ 116,492	\$ 18,147,554
1,827,883	-	-	-	-	-	4,383,020
-	-	-	-	-	-	505
1,438,015	-	-	-	-	-	26,736,743
68,872	-	-	-	-	-	5,673,700
\$ 3,939,562	\$ 1,000,000	\$ 8,169,652	\$ 500,000	\$ -	\$ 116,492	\$ 54,941,522
\$ 320	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,152
-	1,000,000	5,767,800	500,000	-	-	8,767,800
55	-	-	-	-	-	3,358
-	-	-	-	-	-	6,913
375	1,000,000	5,767,800	500,000	-	-	8,799,223
1,506,887	-	2,401,852	-	-	-	43,593,507
2,432,300	-	-	-	-	116,492	2,548,792
3,939,187	-	2,401,852	-	-	116,492	46,142,299
\$ 3,939,562	\$ 1,000,000	\$ 8,169,652	\$ 500,000	\$ -	\$ 116,492	\$ 54,941,522

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	DELAWARE EMERGENCY MORTGAGE ASSISTANCE PROGRAM	DELAWARE HOUSING INSURANCE FUND	DELAWARE MORTGAGE MEDIATION PROGRAM	DSHA SECOND MORTGAGE ASSISTANCE LOAN PROGRAM	DELAWARE DEPARTMENT OF JUSTICE MORTGAGE SETTLEMENT FUND
REVENUES					
Interest income:					
Investments	\$ 2,394	\$ -	\$ 379	\$ -	\$ 489
Loans	80,118	-	-	874,391	-
Total interest income	82,512	-	379	874,391	489
Payments from primary government	-	-	-	-	-
Gains/(losses) on investments	-	-	-	-	-
Fees	-	-	165,300	-	-
Other revenue	1,112,565	-	-	192	-
TOTAL REVENUES	1,195,077	-	165,679	874,583	489
EXPENDITURES					
Current:					
Affordable rental housing	-	-	-	-	-
Community rehabilitation	-	-	-	-	-
Home ownership	250,471	-	177,727	585,938	554,018
Housing rehabilitation	-	-	-	-	-
TOTAL EXPEDITURES	250,471	-	177,727	585,938	554,018
EXCESS/(DEFICIT) REVENUE OVER EXPENDITURES	944,606	-	(12,048)	288,645	(553,529)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	16,163	40,705	3,559,588	-
Transfers out	-	(21,358)	-	-	(40,705)
TOTAL OTHER FINANCING SOURCES (USES)	-	(5,195)	40,705	3,559,588	(40,705)
NET CHANGE IN FUND BALANCES	944,606	(5,195)	28,657	3,848,233	(594,234)
FUND BALANCES, BEGINNING	10,738,675	140,265	32,470	23,241,810	1,309,481
FUND BALANCES, ENDING	\$ 11,683,281	\$ 135,070	\$ 61,127	\$ 27,090,043	\$ 715,247

* The transfers in and out have been reduced by \$140,705 for transfers between non-major governmental funds.

HOUSING REHABILITATION LOAN PROGRAM	POST FORECLOSURE FINANCIAL COACHING PROGRAM	STRONG NEIGHBORHOODS HOUSING FUND	VACANT PROPERTY MAINTENANCE PROGRAM	WEXFORD VILLAGE REHAB PROGRAM	WILMINGTON SENIOR TAX ASSISTANCE PROGRAM	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ 16,544	\$ -	\$ -	\$ -	\$ -	\$ -	19,806
48,697	-	-	-	-	-	1,003,206
65,241	-	-	-	-	-	1,023,012
-	-	-	-	-	-	-
6,013	-	-	-	-	-	6,013
215	-	-	-	-	-	165,515
11,082	-	-	-	-	-	1,123,839
82,551	-	-	-	-	-	2,318,379
-	-	-	-	191,113	-	191,113
-	-	359,132	-	-	-	359,132
-	-	-	-	-	23,696	1,591,850
16,473	-	-	-	-	-	16,473
16,473	-	359,132	-	191,113	23,696	2,158,568
66,078	-	(359,132)	-	(191,113)	(23,696)	159,811
-	-	-	-	-	-	3,475,751 *
(100,000)	-	-	-	-	-	(21,358) *
(100,000)	-	-	-	-	-	3,454,393
(33,922)	-	(359,132)	-	(191,113)	(23,696)	3,614,204
3,973,109	-	2,760,984	-	191,113	140,188	42,528,095
\$ 3,939,187	\$ -	\$ 2,401,852	\$ -	\$ -	\$ 116,492	\$ 46,142,299

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF NET POSITION - PROPRIETARY FUND - SUBFUNDS OF THE FEDERAL PROGRAMS ENTERPRISE FUND
JUNE 30, 2016

	COMPREHENSIVE			
	COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAMS	HOUSING COUNSELING GRANT PROGRAM	FAMILY UNIFICATION PROGRAM	HOME INVESTMENT PARTNERSHIP PROGRAM
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 10,700	\$ 50	\$ 65,244	\$ 50
Investments	-	-	-	180,958
Accrued interest and other receivables	-	-	-	23,947
Grants receivable-U.S. Dept of HUD	-	-	-	-
Interfund receivables	-	-	-	-
Prepaid expenses	-	-	21,515	-
Total current assets	10,700	50	86,759	204,955
Non-Current Assets:				
Cash, restricted for payment of escrows	-	-	32,715	-
Investments	-	-	-	5,586,985
Mortgages receivable, net	-	-	-	57,135,334
Accrued interest and other receivables, net	-	-	-	12,543,960
Interfund receivables	25,076	-	-	-
Capital assets not being depreciated	-	-	-	-
Capital assets net of accumulated depreciation	-	-	-	-
Total non-current assets	25,076	-	32,715	75,266,279
TOTAL ASSETS	35,776	50	119,474	75,471,234
LIABILITIES				
Current Liabilities:				
Accounts payable	6,176	-	-	7,711
Due St of Delaware-pension costs	476	-	-	309
Interfund payables	-	-	-	17,748
Compensated absences payable	1,837	-	-	-
Total current liabilities	8,489	-	-	25,768
Non-Current Liabilities:				
Interfund payables	200	50	30,000	50
Compensated absences payable	20,409	-	-	16,689
Escrow deposits	-	-	32,715	5,586,985
Total non-current liabilities	20,609	50	62,715	5,603,724
TOTAL LIABILITIES	29,098	50	62,715	5,629,492
NET POSITION				
Invested in capital assets	-	-	-	-
Restricted by federal regulations	6,678	-	56,759	69,841,742
TOTAL NET POSITION	\$ 6,678	\$ -	\$ 56,759	\$ 69,841,742

MOVING TO WORK DEMONSTRATION PROGRAM	NEIGHBORWORKS AMERICA GRANT PROGRAM	SECOND CHANCE ACT/ I-ADAPT HOUSING PROGRAM	SECTION 8 CONTRACT ADMINISTRATION PROGRAM	SECTION 811 PROJECT RENTAL ASSISTANCE DEMONSTRATION PROGRAM	TOTAL FEDERAL PROGRAMS
\$ 1,830,324	\$ 50	\$ 50	\$ 1,051,694	\$ 1,101	\$ 2,959,263
822,020	-	136,638	-	-	1,139,616
195,754	-	-	588	-	220,289
6,267	-	-	319,064	-	325,331
5,082	-	-	-	-	5,082
456,978	-	-	3,132,717	8,999	3,620,209
3,316,425	50	136,688	4,504,063	10,100	8,269,790
807,563	-	-	-	-	840,278
-	-	-	-	-	5,586,985
-	-	-	-	-	57,135,334
-	-	-	-	-	12,543,960
-	-	-	-	-	25,076
3,694,919	-	-	-	-	3,694,919
9,682,323	-	-	-	-	9,682,323
14,184,805	-	-	-	-	89,508,875
17,501,230	50	136,688	4,504,063	10,100	97,778,665
558,129	-	-	26,432	-	598,448
1,252	-	-	614	-	2,651
337	-	16,519	-	-	34,604
7,114	-	-	-	-	8,951
566,832	-	16,519	27,046	-	644,654
50	50	50	3,200,000	10,100	3,240,550
302,903	-	-	61,147	-	401,148
841,267	-	-	-	-	6,460,967
1,144,220	50	50	3,261,147	10,100	10,102,665
1,711,052	50	16,569	3,288,193	10,100	10,747,319
13,377,242	-	-	-	-	13,377,242
2,412,936	-	120,119	1,215,870	-	73,654,104
\$ 15,790,178	\$ -	\$ 120,119	\$ 1,215,870	\$ -	\$ 87,031,346

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND -
SUBFUNDS OF THE FEDERAL PROGRAMS ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAMS	COMPREHENSIVE HOUSING COUNSELING GRANT PROGRAM	FAMILY UNIFICATION PROGRAM	HOME INVESTMENT PARTNERSHIP PROGRAM
OPERATING REVENUES				
Interest income on loans	\$ -	\$ -	\$ -	\$ 1,274,455
Federal housing program grants	3,152,547	67,875	332,631	4,135,422
Rental income	-	-	-	-
Miscellaneous	-	-	2,813	3,462
TOTAL OPERATING REVENUES	<u>3,152,547</u>	<u>67,875</u>	<u>335,444</u>	<u>5,413,339</u>
OPERATING EXPENSES				
Administrative	171,472	67,880	-	346,410
Grants and housing assistance payments	2,978,261	-	309,965	973,626
Public housing maintenance & utilities	-	-	-	-
Depreciation	-	-	-	-
TOTAL OPERATING EXPENSES	<u>3,149,733</u>	<u>67,880</u>	<u>309,965</u>	<u>1,320,036</u>
OPERATING INCOME/(LOSS)	<u>2,814</u>	<u>(5)</u>	<u>25,479</u>	<u>4,093,303</u>
NON-OPERATING INCOME/(EXPENSES)				
Investment income	-	-	-	147
TOTAL NON-OPERATING INCOME/(EXPENSES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>147</u>
INCOME/(LOSS) BEFORE CAPITAL GRANTS AND OPERATING TRANSFERS	2,814	(5)	25,479	4,093,450
Capital grants and contributions	-	-	-	-
Transfers out	-	-	-	-
CHANGE IN NET POSITION	2,814	(5)	25,479	4,093,450
NET POSITION, BEGINNING	3,864	5	31,280	65,748,292
NET POSITION, ENDING	<u>\$ 6,678</u>	<u>\$ -</u>	<u>\$ 56,759</u>	<u>\$ 69,841,742</u>

MOVING TO WORK DEMONSTRATION PROGRAM	NEIGHBORWORKS AMERICA GRANT PROGRAM	SECOND CHANCE ACT/ I-ADAPT HOUSING PROGRAM	SECTION 8 CONTRACT ADMINISTRATION	SECTION 811 PROJECT RENTAL ASSISTANCE DEMONSTRATION PROGRAM	TOTAL FEDERAL PROGRAMS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,274,455
9,378,988	151,331	200,000	38,388,582	90,116	55,897,492
753,361	-	-	-	-	753,361
546,758	-	-	-	-	553,033
10,679,107	151,331	200,000	38,388,582	90,116	58,478,341
3,609,188	152,325	-	1,302,448	80,500	5,730,223
5,403,950	-	79,881	37,134,459	9,616	46,889,758
1,585,878	-	-	-	-	1,585,878
1,652,636	-	-	-	-	1,652,636
12,251,652	152,325	79,881	38,436,907	90,116	55,858,495
(1,572,545)	(994)	120,119	(48,325)	-	2,619,846
902	-	-	-	-	1,049
902	-	-	-	-	1,049
(1,571,643)	(994)	120,119	(48,325)	-	2,620,895
773,550	-	-	-	-	773,550
-	-	-	-	-	-
(798,093)	(994)	120,119	(48,325)	-	3,394,445
16,588,271	994	-	1,264,195	-	83,636,901
\$ 15,790,178	\$ -	\$ 120,119	\$ 1,215,870	\$ -	\$ 87,031,346

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF NET POSITION - PROPRIETARY FUND - SUBFUNDS OF THE SINGLE FAMILY PROGRAMS
ENTERPRISE FUND
JUNE 30, 2016

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2006B-2013A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES - NIBP 2010-1 - 2013-1	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 124,277	\$ 3	\$ 3,029,422
Investments	4,121,374	222,059	11,089,209
Mortgage loan receivable, net	1,651,796	-	-
Accrued interest and other receivables	1,682,162	467,720	23,988
Interfund receivables	-	-	-
Total current assets	<u>7,579,609</u>	<u>689,782</u>	<u>14,142,619</u>
Non-Current Assets:			
Investments	49,950	-	5,445,562
Securitized mortgage loans, net	143,444,222	163,145,573	-
Mortgage loan receivable, net	31,902,486	-	-
Accrued interest and other receivables	4,231,387	-	-
Total non-current assets	<u>179,628,045</u>	<u>163,145,573</u>	<u>5,445,562</u>
TOTAL ASSETS	<u>187,207,654</u>	<u>163,835,355</u>	<u>19,588,181</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred amount on bond refunding	200,534	-	-
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>200,534</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	70	-	38,685
Interfund payables	210,798	120,050	-
Revenue bonds payable	3,647,829	3,962,032	-
Total current liabilities	<u>3,858,697</u>	<u>4,082,082</u>	<u>38,685</u>
Non-Current Liabilities:			
Interfund payables	50	-	9,195,562
Revenue bonds payable	143,084,198	152,794,980	-
Total non-current liabilities	<u>143,084,248</u>	<u>152,794,980</u>	<u>9,195,562</u>
TOTAL LIABILITIES	<u>146,942,945</u>	<u>156,877,062</u>	<u>9,234,247</u>
DEFERRED INFLOW OF RESOURCES			
Deferred amount on bond refunding	-	347,394	-
TOTAL DEFERRED INFLOW OF RESOURCES	<u>-</u>	<u>347,394</u>	<u>-</u>
NET POSITION			
Restricted by bond covenants	40,465,243	6,610,899	10,353,934
TOTAL NET POSITION	<u>\$ 40,465,243</u>	<u>\$ 6,610,899</u>	<u>\$ 10,353,934</u>

SECOND MORTGAGE ASSISTANCE		
LOAN REVENUE BOND SERIES 1997A-2001A	TOTAL SINGLE FAMILY PROGRAMS	
\$ 36,574	\$ 3,190,276	
9,222	15,441,864	
-	1,651,796	
37,465	2,211,335	
1,368	1,368	
<u>84,629</u>	<u>22,496,639</u>	
208,316	5,703,828	
-	306,589,795	
737,001	32,639,487	
1,092,180	5,323,567	
<u>2,037,497</u>	<u>350,256,677</u>	
<u>2,122,126</u>	<u>372,753,316</u>	
-	200,534	
-	200,534	
-	38,755	
165	331,013	
-	7,609,861	
<u>165</u>	<u>7,979,629</u>	
50	9,195,662	
1,846,183	297,725,361	
<u>1,846,233</u>	<u>306,921,023</u>	
<u>1,846,398</u>	<u>314,900,652</u>	
-	347,394	
-	347,394	
275,728	57,705,804	
<u>\$ 275,728</u>	<u>\$ 57,705,804</u>	

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND -
SUBFUNDS OF THE SINGLE FAMILY PROGRAMS ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2006B-2013A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES - NIBP 2010-1 - 2013-1	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM
OPERATING REVENUES			
Interest income on loans	\$ 12,123,981	\$ 6,171,692	\$ -
Amortization of deferred revenues	2,417,080	191,435	-
Miscellaneous	14,781	-	3,732
TOTAL OPERATING REVENUES	14,555,842	6,363,127	3,732
OPERATING EXPENSES			
Interest expense on bonds	8,049,582	5,262,577	-
Administrative	155,306	-	62,870
Grants	-	-	2,689,815
Loan servicing fees	47,674	-	-
Amortization of deferred expenses	27,097	-	-
Other expenses	293,237	24,469	-
TOTAL OPERATING EXPENSES	8,572,896	5,287,046	2,752,685
OPERATING INCOME/(LOSS)	5,982,946	1,076,081	(2,748,953)
NON-OPERATING INCOME/(EXPENSES)			
Investment income	39,750	2,856	5,502,229
Change in fair value of investments	(3,808,953)	1,179,024	-
TOTAL NON-OPERATING INCOME/(EXPENSES)	(3,769,203)	1,181,880	5,502,229
INCOME/(LOSS) BEFORE OPERATING TRANSFERS	2,213,743	2,257,961	2,753,276
Transfers in	21,358	461,906	-
Transfers out	(1,185,091)	(581,437)	(1,477,959)
CHANGE IN NET POSITION	1,050,010	2,138,430	1,275,317
NET POSITION, BEGINNING	39,415,233	4,472,469	9,078,617
NET POSITION, ENDING	\$ 40,465,243	\$ 6,610,899	\$ 10,353,934

*Transfers in and out have been reduced by \$461,906 for transfers between subfunds in the Single Family Program Fund.

SECOND MORTGAGE ASSISTANCE LOAN REVENUE		TOTAL SINGLE FAMILY PROGRAMS
BOND SERIES 1997A-2001A		
\$ 107,479	\$	18,403,152
-		2,608,515
33,157		51,670
<u>140,636</u>		<u>21,063,337</u>
94,637		13,406,796
-		218,176
-		2,689,815
-		47,674
-		27,097
41,067		358,773
<u>135,704</u>		<u>16,748,331</u>
<u>4,932</u>		<u>4,315,006</u>
8,180		5,553,015
13,346		(2,616,583)
<u>21,526</u>		<u>2,936,432</u>
26,458		7,251,438
8,000		29,358 *
-		(2,782,581) *
34,458		4,498,215
241,270		53,207,589
<u>\$ 275,728</u>	<u>\$</u>	<u>57,705,804</u>

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE
FOR THE YEAR ENDED JUNE 30, 2016

The details of and changes in the Authority's mortgage revenue bonds during the Year Ended June 30, 2016 are as follows:

Bond Issue	Interest Rate	Final Maturity Date	Bonds Outstanding June 30, 2015	Matured	Called	Other	Bonds Outstanding June 30, 2016
Single Family Mortgage Revenue Bonds 2006 Series B	4.65% - 6.20%	2037	8,452,531	90,000	7,715,000	(647,531)	-
Single Family Mortgage Revenue Bonds 2006 Series C	4.65% - 6.25%	2037	5,438,502	-	5,030,000	(408,502)	-
Single Family Mortgage Revenue Bonds 2006 Series D	4.30% - 5.88%	2048	12,893,217	-	11,955,000	(938,217)	-
Single Family Mortgage Revenue Bonds 2007 Series A	4.35% - 5.90%	2048	14,373,647	-	2,440,000	(72,536)	11,861,111
Single Family Mortgage Revenue Bonds 2007 Series B	4.05% - 5.60%	2048	15,496,354	-	3,320,000	(70,185)	12,106,169
Single Family Mortgage Revenue Bonds 2007 Series C	5.30% - 5.55%	2049	10,916,962	-	1,780,000	(45,732)	9,091,230
Single Family Mortgage Revenue Bonds 2007 Series D	4.63% - 5.80%	2049	14,709,958	-	3,460,000	(63,422)	11,186,536
Single Family Mortgage Revenue Bonds 2008 Series A	4.75% - 6.65%	2039	12,504,593	-	1,040,000	(48,007)	11,416,586
Single Family Mortgage Revenue Bonds 2008 Series B	4.00% - 5.45%	2040	25,365,000	810,000	6,405,000	-	18,150,000
Single Family Mortgage Revenue Bonds 2009 Series A	3.45% - 5.45%	2040	18,473,356	545,000	2,045,000	(23,620)	15,859,736
Single Family Mortgage Revenue Bonds 2011 Series A/B	4.25% - 5.10%	2031	22,976,920	-	6,116,322	75,173	16,935,771
Single Family Mortgage Revenue Bonds 2013 Series A	2.60%	2043	43,520,586	-	3,395,698	-	40,124,888
Single Family Mortgage Revenue Bonds 2010-1 (NIBP)	3.01% - 4.55%	2041	56,705,061	-	5,860,000	(119,848)	50,725,213
Single Family Mortgage Revenue Bonds 2011-2 (NIBP)	1.80% - 4.38%	2041	55,242,687	-	7,890,000	(50,888)	47,301,799
Single Family Mortgage Revenue Bonds 2013-1 (NIBP)	1.26% - 4.40%	2041	67,825,000	-	9,095,000	-	58,730,000
SMAL Mortgage Revenue Bonds 1997 Series A	5.3%	2029	451,320	-	7,665	23,919	467,574
SMAL Mortgage Revenue Bonds 1998 Series A	5.3%	2030	331,819	-	11,827	12,432	332,424
SMAL Mortgage Revenue Bonds 1998 Series B	5.25%	2030	884,225	-	19,054	45,919	911,090
SMAL Mortgage Revenue Bonds 2001 Series A	5.67%	2033	133,401	-	5,821	7,515	135,095
TOTAL			\$ 386,695,139	\$ 1,445,000	\$ 77,591,387	\$(2,323,530)	\$ 305,335,222

The "Other" category totaling \$(2,323,530) represents accretion on capital appreciation bonds, netted by deferred amounts on refunding and bond forgiveness.

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

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

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

All SMAL Mortgage Revenue Bonds.

DELAWARE STATE HOUSING AUTHORITY
SINGLE AUDIT SUPPLEMENT





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

To the Delaware State Housing Authority
Dover, Delaware

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Delaware State Housing Authority (DSHA), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise DSHA's basic financial statements, and have issued our report thereon dated October 25, 2016.

Internal Control Over Financial Reporting

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

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

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

To the Delaware State Housing Authority
Dover, Delaware

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

Compliance and Other Matters

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

Purpose of this Report

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

Belfint, Lyons & Shuman, P.A.

October 25, 2016
Wilmington, Delaware



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

To the Delaware State Housing Authority
Dover, Delaware

Report on Compliance for Each Major Federal Program

We have audited the Delaware State Housing Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Delaware State Housing Authority's major federal programs for the year ended June 30, 2016. Delaware State Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

To the Delaware State Housing Authority
Dover, Delaware

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

Opinion on Each Major Federal Program

In our opinion, Delaware State Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

To the Delaware State Housing Authority
Dover, Delaware

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

Belfint, Lyons & Shuman, P.A.

October 25, 2016
Wilmington, Delaware



DELAWARE STATE HOUSING AUTHORITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

PART A - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

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

Unqualified

Internal control over financial reporting:

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

FEDERAL AWARDS

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

Unqualified

Internal control over major programs:

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

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

_____ Yes X No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
_____ 14.228	_____ Community Development Block Grant
_____ 14.327	_____ Performance Based Contract Administrator Program
_____	_____
_____	_____
_____	_____
_____	_____

Dollar threshold used to distinguish between Type A and Type B programs: \$1,728,910

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
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

FEDERAL GRANTOR/PROGRAM TITLE	CFDA NUMBER	CONTRACT NUMBER	TOTAL PROGRAM EXPENDITURES	SUB-RECIPIENT EXPENDITURES
DIRECT GRANTS:				
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Mortgage Insurance-Homes	14.117	N/A	\$ 143,341	\$ -
Comprehensive Housing Counseling Grant Program	14.169	HC130341004	9,215	9,215
			<u>58,660</u>	<u>50,608</u>
Total Comprehensive Housing Counseling Grant Program			67,875	59,823
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228 *	B-14-DC-10-0001 B-15-DC-10-0001 B-08-DN-10-0001	574,592 1,325,515 314,665	556,116 1,188,271 314,665
Total CDBG/State's Program and Non-Entitlement Grants in Hawaii			<u>2,214,772</u>	<u>2,059,052</u>
Emergency Solutions Grant Program	14.231	E14-DC-10-0001 E15-DC-10-0001	46,155 143,665	44,334 141,744
Total Emergency Solutions Grant Program			<u>189,820</u>	<u>186,078</u>
HOME Investment Partnerships Program	14.239	M-12-SG-10-0100 M-13-SG-10-0100 M-14-SG-10-0100 M-15-SG-10-0100 Program income	312,845 2,125,902 1,423,880 272,795 1,056,027	312,845 2,125,902 1,215,736 235,653 956,861
Total HOME Investment Partnerships Program			<u>5,191,449</u>	<u>4,846,997</u>
Housing Opportunities for Persons with AIDS	14.241	DEH14F999 DEH15F999	90,035 164,135	82,619 156,727
Total Housing Opportunities for Persons with AIDS			<u>254,170</u>	<u>239,346</u>
Section 811 Project Rental Assistance Demonstration	14.326	DE26DRD1201	90,116	9,616
Performance Based Contract Administrator Program	14.327 *	Various	38,274,903	37,028,050
Family Unification Program	14.880	2009FUPDE9018010	332,631	296,807
Moving to Work Demonstration Program: Public and Indian Housing Program	14.881	DE004-0000315D DE004-0000316D	1,476,360 1,579,268	- -
Public Housing Capital Fund		Various	835,826	-
Lower Income Housing Assistance Program (Section 8): Moving To Work Vouchers		DE901VOW072-077	6,222,119	-
Special Administrative Fees		DE901VO14PR	7,177	-
Special Administrative Fees		DE901AF0076-0083	25,521	-
Total Moving to Work Demonstration Program			<u>10,146,271</u>	<u>-</u>
Total U. S. Department of Housing and Urban Development			<u>56,905,348</u>	<u>44,725,769</u>
TOTAL DIRECT GRANTS			<u>56,905,348</u>	<u>44,725,769</u>
INDIRECT GRANTS:				
United States Congress				
Appropriation allocated to HUD and passed through to Neighborhood Reinvestment Corporations (dba NeighborWorks® America) via Public Law				
National Foreclosure Mitigation Counseling Program	14.xxx	PL110-161:95X1350	151,331	143,055
Appropriation allocated to U.S. Dept. of Justice, Office of Justice Programs and passed through to Delaware Criminal Justice Council via Public Law				
Second Chance Act	16.812		79,881	79,881
TOTAL INDIRECT GRANTS			<u>231,212</u>	<u>222,936</u>

Continued on next page

DELAWARE STATE HOUSING AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

FEDERAL GRANTOR/PROGRAM TITLE	CFDA NUMBER	CONTRACT NUMBER	TOTAL PROGRAM EXPENDITURES	SUB-RECIPIENT EXPENDITURES
AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) GRANTS				
ARRA DIRECT GRANTS:				
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Neighborhood Stabilization Program - ARRA	14.256	B-09-DN-DE-0012	493,785	493,785
Total U. S. Department of Housing and Urban Development			<u>493,785</u>	<u>493,785</u>
TOTAL ARRA DIRECT GRANTS			<u>493,785</u>	<u>493,785</u>
TOTAL FEDERAL AWARDS			<u>\$ 57,630,345</u>	<u>\$ 45,442,490</u>

N/A - Not Available.

* Denotes a major federal program.

(1) As of June 30, 2016, the amount of outstanding single family mortgages purchased by the Authority and covered by either FHA insurance or a VA guarantee was \$9,559,283 and \$2,103,591, respectively.

(2) HOME Investment Partnerships Program Income cash receipts included \$147 of interest revenue for the fiscal year ended June 30, 2016.

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, 2016

ANNUAL CONTRIBUTIONS CONTRACT P-4520

	PROJECT NUMBER		
	DE26-P004- 50114	DE26-P004- 50115	TOTAL
Funds advanced	\$ 679,753	\$ 505,569	\$ 1,185,322
Management improvements	5,368	1,288	6,656
Site improvements	605,927	440,375	1,046,302
Administration	68,458	63,906	132,364
Funds expended	679,753	505,569	1,185,322
Excess (deficiency) of funds advanced	\$ -	\$ -	\$ -

DELAWARE STATE HOUSING AUTHORITY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

2. OTHER INFORMATION

The Authority charges administrative expenses to federal programs based on its May 2014 Indirect Cost Allocation Plan.

