

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, 2015
With Summarized Totals for June 30, 2014**

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

Issuance Date: October 30, 2015

TABLE OF CONTENTS	i-ii
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Entity-wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Balance Sheet - Governmental Funds	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Fund Net Position - Proprietary Funds	22
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24
Statements of Fund Net Position - Fiduciary Funds	26
Statements of Changes in Fiduciary Net Position	27
Notes to Financial Statements	28
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress for Delaware State Housing Authority Retiree Medical Plan	65
Schedule of State of Delaware Net Pension Liability	66
Schedule of Employer Contributions to State of Delaware Pension Plan	67
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Activities - Entity-wide	71
Balance Sheet - Nonmajor Governmental Funds	72
Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds	74
Schedule of Net Position - Proprietary Fund - Subfunds of the Federal Programs Enterprise Fund	76
Schedule of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund - Subfunds of the Federal Programs Enterprise Fund	78
Schedule of Net Position - Proprietary Fund - Subfunds of the Single Family Programs Enterprise Fund	80
Schedule of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund - Subfunds of the Single Family Programs Enterprise Fund	82
Schedule of Revenue Bonds Payable	84
SINGLE AUDIT SUPPLEMENT	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	89

TABLE OF CONTENTS, continued

SINGLE AUDIT SUPPLEMENT, continued

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	91
Schedule of Findings and Questioned Costs	95
Schedule of Expenditures of Federal Awards	96
Supplemental Statement of Public Housing Actual Modernization Capital Fund Grant Costs	98
Notes to Schedule of Expenditures of Federal Awards and Supplemental Statement of Public Housing Actual Modernization Capital Fund Grant Costs	99



BELFINT • LYONS • SHUMAN
Certified Public Accountants

www.belfint.com

Independent Auditors' Report

To the Delaware State Housing Authority
Dover, Delaware

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Delaware State Housing Authority (DSHA), a component unit of the State of Delaware, as of and for the year ended June 30, 2015 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.

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

To the Delaware State Housing Authority
Dover, Delaware

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, 2015, 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

Change in Accounting Principle

As discussed in Note V.G. to the financial statements, during the year ended June 30, 2015, DSHA adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited DSHA's June 30, 2014 financial statements, and our report dated October 28, 2014 expressed unmodified opinions on those financial statements. In our opinion, with the exception of the matter described in the following paragraph, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

As discussed in Note V.G. to the financial statements, DSHA has adjusted its June 30, 2014 financial statements for the adoption of new accounting guidance, GASB 68. As part of our audit of the June 30, 2015 financial statements, we also audited the adjustments described in Note V.G. that were applied to restate the June 30, 2014 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. The opinions expressed in our report dated October 28, 2014 on the June 30, 2014 financial statements are not modified with respect to this matter.

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 13, Schedule of Funding Progress for the Delaware State Housing Authority Retiree Medical Plan on page 65, Schedule of 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

To the Delaware State Housing Authority
Dover, Delaware

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 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 30, 2015 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 30, 2015
Wilmington, Delaware



DELAWARE STATE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2015. 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 \$455,199,439 (net position).
- The Authority's total net position increased by \$22,979,751 (5.3%) in fiscal year 2015 when compared to the previous year's ending net position. Net position of governmental activities increased by \$19,383,771 (6.5%) from the previous year and net position of business-type activities increased by \$3,595,980 (2.7%) from the previous year.

The most significant factors contributing to the governmental activities increases were: (1) the appropriation of \$9,906,300 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 \$7,000,000 from the State of Delaware to establish and administer the Downtown Development Districts Grant Program for the purpose of community rehabilitation in designated areas within Delaware's cities and towns; and (3) the allocation of \$2,906,300 from the Office of the Governor and Office of the Attorney General to fund the Strong Neighborhoods Housing Fund, a new initiative to support housing rehabilitation through the acquisition, renovation, and sale of vacant, abandoned, and foreclosed property throughout the State.

The most significant factors contributing to the business-type activities increases were: (1) the receipt of \$3,102,329 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 \$3,000,000 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 \$1,203,205 from the Single Family Mortgage Revenue Bond Programs to the General Fund in support of operations and (2) the transfer of \$970,624 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 \$35,244,454. 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 \$25,112,768 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 \$318,047,652, an increase of \$19,775,538 (6.6%) 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 \$97,030,198 (20.1%) during fiscal year 2015. The Single Family Programs paid revenue bond scheduled maturities of \$2,765,000, bond calls of \$91,307,963, primarily the result of bond redemption and mortgage prepayments, and \$2,957,235 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 twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Housing Development Fund, 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 assets 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 28-61 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 65 and 66.

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 69-83.

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, 2015:

	Delaware Housing Authority's Net Position					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Noncapital assets	\$351,556,115	\$329,706,454	\$516,607,572	\$608,900,275	\$ 868,163,687	\$ 938,606,729
Capital assets	1,366,731	1,763,891	14,180,860	15,297,862	15,547,591	17,061,753
Total assets	<u>352,922,846</u>	<u>331,470,345</u>	<u>530,788,432</u>	<u>624,198,137</u>	<u>883,711,278</u>	<u>955,668,482</u>
Deferred outflow of resources	82,415	97,183	227,631	271,455	310,046	368,638
Long-term liabilities outstanding	34,005,662	32,290,697	384,153,575	478,907,994	418,159,237	511,198,691
Other liabilities	332,825	305,653	9,649,905	11,921,636	9,982,730	12,227,289
Total liabilities	<u>34,338,487</u>	<u>32,596,350</u>	<u>393,803,480</u>	<u>490,829,630</u>	<u>428,141,967</u>	<u>523,425,980</u>
Deferred inflow of resources	311,825	-	368,093	391,452	679,918	391,452
Net position:						
Invested in capital assets	1,366,731	1,763,891	14,180,860	15,297,862	15,547,591	17,061,753
Restricted	281,743,764	268,101,213	122,663,630	117,950,648	404,407,394	386,051,861
Unrestricted	35,244,454	29,106,074	-	-	35,244,454	29,106,074
Total net position	<u>\$318,354,949</u>	<u>\$298,971,178</u>	<u>\$136,844,490</u>	<u>\$133,248,510</u>	<u>\$ 455,199,439</u>	<u>\$ 432,219,688</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, 2015:

Delaware State Housing Authority's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 8,640,996	\$ 7,737,806	\$ 27,457,955	\$ 32,314,828	\$ 36,098,951	\$ 40,052,634
Operating grants & contributions	24,742,600	14,196,000	55,135,693	56,208,932	79,878,293	70,404,932
Capital grants & contributions	-	-	524,534	493,015	524,534	493,015
General revenues, principally						
Investment income (loss)	1,280,125	232,531	(1,650,809)	2,647,601	(370,684)	2,880,132
Total revenues	<u>34,663,721</u>	<u>22,166,337</u>	<u>81,467,373</u>	<u>91,664,376</u>	<u>116,131,094</u>	<u>113,830,713</u>
Expenses:						
Administrative	4,776,262	5,071,861	-	-	4,776,262	5,071,861
Affordable rental housing	9,176,783	5,226,568	51,847,187	51,523,848	61,023,970	56,750,416
Community rehabilitation	360,165	-	3,850,871	4,611,321	4,211,036	4,611,321
Home ownership	2,934,677	1,960,558	20,066,800	24,295,925	23,001,477	26,256,483
Housing rehabilitation	138,598	49,259	-	-	138,598	49,259
Total expenses	<u>17,386,485</u>	<u>12,308,246</u>	<u>75,764,858</u>	<u>80,431,094</u>	<u>93,151,343</u>	<u>92,739,340</u>
Change in net position before transfers	17,277,236	9,858,091	5,702,515	11,233,282	22,979,751	21,091,373
Transfers	2,106,535	3,546,765	(2,106,535)	(3,546,765)	-	-
Changes in net position	<u>19,383,771</u>	<u>13,404,856</u>	<u>3,595,980</u>	<u>7,686,517</u>	<u>22,979,751</u>	<u>21,091,373</u>
Net position, beginning	298,971,178	286,026,735	133,248,510	125,561,993	432,219,688	411,588,728
Prior period adjustment	-	(460,413)	-	-	-	(460,413)
Net position, ending, restated	<u>\$318,354,949</u>	<u>\$298,971,178</u>	<u>\$136,844,490</u>	<u>\$133,248,510</u>	<u>\$ 455,199,439</u>	<u>\$ 432,219,688</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 \$455,199,439 at the close of the fiscal year.

Of the Authority's total assets, 72.0% represent mortgage loans outstanding, including securitized mortgage loans. Cash and investments comprise 19.5% of the total assets, while other noncapital assets make up 6.7% of total assets. Investment in capital assets accounts for 1.8% of total assets. Of the Authority's total liabilities, 90.3% consists of revenue bonds payable. Escrow deposits represent 9.2% of total liabilities, with miscellaneous liabilities comprising 0.5% of total liabilities.

Restricted net positions are net assets 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 (88.8%) of the Authority's net position is restricted by bond covenants, federal and state grantors, and the Authority's Loan Program. Another 3.4% of net position reflects the Authority's investment in capital assets (e.g. land, buildings, improvements, and equipment). The remaining 7.8% 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 \$22,979,751 for the fiscal year ending June 30, 2015. Of this amount, governmental activities net position increased by \$19,383,771 and business-type net position increased by \$3,595,980. These increases in net positions are discussed in detail below, under Governmental Activities and Business-type Activities headings.

Of the Authority's total revenues, 68.8% were derived from operating grants and contributions, mostly from HUD and the State of Delaware. Another 31.0% came from charges for services which are mostly comprised of mortgage loan interest. Capital grants represented 0.5% of total revenue. Investment income had a 0.3% negative impact on total revenues due to fair value adjustments reported in the business-type activities.

Of the Authority's total expenses, 65.5% were for affordable rental housing function, mostly as housing assistance payments. Another 24.7% 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 4.5% and 0.2%, respectively, mostly in the form of grants, leaving only 5.1% of total costs attributable to Authority administrative function.

During the fiscal year, net transfers of \$2,106,535 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 \$1,203,205 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 \$973,277 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 50 of this report.

For the year ended June 30, 2015, the Authority implemented Governmental Accounting Standards Board Statement Number 68, "Accounting and Financial Reporting for Pensions". This statement establishes accounting and financial reporting standards to improve the information provided by state and local governmental employers about financial support for pensions. The implementation of this statement resulted in the reporting of a pension liability of \$177,377, pension expense of \$28,789, deferred outflows of resources of \$82,415, and deferred inflows of resources of \$311,825 in the governmental activities for the year ended June 30, 2015. For the year ended June 30, 2014, a prior period adjustment was recorded to decrease the net position in the amount of \$460,473, which is also reflected in the governmental activities.

Governmental Activities

Governmental Activities Net (Expenses)/Revenues by Function

<u>Function</u>	Fiscal Year 2015 Program			Fiscal Year 2014
	Expenses	Revenues	Net (Exp)/Rev	Net (Exp)/Rev
Administration	\$ 4,776,262	\$ 2,121,887	\$ (2,654,375)	\$ (4,097,451)
Affordable rental housing	9,176,783	19,118,679	9,941,896	13,558,667
Community rehabilitation	360,165	9,906,300	9,546,135	-
Home ownership	2,934,677	2,171,178	(763,499)	24,852
Housing rehabilitation	138,598	65,552	(73,046)	139,492
Total	\$ 17,386,485	\$ 33,383,596	\$ 15,997,111	\$ 9,625,560

Governmental Activities Revenues by Source

<u>Source</u>	Fiscal Year 2015		Fiscal Year 2014	
	Revenue	Percent	Revenue	Percent
Charges for services	\$ 8,640,996	24%	\$ 7,737,806	30%
Operating grants and contributions	24,742,600	67%	14,196,000	55%
Other general revenues	1,280,125	3%	232,531	1%
Transfers	2,106,535	6%	3,546,765	14%
Total	\$ 36,770,256	100%	\$ 25,713,102	100%

Governmental activities increased the Authority's net position by \$19,383,771. The most significant factors contributing to the governmental activities increases were: (1) the appropriation of \$9,906,300 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 \$7,000,000 from the State of Delaware to establish and administer the Downtown Development Districts Grant Program for the purpose of community rehabilitation in designated areas within Delaware's cities and towns; and (3) the allocation of \$2,906,300 from the Office of the Governor and Office of the Attorney General to fund the Strong Neighborhoods Housing Fund, a new initiative to support housing rehabilitation through the acquisition, renovation, and sale of vacant, abandoned, and foreclosed property throughout the State.

Business-type Activities

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

<u>Function</u>	Fiscal Year 2015 Program			Fiscal Year 2014
	Expenses	Revenues	Net (Exp)/Rev	Net (Exp)/Rev
Affordable rental housing	\$ 51,847,187	\$ 54,029,512	\$ 2,182,325	\$ 2,644,729
Community rehabilitation	3,850,871	3,854,735	3,864	-
Home ownership	20,066,800	25,233,935	5,167,135	5,940,952
Total	<u>\$ 75,764,858</u>	<u>\$ 83,118,182</u>	<u>\$ 7,353,324</u>	<u>\$ 8,585,681</u>

Business-type Activities Revenues by Source

<u>Source</u>	Fiscal Year 2015		Fiscal Year 2014	
	Revenue	Percent	Revenue	Percent
Charges for services	\$ 27,457,955	34%	\$ 32,314,828	35%
Operating grants and contributions	55,135,693	67%	56,208,932	61%
Capital grants and contributions	524,534	1%	493,015	1%
Other general revenues	(1,650,809)	-2%	2,647,601	3%
Total	<u>\$ 81,467,373</u>	<u>100%</u>	<u>\$ 91,664,376</u>	<u>100%</u>

Business-type activities increased the Authority's net position by \$3,595,980. The key elements of this increase were: (1) the receipt of \$3,102,329 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 \$3,000,000 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 \$1,203,205 from the Single Family Mortgage Revenue Bond Programs to the General Fund in support of operations and (2) the transfer of \$973,277 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 \$318,047,652, an increase of \$19,775,538 (6.6%) 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 \$41,545,013, an increase of \$263,248 (0.6%) in comparison with the prior year. The key factors of this increase were General Fund revenues of \$2,764,155, an increase of 60.6% from the previous year, due to increased Housing Development Fund and Low Income Housing Tax Credit fees of \$750,000 over the prior year and Multi-Family Mortgage Revenue Bond Conduit Bond issuance fees of nearly \$255,000. This increased revenue combined with expenditures of \$4,867,855, a decrease of 3.5% from the previous year, resulted in an operating deficit of \$2,103,700 in comparison to the previous year operating deficit of \$3,323,017. This deficit of revenues over expenses together with \$1,203,205 of Single Family Mortgage Revenue Bond Programs administrative fees transferred into the General Fund and the gain on a land sale during the fiscal year resulted in the General Fund fund balance increase. All of the General Fund fund balance is classified as either nonspendable, in the form of receivables and other prepaid items, or committed by the Authority to support operations and program activities.

The Housing Development Fund (HDF) had a total fund balance of \$222,113,248, of which \$166,204,801 is designated as nonspendable. Additionally, \$27,066,412 is designated as restricted, to be used for the specific purposes of HDF activities per enabling legislation and \$28,842,035 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 \$8,345,913 (3.9%) in comparison with the prior year. The increase is the result of grants in the amount of \$9,906,300 from the State of Delaware used to generate mortgages and grants, \$3,181,620 in interest income, \$967,799 in fee revenue, and \$8,378 in other revenue offset by Affordable Rental Housing and Housing Rehabilitation of \$3,690,723 and \$70,744, respectively, 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 \$6,785,151, 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 creation of the DDD grant program in fiscal year 2015 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 Strong Neighborhoods Housing Fund (SNHF) had a fund balance of \$2,760,984, all of which is designated as restricted, to be used for the specific purposes of SNHF activities per enabling legislation. The SNHF is set up as a revolving fund to be used for acquisition, renovation, and sale of vacant, abandoned, foreclosed or blighted community property throughout the State. The creation of the SNHF initiative in fiscal year 2015 contributed significantly 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 \$83,636,901, and those of the Single Family Programs Funds amounted to \$53,207,589. The total increase in net position for the Federal Programs Fund was \$2,112,976 (2.6%) in comparison with the prior year, primarily due to the receipt of \$3,102,329 in HOME Investment Partnership Program grant funds for affordable rental housing mortgage loans and grants offset by grant expense in the program of \$874,594.

The total increase in net position for the Single Family Program Funds was \$1,483,004 (2.9%) in comparison with the prior year, primarily due to the receipt of over \$3,000,000 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 \$5,000,000 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 \$2,176,482, as previously discussed, and the net decrease in the change in fair value of investments of \$4,920,350.

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, 2015, amounts to \$15,547,591 (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 8.9 % (a 22.5% decrease for governmental activities and a 7.3% decrease for business-type activities). The net decrease in capital assets was due to a land sale in the General Fund, part of the governmental activities and 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:

- Sale of a parcel of land held in the General Fund.
- Roof replacement at one public housing site.
- Heat pump and water heater replacements at one public housing site.
- Various mechanical repairs and replacements at three public housing sites.
- Entrance improvements at one public housing site.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 509,500	\$ 797,960	\$ 2,336,842	\$ 2,336,842	\$ 2,846,342	\$ 3,134,802
Buildings held for resale	-	-	330,911	330,911	330,911	330,911
Construction in progress	-	-	267,659	220,588	267,659	220,588
Buildings	742,718	799,351	3,710,123	4,286,110	4,452,841	5,085,461
Land/site improvements	18,678	22,828	7,402,385	7,911,993	7,421,063	7,934,821
Vehicles	-	-	-	-	-	-
Other equipment	95,835	143,752	132,940	211,418	228,775	355,170
Total	\$ 1,366,731	\$ 1,763,891	\$ 14,180,860	\$ 15,297,862	\$ 15,547,591	\$ 17,061,753

Additional information on the Authority's capital assets can be found in note IV., D. on page 49 of this report.

Long-term Debt

At the end of the current fiscal year, Delaware State Housing Authority had total bonded debt outstanding of \$386,695,139. 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	
	2015	2014	2015	2014	2015	2014
Revenue bonds payable	\$ -	\$ -	\$386,695,139	\$483,725,337	\$ 386,695,139	\$ 483,725,337
Total	\$ -	\$ -	\$386,695,139	\$483,725,337	\$ 386,695,139	\$ 483,725,337

The Authority's outstanding debt, excluding compensated absences, decreased by \$97,030,198 (20.1%) in comparison to the prior year. Key factors in this decrease were Single Family Programs Enterprise Fund bond calls of \$91,307,963, scheduled maturities of \$2,765,000, and bond accretion of \$2,957,235. The bond calls of \$91,307,963 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 51-52 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, 2015
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2014)

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL 2015	TOTAL 2014
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 29,084,792	\$ 7,095,928	\$ 36,180,720	\$ 37,876,087
Investments	45,807,636	12,757,895	58,565,531	76,942,941
Mortgage loans receivable, net	957,909	1,704,402	2,662,311	9,520,683
Accrued interest & other receivables	1,127,702	2,360,653	3,488,355	4,772,463
Grants receivable-US Dept of HUD	-	205,386	205,386	473,871
Internal balances	169,553	(169,553)	-	-
Other post employment benefits (OPEB) asset	9,450	-	9,450	1,507
Prepaid expenses	75,937	3,511,874	3,587,811	3,618,586
Total current assets	<u>77,232,979</u>	<u>27,466,585</u>	<u>104,699,564</u>	<u>133,206,138</u>
Non-current assets:				
Cash, restricted for payment of escrows	-	794,119	794,119	833,244
Investments	64,037,716	12,828,466	76,866,182	35,944,275
Securitized mortgage loans	-	379,201,847	379,201,847	469,324,676
Mortgage loans receivable, net	163,788,384	90,888,326	254,676,710	250,562,596
Accrued interest & other receivables, net	35,415,254	16,510,011	51,925,265	48,735,800
Internal balances	11,081,782	(11,081,782)	-	-
Capital assets:				
Capital assets not being depreciated	509,500	2,935,412	3,444,912	3,686,301
Capital assets net of accumulated depreciation	857,231	11,245,448	12,102,679	13,375,452
Total non-current assets	<u>275,689,867</u>	<u>503,321,847</u>	<u>779,011,714</u>	<u>822,462,344</u>
TOTAL ASSETS	<u>352,922,846</u>	<u>530,788,432</u>	<u>883,711,278</u>	<u>955,668,482</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on State of Delaware pensions	82,415	-	82,415	97,183
Deferred amounts on bond refundings	-	227,631	227,631	271,455
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>82,415</u>	<u>227,631</u>	<u>310,046</u>	<u>368,638</u>
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	306,945	565,353	872,298	1,073,241
Due to State of Delaware-pension costs	3,973	2,510	6,483	8,424
Compensated absences payable	21,907	7,977	29,884	23,761
Revenue bonds payable	-	9,074,065	9,074,065	11,121,863
Total current liabilities	<u>332,825</u>	<u>9,649,905</u>	<u>9,982,730</u>	<u>12,227,289</u>
Non-current liabilities:				
Compensated absences payable	650,241	372,948	1,023,189	1,014,736
State of Delaware pension obligation	177,377	-	177,377	557,596
Escrow deposits	33,178,044	6,159,553	39,337,597	37,022,885
Revenue bonds payable	-	377,621,074	377,621,074	472,603,474
Total non-current liabilities	<u>34,005,662</u>	<u>384,153,575</u>	<u>418,159,237</u>	<u>511,198,691</u>
TOTAL LIABILITIES	<u>34,338,487</u>	<u>393,803,480</u>	<u>428,141,967</u>	<u>523,425,980</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts on State of Delaware pensions	311,825	-	311,825	-
Deferred amounts on bond refundings	-	368,093	368,093	391,452
TOTAL DEFERRED INTFLOWS OF RESOURCES	<u>311,825</u>	<u>368,093</u>	<u>679,918</u>	<u>391,452</u>
NET POSITION				
Invested in capital assets	1,366,731	14,180,860	15,547,591	17,061,753
Restricted by federal and state regulations	276,502,639	69,456,041	345,958,680	323,216,412
Restricted by bond covenants	-	53,207,589	53,207,589	51,724,585
Restricted for Authority Loan Program	5,241,125	-	5,241,125	11,110,864
Unrestricted, for Authority's purposes, restated	35,244,454	-	35,244,454	29,106,074
TOTAL NET POSITION, RESTATED	<u>\$ 318,354,949</u>	<u>\$ 136,844,490</u>	<u>\$ 455,199,439</u>	<u>\$ 432,219,688</u>

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, 2015
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)

FUNCTION	PROGRAM REVENUE				NET (EXPENSES) REVENUE AND CHANGES IN NET ASSETS			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL 2015	TOTAL 2014
Governmental activities:								
Administrative	\$ 4,776,262	\$ 2,091,887	\$ 30,000	\$ -	\$ (2,654,375)	\$ -	\$ (2,654,375)	\$ (4,097,451)
Affordable rental housing	9,176,783	4,312,379	14,806,300	-	9,941,896	-	9,941,896	13,558,667
Community rehabilitation	360,165	-	9,906,300	-	9,546,135	-	9,546,135	24,852
Home ownership	2,934,677	2,171,178	-	-	(763,499)	-	(763,499)	139,492
Housing rehabilitation	138,598	65,552	-	-	(73,046)	-	(73,046)	-
Total governmental activities	<u>\$17,386,485</u>	<u>\$ 8,640,996</u>	<u>\$ 24,742,600</u>	<u>\$ -</u>	<u>15,997,111</u>	<u>-</u>	<u>15,997,111</u>	<u>9,625,560</u>
Business-type activities:								
Affordable rental housing	\$51,847,187	\$ 2,407,122	\$ 51,097,856	\$ 524,534	\$ -	\$ 2,182,325	\$ 2,182,325	\$ 2,644,729
Community rehabilitation	3,850,871	11,083	3,843,652	-	-	3,864	3,864	-
Home ownership	20,066,800	25,039,750	194,185	-	-	5,167,135	5,167,135	5,940,952
Total business-type activities	<u>\$75,764,858</u>	<u>\$ 27,457,955</u>	<u>\$ 55,135,693</u>	<u>\$ 524,534</u>	<u>-</u>	<u>7,353,324</u>	<u>7,353,324</u>	<u>8,585,681</u>
General revenues:								
Investment income, gains/(losses) on investments, and miscellaneous earnings					1,280,125	(1,650,809)	(370,684)	2,880,132
Transfers					2,106,535	(2,106,535)	-	-
Total general revenues and transfers					<u>3,386,660</u>	<u>(3,757,344)</u>	<u>(370,684)</u>	<u>2,880,132</u>
Change in net position					19,383,771	3,595,980	22,979,751	21,091,373
Net position, beginning of year					298,971,178	133,248,510	432,219,688	411,588,728
Prior period adjustment					-	-	-	(460,413)
Net position, end of year, restated					<u>\$ 318,354,949</u>	<u>\$ 136,844,490</u>	<u>\$ 455,199,439</u>	<u>\$ 432,219,688</u>

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



DELAWARE STATE HOUSING AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2014)

	GENERAL FUND	HOUSING DEVELOPMENT FUND	DOWNTOWN DEVELOPMENT DISTRICTS GRANT FUND	STATE RENTAL ASSISTANCE PROGRAM	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
						2015	2014
ASSETS							
Cash & cash equivalents	\$ 10,199,755	\$ 10,651,004	\$ -	\$ 2,119,915	\$ 6,114,118	\$ 29,084,792	\$ 31,588,631
Investments	14,913,013	77,541,343	6,785,151	2,956,230	7,649,615	109,845,352	89,757,961
Interfund receivables	11,966,830	-	-	-	17,270	11,984,100	9,594,486
Loans receivable:							
Mortgages receivable, net	3,971,060	136,526,274	-	-	24,248,959	164,746,293	164,089,174
Interfund	-	-	-	-	-	-	251,672
Accrued interest & other receivables	1,665,722	29,678,527	-	-	5,198,707	36,542,956	35,472,514
Prepaid items	75,937	-	-	-	-	75,937	92,270
TOTAL ASSETS	\$ 42,792,317	\$ 254,397,148	\$ 6,785,151	\$ 5,076,145	\$ 43,228,669	\$ 352,279,430	\$ 330,846,708
LIABILITIES & FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 306,030	\$ -	\$ -	\$ -	\$ 915	\$ 306,945	\$ 285,033
Due to St of Delaware-pension costs	3,973	-	-	-	-	3,973	4,150
Interfund payables	33,106	-	-	-	699,659	732,765	890,089
Compensated absences payable	10,051	-	-	-	-	10,051	-
Escrow deposits	894,144	32,283,900	-	-	-	33,178,044	31,143,650
Interfund loans payable	-	-	-	-	-	-	251,672
TOTAL LIABILITIES	1,247,304	32,283,900	-	-	700,574	34,231,778	32,574,594
FUND BALANCES							
Nonspendable	15,441,784	166,204,801	-	-	29,397,666	211,044,251	200,974,360
Restricted	-	27,066,412	6,785,151	5,076,145	10,533,739	49,461,447	52,469,828
Committed	26,103,229	28,842,035	-	-	-	54,945,264	40,456,544
Assigned	-	-	-	-	2,596,690	2,596,690	4,371,382
TOTAL FUND BALANCES	41,545,013	222,113,248	6,785,151	5,076,145	42,528,095	318,047,652	298,272,114
TOTAL LIABILITIES & FUND BALANCES	\$ 42,792,317	\$ 254,397,148	\$ 6,785,151	\$ 5,076,145	\$ 43,228,669	\$ 352,279,430	\$ 330,846,708

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

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

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

TOTAL FUND BALANCES OF GOVERNMENTAL FUNDS (page 18)	\$ 318,047,652
Other post-employment benefits (OPEB) assets are not financial resources and, therefore, are not reported in the funds.	9,450
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,366,731
Deferred outflows of resources related to State of Delaware pensions	82,415
Long-term liabilities are not due and payable in the current period and, therefore not reported in the funds.	(839,474)
Deferred inflows of resources related to State of Delaware pensions	<u>(311,825)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES (page 15)	<u>\$ 318,354,949</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, 2015
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)

	GENERAL FUND	HOUSING DEVELOPMENT FUND	DOWNTOWN DEVELOPMENT DISTRICTS GRANT FUND	STATE RENTAL ASSISTANCE PROGRAM	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
						2015	2014
REVENUES							
Interest income:							
Investments	\$ 129,215	\$ 180,806	\$ -	\$ 4,621	\$ 20,756	\$ 335,398	\$ 211,287
Loans	509,996	3,000,814	-	-	941,158	4,451,968	4,647,044
Total interest income	639,211	3,181,620	-	4,621	961,914	4,787,366	4,858,331
Grants	30,000	-	-	-	-	30,000	26,000
Payments from primary government	-	9,906,300	7,000,000	4,900,000	2,906,300	24,712,600	14,170,000
Gains/(losses) on investments	(10,724)	43,283	-	-	4,767	37,326	21,244
Fees	1,949,777	967,799	-	-	180,300	3,097,876	2,047,249
Other revenue	155,891	8,378	-	-	926,883	1,091,152	1,043,513
TOTAL REVENUES	2,764,155	14,107,380	7,000,000	4,904,621	4,980,164	33,756,320	22,166,337
EXPENDITURES							
Current:							
Administrative	4,672,955	-	-	-	-	4,672,955	5,044,362
Affordable rental housing	-	3,690,723	-	4,882,140	603,920	9,176,783	5,226,569
Community rehabilitation	-	-	214,849	-	145,316	360,165	-
Home ownership	194,900	-	-	-	2,739,777	2,934,677	1,885,681
Housing rehabilitation	-	70,744	-	-	67,854	138,598	49,259
TOTAL EXPENDITURES	4,867,855	3,761,467	214,849	4,882,140	3,556,867	17,283,178	12,205,871
EXCESS/(DEFICIT) REVENUE OVER EXPENDITURES	(2,103,700)	10,345,913	6,785,151	22,481	1,423,297	16,473,142	9,960,466
OTHER FINANCING SOURCES (USES)							
Transfers in	1,227,987	-	-	-	3,020,047	4,248,034	6,060,707
Transfers out	(56,900)	(2,000,000)	-	-	(84,599)	(2,141,499)	(2,513,942)
Proceeds from sale of capital asset	1,195,861	-	-	-	-	1,195,861	-
TOTAL OTHER FINANCING SOURCES (USES)	2,366,948	(2,000,000)	-	-	2,935,448	3,302,396	3,546,765
NET CHANGE IN FUND BALANCES	263,248	8,345,913	6,785,151	22,481	4,358,745	19,775,538	13,507,231
FUND BALANCES, BEGINNING	41,281,765	213,767,335	-	5,053,664	38,169,350	298,272,114	284,764,883
FUND BALANCES, ENDING	\$ 41,545,013	\$ 222,113,248	\$ 6,785,151	\$ 5,076,145	\$ 42,528,095	\$ 318,047,652	\$ 298,272,114

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)	\$	19,775,538
<p>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.</p>		
		7,943
<p>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.</p>		
		(397,160)
<p>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.</p>		
		(56,176)
<p>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.</p>		
State of Delaware pension contributions	\$	82,415
Cost of benefits earned net of employee contributions		<u>(28,789)</u>
		53,626
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (page 16)	\$	<u><u>19,383,771</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, 2015
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2014)

	FEDERAL	SINGLE	TOTAL ENTERPRISE	
	PROGRAMS	FAMILY	FUNDS	
	ENTERPRISE	ENTERPRISE	2015	2014
	FUND	FUND		
ASSETS				
Current Assets:				
Cash & cash equivalents	\$ 3,028,377	\$ 4,067,551	\$ 7,095,928	\$ 6,287,456
Investments	1,201,476	11,556,419	12,757,895	16,768,100
Mortgage loans receivable, net	-	1,704,402	1,704,402	1,864,837
Accrued interest and other receivables	114,421	2,246,232	2,360,653	2,692,488
Grants receivable-US Dept of HUD	205,386	-	205,386	473,871
Interfund receivables	3,559	1,368	4,927	13,636
Prepaid expenses	3,511,874	-	3,511,874	3,526,316
Total current assets	8,065,093	19,575,972	27,641,065	31,626,704
Non-Current Assets:				
Cash, restricted for payment of escrows	794,119	-	794,119	833,244
Investments	5,350,431	7,478,035	12,828,466	6,361,155
Securitized mortgage loans	-	379,201,847	379,201,847	469,324,676
Mortgage loans receivable, net	53,960,713	36,927,613	90,888,326	94,129,268
Accrued interest and other receivables, net	11,612,125	4,897,886	16,510,011	15,343,261
Interfund receivables	25,355	-	25,355	24,524
Capital assets not being depreciated	2,935,412	-	2,935,412	2,888,341
Capital assets net of accumulated depreciation	11,245,448	-	11,245,448	12,409,521
Total non-current assets	85,923,603	428,505,381	514,428,984	601,313,990
TOTAL ASSETS	93,988,696	448,081,353	542,070,049	632,940,694
DEFERRED OUTFLOW OF RESOURCES				
Deferred amount on bond refunding	-	227,631	227,631	271,455
TOTAL DEFERRED OUTFLOW OF RESOURCES	-	227,631	227,631	271,455
LIABILITIES				
Current Liabilities:				
Accounts payable	563,198	2,155	565,353	788,208
Due St of Delaware-pension costs	2,510	-	2,510	4,274
Interfund payables	15,159	159,321	174,480	5,512,557
Compensated absences payable	7,977	-	7,977	7,291
Revenue bonds payable	-	9,074,065	9,074,065	11,121,863
Total current liabilities	588,844	9,235,541	9,824,385	17,434,193
Non-Current Liabilities:				
Interfund payables	3,230,450	7,876,687	11,107,137	425,285
Compensated absences payable	372,948	-	372,948	3,230,000
Escrow deposits	6,159,553	-	6,159,553	5,879,235
Revenue bonds payable	-	377,621,074	377,621,074	472,603,474
Total non-current liabilities	9,762,951	385,497,761	395,260,712	482,137,994
TOTAL LIABILITIES	10,351,795	394,733,302	405,085,097	499,572,187
DEFERRED INFLOW OF RESOURCES				
Deferred amount on bond refunding	-	368,093	368,093	391,452
TOTAL DEFERRED INFLOW OF RESOURCES	-	368,093	368,093	391,452
NET POSITION				
Invested in capital assets	14,180,860	-	14,180,860	15,297,862
Restricted by federal regulations	69,456,041	-	69,456,041	66,226,063
Restricted by bond covenants	-	53,207,589	53,207,589	51,724,585
TOTAL NET POSITION	\$ 83,636,901	\$ 53,207,589	\$ 136,844,490	\$ 133,248,510

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, 2015
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)

	FEDERAL PROGRAMS ENTERPRISE FUND	SINGLE FAMILY PROGRAMS ENTERPRISE FUND	TOTAL ENTERPRISE FUNDS	
			2015	2014
OPERATING REVENUES				
Interest income on loans	\$ 1,256,159	\$ 21,512,750	\$ 22,768,909	\$ 26,556,206
Federal housing program grants	55,135,693	-	55,135,693	56,208,932
Rental income	654,275	-	654,275	675,145
Amortization of deferred revenues	-	3,414,739	3,414,739	4,448,580
Miscellaneous	507,771	112,261	620,032	634,897
TOTAL OPERATING REVENUES	57,553,898	25,039,750	82,593,648	88,523,760
OPERATING EXPENSES				
Interest expense on bonds	-	17,624,151	17,624,151	23,087,065
Administrative	5,608,053	120,772	5,728,825	5,594,867
Grants and housing assistance payments	47,160,764	776,132	47,936,896	47,683,205
Public housing maintenance & utilities	1,547,672	-	1,547,672	1,790,038
Amortization of deferred expenses	-	43,824	43,824	46,737
Depreciation	1,644,537	-	1,644,537	1,677,151
Loan servicing fees	-	60,205	60,205	66,947
Other expenses	-	1,178,748	1,178,748	485,084
TOTAL OPERATING EXPENSES	55,961,026	19,803,832	75,764,858	80,431,094
OPERATING INCOME	1,592,872	5,235,918	6,828,790	8,092,666
NON-OPERATING INCOME/(EXPENSES)				
Investment income	1,087	3,268,454	3,269,541	2,647,333
Change in fair value of investments	-	(4,920,350)	(4,920,350)	268
TOTAL NON-OPERATING INCOME/(EXPENSES)	1,087	(1,651,896)	(1,650,809)	2,647,601
INCOME/(LOSS) BEFORE CAPITAL GRANTS AND OPERATING TRANSFERS				
	1,593,959	3,584,022	5,177,981	10,740,267
Capital grants	524,534	-	524,534	493,015
Transfers in	-	75,464	75,464	33,212
Transfers out	(5,517)	(2,176,482)	(2,181,999)	(3,579,977)
CHANGE IN NET POSITION	2,112,976	1,483,004	3,595,980	7,686,517
NET POSITION, BEGINNING	81,523,925	51,724,585	133,248,510	125,561,993
NET POSITION, ENDING	\$ 83,636,901	\$ 53,207,589	\$ 136,844,490	\$ 133,248,510

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, 2015
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)

	FEDERAL	SINGLE	TOTAL ENTERPRISE	
	PROGRAMS	FAMILY	FUNDS	
	ENTERPRISE	ENTERPRISE	2015	2014
	FUND	FUND		
OPERATING ACTIVITIES:				
Securitized mortgage loans principal repayments received	\$ -	\$ 85,199,154	\$ 85,199,154	\$ 137,605,391
Mortgage loans principal repayments received	665,582	4,350,821	5,016,403	4,230,448
Mortgage interest payments received	167,615	21,247,547	21,415,162	25,419,956
Grants received	55,217,830	-	55,217,830	56,113,970
Rental and related rental income	648,203	-	648,203	706,201
Insurance claims received	-	222,964	222,964	217,861
Escrow receipts	1,665,405	-	1,665,405	1,683,456
Other receipts	543,957	20,890	564,847	509,331
New mortgages disbursed	(2,537,279)	-	(2,537,279)	(2,548,929)
Grants disbursed	(47,146,322)	(524,830)	(47,671,152)	(47,754,809)
Administrative expenses	(5,447,011)	(120,714)	(5,567,725)	(6,295,832)
Maintenance and utility expenses	(1,547,672)	-	(1,547,672)	(1,790,038)
Trustee and servicing fees paid	-	(156,241)	(156,241)	(198,401)
Bond insurance premiums	-	(6,927)	(6,927)	(17,973)
Mortgage pool insurance premiums paid	-	(361)	(361)	(471)
Foreclosure disbursements	-	(378)	(378)	-
Escrow disbursements	(1,416,321)	-	(1,416,321)	(1,436,222)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	813,987	110,231,925	111,045,912	166,443,939
NONCAPITAL FINANCING ACTIVITIES:				
Interfund payments received	-	9,238,823	9,238,823	6,358,486
Repayments of principal on revenue bonds	-	(94,072,964)	(94,072,964)	(151,500,624)
Payments of interest on revenue bonds	-	(17,098,608)	(17,098,608)	(22,360,739)
Payments of interest on notes payable	-	-	-	(931)
Repayments of notes payable	-	-	-	(378,130)
Premium on bond call	-	(26,050)	(26,050)	(196,733)
Interfund payments made	(5,517)	(11,429,244)	(11,434,761)	(9,075,916)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(5,517)	(113,388,043)	(113,393,560)	(177,154,587)
CAPITAL FINANCING ACTIVITIES:				
Capital grant funds from US Dept of HUD	710,882	-	710,882	394,564
Purchase of capital assets	(713,883)	-	(713,883)	(264,373)
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	(3,001)	-	(3,001)	130,191
INVESTING ACTIVITIES:				
Proceeds from sales and maturities of investments	-	114,510,547	114,510,547	205,063,212
Interest income on investments	1,087	168,907	169,994	238,062
Purchase of investment securities	(510,553)	(111,049,992)	(111,560,545)	(198,041,082)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(509,466)	3,629,462	3,119,996	7,260,192
NET INCREASE (DECREASE) IN CASH/CASH EQUIVALENT:	296,003	473,344	769,347	(3,320,265)
CASH/CASH EQUIVALENTS, BEGINNING OF YEAR	3,526,493	3,594,207	7,120,700	10,440,965
CASH/CASH EQUIVALENTS, END OF YEAR	\$ 3,822,496	\$ 4,067,551	7,890,047	\$ 7,120,700

Continued on next page.

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)

	FEDERAL PROGRAMS ENTERPRISE FUND	SINGLE FAMILY PROGRAMS ENTERPRISE FUND	TOTAL ENTERPRISE FUNDS	
			2015	2014
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES				
OPERATING INCOME	\$ 1,592,872	\$ 5,235,919	\$ 6,828,791	\$ 8,092,666
Adjustments to reconcile operating income to net cash provided(used) by operating activities:				
Amortization of deferred expenses	-	43,823	43,823	46,737
Amortization of deferred revenues	-	(3,414,739)	(3,414,739)	(4,448,580)
Depreciation expense	1,644,537	-	1,644,537	1,677,151
Interest expense on bonds	-	17,624,153	17,624,153	23,087,954
Decrease in fair value of securitized mortgage loans	-	(4,923,675)	(4,923,675)	(25,267)
Noncash contributions	-	63,176	63,176	-
Changes in assets and liabilities:				
(Increase) decrease in accrued interest and other receivables	(739,104)	22,903	(716,201)	(806,099)
(Increase) decrease in securitized mortgage loans	-	90,122,829	90,122,829	137,630,658
(Increase) decrease in mortgage loans receivable	(1,871,697)	5,273,077	3,401,380	2,558,591
(Increase) decrease in other assets	14,442	-	14,442	(100,849)
Increase (decrease) in accounts payable and accrued expenses	(76,148)	249,805	173,657	(614,318)
Increase (decrease) in interfund activity	-	-	-	(820,371)
Decrease in bonds payable	-	(65,346)	(65,346)	(81,568)
Increase (decrease) in escrow deposits	249,085	-	249,085	247,234
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 813,987	\$ 110,231,925	\$ 111,045,912	\$ 166,443,939
NONCASH NONCAPITAL FINANCING ACTIVITIES				
Transfers in	\$ -	\$ 7,832	\$ 7,832	\$ -
Transfers out	-	-	-	(820,371)
NET NONCASH TRANSFERS	\$ -	\$ 7,832	\$ 7,832	\$ (820,371)
NONCASH INVESTING ACTIVITIES				
Increase (decrease) in fair value of investments	\$ 5,924	\$ 3,324	\$ 9,248	\$ 27,077

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

DELAWARE STATE HOUSING AUTHORITY
 STATEMENTS OF FIDUCIARY NET POSITION
 JUNE 30, 2015 AND 2014

	<u>DSHA RETIREE MEDICAL TRUST</u>	
	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 258,207
Interest receivable	11,517	8,918
Other receivables	31,735	-
Investments, at fair value:		
Savings account	11,534	51,290
Corporate Notes	1,573,814	1,466,887
U.S. Treasury Obligations	957,964	616,687
U.S. Government Agencies	<u>2,422,899</u>	<u>1,996,358</u>
Total assets	<u>5,009,463</u>	<u>4,398,347</u>
LIABILITIES		
Accounts payable	<u>7,498</u>	<u>531</u>
Total liabilities	<u>7,498</u>	<u>531</u>
NET POSITION		
Assets held in trust for retiree health benefits and other purposes	<u>\$ 5,001,965</u>	<u>\$ 4,397,816</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, 2015 AND 2014

	<u>DSHA RETIREE MEDICAL TRUST</u>	
	2015	2014
ADDITIONS		
Contributions:		
Employer contributions	\$ 623,563	\$ 665,919
Other	-	4,333
Total contributions	<u>623,563</u>	<u>670,252</u>
Investment earnings:		
Interest	44,989	44,009
Net increase (decrease) in fair value	14,300	34,712
Total investment earnings	<u>59,289</u>	<u>78,721</u>
Less: Investment expense	<u>(2,577)</u>	<u>(2,008)</u>
Net investment earnings	<u>56,712</u>	<u>76,713</u>
Total additions	<u>680,275</u>	<u>746,965</u>
DEDUCTIONS		
Benefits paid	67,726	54,883
Administrative expenses	8,400	9,811
Total deductions	<u>76,126</u>	<u>64,694</u>
CHANGE IN NET POSITION		
Net position - beginning	604,149	682,271
Net position - ending	<u>4,397,816</u>	<u>3,715,545</u>
	<u>\$ 5,001,965</u>	<u>\$ 4,397,816</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, 2015**

INDEX

I.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	29
A.	Reporting Entity	29
B.	Entity-wide and fund financial statements	29
C.	Measurement focus, basis of accounting, and financial statement presentation	37
D.	Assets, liabilities, and net position or equity	38
II.	RECONCILIATION OF ENTITY-WIDE AND FUND FINANCIAL STATEMENTS	43
A.	Explanation of certain differences between the governmental fund balance sheet and the entity-wide statement of net position	43
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	43
III.	COMPLIANCE AND ACCOUNTABILITY	44
IV.	DETAILED NOTES ON ALL FUNDS	44
A.	Deposits and investments	44
B.	Receivables	47
C.	Accounts payable	48
D.	Capital assets	49
E.	Interfund transactions	50
F.	Short-term and long-term debt	51
G.	Segment information	52
V.	OTHER INFORMATION	54
A.	Risk management	54
B.	Related organizations and related party transactions	54
C.	Economic dependency	54
D.	Post-retirement health care benefits	54
E.	Pension plans	56
F.	Contingent liabilities	60
G.	Prior period adjustment	60
H.	Subsequent events	61

**DELAWARE STATE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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, 2014 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 only 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.
- **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 2015, 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.

- **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.
- **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 of the Authority.
- **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.
- **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 will be used for two activities to stabilize those neighborhoods, (1) financing and (2) purchase/rehabilitation. Financing may include down payment assistance, below interest mortgages or second mortgages where the 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, 2015, \$9,512,185 of the grant 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 sell 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. 72 "*Fair Value Measurement and Application*." This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for fiscal years beginning after June 15, 2015. The Authority is currently evaluating the future impact of this statement.

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 No76 *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.”* The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework the framework for selecting those principles. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. The Authority is currently evaluating the future impact of this statement.

D. Assets, liabilities, and net assets or equity

Cash and Cash Equivalents

The Authority considers all checking deposits, demand deposits and uninvested principal cash to be cash and cash equivalents (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 assets 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 assets 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 \$14,503 has been established for tenant accounts receivable in the business-type activities and the Federal Programs Enterprise Fund as of June 30, 2015. 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. This new allowance is a change in accounting estimate. The amounts of the allowance at June 30, 2015 are \$1,509,365 in the Housing Development Fund, governmental activity and major governmental fund; and \$263,188 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 Circular A-87.

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

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

Deferred Amounts on Bond Refunding

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

Compensated Absences Payable

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

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

- **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.
- **Restricted:** Balances in excess of nonspendable and committed fund balances 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

- **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.
- **Restricted:** Balances in excess of nonspendable fund balances to be used for the 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, 2015, is as follows:

	General Fund	Housing Development Fund	Downtown Development Districts Grant Fund	State Rental Assistance Program	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Interfund receivables and payables, noncurrent, net	\$ 11,141,887	\$ -	\$ -	\$ -	\$ (50,000)	\$ 11,091,887
Mortgages loans receivable, noncurrent, net	3,013,151	136,526,274	-	-	24,248,959	163,788,384
Accrued interest & other receivables, noncurrent	1,210,809	29,678,527	-	-	5,198,707	36,088,043
Prepaid items	75,937	-	-	-	-	75,937
Total nonspendable	15,441,784	166,204,801	-	-	29,397,666	211,044,251
Restricted:						
Cash	-	-	-	2,119,915	5,311,731	7,431,646
Investments, restricted	-	27,066,412	6,785,151	2,956,230	5,842,916	42,650,709
Interfund receivables and payables, current, net	-	-	-	-	(620,403)	(620,403)
Accounts payable	-	-	-	-	(505)	(505)
Total restricted	-	27,066,412	6,785,151	5,076,145	10,533,739	49,461,447
Committed:						
Cash	10,199,755	10,651,004	-	-	-	20,850,759
Investments, committed	14,913,013	50,474,931	-	-	-	65,387,944
Interfund receivables and payables, current, net	791,837	-	-	-	-	791,837
Mortgages loans receivable, current, net	957,909	-	-	-	-	957,909
Accrued interest & other receivables, current	454,913	-	-	-	-	454,913
Accounts payable	(320,054)	-	-	-	-	(320,054)
Escrow deposits held	(894,144)	(32,283,900)	-	-	-	(33,178,044)
Total committed	26,103,229	28,842,035	-	-	-	54,945,264
Assigned:						
Cash	-	-	-	-	802,387	802,387
Investments, assigned	-	-	-	-	1,806,699	1,806,699
Interfund receivables and payables, current, net	-	-	-	-	(11,986)	(11,986)
Accounts payable	-	-	-	-	(410)	(410)
Total assigned	-	-	-	-	2,596,690	2,596,690
Total Fund Balance	\$ 41,545,013	\$ 222,113,248	\$ 6,785,151	\$ 5,076,145	\$ 42,528,095	\$ 318,047,652

Comparative Data

Comparative total data for the prior year is presented in the basic financial statements to provide an understanding of changes in the Authority's financial position and operations. That comparative data is not at the level of detail required for a presentation in conformity with generally accepted accounting principles and has been restated and reclassified, as needed, from the presentation in the Authority's June 30, 2014, 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 \$1,366,731 difference are as follows:

Capital assets	\$3,373,313
Less: Accumulated depreciation	<u>(2,006,582)</u>
Net capital asset adjustment	<u>\$1,366,731</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 \$(839,474) difference are as follows:

Compensated absences	\$(662,097)
State of Delaware pension obligation	<u>(177,377)</u>
Net long-term liabilities adjustment	<u>\$(839,474)</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 \$(397,160) difference are as follows:

Sale of capital asset	\$ (288,460)
Less: Depreciation expense	<u>(108,700)</u>
Net capital asset adjustment	<u><u>\$(397,160)</u></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 following is a listing of investments and their maturities:

Investment type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 to 5	10 to 20	20 to 30
Governmental activities:					
U.S.Treasury Notes	\$ 9,734,010	\$ -	\$ 9,734,010	\$ -	\$ -
U.S.Treasury Strips	200,875	-	-	200,875	-
U.S. Agencies	26,908,258	4,623,954	22,284,304	-	-
Corporate Notes	20,394,093	1,261,379	19,132,714	-	-
Commercial Paper	2,241,658	2,241,658	-	-	-
Bank Money Market Accounts	27,993,710	27,993,710	-	-	-
State of Delaware Investment Pool	22,372,748	22,372,748	-	-	-
Total Governmental Activities Investments	109,845,352	58,493,449	51,151,028	200,875	-
Business-type activities:					
U.S.Treasury Notes	5,060,750	-	4,899,429	161,321	-
U.S.Treasury Bonds	26,352	-	-	26,352	-
U.S.Agencies	5,117,689	1,010,982	4,106,707	-	-
Corporate Notes	1,255,747	42,804	1,212,943	-	-
Investment Agreements	444,002	-	-	-	444,002
Money Market Saving Accounts	5,417,180	5,417,180	-	-	-
Bank Money Market Accounts	8,264,638	8,264,638	-	-	-
State of Delaware Investment Pool	3	3	-	-	-
Securitized Mortgage Loans	379,201,847	-	-	-	379,201,847
Total Business-type Activities Investments	404,788,208	14,735,607	10,219,079	187,673	379,645,849
Total Entity-wide Investments	\$ 514,633,560	\$ 73,229,056	\$ 61,370,107	\$ 388,548	\$ 379,645,849
Fiduciary Fund Investments:					
U.S.Treasury Notes	\$ 957,964	\$ 100,297	\$ 857,667	\$ -	\$ -
U.S.Agencies	2,422,899	610,694	1,812,205	-	-
Corporate Notes	1,573,814	355,068	1,218,746	-	-
Bank Money Market Accounts	11,534	11,534	-	-	-
Total Fiduciary Fund Investments	\$ 4,966,211	\$ 1,077,593	\$ 3,888,618	\$ -	\$ -

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, 2015, the Authority's investments were rated as follows:

Investment Type	Ratings (S & P)						U.S. government guaranteed
	A1	A1+	AA-	AA	AA+	AAA	
Governmental activities:							
U.S. Treasury Notes							\$ 9,734,009
U.S. Treasury Strips							\$ 200,875
U.S. Agencies					\$ 26,908,258		
Corporate Notes			\$9,158,794	\$8,524,766	\$ 1,606,957	\$1,103,576	
Commercial Paper	\$1,742,620	\$ 499,038					
Business-type activities:							
U.S. Treasury Notes							\$ 5,060,750
U.S. Treasury Bonds							\$ 26,352
U.S. Agencies					\$ 5,117,689		
Corporate Notes			\$ 475,928	\$ 517,493	\$ 117,036	\$ 145,290	
Securitized Mortgage Loans							\$ 379,201,847
Fiduciary Fund:							
U.S. Treasury Notes							\$ 957,964
U.S. Agencies					\$ 2,422,899		
Corporate Notes			\$ 455,005	\$ 797,095	\$ 321,714		

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, 2015, the carrying value and the bank balances of the Authority's deposits were \$36,974,840 and \$38,272,925, 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 \$140,397,923 investment balance, \$444,002 represents deposits held by various Guaranteed Investment Contract (GIC) providers under investment agreements. These accounts are uninsured and uncollateralized. The funds are specifically identified for the Authority, but the custodial credit risk cannot be categorized for these funds. Credit risk for such investments depends on the financial stability of the GIC provider whose rating must equal or exceed that of the bond rating. The bank and savings money markets must be collateralized at 102% or greater by securities pledged and identified as held in the Authority's name. Although the State Investment Pool is not collateralized, the State's Cash Management Policy Board requires that investments meet certain ratings, investment types and maturity criteria. The Authority's investment policy does not limit the amount of securities that can be held by the counterparties.

B. Receivables

Total receivables as of June 30, 2015 are as follows:

Receivables	Governmental Activities	Business-type Activities	Total
Mortgage loans	\$ 166,162,452	\$ 94,267,095	\$ 260,429,547
Accrued interest	38,014,515	19,091,120	57,105,635
Other receivables	405,476	259,551	665,027
Grants receivable	-	205,386	205,386
Total receivables	<u>204,582,443</u>	<u>113,823,152</u>	<u>318,405,595</u>
Allowance for doubtful accounts	(3,293,194)	(2,154,374)	(5,447,568)
Total receivables, net	<u>\$ 201,289,249</u>	<u>\$ 111,668,778</u>	<u>\$ 312,958,027</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 199,203,638</u>	<u>\$ 107,398,337</u>	<u>\$ 306,601,975</u>

Mortgage loans receivable

A summary of mortgage loans receivable as of June 30, 2015 is shown below:

Governmental Activities:

General Fund	\$ 4,018,970
Housing Development Fund	136,619,105
Non-major governmental funds	<u>25,524,377</u>
Mortgage loans receivable, governmental activities	166,162,452
Less: Allowance for doubtful accounts	<u>(1,416,159)</u>
Net mortgage loan receivables, governmental activities	<u>164,746,293</u>

Business-type Activities:

Federal Programs Fund	54,590,713
Single Family Programs Fund	<u>39,676,382</u>
Mortgage loans receivable, business-type activities	94,267,095
Less: Allowance for doubtful accounts	<u>(1,674,367)</u>
Net mortgage loan receivables, business-type activities	<u>92,592,728</u>
Total mortgage loans receivable, net	<u>\$ 257,339,021</u>

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 2015, the Authority's DSHA Loan Program, within its General Fund, funded a 24 month construction loan in the amount of \$500,000 at a rate of 0% 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 10.85% 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, 2015 are as follows:

	Governmental Activities		Business-type Activities			Total
	General Fund	Housing	Nonmajor	Federal	Single	
		Development	Governmental		Family	
	Fund	Funds	Programs	Programs		
Loan interest	\$ 1,259,119	\$ 29,628,907	\$ 5,172,395	\$ 11,612,124	\$ 6,990,246	\$ 54,662,791
Investment interest	36,587	49,620	4,040	-	23,245	113,492
HDF projects	37,964	-	-	-	-	37,964
Other projects	258,696	-	-	-	-	258,696
Servicers	10,946	-	-	-	121,561	132,507
Tenants, net	-	-	-	15,320	-	15,320
Other	62,410	-	22,272	99,102	9,066	192,850
Total	\$ 1,665,722	\$ 29,678,527	\$ 5,198,707	\$ 11,726,546	\$ 7,144,118	\$ 55,413,620

C. Accounts payable

Accounts payables as of June 30, 2015 are as follows:

	Governmental Activities		Business-type Activities		Total
	General	Nonmajor	Federal	Single Family	
		Governmental		Programs	
	Fund	Funds	Programs	Programs	
Vendors	\$ 98,977	\$ 915	\$ 176,950	\$ -	\$ 276,842
Salaries	166,146	-	98,909	-	265,055
Security deposits	-	-	177,806	-	177,806
Other	40,907	-	109,533	2,155	152,595
Total	\$ 306,030	\$ 915	\$ 563,198	\$ 2,155	\$ 872,298

D. Capital assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance		Decreases	Ending Balance	
	June 30, 2014	Increases		June 30, 2015	
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 797,960	\$ -	\$ 288,460	\$ 509,500	
Total capital assets, not being depreciated	797,960	-	288,460	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	1,135,551	56,633	-	1,192,184	
Land/Site Improvements	189,101	4,150	-	193,251	
Computer Equipment	415,167	-	-	415,167	
Equipment	121,315	47,917	-	169,232	
Telecommunications Equipment	36,747	-	-	36,747	
Total accumulated depreciation	1,897,881	108,700	-	2,006,581	
Total capital assets, being depreciated, net	965,931	(108,700)	-	857,231	
Governmental activities capital assets, net	\$ 1,763,891	\$ (108,700)	\$ 288,460	\$ 1,363,731	
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	220,588	527,535	480,464	267,659	
Total capital assets, not being depreciated	2,888,341	527,535	480,464	2,935,412	
Capital assets, being depreciated:					
Buildings	22,600,570	-	-	22,600,570	
Land/Site Improvements	20,379,081	480,464	-	20,859,545	
Vehicles	41,908	-	-	41,908	
Equipment	826,090	-	-	826,090	
Total capital assets being depreciated	43,847,649	480,464	-	44,328,113	
Less accumulated depreciation for:					
Buildings	18,314,460	575,987	-	18,890,447	
Land/Site Improvements	12,467,088	990,072	-	13,457,160	
Vehicles	41,908	-	-	41,908	
Equipment	614,672	78,478	-	693,150	
Total accumulated depreciation	31,438,128	1,644,537	-	33,082,665	
Total capital assets, being depreciated, net	12,409,521	(1,164,073)	-	11,245,448	
Business-type activities capital assets, net	\$ 15,297,862	\$ (636,538)	\$ 480,464	\$ 14,180,860	

Depreciation expense of \$108,700 was charged to the administrative function in the governmental activities. Depreciation expense of \$1,644,537 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, 2015. The projects include renovations at the various public housing developments. At year end, the Authority had commitments with contractors of \$18,249, relating to business-type activities and the Federal Programs Enterprise Fund.

E. Interfund transactions

The composition of interfund balances as of June 30, 2015, is as follows:

Due to:	Governmental Activities		Business-type Activities		
	General Fund	Nonmajor Governmental Funds	Federal Programs	Single Family Programs	Total
Current:					
General Fund	\$ -	\$ 625,058	\$ 15,159	\$ 159,321	\$ 799,538
Nonmajor					
Governmental Funds	4,142	-	-	-	4,142
Federal Programs	3,559	-	-	-	3,559
Single Family Programs	-	1,368	-	-	1,368
Total	<u>\$ 7,701</u>	<u>\$ 626,426</u>	<u>\$ 15,159</u>	<u>\$ 159,321</u>	<u>\$ 808,607</u>
Non-current:					
General Fund	\$ -	\$ 60,105	\$ 3,230,450	\$ 7,876,687	\$ 11,167,242
Federal Programs	25,355	-	-	-	25,355
Total	<u>\$ 25,355</u>	<u>\$ 60,105</u>	<u>\$ 3,230,450</u>	<u>\$ 7,876,687</u>	<u>\$ 11,192,597</u>

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, \$7,600,000 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, 2015 consisted of the following:

Transfers in:	Governmental Activities		Business-type Activities			
	General Fund	Housing Development Fund	Nonmajor Governmental Funds	Federal Programs	Single Family Programs	Total
Transfers out:						
General Fund	\$ -	\$ -	\$ 24,782	\$ -	\$ 1,203,205	\$ 1,227,987
Nonmajor						
Governmental Funds	41,253	2,000,000	-	5,517	973,277	3,020,047
Single Family Programs	15,647	-	59,817	-	-	75,464
Total transfer out	<u>\$ 56,900</u>	<u>\$ 2,000,000</u>	<u>\$ 84,599</u>	<u>\$ 5,517</u>	<u>\$ 2,176,482</u>	<u>\$ 4,323,498</u>

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 \$1,203,205 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) \$973,277 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, 2015, was as follows:

	Beginning Balance			Ending Balance		Due Within
	June 30, 2014	Increases	Decreases	June 30, 2015	One Year	
Governmental activities:						
Compensated absences, relating to the General Fund	\$ 605,921	\$ 342,255	\$ 276,028	\$ 672,148	\$ 21,907	
Governmental activity long-term liabilities	\$ 605,921	\$ 342,255	\$ 276,028	\$ 672,148	\$ 21,907	
Business-type activities:						
Compensated absences, relating to the Federal Programs Fund	\$ 432,576	\$ 199,090	\$ 250,741	\$ 380,925	\$ 7,977	
Revenue bonds payable, Single Family Programs Fund	483,725,337	499,492	97,529,690	386,695,139	9,074,065	
Business-type activity long-term liabilities	\$ 484,157,913	\$ 698,582	\$ 97,780,431	\$ 387,076,064	\$ 9,082,042	

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, 2014, the Authority called all remaining bonds of the Single Family Mortgage Revenue Bonds 2005 Series A issue and sold all remaining mortgage backed securities associated with the bond issue.

On June 30, 2015, the Authority called all remaining bonds of the Single Family Mortgage Revenue Bonds 2003 Series B 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, 2015, the Authority called all remaining bonds of the Single Family Mortgage Revenue Bonds 2006 Series A 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, 2015, five issues with debt of \$21,432,180 are outstanding.

Interest Expense on Long-Term Debt

Interest expense of \$17,624,151 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 \$17,624,151 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
2016	\$ 9,074,065	\$ 14,293,135	\$ 23,367,200
2017	8,665,000	13,993,690	22,658,690
2018	8,625,000	13,660,609	22,285,609
2019	8,825,000	13,294,487	22,119,487
2020	9,165,000	12,901,526	22,066,526
2021 - 2025	52,527,917	58,161,711	110,689,628
2026 - 2030	61,608,179	47,141,655	108,749,834
2031 - 2035	51,135,676	34,872,083	86,007,759
2036 - 2040	55,142,540	23,169,170	78,311,710
2041 - 2045	107,821,116	9,335,340	117,156,456
2046 - 2050	14,105,646	856,863	14,962,509
Totals	<u>\$ 386,695,139</u>	<u>\$ 241,680,269</u>	<u>\$ 628,375,408</u>

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 2003 Series B, 2004 Series A, 2005 Series A, and 2006 Series A, B, C, and D, 2007 Series A, B, C, and D, 2008 Series A and B, 2009 Series A, 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, 2015

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2003B-2013A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2010-2013-1 NIBP	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM	SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND SERIES 1997A-2001A	TOTAL SINGLE FAMILY PROGRAMS
Assets					
Current assets	\$ 8,810,065	\$ 636,207	\$ 10,109,319	\$ 1,072,894	\$ 20,628,485
Current interfund receivables	-	-	-	1,368	1,368
Non-current assets	235,660,534	183,977,103	6,846,040	967,823	427,451,500
Total assets	244,470,599	184,613,310	16,955,359	2,042,085	448,081,353
Deferred outflow of resources					
Deferred amount on bond refunding	227,631	-	-	-	227,631
Total deferred outflow of resources	227,631	-	-	-	227,631
Liabilities					
Current liabilities	4,863,790	4,212,275	155	-	9,076,220
Current interfund payables	159,321	-	-	-	159,321
Non-current liabilities	200,259,836	175,560,473	-	1,800,765	377,621,074
Non-current interfund payables	50	-	7,876,587	50	7,876,687
Total liabilities	205,282,997	179,772,748	7,876,742	1,800,815	394,733,302
Deferred inflow of resources					
Deferred amount on bond refunding	-	368,093	-	-	368,093
Total deferred inflow of resources	-	368,093	-	-	368,093
Net position, restricted	\$ 39,415,233	\$ 4,472,469	\$ 9,078,617	\$ 241,270	\$ 53,207,589

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - SINGLE FAMILY PROGRAMS
FUND SEGMENTS
FOR THE YEAR ENDED JUNE 30, 2015

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2003B-2013A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2010-2013-1 NIBP	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM	SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND SERIES 1997A-2001A	TOTAL SINGLE FAMILY PROGRAMS
Operating revenues*	\$ 17,495,121	\$ 7,356,025	\$ 17,433	\$ 171,171	\$ 25,039,750
Operating expenses:					
Interest expense on bonds	11,486,119	6,043,434	-	94,598	17,624,151
Other	1,286,825	25,006	796,904	70,946	2,179,681
Operating income/(loss)	4,722,177	1,287,585	(779,471)	5,627	5,235,918
Non-operating revenue/(expenses):					
Investment income	73,096	3,190	3,184,408	7,760	3,268,454
Other non-operating revenue/(expenses)	(5,103,673)	179,999	-	3,324	(4,920,350)
Transfers in/(out)	(1,106,903)	(41,126)	(962,977)	9,988	(2,101,018)
Change in net position	(1,415,303)	1,429,648	1,441,960	26,699	1,483,004
Beginning net position	40,830,536	3,042,821	7,636,657	214,571	51,724,585
Ending net position	\$ 39,415,233	\$ 4,472,469	\$ 9,078,617	\$ 241,270	\$ 53,207,589

*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, 2015

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2003B-2013A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2010-2013-1 NIBP	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	\$ 78,750,394	\$ 31,965,580	\$ (524,654)	\$ 40,605	\$ 110,231,925
Noncapital financing activities	(80,331,097)	(32,033,498)	(970,624)	(52,824)	(113,388,043)
Investing activities	1,645,456	(21,017)	2,000,484	4,539	3,629,462
Net increase/(decrease)	64,753	(88,935)	505,206	(7,680)	473,344
Beginning cash and cash equivalents	55,162	88,942	3,441,453	8,650	3,594,207
Ending cash and cash equivalents	\$ 119,915	\$ 7	\$ 3,946,659	\$ 970	\$ 4,067,551

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 \$170,000. 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, 2015, HCHC was under agreement with the Authority for the management of its operations. For the Year Ended June 30, 2015, HCHC paid management fees to the Authority totaling \$34,068 and labor charges totaling \$119,912.

As of June 30, 2015, HCHC and WVHC were indebted to the Authority for Housing Development Fund loans in the amounts of \$2,989,541 and \$3,681,695, respectively.

For the Year Ended June 30, 2015, Section 8 Contract Administration housing assistance payments totaling \$312,650 from the HUD passed through the Authority to HCHC.

C. Economic dependency

During the Year Ended June 30, 2015, the Authority's business-type activities received 68.3 percent of its revenue from the U.S. Department of Housing and Urban Development (HUD).

D. Post-retirement health care benefits

State Employees

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

care benefits. A copy of the CAFR may be obtained by writing to: 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, 2015 was \$64,610, 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, 2014 and June 30, 2013 were \$71,158 and \$75,230, respectively, 8.09% of covered payroll, 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 \$623,563 for the Year Ended June 30, 2015.

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)	615,620
Contributions made	(623,563)
Increase (decrease) in net OPEB obligation	(7,943)
Net OPEB obligation, beginning of year	(1,507)
Net OPEB obligation, end of year	<u>\$ (9,450)</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 2014 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 615,620	101.29%	\$ (9,450)
6/30/2014	\$ 666,973	99.84%	\$ (1,507)
6/30/2013	\$ 666,973	100.01%	\$ (2,595)

4. **Funded Status and Funding Progress** - As of July 1, 2014, the plan was 63% funded. The actuarial accrued liability (AAL) for benefits was \$6,952,629 and the actuarial value of assets was \$4,385,797, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,566,832. The covered payroll (annual payroll of active non-state employees covered by the plan) was \$4,840,000, and the ratio of the UAAL to the covered payroll was 53.0%.

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, 2015, the Authority was required to contribute 10.63% of covered payroll to the plan. The Authority's contribution to the State PERS for the Year Ended June 30, 2015 was \$82,415, equal to the required contribution for the year. The Authority's contributions to the State PERS for the Years Ended June 30, 2014 and June 30, 2013 were \$97,183 and \$91,068, 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, 2015, the Authority reported a liability of \$177.377 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013. As of June 30, 2014 and 2013, the Authority's proportion was 0.048 percent and .051 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, 2015, the Authority recognized pension expense of \$28,789. As of June 30, 2015, 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	\$ -	\$ 281,884
Net difference to change in proportion	-	29,941
Contributions made after the measurement date	82,415	-
Total	<u>\$ 82,415</u>	<u>\$ 311,825</u>

The \$982,415 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, 2016. 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:

2016	\$	70,471
2017		70,471
2018		70,471
2019		70,471
Total	\$	<u>281,884</u>

4. Actuarial Assumptions – The collective total pension liability for June 30, 2014 measurement date was determined by an actuarial valuation as of June 30, 2013, and update procedures were used to roll forward the total pension liability to June 30, 2014. The collective total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of June 30, 2013. 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 (dollar values expressed in thousands):

1% Decrease	Discount Rate	1% Increase
\$ 664,774	\$ 177,377	\$ (255,884)

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 2014. 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, 2014 will be recognized in pension expense during the years ended June 30, as follows:

2016	\$	70,471
2017	\$	70,471
2018	\$	70,471
2019	\$	70,471

Pension Expense

The components of the pension expense for the year ending June 30, 2015 are as follows:

Service Costs	\$	91,603
interest on Total Pension Liability		288,621
Member Contributions		(25,432)
Administrative Expenses		2,525
Projected Earnings on Plan Investments		(252,069)
Amortization of Investment Return Differences		(70,471)
Change in Proportion of Collective Pension Liability		(5,988)
Pension Expense	\$	<u>28,789</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, 2015. The Authority's contribution to the Housing Renewal and Local Agency Retirement Plan for the Year Ended June 30, 2015 was \$441,338 equal to the required contribution for the year. The Authority's contributions to the plan for the Years Ended June 30, 2014 and June 30, 2013 were \$444,976 and \$428,806, 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. Prior period adjustment

For the year ended June 30, 2015, the Authority has implemented Governmental Accounting Standards Board Statement Number 68, "Accounting and Financial Reporting for Pensions". This statement establishes accounting and financial reporting standards to improve the information provided by state and local governmental employers about financial support for pensions.

Beginning net position for the Authority's Total Entity-wide Statement of Net Position as of June 30, 2014 has been restated to reflect this implementation. The net position as of June 30, 2014, has been restated as follows:

	Governmental Activities	Total Entity-Wide Statement of Net Position
Net position, June 30, 2014	\$ 299,431,591	\$ 432,680,101
Net State of Delaware pension obligation as of June 30, 2014	(557,596)	(557,596)
Deferred outflows - Authority contributions made during fiscal year 2014	97,183	97,183
Net position, June 30, 2014, restated	<u>\$ 298,971,178</u>	<u>\$ 432,219,688</u>

For the year ended, June 30, 2014, the prior period adjustment decreases the net position in the amount of \$460,473, which is reflected in the governmental activities in the statement of net position.

H. Subsequent events

The Authority has evaluated all subsequent events through October 30, 2015, 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, 2015

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)
07/01/2014	\$ 4,385,797	\$ 6,952,629	\$ 2,566,832	63%	\$ 4,840,000	53.0%
07/01/2013	\$ 3,738,331	\$ 7,124,930	\$ 3,386,599	52%	\$ 4,600,000	73.6%
07/01/2012	\$ 3,093,447	\$ 6,354,167	\$ 3,260,720	49%	\$ 4,600,000	70.9%

DELAWARE STATE HOUSING AUTHORITY
 SCHEDULE OF NET PENSION LIABILITY
 AS OF JUNE 30, 2015

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%

* 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, 2015

Date	Required Employer Contribution	Contributions			Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
		Recognized in Relation to the Required Employer Contribution	Contribution Deficiency/(Excess)			
6/30/2015	\$ 91,739	\$ 91,739	\$ -	\$ 863,020	10.63%	
6/30/2014	\$ 92,413	\$ 92,413	\$ -	\$ 878,451	10.52%	
6/30/2013	\$ 91,068	\$ 91,068	\$ -	\$ 929,265	9.80%	
6/30/2012	\$ 96,951	\$ 96,951	\$ -	\$ 1,045,858	9.27%	
6/30/2011	\$ 93,845	\$ 93,845	\$ -	\$ 1,130,663	8.30%	
6/30/2010	\$ 97,756	\$ 97,756	\$ -	\$ 1,456,870	6.71%	
6/30/2009	\$ 144,028	\$ 144,028	\$ -	\$ 2,156,108	6.68%	
6/30/2008	\$ 173,724	\$ 173,724	\$ -	\$ 2,457,199	7.07%	
6/30/2007	\$ 115,364	\$ 115,364	\$ -	\$ 1,724,425	6.69%	
6/30/2006	\$ 106,929	\$ 106,929	\$ -	\$ 1,747,206	6.12%	



DELAWARE STATE HOUSING AUTHORITY
OTHER SUPPLEMENTARY INFORMATION



DELAWARE STATE HOUSING AUTHORITY
 SCHEDULE OF ACTIVITIES - ENTITY-WIDE
 FOR THE YEAR ENDED JUNE, 30, 2015

EXPENSES	\$	93,151,343
PROGRAM REVENUE		
Charges for services		36,098,951
Operating grants and contributions		79,878,293
Capital grants and contributions		<u>524,534</u>
NET OPERATING REVENUE		23,350,435
GENERAL REVENUE		
Investment losses		<u>(370,684)</u>
TOTAL GENERAL REVENUE		<u>(370,684)</u>
CHANGE IN NET POSITION		22,979,751
NET POSITION, BEGINNING		<u>432,219,688</u>
NET POSITION, ENDING	\$	<u><u>455,199,439</u></u>

DELAWARE STATE HOUSING AUTHORITY
BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	DELAWARE EMERGENCY MORTGAGE ASSISTANCE PROGRAM	DELAWARE HOUSING INSURANCE FUND	DELAWARE MORTGAGE MEDIATION PROGRAM	DSHA SECOND MORTGAGE ASSISTANCE LOAN PROGRAM
ASSETS				
Cash and cash equivalents	\$ 2,468,127	\$ 50	\$ -	\$ 2,036,295
Investments	2,405,607	141,633	32,470	-
Interfund receivables	17,270	-	-	-
Loans receivable:				
Mortgages receivable, net	5,515,668	-	-	17,091,178
Accrued interest & other receivables	395,779	-	-	4,737,321
TOTAL ASSETS	\$ 10,802,451	\$ 141,683	\$ 32,470	\$ 23,864,794
LIABILITIES & FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 505	\$ -	\$ -	\$ -
Interfund payables	63,271	1,418	-	622,984
TOTAL LIABILITIES	63,776	1,418	-	622,984
FUND BALANCES				
Nonspendable	5,861,447	-	-	21,828,499
Restricted	4,877,228	140,265	32,470	1,413,311
Committed	-	-	-	-
Assigned	-	-	-	-
TOTAL FUND BALANCES	10,738,675	140,265	32,470	23,241,810
TOTAL LIABILITIES & FUND BALANCES	\$ 10,802,451	\$ 141,683	\$ 32,470	\$ 23,864,794

DELAWARE DEPARTMENT OF JUSTICE MORTGAGE SETTLEMENT FUND	HOUSING REHABILITATION LOAN PROGRAM	STRONG NEIGHBORHOODS HOUSING FUND	WEXFORD VILLAGE REHAB PROGRAM	WILMINGTON SENIOR TAX ASSISTANCE PROGRAM	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ 807,259	\$ 459,155	\$ -	\$ 203,044	\$ 140,188	\$ 6,114,118
502,222	1,806,699	2,760,984	-	-	7,649,615
-	-	-	-	-	17,270
-	1,642,113	-	-	-	24,248,959
-	65,607	-	-	-	5,198,707
<u>\$ 1,309,481</u>	<u>\$ 3,973,574</u>	<u>\$ 2,760,984</u>	<u>\$ 203,044</u>	<u>\$ 140,188</u>	<u>\$ 43,228,669</u>
\$ -	\$ 410	\$ -	\$ -	\$ -	\$ 915
-	55	-	11,931	-	699,659
-	465	-	11,931	-	700,574
-	1,707,720	-	-	-	29,397,666
1,309,481	-	2,760,984	-	-	10,533,739
-	-	-	-	-	-
-	2,265,389	-	191,113	140,188	2,596,690
1,309,481	3,973,109	2,760,984	191,113	140,188	42,528,095
<u>\$ 1,309,481</u>	<u>\$ 3,973,574</u>	<u>\$ 2,760,984</u>	<u>\$ 203,044</u>	<u>\$ 140,188</u>	<u>\$ 43,228,669</u>

DELAWARE STATE HOUSING AUTHORITY
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	DELAWARE EMERGENCY MORTGAGE ASSISTANCE PROGRAM	DELAWARE HOUSING INSURANCE FUND	DELAWARE MORTGAGE MEDIATION PROGRAM	DSHA SECOND MORTGAGE ASSISTANCE LOAN PROGRAM
REVENUES				
Interest income:				
Investments	\$ 2,754	\$ -	\$ 235	\$ -
Loans	86,031	-	-	798,908
Total interest income	<u>88,785</u>	<u>-</u>	<u>235</u>	<u>798,908</u>
Payments from primary government	-	-	-	-
Gains/(losses) on investments	-	-	-	-
Fees	-	-	180,300	-
Other revenue	917,550	-	-	-
TOTAL REVENUES	<u>1,006,335</u>	<u>-</u>	<u>180,535</u>	<u>798,908</u>
EXPENDITURES				
Current:				
Affordable rental housing	-	-	-	-
Community rehabilitation	-	-	-	-
Home ownership	440,032	-	196,697	1,225,207
Housing rehabilitation	-	-	-	-
TOTAL EXPEDITURES	<u>440,032</u>	<u>-</u>	<u>196,697</u>	<u>1,225,207</u>
EXCESS/(DEFICIT) REVENUE OVER EXPENDITURES	<u>566,303</u>	<u>-</u>	<u>(16,162)</u>	<u>(426,299)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,000,000	41,253	-	3,023,277
Transfers out	(150,000)	(81,946)	-	(2,653)
TOTAL OTHER FINANCING SOURCES (USES)	<u>850,000</u>	<u>(40,693)</u>	<u>-</u>	<u>3,020,624</u>
NET CHANGE IN FUND BALANCES	1,416,303	(40,693)	(16,162)	2,594,325
FUND BALANCES, BEGINNING	9,322,372	180,958	48,632	20,647,485
FUND BALANCES, ENDING	<u>\$ 10,738,675</u>	<u>\$ 140,265</u>	<u>\$ 32,470</u>	<u>\$ 23,241,810</u>

* The transfers in and out have been reduced by \$1,200,000 for transfers between non-major governmental funds.

DELAWARE DEPARTMENT OF JUSTICE MORTGAGE SETTLEMENT FUND	HOUSING REHABILITATION LOAN PROGRAM	STRONG NEIGHBORHOODS HOUSING FUND	WEXFORD VILLAGE REHAB PROGRAM	WILMINGTON SENIOR TAX ASSISTANCE PROGRAM	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ 795	\$ 16,972	\$ -	\$ -	\$ -	\$ 20,756
-	56,219	-	-	-	941,158
795	73,191	-	-	-	961,914
-	-	2,906,300	-	-	2,906,300
-	4,767	-	-	-	4,767
-	-	-	-	-	180,300
-	9,333	-	-	-	926,883
795	87,291	2,906,300	-	-	4,980,164
-	-	-	603,920	-	603,920
-	-	145,316	-	-	145,316
838,981	-	-	-	38,860	2,739,777
-	67,854	-	-	-	67,854
838,981	67,854	145,316	603,920	38,860	3,556,867
(838,186)	19,437	2,760,984	(603,920)	(38,860)	1,423,297
-	-	-	5,517	150,000	3,020,047 *
(1,000,000)	(50,000)	-	-	-	(84,599) *
(1,000,000)	(50,000)	-	5,517	150,000	2,935,448
(1,838,186)	(30,563)	2,760,984	(598,403)	111,140	4,358,745
3,147,667	4,003,672	-	789,516	29,048	38,169,350
\$ 1,309,481	\$ 3,973,109	\$ 2,760,984	\$ 191,113	\$ 140,188	\$ 42,528,095

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF NET POSITION - PROPRIETARY FUND - SUBFUNDS OF THE FEDERAL PROGRAMS ENTERPRISE FUND
JUNE 30, 2015

	COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAMS	COMPREHENSIVE HOUSING COUNSELING GRANT PROGRAM	FAMILY UNIFICATION PROGRAM	HOME INVESTMENT PARTNERSHIP PROGRAM
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 11,022	\$ 55	\$ 35,743	\$ 253
Investments	-	-	-	215,955
Accrued interest and other receivables	-	-	-	-
Grants receivable-U.S. Dept of HUD	-	-	-	-
Interfund receivables	-	-	-	-
Prepaid expenses	-	-	25,537	-
Total current assets	11,022	55	61,280	216,208
Non-Current Assets:				
Cash, restricted for payment of escrows	-	-	45,407	-
Investments	-	-	-	5,350,431
Mortgages receivable, net	-	-	-	53,960,713
Accrued interest and other receivables, net	-	-	-	11,612,125
Interfund receivables	25,355	-	-	-
Capital assets not being depreciated	-	-	-	-
Capital assets net of accumulated depreciation	-	-	-	-
Total non-current assets	25,355	-	45,407	70,923,269
TOTAL ASSETS	36,377	55	106,687	71,139,477
LIABILITIES				
Current Liabilities:				
Accounts payable	9,331	-	-	8,409
Due St of Delaware-pension costs	448	-	-	291
Interfund payables	-	-	-	15,159
Compensated absences payable	2,125	-	-	-
Total current liabilities	11,904	-	-	23,859
Non-Current Liabilities:				
Interfund payables	200	50	30,000	50
Compensated absences payable	20,409	-	-	16,845
Escrow deposits	-	-	45,407	5,350,431
Total non-current liabilities	20,609	50	75,407	5,367,326
TOTAL LIABILITIES	32,513	50	75,407	5,391,185
NET POSITION				
Invested in capital assets	-	-	-	-
Restricted by federal regulations	3,864	5	31,280	65,748,292
TOTAL NET POSITION	\$ 3,864	\$ 5	\$ 31,280	\$ 65,748,292

MOVING TO WORK DEMONSTRATION PROGRAM	NEIGHBORWORKS AMERICA GRANT PROGRAM	SECTION 8 CONTRACT ADMINISTRATION PROGRAM	SECTION 811 PROJECT RENTAL ASSISTANCE DEMONSTRATION PROGRAM	TOTAL FEDERAL PROGRAMS
\$ 1,718,232	\$ 994	\$ 1,261,978	\$ 100	\$ 3,028,377
985,521	-	-	-	1,201,476
114,339	-	82	-	114,421
-	-	205,386	-	205,386
3,559	-	-	-	3,559
414,820	-	3,071,517	-	3,511,874
3,236,471	994	4,538,963	100	8,065,093
748,712	-	-	-	794,119
-	-	-	-	5,350,431
-	-	-	-	53,960,713
-	-	-	-	11,612,125
-	-	-	-	25,355
2,935,412	-	-	-	2,935,412
11,245,448	-	-	-	11,245,448
14,929,572	-	-	-	85,923,603
18,166,043	994	4,538,963	100	93,988,696
521,324	-	24,134	-	563,198
1,193	-	578	-	2,510
-	-	-	-	15,159
5,310	-	542	-	7,977
527,827	-	25,254	-	588,844
50	-	3,200,000	100	3,230,450
286,180	-	49,514	-	372,948
763,715	-	-	-	6,159,553
1,049,945	-	3,249,514	100	9,762,951
1,577,772	-	3,274,768	100	10,351,795
14,180,860	-	-	-	14,180,860
2,407,411	994	1,264,195	-	69,456,041
\$ 16,588,271	\$ 994	\$ 1,264,195	\$ -	\$ 83,636,901

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, 2015

	COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAMS	COMPREHENSIVE HOUSING COUNSELING GRANT PROGRAM	FAMILY UNIFICATION PROGRAM	HOME INVESTMENT PARTNERSHIP PROGRAM
OPERATING REVENUES				
Interest income on loans	\$ -	\$ -	\$ -	\$ 1,256,159
Federal housing program grants	3,843,652	98,204	314,836	3,102,329
Rental income	-	-	-	-
Miscellaneous	11,083	-	18,383	8,046
TOTAL OPERATING REVENUES	3,854,735	98,204	333,219	4,366,534
OPERATING EXPENSES				
Administrative	164,828	98,199	-	560,260
Grants and housing assistance payments	3,686,043	-	317,062	874,594
Public housing maintenance & utilities	-	-	-	-
Depreciation	-	-	-	-
TOTAL OPERATING EXPENSES	3,850,871	98,199	317,062	1,434,854
OPERATING INCOME/(LOSS)	3,864	5	16,157	2,931,680
NON-OPERATING INCOME/(EXPENSES)				
Investment income	-	-	-	85
TOTAL NON-OPERATING INCOME/EXPENSES)	-	-	-	85
INCOME/(LOSS) BEFORE CAPITAL GRANTS AND OPERATING TRANSFERS				
	3,864	5	16,157	2,931,765
Capital grants and contributions	-	-	-	-
Transfers out	-	-	-	(5,517)
CHANGE IN NET POSITION	3,864	5	16,157	2,926,248
NET POSITION, BEGINNING	-	-	15,123	62,822,044
NET POSITION, ENDING	\$ 3,864	\$ 5	\$ 31,280	\$ 65,748,292

MOVING TO WORK DEMONSTRATION PROGRAM	NEIGHBORWORKS AMERICA GRANT PROGRAM	SECTION 8 CONTRACT ADMINISTRATION	SECTION 811 PROJECT RENTAL ASSISTANCE DEMONSTRATION PROGRAM	TOTAL FEDERAL PROGRAMS
\$ -	\$ -	\$ -	\$ -	\$ 1,256,159
9,339,885	95,981	38,251,806	89,000	55,135,693
654,275	-	-	-	654,275
470,259	-	-	-	507,771
<u>10,464,419</u>	<u>95,981</u>	<u>38,251,806</u>	<u>89,000</u>	<u>57,553,898</u>
3,403,488	164,769	1,127,509	89,000	5,608,053
5,158,017	-	37,125,048	-	47,160,764
1,547,672	-	-	-	1,547,672
1,644,537	-	-	-	1,644,537
<u>11,753,714</u>	<u>164,769</u>	<u>38,252,557</u>	<u>89,000</u>	<u>55,961,026</u>
<u>(1,289,295)</u>	<u>(68,788)</u>	<u>(751)</u>	<u>-</u>	<u>1,592,872</u>
1,002	-	-	-	1,087
<u>1,002</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,087</u>
(1,288,293)	(68,788)	(751)	-	1,593,959
524,534	-	-	-	524,534
-	-	-	-	(5,517)
(763,759)	(68,788)	(751)	-	2,112,976
17,352,030	69,782	1,264,946	-	81,523,925
<u>\$ 16,588,271</u>	<u>\$ 994</u>	<u>\$ 1,264,195</u>	<u>\$ -</u>	<u>\$ 83,636,901</u>

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF NET POSITION - PROPRIETARY FUND - SUBFUNDS OF THE SINGLE FAMILY PROGRAMS
ENTERPRISE FUND
JUNE 30, 2015

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2003B-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	\$ 119,915	\$ 6	\$ 3,946,660
Investments	5,307,548	100,433	6,139,559
Mortgage loan receivable, net	1,704,402	-	-
Accrued interest and other receivables	1,678,200	535,768	23,100
Interfund receivables	-	-	-
Total current assets	<u>8,810,065</u>	<u>636,207</u>	<u>10,109,319</u>
Non-Current Assets:			
Investments	444,002	-	6,846,040
Securitized mortgage loans, net	195,224,744	183,977,103	-
Mortgage loan receivable, net	36,147,783	-	-
Accrued interest and other receivables	3,844,005	-	-
Total non-current assets	<u>235,660,534</u>	<u>183,977,103</u>	<u>6,846,040</u>
TOTAL ASSETS	<u>244,470,599</u>	<u>184,613,310</u>	<u>16,955,359</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred amount on bond refunding	227,631	-	-
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>227,631</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	2,000	-	155
Interfund payables	159,321	-	-
Revenue bonds payable	4,861,790	4,212,275	-
Total current liabilities	<u>5,023,111</u>	<u>4,212,275</u>	<u>155</u>
Non-Current Liabilities:			
Interfund payables	50	-	7,876,587
Revenue bonds payable	200,259,836	175,560,473	-
Total non-current liabilities	<u>200,259,886</u>	<u>175,560,473</u>	<u>7,876,587</u>
TOTAL LIABILITES	<u>205,282,997</u>	<u>179,772,748</u>	<u>7,876,742</u>
DEFERRED INFLOW OF RESOURCES			
Deferred amount on bond refunding	-	368,093	-
TOTAL DEFERRED INFLOW OF RESOURCES	<u>-</u>	<u>368,093</u>	<u>-</u>
NET POSITION			
Restricted by bond covenants	39,415,233	4,472,469	9,078,617
TOTAL NET POSITION	<u>\$ 39,415,233</u>	<u>\$ 4,472,469</u>	<u>\$ 9,078,617</u>

SECOND MORTGAGE ASSISTANCE		
LOAN REVENUE BOND SERIES 1997A-2001A	TOTAL SINGLE FAMILY PROGRAMS	
\$ 970	\$ 4,067,551	
8,879	11,556,419	
-	1,704,402	
9,164	2,246,232	
1,368	1,368	
<u>20,381</u>	<u>19,575,972</u>	
187,993	7,478,035	
-	379,201,847	
779,830	36,927,613	
1,053,881	4,897,886	
<u>2,021,704</u>	<u>428,505,381</u>	
<u>2,042,085</u>	<u>448,081,353</u>	
-	227,631	
-	227,631	
-	2,155	
-	159,321	
-	9,074,065	
-	9,235,541	
50	7,876,687	
<u>1,800,765</u>	<u>377,621,074</u>	
<u>1,800,815</u>	<u>385,497,761</u>	
<u>1,800,815</u>	<u>394,733,302</u>	
-	368,093	
-	368,093	
241,270	53,207,589	
<u>\$ 241,270</u>	<u>\$ 53,207,589</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, 2015

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2003B-2013A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES - NIBP 2010-1 - 2013-1	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM
OPERATING REVENUES			
Interest income on loans	\$ 14,296,170	\$ 7,111,015	\$ -
Amortization of deferred revenues	3,169,729	245,010	-
Miscellaneous	29,222	-	17,433
TOTAL OPERATING REVENUES	17,495,121	7,356,025	17,433
OPERATING EXPENSES			
Interest expense on bonds	11,486,119	6,043,434	-
Administrative	100,000	-	20,772
Grants	-	-	776,132
Loan servicing fees	60,205	-	-
Amortization of deferred expenses	43,824	-	-
Other expenses	1,082,796	25,006	-
TOTAL OPERATING EXPENSES	12,772,944	6,068,440	796,904
OPERATING INCOME/(LOSS)	4,722,177	1,287,585	(779,471)
NON-OPERATING INCOME/(EXPENSES)			
Investment income	73,096	3,190	3,184,408
Change in fair value of investments	(5,103,673)	179,999	-
TOTAL NON-OPERATING INCOME/(EXPENSES)	(5,030,577)	183,189	3,184,408
INCOME/(LOSS) BEFORE OPERATING TRANSFERS	(308,400)	1,470,774	2,404,937
Transfers in	8,399,458	1,090,549	10,300
Transfers out	(9,506,361)	(1,131,675)	(973,277)
CHANGE IN NET POSITION	(1,415,303)	1,429,648	1,441,960
NET POSITION, BEGINNING	40,830,536	3,042,821	7,636,657
NET POSITION, ENDING	\$ 39,415,233	\$ 4,472,469	\$ 9,078,617

*Transfers in and out have been reduced by \$9,437,382 for transfers between subfunds in the Single Family Program Fund.

SECOND MORTGAGE ASSISTANCE		TOTAL SINGLE FAMILY PROGRAMS	
LOAN REVENUE BOND SERIES 1997A-2001A			
\$ 105,565	\$	21,512,750	
-		3,414,739	
65,606		112,261	
<u>171,171</u>		<u>25,039,750</u>	
94,598		17,624,151	
-		120,772	
-		776,132	
-		60,205	
-		43,824	
70,946		1,178,748	
<u>165,544</u>		<u>19,803,832</u>	
<u>5,627</u>		<u>5,235,918</u>	
7,760		3,268,454	
3,324		(4,920,350)	
<u>11,084</u>		<u>(1,651,896)</u>	
16,711		3,584,022	
12,539		75,464 *	
<u>(2,551)</u>		<u>(2,176,482) *</u>	
26,699		1,483,004	
214,571		51,724,585	
<u>\$ 241,270</u>	<u>\$</u>	<u>53,207,589</u>	

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE
FOR THE YEAR ENDED JUNE 30, 2015

The details of and changes in the Authority's mortgage revenue bonds during the Year Ended June 30, 2015 are as follows:

Bond Issue	Interest Rate	Final Maturity Date	Bonds Outstanding June 30, 2014	Matured	Called	Other	Bonds Outstanding June 30, 2015
Single Family Mortgage Revenue Bonds 2003 Series B			1,566,418	-	1,515,000	(51,418)	-
Single Family Mortgage Revenue Bonds 2005 Series A			11,045,596	125,000	10,390,000	(530,596)	-
Single Family Mortgage Revenue Bonds 2006 Series A			10,372,143	105,000	9,545,000	(722,143)	-
Single Family Mortgage Revenue Bonds 2006 Series B	4.65% - 6.20%	2037	11,678,120	185,000	2,780,000	(260,589)	8,452,531
Single Family Mortgage Revenue Bonds 2006 Series C	4.65% - 6.25%	2037	8,012,040	-	2,390,000	(183,538)	5,438,502
Single Family Mortgage Revenue Bonds 2006 Series D	4.30% - 5.88%	2048	17,030,284	-	3,905,000	(232,067)	12,893,217
Single Family Mortgage Revenue Bonds 2007 Series A	4.35% - 5.90%	2048	18,642,969	-	4,010,000	(259,322)	14,373,647
Single Family Mortgage Revenue Bonds 2007 Series B	4.05% - 5.60%	2048	21,045,383	-	5,280,000	(269,029)	15,496,354
Single Family Mortgage Revenue Bonds 2007 Series C	5.30% - 5.55%	2049	14,947,829	-	3,850,000	(180,867)	10,916,962
Single Family Mortgage Revenue Bonds 2007 Series D	4.63% - 5.80%	2049	19,020,651	-	4,105,000	(205,693)	14,709,958
Single Family Mortgage Revenue Bonds 2008 Series A	4.75% - 6.65%	2039	14,675,181	65,000	2,005,000	(100,588)	12,504,593
Single Family Mortgage Revenue Bonds 2008 Series B	4.00% - 5.45%	2040	32,226,112	1,035,000	5,886,813	60,701	25,365,000
Single Family Mortgage Revenue Bonds 2009 Series A	3.45% - 5.45%	2040	22,765,250	620,000	3,727,179	55,285	18,473,356

Continued on next page.

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE
FOR THE YEAR ENDED JUNE 30, 2015

The details of and changes in the Authority's mortgage revenue bonds during the Year Ended June 30, 2015 are as follows:

Bond Issue	Interest Rate	Final Maturity Date	Bonds Outstanding June 30, 2014	Matured	Called	Other	Bonds Outstanding June 30, 2015
Single Family Mortgage Revenue Bonds 2011 Series A/B	4.25% - 5.10%	2031	26,095,956	-	3,234,065	115,029	22,976,920
Single Family Mortgage Revenue Bonds 2013 Series A	2.60%	2043	46,920,976	-	3,400,390	-	43,520,586
Single Family Mortgage Revenue Bonds 2010-1 (NIBP)	3.01% - 4.55%	2041	65,126,842	-	8,260,000	(161,781)	56,705,061
Single Family Mortgage Revenue Bonds 2011-2 (NIBP)	1.80% - 4.38%	2041	62,627,557	630,000	6,695,000	(59,870)	55,242,687
Single Family Mortgage Revenue Bonds 2013-1 (NIBP)	1.26% - 4.40%	2041	78,100,000	-	10,275,000	-	67,825,000
SMAL Mortgage Revenue Bonds 1997 Series A	5.3%	2029	451,643	-	21,655	21,332	451,320
SMAL Mortgage Revenue Bonds 1998 Series A	5.3%	2030	319,492	-	4,550	16,877	331,819
SMAL Mortgage Revenue Bonds 1998 Series B	5.25%	2030	912,870	-	22,802	(5,843)	884,225
SMAL Mortgage Revenue Bonds 2001 Series A	5.67%	2033	142,025	-	5,509	(3,115)	133,401
TOTAL			\$ 483,725,337	\$ 2,765,000	\$ 91,307,963	\$(2,957,235)	\$ 386,695,139

The "Other " category totaling \$(2,957,235) represents accretion on capital appreciation bonds, netted by deferred amounts on refunding and bond forgiveness.

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

- Single Family Mortgage Revenue Bonds 2003 Series B, Subseries B-2 (original issue amount of \$5,650,000).
- Single Family Mortgage Revenue Bonds 2007 Series 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





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, 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, 2015, and the related notes to the financial statements, which collectively comprise DSHA's basic financial statements and have issued our report thereon dated October 30, 2015.

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 DSHA'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 30, 2015
Wilmington, Delaware



***Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control Over Compliance Required by OMB Circular A-133***

To the Delaware State Housing Authority
Dover, Delaware

Report on Compliance for Each Major Federal Program

We have audited Delaware State Housing Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Delaware State Housing Authority's major federal programs for the year ended June 30, 2015. Delaware State Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2015.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Belfint, Lyons & Shuman, P.A.

October 30, 2015
Wilmington, Delaware



DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR/PROGRAM TITLE	CFDA NUMBER	CONTRACT NUMBER	EXPENDITURES
DIRECT GRANTS:			
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Mortgage Insurance_Homes	14.117	N/A	\$ 74,572
Comprehensive Housing Counseling Grant	14.169	HC130341004	98,204
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	B-13-DC-10-0001 B-14-DC-10-0001 B-08-DN-10-0001	\$ 745,137 1,324,040 945,527
Total CDBG/State's Program and Non-Entitlement Grants in Hawaii			<u>3,014,704</u>
Emergency Solutions Grant Program	14.231	E13-DC-10-0001 E14-DC-10-0001	69,675 <u>135,925</u>
Total Emergency Solutions Grant Program			205,600
HOME Investment Partnerships Program	14.239	M-11-SG-10-0100 M-12-SG-10-0100 M-13-SG-10-0100 M-14-SG-10-0100	1,263,397 1,379,427 367,727 <u>91,778</u>
Total HOME Investment Partnerships Program			3,102,329
Housing Opportunities for Persons with AIDS	14.241	DEH13F999 DEH14F999	50,403 <u>157,184</u>
Total Housing Opportunities for Persons with AIDS			207,587
Section 811 Project Rental Assistance Demonstration	14.326	DE26DRD1201	89,000
Performance Based Contract Administrator Program	14.327	Various	38,333,943
Family Unification Program	14.880	2009-FUP-DE901-8010	317,836
Moving to Work Demonstration Program: Public and Indian Housing Program	14.881	DE004-0000314D DE004-0000315D Various	1,472,988 1,485,730 640,372
Public Housing Capital Fund			
Lower Income Housing Assistance Program (Section 8):			
Moving To Work Vouchers		DE901VOW072-077	5,743,895
Housing Conversion Vouchers		DE901AFHP03	480,929
Special Administrative Fees		DE901VO0093-0102	4,601
Special Administrative Fees		DE901AFR114-314	1,220
Special Administrative Fees		DE901AF0067-0075	<u>34,684</u>
Total Moving to Work Demonstration Program			<u>9,864,419</u>
Total U. S. Department of Housing and Urban Development			<u>55,308,194</u>
TOTAL DIRECT GRANTS			<u>55,308,194</u>
INDIRECT GRANTS:			
United States Congress			
Appropriations allocated to HUD and passed through to Neighborhood Reinvestment Corporations (d.b.a. NeighborWorks® America) via Public Law			
National Foreclosure Mitigation Counseling Program	14.xxx	PL110-161:95X1350	160,566
Preserving Affordable Housing	14.xxx		<u>2,763</u>
TOTAL INDIRECT GRANTS			<u>163,329</u>

Continued on next page

DELAWARE STATE HOUSING AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR/PROGRAM TITLE	CFDA NUMBER	CONTRACT NUMBER	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	415,761
Total U. S. Department of Housing and Urban Development			<u>415,761</u>
TOTAL ARRA DIRECT GRANTS			<u>415,761</u>
TOTAL FEDERAL AWARDS			<u>\$ 55,887,284</u>

N/A - Not Available.

* Denotes a major federal program.

(1) As of June 30, 2015, the amount of outstanding single family mortgages purchased by the Authority and covered by either FHA insurance or a VA guarantee was \$11,648,222 and \$2,345,851, respectively.

See notes to supplemental schedule of expenditures of federal awards.

DELAWARE STATE HOUSING AUTHORITY
 SUPPLEMENTAL STATEMENT OF PUBLIC HOUSING ACTUAL MODERNIZATION CAPITAL FUND
 GRANT COSTS
 AS OF JUNE 30, 2015

ANNUAL CONTRIBUTIONS CONTRACT P-4520

	PROJECT NUMBER			TOTAL
	DE26-P004- 50112	DE26-P004- 50113	DE26-P004- 50114	
Funds advanced	\$ 611,203	\$ 561,325	\$ 343,230	\$ 1,515,758
Management improvements	94,127	56,951	4,576	155,654
Site improvements	455,956	438,588	272,752	1,167,296
Administration	61,120	65,786	65,902	192,808
Funds expensed	611,203	561,325	343,230	1,515,758
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 subrecipient.

2. SUBRECIPIENTS

It is not practical based on current systems to provide subrecipient expenditures by federal program.

