

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, 2012**

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

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INDEPENDENT AUDITOR'S REPORT

September 21, 2012

To the Delaware State Housing Authority
Dover, Delaware

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Delaware State Housing Authority (the Authority), a component unit of the State of Delaware, as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Authority's 2011 financial statements and, in our report dated September 28, 2011 we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Delaware State Housing Authority, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report on pages 77 and 78 dated September 21, 2012 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress on pages 3 through 10 and page 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The other supplementary information listed in the table of contents and the Supplemental Statement of Public Housing Actual Modernization Capital Fund Grant Costs are presented for the purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, and is also not a required part of the financial statements. The other supplementary information, the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

Management's Discussion and Analysis, June 30 2012

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 (US Dept of HUD), and the State Housing Development Fund. Housing rehabilitation is also funded through the State sponsored Housing Development Fund. Community rehabilitation is provided through grants from US Dept of HUD.

As management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the Fiscal Year Ended June 30, 2012. The Authority's Management's Discussion and Analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual fund issues or concerns.

Since the MD&A is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 11).

Financial Highlights

- The Authority's assets exceeded liabilities at the close of the fiscal year by \$365,990,246 (net assets).
- Unrestricted net assets totaled \$39,146,822. This amount is dedicated to the Authority's operations, pursuant to Title 31, Chapter 40 of the Delaware Code and the Authority's bond resolutions. A General Fund cash and investment balance of \$38,329,034 contributes to this unrestricted net asset total.
- The Authority's total net assets increased by \$26,333,914. Governmental activities increased by \$35,989,650, while business-type activities decreased by \$9,655,736. The most significant factors contributing to the increase were the appropriation of \$19,570,000 from the State of Delaware to the Housing Development Fund and the receipt of \$3,431,526 in HOME Investment Partnership Program federal grant funds, both for the purpose of making loans and grants to meet affordable housing needs, and the receipt of \$1,132,894 in federal grant funds for capital asset improvements.
- At the close of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$265,775,370, an increase of \$35,800,038 in comparison with the prior year.
- The Authority's total debt, excluding compensated absences, decreased by \$71,747,237 (8.0 percent) during the Fiscal Year 2012. The Single Family Programs issued new revenue bond debt of \$213,144,016 during the fiscal year. This amount was offset by scheduled maturities of \$4,330,000, bond calls of \$227,775,239, primarily the result of bond refunding and mortgage prepayments experienced by the Single Family and Multi-Family Programs, and \$978,815 representing the net of accretion on capital appreciation bonds, deferred amounts on refunding, and bond forgiveness. The Single Family Programs also report a net decrease in a note payable to the Federal Home Loan Bank of Pittsburgh in the amount of \$53,764,829.
- The American Recovery and Reinvestment Act of 2009 (ARRA), created to help the economy and increase employment, provided the Authority with \$18.9 million during Fiscal Year 2010, \$12.3 million during Fiscal Year 2011, and an additional \$9.84 million during Fiscal Year 2012. This increased funding was used to make capital improvements to public housing sites, provide additional resources to the Community Development Block Grant Program, and fund a new program for homeless prevention. ARRA also created the Housing Tax Credit Assistance Program which, along with additional funding for exchanging unused low income housing tax credits for cash through the IRS, was used in the financing of low income housing development projects.

Overview of the Financial Statements

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

Entity-wide Financial Statements

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

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

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

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

The entity-wide financial statements can be found on pages 11-13 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

The Authority maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Housing Development Fund, and the DSHA Second Mortgage Assistance Loan program, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of supplementary combining schedules elsewhere in this

report. The basic governmental fund financial statements can be found on pages 14-17 of this report.

Proprietary Funds

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

Proprietary funds provide the same type of information as the entity-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the federal programs, single family, and multi-family funds, all of which are considered to be major funds of the Authority. The basic proprietary fund financial statements can be found on pages 18-21 of this report.

Fiduciary Funds

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

The Authority reports one fiduciary type fund, the DSHA Retiree Medical Trust Fund. This fund accounts for transactions, assets, liabilities, and net assets available for post-employment healthcare insurance premiums of the Authority's non-state employees. The basic fiduciary fund financial statements can be found on pages 22-23 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements. The notes to the financial statements can be found on pages 24-50 of this report.

Other Information

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

Entity-wide Financial Analysis

Delaware Housing Authority's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Noncapital assets	\$ 293,509,229	\$ 254,420,234	\$ 915,558,400	\$ 1,000,769,499	\$ 1,209,067,629	\$ 1,255,189,733
Capital assets	1,983,045	1,805,992	17,407,356	17,772,410	19,390,401	19,578,402
Total assets	295,492,274	256,226,226	932,965,756	1,018,541,909	1,228,458,030	1,274,768,135
Long-term liabilities outstanding	27,977,007	24,659,105	798,625,168	721,403,381	826,602,175	746,062,486
Other liabilities	330,668	372,172	35,534,941	188,677,145	35,865,609	189,049,317
Total liabilities	28,307,675	25,031,277	834,160,109	910,080,526	862,467,784	935,111,803
Net assets:						
Invested in capital assets	1,983,045	1,805,992	17,407,356	17,772,410	19,390,401	19,578,402
Restricted	226,054,732	200,026,422	81,398,291	90,688,973	307,453,023	290,715,395
Unrestricted	39,146,822	29,362,535	-	-	39,146,822	29,362,535
Total net assets	\$ 267,184,599	\$ 231,194,949	\$ 98,805,647	\$ 108,461,383	\$ 365,990,246	\$ 339,656,332

Delaware State Housing Authority's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 7,349,904	\$ 7,472,610	\$ 45,334,988	\$ 45,018,553	\$ 52,684,892	\$ 52,491,163
Operating grants & contributions	20,355,600	9,070,000	66,174,454	70,131,428	86,530,054	79,201,428
Capital grants & contributions	-	-	1,132,894	1,012,073	1,132,894	1,012,073
General revenues, principally						
Investment income	778,709	1,337,216	882,396	3,210,813	1,661,105	4,548,029
Total revenues	28,484,213	17,879,826	113,524,732	119,372,867	142,008,945	137,252,693
Expenses:						
Administrative	5,414,215	6,107,771	-	-	5,414,215	6,107,771
Home ownership	374,899	746,360	42,857,799	43,253,331	43,232,698	43,999,691
Affordable rental housing	2,368,547	3,846,334	53,349,015	62,545,462	55,717,562	66,391,796
Housing rehabilitation	430,567	56,966	-	-	430,567	56,966
Community rehabilitation	-	-	10,879,989	8,317,073	10,879,989	8,317,073
Total expenses	8,588,228	10,757,431	107,086,803	114,115,866	115,675,031	124,873,297
Change in net assets before transfers	19,895,985	7,122,395	6,437,929	5,257,001	26,333,914	12,379,396
Transfers	16,093,665	3,497,171	(16,093,665)	(3,497,171)	-	-
Changes in net assets	35,989,650	10,619,566	(9,655,736)	1,759,830	26,333,914	12,379,396
Net assets, beginning	231,194,949	220,575,383	108,461,383	106,701,553	339,656,332	327,276,936
Net assets, ending	\$ 267,184,599	\$ 231,194,949	\$ 98,805,647	\$ 108,461,383	\$ 365,990,246	\$ 339,656,332

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Authority's assets exceeded its liabilities by \$365,990,246 at the close of the fiscal year.

Of the Authority's total assets, 79.9 percent represent mortgage loans outstanding. Cash and investments comprise 13.6 percent of the total assets, while other noncapital assets make up 4.9 percent of total assets. Investment in capital assets accounts for 1.6 percent of total assets. Of the Authority's total liabilities, 94.1 percent consists of revenue bonds payable. Notes payable represent 1.9 percent and escrow deposits represent 3.7 percent of total liabilities, with miscellaneous liabilities comprising 0.3 percent of total liabilities.

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

Most (84.0 percent) of the Authority's net assets are restricted by bond covenants and federal and state grantors. Another 5.3 percent of net assets reflect the Authority's investment in capital assets (e.g. land, buildings, improvements, and equipment). The remaining 10.7 percent of net assets are unrestricted. Net assets for the previous fiscal year had a similar composition.

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

The Authority's net assets increased by \$26,333,914 for the Fiscal Year Ending June 30, 2012. Of this amount, governmental activities net assets increased by \$35,989,650 and business-type net assets decreased by \$9,655,736.

Of the Authority's total revenues, 60.9 percent are derived from operating grants and contributions, mostly from US Dept of HUD. Another 37.1 percent comes from charges for services which are mostly comprised of mortgage interest. Investment income represents 1.2 percent of total revenues, while capital grants make up the remaining 0.8 percent.

Nearly half of the Authority's total expenses, 48.2 percent, are for affordable rental housing. Another 37.3 percent of total expenses are for homeownership. Community and housing rehabilitation account for 9.4 and 0.4 percent, respectively, leaving only 4.7 percent of total costs attributable to Authority administration.

During the fiscal year, net transfers of \$16,093,665 were made from business-type activities to the governmental activities. The Authority's General Fund operations are supported by transfers of surplus funds and administrative fees from the Single and Multi-Family Programs, which are business-type activities. The most significant transfers for the fiscal year were as follows: (1) Cash transfers from these programs to the General Fund were \$1,724,380 in administrative fees and over \$11,494,000 in surplus funds resulting from the calls and payment of all outstanding Multi-Family Program bonds during fiscal year 2012; and (2) a non-cash transfer from the Multi-Family Program to the General Fund of \$4,389,685 in the form of mortgage loans receivable released from bond indenture requirements as a result of the calls and payment of the bonds originally associated with them. Additional information on the Authority's interfund transactions can be found in note IV. E. on page 42 of this report.

Governmental Activities

Governmental Activities Net (Expenses)/Revenues by Function

Function	Fiscal Year 2012			Fiscal Year 2011
	Expenses	Program Revenues	Net (Exp)/Rev	Net (Exp)/Rev
Administration	\$ 5,414,215	\$ 1,329,981	\$ (4,084,234)	\$ (4,219,233)
Home ownership	374,899	2,436,767	2,061,868	1,336,535
Affordable rental housing	2,368,547	23,843,709	21,475,162	8,632,165
Housing rehabilitation	430,567	95,047	(335,520)	35,712
Total	\$ 8,588,228	\$ 27,705,504	\$ 19,117,276	\$ 5,785,179

Governmental Activities Revenues by Source

Source	Fiscal Year 2012		Fiscal Year 2011	
	Revenue	Percent	Revenue	Percent
Charges for services	\$ 7,349,904	16%	\$ 7,472,610	35%
Operating grants and contributions	20,355,600	46%	9,070,000	42%
Other general revenues	778,709	2%	1,337,216	7%
Transfers	16,093,665	36%	3,497,171	16%
Total	\$ 44,577,878	100%	\$ 21,376,997	100%

Governmental activities increased the Authority's net assets by \$35,989,650. The key elements of this increase were the appropriation from the State of Delaware to the Housing Development Fund (HDF) of \$19,570,000 to address affordable housing needs in the form of loans or grants and the cash and non-cash transfers totaling \$15,939,600 to the General Fund from the Multi-Family Programs, as discussed above.

Business-type Activities

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

Function	Fiscal Year 2012			Fiscal Year 2011
	Expenses	Program Revenues	Net (Exp)/Rev	Net (Exp)/Rev
Home ownership	\$ 42,857,799	\$ 45,782,191	\$ 2,924,392	\$ (1,148,099)
Affordable rental housing	53,349,015	55,980,156	2,631,141	3,194,287
Community rehabilitation	10,879,989	10,879,989	-	-
Total	\$ 107,086,803	\$ 112,642,336	\$ 5,555,533	\$ 2,046,188

Business-type Activities Revenues by Source

Source	Fiscal Year 2012		Fiscal Year 2011	
	Revenue	Percent	Revenue	Percent
Charges for services	\$ 45,334,988	40%	\$ 45,018,553	37%
Operating grants and contributions	66,174,454	58%	70,131,428	59%
Capital grants and contributions	1,132,894	1%	1,012,073	1%
Other general revenues	882,396	1%	3,210,813	3%
Total	\$ 113,524,732	100%	\$ 119,372,867	100%

Business-type activities decreased the Authority's net assets by \$9,665,736. The key elements of this decrease were the cash and non-cash transfers totaling \$15,939,600 from the Multi-Family Programs to the General Fund, as discussed in the Entity-wide Financial Analysis section above, offset by (1) the receipt of \$4.5 million in federal grants, \$3.4 million in the HOME Investment Partnership Program and \$1.1 in the Public Housing Capital Fund, for the purpose of making loans and capital asset improvements; and (2) the non-cash transfer of a \$2.0 million loan portfolio from governmental activities used as collateral for the Single Family Mortgage Revenue Bond 2011 Series A/B issue.

Financial Analysis of the Authority's Funds

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

Governmental Funds

The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, 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 \$265,775,370, an increase of \$35,800,038 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 \$46,066,015, an increase of \$13,192,233 in comparison with the prior year. The key factors of this increase were: (1) cash transfers from Single Family Programs and Multi-Family Programs, both proprietary funds. These cash transfers to the General Fund were \$1,724,380 in administrative fees and over \$11,494,000 in surplus funds resulting from the calls and payment of all outstanding Multi-Family Program bonds during fiscal year 2012; and (2) the General Fund also received a non-cash transfer of \$4,445,600 from the Multi-Family Program in the form of mortgage loans receivable released from bond indenture requirements as a result of the calls and payment of the bonds originally associated with them. 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) has a total fund balance of \$193,296,646, of which \$149,561,184 is designated as nonspendable. Additionally, \$19,309,192 is designated as restricted, to be used for the specific purposes of HDF activities per enabling legislation and \$24,426,270 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 \$20,709,785. The increase is the result of grants in the amount of \$19,570,000 from the State of Delaware used to generate mortgages and grants, \$3,071,573 in interest income, \$1,048,154 in fee revenue, and \$5 in other revenue offset by administrative and grant expenditures of \$507,614 and \$963,624, respectively, and a cash transfer to the State Rental Assistance Program, a non-major governmental fund.

The DSHA Second Mortgage Assistance Loan Program (DSHA SMAL) has a total fund balance of \$14,397,036, of which \$14,051,013 is reported as nonspendable and \$346,023 is reported as assigned. The net increase in the fund balance during the fiscal year was \$92,251. The increase is the result of interest income received and accrued in the amount of \$886,716 and other revenue of \$57,190 offset by net transfers to Single Family Programs of \$851,655 as a result of the Single Family Mortgage Revenue Bond 2011 Series A/B second mortgage assistance loan purchases and collateral transfers.

Proprietary Funds

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

Restricted net assets of the Federal Programs Fund at the end of the year amounted to \$77,073,704, and those of the Single Family Programs Funds amounted to \$21,731,943. The total change in net assets for the Federal Programs Fund was \$2,664,475, primarily due to the receipt of \$3,431,526 in HOME Investment Partnership

Program grant funds for affordable rental housing mortgage loans and \$1,132,894 in grant funds for capital asset improvements. The total change in net assets for the Single Family Program Funds was \$4,177,654, primarily due to interest income on loans and investments of \$40,884,336 and the non-cash transfer in of a \$2,498,000 loan portfolio from governmental funds provided as collateral for the Single Family Mortgage Revenue Bond 2011 Series A/B issue offset by interest expense on bonds of \$38,449,879. The total change in net assets for the Multi-Family Programs Funds was \$(16,497,865), reducing the net assets to zero. All outstanding bonds were called and paid during fiscal year 2012. After all restrictive covenants of the bond resolutions and indentures were met the remaining mortgage receivables and other assets became property of the Authority.

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, 2012, amounts to \$19,390,401 (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 1.0 percent (a 9.8 percent increase for governmental activities and a 2.1 percent decrease for business-type activities). Major capital asset events during the fiscal year included the following:

- HVAC system replacement at one public housing site.
- Security camera installation at two public housing sites.
- Bathroom renovations at one public housing site.

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 797,960	\$ 797,960	\$ 2,336,842	\$ 2,336,842	\$ 3,134,802	\$ 3,134,802
Buildings held for resale	-	-	330,911	330,911	330,911	330,911
Construction in progress	239,588	-	1,277,779	1,066,087	1,517,367	1,066,087
Buildings	914,369	972,753	5,455,876	6,043,933	6,370,245	7,016,686
Land/site improvements	31,128	35,279	7,864,702	7,785,076	7,895,830	7,820,355
Vehicles	-	-	2,464	7,393	2,464	7,393
Other equipment	-	-	138,782	202,168	138,782	202,168
Total	\$ 1,983,045	\$ 1,805,992	\$ 17,407,356	\$ 17,772,410	\$ 19,390,401	\$ 19,578,402

Additional information on the Authority's capital assets can be found in note IV. D. on page 41 of this report.

Long-term Debt

At the end of the current fiscal year, Delaware State Housing Authority had total notes and bonded debt outstanding of \$828,065,222. The Authority's debt represents notes payable and bonds secured solely by specified revenue sources (i.e. revenue bonds).

Delaware State Housing Authority's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Notes payable	\$ -	\$ -	\$ 15,954,842	\$ 69,719,671	\$ 15,954,842	\$ 69,719,671
Revenue bonds payable	-	-	812,110,380	830,092,788	812,110,380	830,092,788
Total	\$ -	\$ -	\$ 828,065,222	\$ 899,812,459	\$ 828,065,222	\$ 899,812,459

The Authority's outstanding debt, excluding compensated absences, decreased by \$71,747,237 (8.0 percent) during the current year. Key factors in this decrease were new bond issuances of \$213,144,016 in the Single Family Programs Enterprise Fund netted by total Authority bond calls of \$227,775,239, scheduled maturities of \$4,330,000, bond accretion of \$978,815, and a note payable decrease of \$53,764,829 in the DSHA Mortgage Backed Security Purchase Program within the Single Family Programs Enterprise Fund.

The bond calls of \$223,985,239 in the Single Family programs were primarily the result of the refunding of several older bond issues during the year, the call of the Single Family Mortgage Revenue Bonds 2009 NIBP issue, and numerous mortgage prepayments in all the programs. All remaining bonds were called and paid during fiscal year 2012 in the Multi-Family Program Enterprise Fund.

The Authority maintains a range of "Aa2" 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 43-44 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 Assistant Director, Financial Management, Delaware State Housing Authority, 18 The Green, Dover, DE 19901.

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2012
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2011)

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL 2012	TOTAL 2011
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 13,910,930	\$ 2,454,607	\$ 16,365,537	\$ 5,445,694
Investments	51,060,934	44,299,025	95,359,959	206,571,363
Mortgages receivable	751,707	11,868,357	12,620,064	14,412,902
Accrued interest & other receivables	31,082,191	8,123,512	39,205,703	35,864,418
Grants receivable-US Dept of HUD	-	284,316	284,316	515,405
Internal balances	3,381,602	(3,381,602)	-	-
Other post employment benefits (OPEB) asset	2,264	-	2,264	2,554
Prepaid expenses	85,113	3,576,324	3,661,437	3,433,846
Deferred bond issuance costs	-	527,794	527,794	534,583
Total current assets	100,274,741	67,752,333	168,027,074	266,780,765
Non-current assets:				
Cash, restricted for payment of escrows	-	933,042	933,042	-
Investments	49,180,470	5,773,836	54,954,306	81,558,761
Mortgages receivable, net	144,054,018	824,785,257	968,839,275	891,285,160
Accrued interest & other receivables, net	-	8,643,880	8,643,880	7,588,971
Deferred bond issuance costs	-	7,670,052	7,670,052	7,976,076
Capital assets:				
Capital assets not being depreciated	1,037,548	3,945,532	4,983,080	4,531,800
Capital assets net of accumulated depreciation	945,497	13,461,824	14,407,321	15,046,602
Total non-current assets	195,217,533	865,213,423	1,060,430,956	1,007,987,370
TOTAL ASSETS	\$ 295,492,274	\$ 932,965,756	\$ 1,228,458,030	\$ 1,274,768,135
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	\$ 312,821	\$ 920,577	\$ 1,233,398	\$ 1,397,297
Due to St of Delaware-pension costs	5,137	1,648	6,785	7,229
Accrued arbitrage rebate payable	-	-	-	149,151
Compensated absences payable	12,710	9,624	22,334	29,993
Accrued interest payable	-	4,057	4,057	239,876
Nonrefundable deferred commitment fees	-	-	-	56,764
Notes payable	-	15,954,842	15,954,842	69,719,671
Revenue bonds payable	-	18,644,193	18,644,193	117,449,336
Total current liabilities	330,668	35,534,941	35,865,609	189,049,317
Non-current liabilities:				
Accrued arbitrage rebate payable	-	-	-	159,735
Compensated absences payable	563,370	374,157	937,527	946,978
Escrow deposits	27,413,637	4,784,824	32,198,461	31,749,098
Nonrefundable deferred commitment fees	-	-	-	563,223
Revenue bonds payable	-	793,466,187	793,466,187	712,643,452
Total non-current liabilities	27,977,007	798,625,168	826,602,175	746,062,486
TOTAL LIABILITIES	28,307,675	834,160,109	862,467,784	935,111,803
NET ASSETS				
Invested in capital assets	1,983,045	17,407,356	19,390,401	19,578,402
Restricted by federal and state regulations	219,709,355	59,666,348	279,375,703	253,738,369
Restricted by bond covenants	-	21,731,943	21,731,943	34,052,154
Restricted for Authority Loan Program	6,345,377	-	6,345,377	2,924,872
Unrestricted, for Authority's purposes	39,146,822	-	39,146,822	29,362,535
TOTAL NET ASSETS	267,184,599	98,805,647	365,990,246	339,656,332
TOTAL LIABILITIES AND NET ASSETS	\$ 295,492,274	\$ 932,965,756	\$ 1,228,458,030	\$ 1,274,768,135

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

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DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2011)

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 2012	TOTAL 2011
Governmental activities:								
Administrative	\$ 5,414,215	\$ 1,329,981	\$ -	\$ -	\$ (4,084,234)	\$ -	\$ (4,084,234)	\$ (4,219,233)
Home ownership	374,899	1,651,167	785,600	-	2,061,868	-	2,061,868	1,336,535
Affordable rental housing	2,368,547	4,273,709	19,570,000	-	21,475,162	-	21,475,162	8,632,165
Housing rehabilitation	430,567	95,047	-	-	(335,520)	-	(335,520)	35,712
Total governmental activities	\$ 8,588,228	\$ 7,349,904	\$ 20,355,600	\$ -	\$ 19,117,276	\$ -	\$ 19,117,276	\$ 5,785,179
Business-type activities:								
Home ownership	\$ 42,857,799	\$ 43,141,752	\$ 2,640,439	\$ -	-	2,924,392	2,924,392	(1,148,099)
Affordable rental housing	53,349,015	2,192,653	52,654,609	1,132,894	-	2,631,141	2,631,141	3,194,287
Community rehabilitation	10,879,989	583	10,879,406	-	-	-	-	-
Total business-type activities	\$ 107,086,803	\$ 45,334,988	\$ 66,174,454	\$ 1,132,894	\$ -	\$ 5,555,533	\$ 5,555,533	\$ 2,046,188
General revenues:								
Investment income, gains/(losses) on investments, and miscellaneous earnings					778,709	882,396	1,661,105	4,548,029
Transfers					16,093,665	(16,093,665)	-	-
Total general revenues and transfers					16,872,374	(15,211,269)	1,661,105	4,548,029
Change in net assets					35,989,650	(9,655,736)	26,333,914	12,379,396
Net assets, beginning of year					231,194,949	108,461,383	339,656,332	327,276,936
Net assets, end of year					\$ 267,184,599	\$ 98,805,647	\$ 365,990,246	\$ 339,656,332

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

DELAWARE STATE HOUSING AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2011)

	GENERAL FUND	HOUSING DEVELOPMENT FUND	DSHA SECOND MORTGAGE ASSISTANCE LOAN PROGRAM	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
					2012	2011
ASSETS						
Cash & cash equivalents	\$ 4,242,404	\$ 5,479,498	\$ 447,551	\$ 3,741,477	\$ 13,910,930	\$ 14,931
Investments	34,086,630	63,193,315	-	2,961,459	100,241,404	80,411,000
Interfund receivables	3,544,888	-	-	11,436	3,556,324	8,678,676
Loans receivable:						
Mortgages receivable, net	5,750,935	123,442,793	10,537,701	5,074,296	144,805,725	141,366,220
Interfund	-	253,572	-	-	253,572	254,522
Accrued interest & other receivables	1,461,976	25,864,819	3,513,312	242,084	31,082,191	28,972,666
Prepaid items	85,113	-	-	-	85,113	65,500
TOTAL ASSETS	\$ 49,171,946	\$ 218,233,997	\$ 14,498,564	\$ 12,030,752	\$ 293,935,259	\$ 259,763,515
LIABILITIES & FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 299,199	\$ -	\$ -	\$ 13,622	\$ 312,821	\$ 350,126
Due to St of Delaware-pension costs	5,137	-	-	-	5,137	5,477
Interfund payables	71,737	-	101,528	1,457	174,722	5,091,313
Escrow deposits	2,476,286	24,937,351	-	-	27,413,637	24,086,745
Interfund loans payable	253,572	-	-	-	253,572	254,522
TOTAL LIABILITIES	\$ 3,105,931	\$ 24,937,351	\$ 101,528	\$ 15,079	\$ 28,159,889	\$ 29,788,183
FUND BALANCES						
Nonspendable	10,842,912	149,561,184	14,051,013	5,327,816	179,782,925	174,375,739
Restricted	-	19,309,192	-	1,484,545	20,793,737	15,000,793
Committed	35,223,103	24,426,270	-	-	59,649,373	35,964,364
Assigned	-	-	346,023	5,203,312	5,549,335	4,634,436
TOTAL FUND BALANCES	\$ 46,066,015	\$ 193,296,646	\$ 14,397,036	\$ 12,015,673	\$ 265,775,370	\$ 229,975,332
TOTAL LIABILITIES & FUND BALANCES	\$ 49,171,946	\$ 218,233,997	\$ 14,498,564	\$ 12,030,752	\$ 293,935,259	\$ 259,763,515

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

DELAWARE STATE HOUSING AUTHORITY
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
 THE STATEMENT OF NET ASSETS
 JUNE 30, 2012

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

TOTAL FUND BALANCES OF GOVERNMENTAL FUNDS (page 14)	\$ 265,775,370
Other post-employment benefits (OPEB) assets are not financial resources and, therefore, are not reported in the funds.	2,264
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,983,045
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(576,080)
NET ASSETS OF GOVERNMENTAL ACTIVITIES (page 11)	<u>\$ 267,184,599</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, 2012
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2011)

	GENERAL FUND	HOUSING DEVELOPMENT FUND	DSHA SECOND MORTGAGE ASSISTANCE LOAN PROGRAM	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
					2012	2011
REVENUES						
Interest income:						
Investments	\$ 224,269	\$ 107,902	\$ 2,439	\$ 20,706	\$ 355,316	\$ 1,372,194
Loans	442,750	2,963,671	884,277	149,570	4,440,268	4,271,516
Total interest income	667,019	3,071,573	886,716	170,276	4,795,584	5,643,710
Grants	-	-	-	170,000	170,000	250,000
Payments from primary government	-	19,570,000	-	615,600	20,185,600	8,820,000
Gains/(losses) on investments	430,573	(8,709)	-	1,529	423,393	(34,978)
Fees	1,295,637	1,048,154	-	94	2,343,885	2,441,538
Other revenue	43,394	5	57,190	465,162	565,751	759,556
TOTAL REVENUES	2,436,623	23,681,023	943,906	1,422,661	28,484,213	17,879,826
EXPENDITURES						
Current:						
Administrative	5,364,239	-	-	-	5,364,239	6,026,553
Home ownership	5,107	4,000	-	365,792	374,899	746,360
Affordable rental housing	-	1,467,238	-	901,309	2,368,547	3,846,334
Housing rehabilitation	-	-	-	430,567	430,567	56,966
Capital outlay	239,588	-	-	-	239,588	-
TOTAL EXPENDITURES	5,608,934	1,471,238	-	1,697,668	8,777,840	10,676,213
EXCESS/(DEFICIT) REVENUE OVER EXPENDITURES	(3,172,311)	22,209,785	943,906	(275,007)	19,706,373	7,203,613
OTHER FINANCING SOURCES (USES)						
Transfers in	23,699,355	-	6,800,528	2,085,071	32,584,954	10,697,933
Transfers out	(7,334,811)	(1,500,000)	(7,652,183)	(4,295)	(16,491,289)	(7,200,762)
TOTAL OTHER FINANCING SOURCES (USES)	16,364,544	(1,500,000)	(851,655)	2,080,776	16,093,665	3,497,171
NET CHANGE IN FUND BALANCES	13,192,233	20,709,785	92,251	1,805,769	35,800,038	10,700,784
FUND BALANCES, BEGINNING, RESTATED	32,873,782	172,586,861	14,304,785	10,209,904	229,975,332	219,274,548
FUND BALANCES, ENDING	\$ 46,066,015	\$ 193,296,646	\$ 14,397,036	\$ 12,015,673	\$ 265,775,370	\$ 229,975,332

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, 2012

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

NET CHANGES IN FUND BALANCE-TOTAL GOVERNMENTAL FUNDS (page 16)	\$ 35,800,038
Governmental funds report other post-employment benefit (OPEB) expenditures equal to the amount contributed to the plan or expected to be liquidated with expendable available financial resources. However, in the statement of activities, OPEB expense for the year is reported in relation to the annual required contribution (ARC) equal to the annual OPEB cost. This amount is the net effect of this difference in the treatment of OPEB expenditures/expense.	(290)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This amount is the net effect of the difference in the treatment of capital outlay.	177,053
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.	12,849
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (page 13)	<u>\$ 35,989,650</u>

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2012
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2011)

	FEDERAL PROGRAMS ENTERPRISE FUND	SINGLE FAMILY PROGRAMS ENTERPRISE FUND	MULTI- FAMILY PROGRAMS ENTERPRISE FUND	TOTAL ENTERPRISE FUNDS	
				2012	2011
ASSETS					
Current Assets:					
Cash & cash equivalents	\$ 2,424,292	\$ 30,315	\$ -	\$ 2,454,607	\$ 5,430,763
Investments	981,034	43,317,991	-	44,299,025	184,490,238
Mortgages receivable, net	-	11,868,357	-	11,868,357	14,412,902
Accrued interest and other receivables	206,830	7,916,682	-	8,123,512	6,891,752
Grants receivable-US Dept of HUD	284,316	-	-	284,316	515,405
Interfund receivables	97,582	192	-	97,774	89,721
Prepaid expenses	3,576,324	-	-	3,576,324	3,368,346
Deferred bond issuance costs	-	527,794	-	527,794	534,583
Total current assets	7,570,378	63,661,331	-	71,231,709	215,733,710
Non-Current Assets:					
Cash, restricted for payment of escrows	933,042	-	-	933,042	-
Investments	3,851,782	1,922,054	-	5,773,836	23,228,886
Mortgages receivable, net	48,227,207	776,558,050	-	824,785,257	749,918,940
Accrued interest and other receivables, net	8,643,880	-	-	8,643,880	7,588,971
Deferred bond issuance costs	-	7,670,052	-	7,670,052	7,976,076
Capital assets not being depreciated	3,945,532	-	-	3,945,532	3,733,840
Capital assets net of accumulated depreciation	13,461,824	-	-	13,461,824	14,038,570
Total non-current assets	79,063,267	786,150,156	-	865,213,423	806,485,283
TOTAL ASSETS	\$ 86,633,645	\$ 849,811,487	\$ -	\$ 936,445,132	\$ 1,022,218,993
LIABILITIES AND NET ASSETS					
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 910,577	\$ 10,000	\$ -	\$ 920,577	\$ 1,047,171
Due St of Delaware-pension costs	1,648	-	-	1,648	1,752
Interfund payables	3,479,111	265	-	3,479,376	3,677,084
Accrued arbitrage rebate payable	-	-	-	-	149,151
Compensated absences payable	9,624	-	-	9,624	13,424
Accrued interest payable	-	4,057	-	4,057	239,876
Nonrefundable deferred commitment fees	-	-	-	-	56,764
Notes payable	-	15,954,842	-	15,954,842	69,719,671
Revenue bonds payable	-	18,644,193	-	18,644,193	117,449,336
Total current liabilities	4,400,960	34,613,357	-	39,014,317	192,354,229
Non-Current Liabilities:					
Accrued arbitrage rebate payable	-	-	-	-	159,735
Compensated absences payable	374,157	-	-	374,157	374,618
Escrow deposits	4,784,824	-	-	4,784,824	7,662,353
Nonrefundable deferred commitment fees	-	-	-	-	563,223
Revenue bonds payable	-	793,466,187	-	793,466,187	712,643,452
Total non-current liabilities	5,158,981	793,466,187	-	798,625,168	721,403,381
TOTAL LIABILITIES	9,559,941	828,079,544	-	837,639,485	913,757,610
NET ASSETS					
Invested in capital assets	17,407,356	-	-	17,407,356	17,772,410
Restricted by federal regulations	59,666,348	-	-	59,666,348	56,636,819
Restricted by bond covenants	-	21,731,943	-	21,731,943	34,052,154
TOTAL NET ASSETS	77,073,704	21,731,943	-	98,805,647	108,461,383
TOTAL LIABILITIES AND NET ASSETS	\$ 86,633,645	\$ 849,811,487	\$ -	\$ 936,445,132	\$ 1,022,218,993

Adjustment to reflect the consolidation of interfund activities related to enterprise funds (3,479,376)

Total liabilities and net assets of business-type activities \$ 932,965,756

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

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2011)

	FEDERAL PROGRAMS ENTERPRISE FUND	SINGLE FAMILY PROGRAMS ENTERPRISE FUND	MULTI- FAMILY PROGRAMS ENTERPRISE FUND	TOTAL ENTERPRISE FUNDS	
				2012	2011
OPERATING REVENUES					
Interest income on loans	\$ 1,196,423	\$ 40,109,673	\$ 215,031	\$ 41,521,127	\$ 40,637,391
Federal housing program grants	66,121,309	-	-	66,121,309	70,131,428
Rental income	521,169	-	-	521,169	574,557
Amortization of deferred revenues	-	2,918,344	-	2,918,344	3,133,453
Miscellaneous	302,133	113,735	11,625	427,493	673,152
TOTAL OPERATING REVENUES	68,141,034	43,141,752	226,656	111,509,442	115,149,981
OPERATING EXPENSES					
Interest expense on bonds	-	38,449,879	76,600	38,526,479	40,504,844
Administrative	5,692,337	-	-	5,692,337	4,979,763
Grants and housing assistance payments	57,771,787	-	-	57,771,787	60,732,592
Public housing maintenance & utilities	1,556,281	-	-	1,556,281	1,660,652
Amortization of deferred bond issuance costs	-	1,073,720	71,336	1,145,056	1,501,173
Depreciation	1,588,896	-	-	1,588,896	1,567,771
Loan servicing fees	-	97,331	736	98,067	116,045
Other expenses	-	560,619	280	560,899	402,480
TOTAL OPERATING EXPENSES	66,609,301	40,181,549	148,952	106,939,802	111,465,320
OPERATING INCOME	1,531,733	2,960,203	77,704	4,569,640	3,684,661
NON-OPERATING INCOME/(EXPENSES)					
Interest income on investments	2,281	774,663	225,551	1,002,495	3,393,422
Net increase (decrease) in fair value of investments	-	57,548	(157,087)	(99,539)	(182,609)
US Dept of HUD financing adjustment factor payments	-	-	(4)	(4)	(1,021,910)
Rebate expense	-	(6,735)	(101,303)	(108,038)	(47,257)
Excess yield expense	-	-	-	-	(1,361,195)
Miscellaneous expense	(2,433)	(36,483)	(20,603)	(59,519)	(220,184)
TOTAL NON-OPERATING INCOME/(EXPENSES)	(152)	788,993	(53,446)	735,395	560,267
INCOME BEFORE CAPITAL GRANTS AND OPERATING TRANSFERS	1,531,581	3,749,196	24,258	5,305,035	4,244,928
Capital grants	1,132,894	-	-	1,132,894	1,012,073
Transfers in	-	8,492,377	-	8,492,377	4,588,340
Transfers out	-	(8,063,919)	(16,522,123)	(24,586,042)	(8,085,511)
CHANGE IN NET ASSETS	2,664,475	4,177,654	(16,497,865)	(9,655,736)	1,759,830
NET ASSETS, BEGINNING	74,409,229	17,554,289	16,497,865	108,461,383	106,701,553
NET ASSETS, ENDING	\$ 77,073,704	\$ 21,731,943	\$ -	\$ 98,805,647	\$ 108,461,383

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, 2012
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2011)

	FEDERAL PROGRAMS ENTERPRISE FUND	SINGLE FAMILY PROGRAMS ENTERPRISE FUND	MULTI- FAMILY PROGRAMS ENTERPRISE FUND	TOTAL ENTERPRISE FUNDS	
				2012	2011
OPERATING ACTIVITIES:					
Mortgage principal repayments received	\$ 208,015	\$ 103,139,793	\$ 3,856,285	\$ 107,204,093	\$ 131,625,545
Mortgage interest payments received	141,515	40,506,612	276,930	40,925,057	40,683,039
Grants received	66,353,625	-	-	66,353,625	69,901,488
Rental and related rental income	526,778	-	-	526,778	612,737
Insurance claims received	-	497,792	-	497,792	335,694
Servicing fees received	-	-	10,969	10,969	29,727
Escrow receipts	5,624,386	-	212,493	5,836,879	4,877,085
Other receipts	266,783	-	656	267,439	623,523
New mortgages disbursed	(3,006,088)	(181,115,714)	-	(184,121,802)	(87,816,312)
Grants disbursed	(57,993,165)	-	-	(57,993,165)	(60,312,608)
Administrative expenses	(5,492,424)	(40,655)	(296,903)	(5,829,982)	(4,783,445)
Maintenance and utility expenses	(1,576,116)	-	-	(1,576,116)	(1,660,652)
Trustee and servicing fees paid	-	(228,892)	(1,156)	(230,048)	(293,112)
Bond insurance premiums	-	(40,777)	-	(40,777)	(64,442)
Mortgage pool insurance premiums paid	-	(3,922)	-	(3,922)	(7,697)
Foreclosure disbursements	-	(52,535)	-	(52,535)	(5,914)
Escrow disbursements	(4,683,306)	-	(1,973,567)	(6,656,873)	(5,313,569)
Other disbursements	-	(14,219)	-	(14,219)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	370,003	(37,352,517)	2,085,707	(34,896,807)	88,431,087
NONCAPITAL FINANCING ACTIVITIES:					
Proceeds from revenue bonds	-	216,238,017	-	216,238,017	87,329,000
Note proceeds	-	40,559,889	-	40,559,889	69,719,671
Interfund payments received	-	134,778,643	572,376	135,351,019	84,501,372
Repayments of principal on revenue bonds	-	(228,315,239)	(3,790,000)	(232,105,239)	(219,157,467)
Payments of interest on revenue bonds	-	(37,999,166)	(76,600)	(38,075,766)	(39,884,480)
Payments of interest on notes payable	-	(71,307)	-	(71,307)	(39,740)
Bond issuance costs	-	(1,398,737)	-	(1,398,737)	(449,999)
US Dept of HUD financing adjustment factor expense	-	-	(4)	(4)	(1,028,421)
Excess yield payments	-	-	-	-	(1,361,195)
Repayments of notes payable	-	(94,324,718)	-	(94,324,718)	(250,395)
Interfund payments made	-	(136,790,190)	(12,704,814)	(149,495,004)	(87,969,794)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	-	(107,322,808)	(15,999,042)	(123,321,850)	(108,591,448)
CAPITAL FINANCING ACTIVITIES:					
Capital grant funds from US Dept of HUD	1,132,894	-	-	1,132,894	1,012,073
Purchase of capital assets	(1,223,842)	-	-	(1,223,842)	(1,008,259)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(90,948)	-	-	(90,948)	3,814
INVESTING ACTIVITIES:					
Proceeds from sales and maturities of investments	103,668,960	682,238,322	41,142,848	827,050,130	1,141,622,069
Interest income on investments	2,281	774,850	398,295	1,175,426	3,327,218
Purchase of investment securities	(100,593,966)	(543,649,816)	(27,377,354)	(671,621,136)	(1,119,312,225)
Rebate of excess investment interest	-	(87,475)	(250,454)	(337,929)	(213,256)
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,077,275	139,275,881	13,913,335	156,266,491	25,423,806
NET INCREASE (DECREASE) IN CASH/CASH EQUIVALENTS	3,356,330	(5,399,444)	-	(2,043,114)	5,267,259
CASH/CASH EQUIVALENTS, BEGINNING OF YEAR	1,004	5,429,759	-	5,430,763	163,504
CASH/CASH EQUIVALENTS, END OF YEAR	\$ 3,357,334	\$ 30,315	\$ -	\$ 3,387,649	\$ 5,430,763

Continued on next page.

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2011)

	FEDERAL PROGRAMS ENTERPRISE FUND	SINGLE FAMILY PROGRAMS ENTERPRISE FUND	MULTI- FAMILY PROGRAMS ENTERPRISE FUND	TOTAL ENTERPRISE FUNDS	
				2012	2011
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES					
OPERATING INCOME	\$ 1,531,733	\$ 2,960,203	\$ 77,704	\$ 4,569,640	\$ 3,684,661
Adjustments to reconcile operating income to net cash provided(used) by operating activities:					
Amortization of deferred bond issuance costs	-	1,073,720	71,336	1,145,056	1,501,173
Amortization of deferred revenues	-	(2,918,344)	-	(2,918,344)	(3,133,453)
Depreciation expense	1,588,896	-	-	1,588,896	1,567,771
Interest expense on bonds	-	38,449,879	76,600	38,526,479	40,504,844
Noncash contributions	-	2,501,322	-	2,501,322	(1,671,716)
Changes in assets and liabilities:					
(Increase) decrease in accrued interest and other receivables	(886,958)	(1,648,061)	61,899	(2,473,120)	(1,229,795)
(Increase) decrease in mortgage loans receivable	(2,798,072)	(77,667,459)	3,856,285	(76,609,246)	47,101,604
Increase in other assets	(207,978)	-	-	(207,978)	(41,038)
Increase (decrease) in accounts payable and accrued expenses	(10,167)	(100,556)	(297,043)	(407,766)	704,521
Decrease in bonds payable	-	-	-	-	(121,001)
Increase (decrease) in escrow deposits	1,152,549	(3,221)	(1,761,074)	(611,746)	(436,484)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 370,003	\$ (37,352,517)	\$ 2,085,707	\$ (34,896,807)	\$ 88,431,087
NONCASH NONCAPITAL FINANCING ACTIVITIES					
Transfers in	\$ -	\$ 2,501,322	\$ -	\$ 2,501,322	\$ 121,777
Transfers out	-	-	(4,389,685)	(4,389,685)	(1,672,492)
NET NONCASH TRANSFERS	\$ -	\$ 2,501,322	\$ (4,389,685)	\$ (1,888,363)	\$ (1,550,715)
NONCASH INVESTING ACTIVITIES					
Increase (decrease) in fair value of investments	\$ -	\$ 57,548	\$ (157,087)	\$ (99,539)	\$ (182,609)

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

DELAWARE STATE HOUSING AUTHORITY
 STATEMENTS OF FUND NET ASSETS - FIDUCIARY FUND
 JUNE 30, 2012 AND 2011

	<u>DSHA RETIREE MEDICAL TRUST</u>	
	<u>2012</u>	<u>2011</u>
ASSETS		
Interest receivable	\$ 8,162	\$ 8,771
Other receivables	-	829
Investments, at fair value:		
Savings account	10,485	9,389
Corporate Notes	545,624	-
U.S. Treasury Notes	1,234,094	1,270,366
U.S. Agencies	1,359,116	1,236,936
Total assets	<u>3,157,481</u>	<u>2,526,291</u>
LIABILITIES		
Accounts payable	586	275
Total liabilities	<u>586</u>	<u>275</u>
NET ASSETS		
Assets held in trust for retiree health benefits and other purposes	<u>\$ 3,156,895</u>	<u>\$ 2,526,016</u>

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

DELAWARE STATE HOUSING AUTHORITY
STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	DSHA RETIREE MEDICAL TRUST	
	2012	2011
ADDITIONS		
Contributions:		
Employer contributions	\$ 632,273	\$ 764,784
Other	5,506	-
Total contributions	637,779	764,784
Investment earnings:		
Interest	41,916	31,604
Net increase (decrease) in fair value	30,893	(8,853)
Total investment earnings	72,809	22,751
Less: Investment expense	(2,604)	(2,553)
Net investment earnings	70,205	20,198
Total additions	707,984	784,982
DEDUCTIONS		
Benefits paid	77,105	71,090
Total deductions	77,105	71,090
CHANGE IN NET ASSETS	630,879	713,892
Net assets - beginning	2,526,016	1,812,124
Net assets - ending	\$ 3,156,895	\$ 2,526,016

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

DELAWARE STATE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2012

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DELAWARE STATE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

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

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

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

B. Entity-wide and fund financial statements

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

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

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

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing

accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as applicable. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent in accordance with the Authority's enabling legislation, the various note and bond resolutions and indentures, and/or the requirements of the US Dept of HUD.

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

The Authority's funds are as follows:

Governmental Fund Types

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund. The General Fund accounts for the primary operations of the Authority. The operational costs are supported by transfers of administrative fees, management fees, and surplus funds from the Single Family, Multi-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 the loans were originally associated with. Once released from the bond indentures, these loans are considered assets of DSHA 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.

The HDF also accounts for DSHA's Live Near Your Work Grant Program (LNYW), a grant program originally financed by the HDF which provides matching grants up to \$1,000 per eligible family to assist with down payment/settlement costs. The program is in cooperation with the Delaware Development Office, the Delaware Chamber of Commerce, certain businesses and local jurisdictions to provide financial assistance for employees to purchase homes near the workplace.

The HDF also accounts for the remaining loans in DSHA's Northeast Initiative Program (NE), a loan program originally financed by the HDF to provide interest-free deferrable loans to renovate owner occupied housing and low-interest deferrable loans to investors. The program was terminated in August 2002.

- **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. DSHA discontinued this program in February 2007, with no new loans being made after that date. Additionally, in August of 2008, the Delaware Housing Partnership granted a loan portfolio of

over \$9 million to this program for the purpose of securing additional funding for second mortgage assistance. To date over \$4.5 million of this program's loan portfolio has been granted to DSHA'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.

DSHA SMAL also accounts for second mortgage assistance loans financed with loans from Housing Finance Operations. Beginning in April of 2010, HFO began funding Second Mortgage Assistance Loans to qualified borrowers who utilize DSHA's Single Family Mortgage Revenue Bond Program loans for their first mortgages. Accrued interest, interest payments and principal repayments are accounted for in this program. Repayment to Housing Finance Operations is made from the proceeds of subsequent single family mortgage revenue bond sales and the purchase of these loans by the bond issue.

- 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. DSHA'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.
- Delaware Housing Insurance Fund (DHIF) – This program accounts for the activity related to DSHA'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.
- Foreclosure Prevention Program (FPP) – DSHA received \$250,000 from the State of Delaware in fiscal year 2011 and an additional \$615,600 in fiscal 2012 for the purpose of funding foreclosure prevention services throughout the state.
- Housing Rehabilitation Loan Program (HRLP) - The HRLP is 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. DSHA underwrites and approves the loans. Artisans Bank services these loans.

The HRLP also accounts for the activity of DSHA's Neighborhood Revitalization Fund (NRF). NRF was a fund established under the 21st Century Fund of the State of Delaware to support revitalization of communities and preserve the affordable housing stock for low and moderate-income families by rehabilitating substandard houses in selected communities throughout the State of Delaware. This program provided grants with a lien on the property for 3, 6, or 10 years dependent on the amount of funding. Grants were provided up to a maximum of \$35,000 per home for owner occupant. DSHA loans under this program are deferred.

- 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 DSHA for households referred by the Department of Health and Social Services (DHSS) and the Departments of Services for Children, Youth, and their Families (DSCYF). The Delaware General Assembly approved a \$1.5 million allocation to fund SRAP through the FY 2012 Bond and Capital Improvements Act ("Bond Bill"). This amount is expected to create approximately 150 to 200 rental subsidies for eligible program applicants.

- **Wexford Village Rehab (WVR)** – Accounts for DSHA funds set aside from the termination of the Financing Adjustment Factor Reserve Program (FAF) and Multi-Family Bond Programs (MF). DSHA management has designated these funds 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 DSHA.
- **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 DSHA directly to the City of Wilmington. The maximum grant amount available under this program is \$3,000.

Proprietary Fund Type

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

Federal Programs Fund

Moving To Work Demonstration Program (MTW) – The MTW Demonstration Program offers DSHA 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 DSHA 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 DSHA. Funding originates from the following US Dept of HUD programs:

- **Capital Fund Program (CFP)** – This program provides funding for the modernization of DSHA's public housing sites.
- **Housing Choice Voucher Program (HCVP)** - This program provides housing subsidies through DSHA'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. DSHA administers this program and rents are subsidized by US Dept of 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 DSHA's operation of ten housing projects or sites under the US Dept of HUD Low Income Housing Program. Under this Program, US Dept of HUD provides funding via an annual contributions contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating and debt service expenses of the projects. Escrow deposits in this program represent amounts set aside from rental income for participants within the Public Housing Program who also participate in the Authority's Moving To Work (MTW) Program. The MTW Program provides housing assistance for a maximum of five years to low-income Delawareans. Participants in the 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 US Dept of 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 DSHA for approval. A review panel evaluates applications based upon the extent of low-income individuals affected. Currently, only Kent and Sussex Counties, and municipalities within those two counties are eligible to apply under this program.

- Emergency Shelter Grant Program (ESGP) - This grant program provides existing emergency housing providers with assistance to expend and renovate homeless shelters and provides supportive housing service assistance to homeless persons and families in Kent and Sussex Counties.
- Housing Opportunities for 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 (NSP1) - 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.
- Neighborhood Stabilization Program (NSP3) - This grant program is being used to fund DSHA's Rebuilding Our Communities Program (ROC). ROC assists low- to moderate-income borrowers in the purchase of foreclosed or abandoned single-family homes, in qualified census tracts, by providing down payment and closing cost assistance of \$15,000 at 0% interest in the form of a forgivable loan.

Other Federal Funded Programs

- Delaware Emergency Mortgage Assistance Program/Emergency Homeowners Loan Program (DEMAP/EHLP) - DSHA has been awarded \$6 million through the US Dept of HUD by the Dodd-Frank Wall Street Reform and Consumer Protection Act. The DEMAP/EHLP will offer a forgivable loan of up to \$50,000 to assist homeowners who are unemployed or under-employed with past due and future mortgage payments, including insurance and property taxes. Those homeowners facing foreclosure as a result of serious medical events may also qualify.
- Family Unification Program (FUP) - US Dept of 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) - US Dept of HUD funding provided for low-interest and interest-free loans and/or grants to nonprofit and limited profit housing sponsors for the development of certain housing for low-to-moderate income persons
- National Foreclosure Mitigation Counseling Program (NFMC) - DSHA administers an award from NeighborWorks America, a congressionally chartered nonprofit organization dedicated to improving distressed communities. DSHA's role is that of an administrative pass-through agency to three nonprofit agencies, which are paid set fees per client for mortgage delinquency and foreclosure prevention counseling sessions.
- Section 8 Contract Administration (CA) - DSHA administers Housing Assistance Payment (HAP) contracts for 59 US Dept of HUD financed/insured Section 8 developments in Delaware.

The American Reinvestment and Recovery Act of 2009 Programs

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

- Homeless Prevention and Rapid Re-housing Program (HPRP) Direct Grant - DSHA awarded HPRP funds to five sub grantees for homeless prevention and rapid re-housing and one sub grantee for data collection and reporting. Of the \$934,980 total US Dept of HUD grant, \$611,039 was awarded for financial assistance, \$227,912 was awarded for housing relocation and stabilization services, \$17,129 was awarded for administration and \$50,850 was awarded for data collection and reporting. In addition, DSHA will retain \$28,050 for administration. This grant is reported in the Community Development Block Grant Program subfund of the Federal Programs. As of June 30, 2012, \$918,260 of the grant was spent.
- Neighborhood Stabilization Program (NSP2) Competitive Grant - DSHA's NSP2 targets the census tracts identified by HUD as those most at risk of being destabilized because of foreclosures. The NSP2 funds of over \$10 million will be used for two activities to stabilize those neighborhoods, (1) financing and (2) purchase/rehabilitation. Financing may include down payment assistance, below interest mortgages or second mortgages where the principle due is reduced during the tenure of the homeowner. Purchase/Rehabilitation allows local governments and nonprofits to acquire foreclosed and 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. DSHA has allocated funds to four Jurisdictions who will act as our sub-recipients and work with the venders. The Jurisdictions are as follows: New Castle County, City of Wilmington, Kent County, and Sussex County. These sub recipients will carry out the NSP activities in their targeted census tracts. As of June 30, 2012, \$7,803,699 of the grant was spent.
- Tax Credit Assistance Program (TCAP) - provides US Dept of HUD funding of over \$6.6 million in assistance to eligible Low-Income Housing Tax Credit projects. The program is intended primarily to supplement affordable housing developments that have been unable to secure adequate equity commitments in the current market. This grant is reported in the HOME Investment Partnership Program subfund of the Federal Programs. As of June 30, 2012, the total grant amount was spent.
- Low Income Housing Tax Credit Exchange Program – provides US Treasury funding of over \$22,000,000 for DSHA to “exchange” a portion of its 2009 housing credit ceiling for cash, which can be used to make “subawards” to finance the construction or acquisition and rehabilitation of qualified low-income buildings. This grant is reported as a subfund of the Federal Programs. As of June 30, 2012, \$20,550,434 of the grant was spent.
- Sustainable Energy Utility/Delaware Energy Office Program (SEU/DEO) – DSHA partnered with the Delaware Energy Office (DEO) and Sustainable Energy Utility, Inc. (SEU) to provide SEU loans through DSHA's Housing Development Fund (HDF) to borrowers who are also receiving Low Income Housing Tax Credits. Under provisions of this agreement, DEO allocated funds received from a US Dept of Energy ARRA grant to SEU. SEU will provide up to \$1.4 million of these funds to be used in conjunction with HDF funds to provide multi-family financing opportunities. The SEU loans are intended to encourage borrowers to increase energy efficiency in the renovation and construction of affordable housing developments throughout the State of Delaware.

Single Family Programs Fund

- Single Family Bond Program - This program accounts for the proceeds of the single family mortgage revenue bonds that are used to purchase long-term mortgage loans on owner occupied single family homes. Beginning in fiscal 2009, the Authority included provisions for some bond proceeds to be used to purchase second mortgage assistance loans for qualifying home buyers. Private financial institutions act as agents for the Authority and process, disburse and service individual loans. Separate accounts are

maintained for each series of bonds in accordance with the applicable bond resolution and indenture; however, for financial statement presentation, these accounts have been combined. Any excess of revenues over expenses in these accounts, as defined by the resolution and indenture, is not available for the general and lawful use of the Authority until all of the restrictive covenants of the applicable bond resolutions and indentures have been met.

- DSHA Mortgage Backed Securities Purchase Program – This program accounts for the purchasing of mortgaged backed securities to be held as investments prior to the issuance of revenue bonds under the 1994 General Resolution. The mortgaged 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 mortgaged backed securities will become assets of the bond issue.
- 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.

Multi-Family Programs Fund

- Multi-Family Bond Program - This program accounted for the proceeds of Housing Development Revenue Bonds used to provide permanent financing for multi-family housing projects; the proceeds of Multi-Family Mortgage Revenue Bonds used to provide permanent financing for multi-family housing projects. All outstanding bonds payable were called and paid during fiscal year 2012. After all restrictive covenants of the bond resolutions and indentures were met the remaining mortgage receivables and other assets became property of DSHA.
- Financing Adjustment Factor (FAF) Reserve Program - The FAF Reserve accounts for the proceeds of the General Obligation bonds issued on behalf of the Authority by the State of Delaware to enable the Authority to obtain immediate benefit of the FAF savings as required by US Dept of HUD to permit US Dept of HUD to obtain the benefit of lower financing interest rates. An outstanding note payable to the State of Delaware was paid in full during fiscal year 2011. All activity during fiscal year 2012 reflects the termination of the program.

Fiduciary Fund Type

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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 US Dept of HUD grants and mortgage interest. Operating grants are classified as operating revenues if they finance a program that the Authority would not otherwise undertake. These grants reimburse the costs of these programs whose activity is inherently part of the operations of the Authority. The Authority also recognizes as operating revenue rental income from Public Housing sites. Operating expenses for enterprise

funds include grant expenses, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as 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.

D. Assets, liabilities, and net assets or equity

Cash and Cash Equivalents

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

Investments

Investment securities are recorded at fair value, except that investment securities with a remaining maturity at time of purchase of one year or less are reported at cost adjusted for the amortization of premium or the accretion of discount over the term of the investment, which approximates fair value (see Note IV., A.)

Accrued Interest and Other Receivables

An allowance for doubtful accounts in the amount of \$18,336 has been established for tenant accounts receivable in the business-type activities and the Federal Programs Enterprise Fund as of June 30, 2012. The allowance is based upon an aging of the tenant accounts receivable and is adjusted annually. All tenant account receivable balances with no payment activity within 120 days are considered doubtful accounts.

Mortgage Loans Receivable

Mortgage loans are recorded at their unpaid principal balances net of allowances for doubtful accounts (see Note IV., B.). Allowances are estimated as a percentage of total outstanding balances within 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), Neighborhood Revitalization Fund (NRF), Northeast Initiative Program (NE), and Single Family Programs. These percentages are reviewed and revised by the Authority on an annual basis.

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

Deferred Bond Issuance Costs

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

Accrued Arbitrage Rebate Payable

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

Compensated Absences Payable

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

The current portion of compensated absences for both the entity-wide and fund proprietary financial statements includes all annual leave amounts that exceed a 318 hour maximum allowable carryover per employee, as these amounts will have to be used within the next year or be forfeited. The Authority believes that those balances will be used and not forfeited. Additionally, current compensated absences include annual leave balances payable to employees at fiscal year end 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 US Dept of 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.

Nonrefundable Deferred Commitment Fees

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

Restricted Resources

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

Net Assets/Fund Equity

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

Beginning with the Year Ended June 30, 2011, the Authority has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Authority's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

General Fund

- **Nonspendable:** Total of interfund receivables, loans receivable, accrued interest and other receivables and prepaid items as reported on the balance sheet.
- **Committed:** Amounts 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, 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, and

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.

Housing Development Fund

- **Nonspendable:** Total of interfund receivables, loans receivable, accrued interest and other receivables and prepaid items as reported on the balance sheet.
- **Restricted:** Amount in excess of nonspendable and committed fund balances to be used for the specific purpose of Housing Development Fund activities per enabling legislation.
- **Committed:** Amounts designated on Council on Housing Resolutions as approved by the Council on Housing, an eleven member board appointed by the Governor and authorized by Delaware Code, found at Title 31, Chapter 40, for specific purposes (i.e., loans and grants) but not yet disbursed at statement date.

Other Governmental Funds

- **Nonspendable:** Total of interfund receivables, loans receivable, accrued interest and other

receivables and prepaid items as reported on the balance sheet.

- **Restricted:** Amount in excess of nonspendable fund balances to be used for the specific program activities per enabling legislation.
- **Assigned:** Amount in excess of nonspendable fund balances which 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, intends to use for a specific purpose.

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.

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, 2011, financial statements to be comparative with the current-year presentation.

For the fiscal year ending June 30, 2012, the Authority combined the following non-major governmental fund programs shown separately at June 30, 2011: the Authority Loan Program has been combined with the General Fund; Live Near Your Work Program and Northeast Initiative have been combined with the Housing Development Fund; HFO Second Mortgage Assistance Loan Program has been combined with the DSHA Second Mortgage Assistance Loan Program; Neighborhood Revitalization Fund has been combined with the Housing Rehabilitation Loan Program. The effect of these changes in presentation was to increase the General Fund's beginning fund balance by \$2,924,872, to increase the Housing Development Fund's beginning fund balance by \$1,964,822, to increase the DSHA Second Mortgage Assistance Loan Program beginning fund balance by \$128,752 and to decrease the beginning fund balance of the non-major governmental funds by \$5,018,446. During the current year, management reviewed the purpose of its special revenue funds and determined that the funds reclassified above no longer met the definition of special revenue funds under GASB 54.

For the fiscal year ending June 30, 2012, the Public Housing Program sub fund, which had a net asset balance of \$15,065,229 as of June 30, 2011 and the Housing Choice Vouchers Program sub fund, which had a net asset balance of \$5,795,069 as of June 30, 2011 have been reported as the Moving To Work Demonstration Program sub fund and the Family Unification Program sub fund. All programs are sub funds of the major Federal Programs Enterprise Fund and therefore beginning net assets of the major Federal Programs Enterprise Fund did not change. This change in presentation was made in order to be consistent with how these programs are reported on the Schedule of Expenditures of Federal Awards.

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 assets

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the entity-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and therefore, are not reported in the funds. The details of this \$1,983,045 difference are as follows:

Capital assets	\$3,661,772
Less: Accumulated depreciation	<u>(1,678,727)</u>
Net capital asset adjustment	<u>\$1,983,045</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 \$576,080 difference are as follows:

Compensated absences	\$ 576,080
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B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the entity-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the entity-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$177,053 difference are as follows:

Capital outlay	\$ 239,588
Less: Depreciation expense	<u>(62,535)</u>
Net capital asset adjustment	<u>\$ 177,053</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.

Investments

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

Investment type	Fair Value	Investment Maturities (in Years)				
		Less than 1	1 to 5	5 to 10	10 to 20	20 to 30
Governmental activities:						
U.S. Treasury Notes	\$ 12,591,962	\$ 2,642,982	\$ 9,920,362	\$ -	\$ -	\$ -
U.S. Treasury Strips	927,271	463,000	368,000	-	133,000	-
U.S. Agencies	27,166,182	10,156,654	16,724,783	-	-	-
Certificates of Deposit	39,704	39,704	-	-	-	-
Corporate Notes	9,358,103	567,000	8,683,772	-	-	-
Commercial Paper	12,739,946	12,788,784	-	-	-	-
Bank Money Market Accounts	19,397,502	19,397,502	-	-	-	-
State of Delaware Investment Pool	18,020,734	18,020,734	-	-	-	-
Total Governmental Activities Investments	100,241,404	64,076,360	35,696,917	-	133,000	-
Business-type activities:						
U.S. Treasury Notes	1,400,666	395,018	754,638	-	334,000	-
U.S. Treasury Bonds	28,711	-	-	-	19,000	-
U.S. Agencies	17,338,470	382,353	1,010,217	-	-	15,953,547
Corporate Notes	296,525	-	291,228	-	-	-
Commercial Paper	206,028	207,216	-	-	-	-
Investment Agreements	1,646,285	-	-	-	382,062	1,264,223
Money Market Savings Accounts	27,306,667	27,306,667	-	-	-	-
Bank Money Market Accounts	1,849,495	1,849,495	-	-	-	-
State of Delaware Investment Pool	14	14	-	-	-	-
Total Business-type Activities Investments	50,072,861	30,140,763	2,056,083	-	735,062	17,217,770
Total Entity-wide Investments	\$ 150,314,265	\$ 94,217,123	\$ 37,753,000	\$ -	\$ 868,062	\$ 17,217,770
Fiduciary Fund Investments:						
U.S. Treasury Notes	\$ 1,234,094	\$ 551,000	\$ 675,000	\$ -	\$ -	\$ -
U.S. Agencies	1,359,116	285,000	1,040,000	-	-	-
Commercial Paper	545,624	550,000	-	-	-	-
Bank Money Market Accounts	10,485	10,485	-	-	-	-
Total Fiduciary Fund Investments	\$ 3,149,319	\$ 1,396,485	\$ 1,715,000	\$ -	\$ -	\$ -

Interest Rate Risk

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

- **Single Family & Multi-Family Program Funds:** Investment contracts for bond program funds should have a maturity that matches the final bond maturity to minimize reinvestment risk. Individual investments of bond program funds should match anticipated cash requirements or provide sufficient liquidity to allow funds to be accessed to meet bond resolution requirements without incurring material principal losses.
- **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 and Multi-Family Programs, the investment rating must be equal to or exceed the bond rating. The Authority's Operating Reserve Account has a specific credit quality requirement. Corporate debt obligations and shares of money market mutual funds shall have a long-term rating of AA and/or Aa, respectively by Standard & Poor's (S&P) and Moody's at the time of purchase. The State of Delaware Investment Pool and money market accounts are not rated by any of the nationally recognized statistical rating organizations. As of June 30, 2012, the Authority's investments were rated as follows:

Investment Type	Ratings (S & P)					
	A1+	A1	AA+	AA	AA-	A
Governmental activities:						
U.S. Agencies			\$ 27,166,182			
Corporate Notes			\$ 1,856,844	\$ 1,001,450	\$ 6,104,074	\$ 395,735
Commercial Paper	\$ 1,996,042	\$ 10,743,904				
Business-type activities:						
U.S. Agencies			\$ 17,338,470			
Corporate Notes			\$ 104,917		\$ 191,608	
Commercial Paper		\$ 206,028				
Fiduciary Fund:						
U.S. Agencies			\$ 1,359,116			
Commercial Paper		\$ 545,624				

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, 2012, the carrying value and the bank balances of the Authority's deposits were \$17,298,579 and \$19,405,229 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 \$153,463,584 investment balance, \$1,646,285 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, 2012 are as follows:

Receivables	Governmental Activities	Business-type Activities	Total
Mortgage loans	\$ 145,182,608	\$ 837,355,657	\$ 982,538,265
Accrued interest	30,481,389	16,442,646	46,924,035
Other receivables	707,346	444,312	1,151,658
Grants receivable	-	284,316	284,316
Total receivables	176,371,343	854,526,931	1,030,898,274
Allowance for doubtful accounts	483,427	821,609	1,305,036
Total receivables, net	\$ 175,887,916	\$ 853,705,322	\$ 1,029,593,238
Amounts not scheduled for collection during the subsequent year	\$ 144,054,018	\$ 833,429,137	\$ 977,483,155

Mortgage loans receivable

A summary of mortgage loans receivable as of June 30, 2012 is shown below:

Governmental activities:

General Fund	\$ 5,767,943
Housing Development Fund	123,482,427
DSHA Second Mortgage Assistance Loan Program	10,753,784
Non-major governmental funds	5,178,454
Mortgage loans receivable, governmental activities	145,182,608
Less: Allowance for doubtful accounts	(376,883)
Net mortgage loan receivables, governmental activities	144,805,725

Business-type activities:

Federal Programs Fund	48,227,207
Single Family Programs Fund	789,128,450
Mortgage loans receivable, business-type activities	837,355,657
Less: Allowance for doubtful accounts	(702,043)
Net mortgage loan receivables, business-type activities	836,653,614

Total mortgage loans receivable, net	\$ 981,459,339
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Mortgage loans receivable in the General Fund are single family, multi-family, and second mortgage assistance loans released from bond indenture requirements as a result of refunding the bonds the loans were originally associated with. Once releases from the bond indentures, these loans are considered assets

of the Authority. Interest rates on the loans range from 5.375% to 12.43% with maturities ranging from 1 to 10 years.

Mortgage loans outstanding in the Housing Development Fund are collateralized by first, second or third mortgages on the properties and, in limited instances, are guaranteed by corporate sponsors. Consistent with program purposes (see Note I., B.), certain loans from the Housing Development Fund are subject to forgiveness contingent upon a number of conditions. As of June 30, 2012, loans of \$1,043,332 have specific forgiveness provisions, which currently have not been met.

Mortgage loans receivable in the Single Family Programs Fund, which include certain mortgage loans receivable that have been securitized by Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA), and Federal Home Loan Mortgage Corp (FHLMC) are secured by first liens on real property. Loans purchased in the Single Family Programs Fund that have a loan to value ratio in excess of 72% (80% for loans purchased after 1986) are insured or guaranteed by either the Federal Housing Administration ("FHA"), the Farmers Home Administration ("FmHA"), the Department of Veterans' Affairs ("VA"), or by a private primary mortgage insurance policy. All loans purchased under this Program, exclusive of FHA and VA loans, are also insured by a mortgage pool insurance policy. Interest rates on the loans range from 3.99% 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, 2012 are as follows:

	Governmental Activities				Business-type Activities		
	General	Housing	DSHA Second Mortgage Assistance Loan Program	Nonmajor Governmental Funds	Federal Programs	Single Family Programs	Total
	Fund	Fund					
Loan interest	\$ 579,868	\$ 25,849,783	\$ 3,505,812	\$ 232,553	\$ 8,643,880	\$ 7,654,060	\$ 46,465,956
Investment interest	187,495	15,036	-	4,298	-	43,476	250,305
HDF projects	163,600	-	-	-	-	-	163,600
Other projects	415,275	-	-	-	-	-	415,275
Servicers	14,574	-	-	-	-	211,780	226,354
Tenants, net	-	-	-	-	28,909	-	28,909
Other	101,164	-	7,500	5,233	177,921	7,366	299,184
Total	\$ 1,461,976	\$ 25,864,819	\$ 3,513,312	\$ 242,084	\$ 8,850,710	\$ 7,916,682	\$ 47,849,583

C. Accounts payable

Accounts payables as of June 30, 2012 are as follows:

	Governmental Activities		Business-type Activities		
	General	Nonmajor	Federal	Single Family	Total
	Fund	Governmental Funds	Programs	Programs	
Vendors	\$ 136,957	\$ 13,622	\$ 151,326	\$ -	\$ 301,905
Salaries	156,383	-	89,765	-	246,148
US Dept of HUD	-	-	1,261	-	1,261
Security deposits	-	-	161,845	-	161,845
Other	5,859	-	506,380	10,000	522,239
Total	\$ 299,199	\$ 13,622	\$ 910,577	\$ 10,000	\$ 1,233,398

D. Capital assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance June 30, 2011	Increases	Decreases	Ending Balance June 30, 2012
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 797,960	\$ -	\$ -	\$ 797,960
Construction in Progress	-	239,588	-	239,588
Total capital assets, not being depreciated	797,960	239,588	-	1,037,548
Capital assets, being depreciated:				
Buildings	1,934,902	-	-	1,934,902
Land/Site Improvements	211,929	-	-	211,929
Computer Equipment	415,167	-	-	415,167
Equipment	25,479	-	-	25,479
Telecommunications Equipment	36,747	-	-	36,747
Total capital assets being depreciated	2,624,224	-	-	2,624,224
Less accumulated depreciation for:				
Buildings	962,149	58,384	-	1,020,533
Land/Site Improvements	176,650	4,151	-	180,801
Computer Equipment	415,167	-	-	415,167
Equipment	25,479	-	-	25,479
Telecommunications Equipment	36,747	-	-	36,747
Total accumulated depreciation	1,616,192	62,535	-	1,678,727
Total capital assets, being depreciated, net	1,008,032	(62,535)	-	945,497
Governmental activities capital assets, net	\$ 1,805,992	\$ 177,053	\$ -	\$ 1,983,045
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,336,842	\$ -	\$ -	\$ 2,336,842
Buildings held for resale	330,911	-	-	330,911
Construction in Progress	1,066,087	1,223,842	1,012,150	1,277,779
Total capital assets, not being depreciated	3,733,840	1,223,842	1,012,150	3,945,532
Capital assets, being depreciated:				
Buildings	22,600,570	-	-	22,600,570
Land/Site Improvements	17,400,973	1,012,150	-	18,413,123
Vehicles	41,908	-	-	41,908
Equipment	493,741	-	-	493,741
Total capital assets being depreciated	40,537,192	1,012,150	-	41,549,342
Less accumulated depreciation for:				
Buildings	16,556,637	588,057	-	17,144,694
Land/Site Improvements	9,615,897	932,524	-	10,548,421
Vehicles	34,515	4,929	-	39,444
Equipment	291,573	63,386	-	354,959
Total accumulated depreciation	26,498,622	1,588,896	-	28,087,518
Total capital assets, being depreciated, net	14,038,570	(576,746)	-	13,461,824
Business-type activities capital assets, net	\$ 17,772,410	\$ 647,096	\$ 1,012,150	\$ 17,407,356

Depreciation expense of \$62,535 was charged to the administrative function in the Governmental activities. Depreciation expense of \$1,588,896 was charged to the affordable rental housing function in the business-type activities.

Construction commitments

The Authority has active capital projects as of June 30, 2012. The projects include renovations at the various public housing developments. At year end, the Authority had commitments with contractors of \$10,984, relating to business-type activities and the Federal Programs Enterprise Fund.

E. Interfund transactions

The composition of interfund balances as of June 30, 2012, is as follows:

Due to/from other funds:

Current:	Governmental Activities				Business-type Activities	
	Due from:					
	General Fund	DSHA Second Mortgage Assistance Loan Program	Nonmajor Governmental Funds	Federal Programs	Single Family Programs	Total
Due to:						
General Fund	\$ -	\$ 101,528	\$ 1,265	\$ 3,441,830	\$ 265	\$ 3,544,888
Nonmajor Governmental Funds	11,436	-	-	-	-	11,436
Federal Programs	60,301	-	-	-	-	60,301
Single Family Programs	-	-	192	-	-	192
Total	\$ 71,737	\$ 101,528	\$ 1,457	\$ 3,441,830	\$ 265	\$ 3,616,817

Non-current:	Due from:		Total
	General Fund		
Due to:			
Housing Development Fund	\$ 253,572		\$ 253,572
Total	\$ 253,572		\$ 253,572

The current balances resulted from the time lag between the dates payments between funds are made. The non-current balance of \$253,572 represents a loan made from the Housing Development Fund to the general fund for the purpose of the Lewes land acquisition.

Interfund transfers for the year ended June 30, 2012 consisted of the following:

	Governmental Activities				Business-type Activities		
Transfers out:			DSHA Second Mortgage Assistance Loan Program				
	General Fund	Housing Development Fund		Nonmajor Governmental Funds	Single Family Programs	Multi- Family Programs	Total
Transfers in:							
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 7,760,078	\$ 15,939,277	\$ 23,699,355
DSHA Second Mortgage Assistance Loan Program	6,498,912	-	-	-	301,616		\$ 6,800,528
Nonmajor Governmental Funds	-	1,500,000	-	-	2,225	582,846	2,085,071
Single Family Programs	835,899	-	7,652,183	4,295	-	-	8,492,377
Total transfer out	\$ 7,334,811	\$ 1,500,000	\$ 7,652,183	\$ 4,295	\$ 8,063,919	\$ 16,522,123	\$ 41,077,331

Cash transfers from the Single Family and Multi-Family programs to the General Fund support general fund operations. These transfers are surplus funds, administrative fees, and early repayment of bonds.

The Multi-Family programs reports a non-cash transfer of \$4,359,685 to the General Fund. This transfer represents mortgage loans released from bond indenture requirements as a result of refunding the bonds originally associated with them.

The General Fund reports a cash transfer to the DSHA Second Mortgage Assistance Loan program of over \$6,000,000 to fund mortgage purchases prior to single family bond issuance. Then, at the time of the Single Family Mortgage Revenue 2011 Series A/B issuance, DSHA Second Mortgage Assistance Loan program had a non-cash transfer of loans and accrued interest of over \$7,600,000 to Single Family Mortgage Revenue 2011 Series A/B bond issue and Single Family reports a cash transfer to the General Fund on behalf of the DSHA SMAL Program to reimburse the funds borrowed for the original purchasing.

The Housing Development Fund reports a cash transfer of \$1,500,000 to the State Rental Assistance

Program (a non-major governmental fund) for it fiscal year 2012 operating funds.

F. Short-term and long-term debt

Short-term and long-term debt activity for the year ended June 30, 2012, was as follows:

	Beginning Balance June 30, 2011	Increases	Decreases	Ending Balance June 30, 2012	Due Within One Year
Governmental activities:					
Compensated absences, relating to the General Fund	\$ 588,929	\$ 309,723	\$ 322,572	\$ 576,080	\$ 12,710
Governmental activity long-term liabilities	\$ 588,929	\$ 309,723	\$ 322,572	\$ 576,080	\$ 12,710
Business-type activities:					
Compensated absences, relating to the Federal Programs Fund	\$ 388,042	\$ 172,284	\$ 176,545	\$ 383,781	\$ 9,624
Notes Payable, Single Family Programs Fund	69,719,671	40,559,889	94,324,718	15,954,842	15,954,842
Revenue bonds payable, Single Family Programs Fund	826,346,687	217,392,846	231,629,153	812,110,380	18,644,193
Revenue bonds payable, Multi-family Programs Fund	3,746,101	43,899	3,790,000	-	-
Business-type activity long-term liabilities	\$ 900,200,501	\$ 258,168,918	\$ 329,920,416	\$ 828,449,003	\$ 34,608,659

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.

Notes Payable

Notes payable in the Business-type Activities, relating to the DSHA Mortgage Backed Securities Purchase Program (a Single Family program) represent an obligation to the Federal Home Loan Bank (FHLB) Pittsburgh. The Authority borrows based on an existing agreement with FHLB Pittsburgh dated May 29, 2002 to provide funds to purchase mortgage backed securities prior to the issuance of bonds. The loan has a maturity date of May 15, 2013 and an interest rate of 0.36%, due at maturity.

Revenue Bonds Payable

The revenue bonds outstanding have been issued to provide financing for mortgage loans. The bonds are secured by the mortgage loans made or purchased under the applicable resolutions, the revenues, prepayments and foreclosures proceeds received related to the mortgage loans, and certain funds and accounts established pursuant to the applicable bond resolutions. All bonds are callable subject to certain restrictions. Interest rates on bonds outstanding range from 0.53% to 7.75% with maturities of such bonds up through January 1, 2049.

On July 18, 2011, the Authority issued \$99,600,000 of Single Family Mortgage Revenue Bonds 2011-1 pursuant to the New Issue Bond Program (NIBP) established jointly by Fannie Mae, Freddie Mac, the Federal Housing Finance Agency, and the U.S. Department of the Treasury (US Treasury) under which the US Treasury provides funding for bond issuance. The proceeds from the sale were used to provide low rate mortgages to first-time homebuyers.

On October 28, 2011, the Authority issued \$36,809,016 of Single Family Mortgage Revenue Bonds 2011 Series A/B to fully refund the Single Family Mortgage Revenue Bonds 1997 Series B, 1999 Series A, 2000 Series A, 2001 Series A and 2002 Series A and to make funds available for second mortgage loans. The

outstanding mortgage loans in these refunded issues were transferred to the 2011 A/B issue.

On November 22, 2011, the Authority issued \$76,735,000 of Single Family Mortgage Revenue Bonds 2011-2 pursuant to the New Issue Bond Program (NIBP) established jointly by Fannie Mae, Freddie Mac, the Federal Housing Finance Agency, and the U.S. Department of the Treasury (US Treasury) under which the US Treasury provides funding for bond issuance. The proceeds from the sale were used to provide low rate mortgages to first-time homebuyers.

Interest Expense on Long-Term Debt

Interest expense of \$38,526,479 on long-term debt has been included in the direct expenses of individual functions on the entity-wide statement of activities. Authorization for general long-term debt is essential for the creation and continuing existence of the Single and Multi-Family mortgage programs; thus an objective connection can be made to these programs. All interest on long-term debt is reported as a direct expense of the program for which borrowing is related. Interest expense of \$39,449,879 was charged to the home ownership function and \$76,600 was charged to the affordable rental housing 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)

	Principal	Interest	Total
2013	\$ 18,644,193	\$ 35,259,681	\$ 53,903,874
2014	17,645,000	34,585,905	52,230,905
2015	17,995,000	33,869,487	51,864,487
2016	18,525,000	33,119,710	51,644,710
2017	19,105,000	32,334,775	51,439,775
2018-2022	106,345,000	147,684,171	254,029,171
2023-2027	129,174,343	119,615,995	248,790,338
2028-2032	147,803,737	86,378,487	234,182,224
2033-2037	198,978,656	50,882,492	249,861,148
2038-2042	102,217,051	13,545,934	115,762,985
2043-2047	20,875,000	4,067,482	24,942,482
2048-2049	14,802,400	178,110	14,980,510
Totals	\$ 812,110,380	\$ 591,522,229	\$ 1,403,632,609

G. Segment information

The Authority maintains three major Enterprise Funds, each with a group of subfunds. Indentures for bonds reported in the Single Family and Multi-Family Programs Funds require that these programs be accounted for separately based on the General Resolutions for each grouping of bond issuances.

The Single Family Programs Fund accounts for the Authority's single family mortgage program, which includes the Single Family Mortgage Revenue Bonds 2003 Series A and B, 2004 Series A, 2005 Series A, and 2006 Series A, B, C, and D, 2007 Series A, B, C, and D, 2008 Series A and B, 2009 Series A, 2011 Series A/B and 2009, 2010-1, 2011-1, and 2011-2 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, 1996 Series A, 1997 Series A, 1998 Series A and B, and 2001 Series A.

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

CONDENSED STATEMENT OF NET ASSETS - SINGLE FAMILY PROGRAMS FUND SEGMENTS
JUNE 30, 2012

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2003A-2011AB	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2009-2011-2 NIBP	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM	SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND SERIES 1996A-2001A	TOTAL SINGLE FAMILY PROGRAMS
Assets					
Current assets other than interfund receivables	\$ 32,532,520	\$ 13,531,351	\$ 16,013,720	\$ 1,583,548	\$ 63,661,139
Current interfund receivables	-	-	-	192	192
Non-current assets	538,330,090	245,891,706	-	1,928,360	786,150,156
Total assets	570,862,610	259,423,057	16,013,720	3,512,100	849,811,487
Liabilities					
Current liabilities other than interfund payables	13,688,470	4,965,723	15,958,899	-	34,613,092
Current interfund payables	105	-	-	160	265
Non-current liabilities	535,562,240	254,394,562	-	3,509,385	793,466,187
Total liabilities	549,250,815	259,360,285	15,958,899	3,509,545	828,079,544
Net assets, restricted	\$ 21,611,795	\$ 62,772	\$ 54,821	\$ 2,555	\$ 21,731,943

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - SINGLE FAMILY PROGRAMS
FUND SEGMENTS
FOR THE YEAR ENDED JUNE 30, 2012

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2003A-2011AB	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2009-2011-2 NIBP	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM	SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND SERIES 1996A-2001A	TOTAL SINGLE FAMILY PROGRAMS
Operating revenues*	\$ 34,792,633	\$ 8,163,334	\$ -	\$ 185,785	\$ 43,141,752
Operating expenses					
Interest expense on bonds	31,103,736	7,162,230	-	183,913	38,449,879
Other	1,628,233	85,434	-	18,003	1,731,670
Operating income/(loss)	2,060,664	915,670	-	(16,131)	2,960,203
Non-operating revenue/(expenses):					
Interest income on investments	287,378	35,087	442,125	10,073	774,663
Other non-operating revenue/(expenses)	(7,111)	-	(36,526)	57,967	14,330
Transfers in/(out)	1,098,010	67,234	(748,856)	12,070	428,458
Change in net assets	3,438,941	1,017,991	(343,257)	63,979	4,177,654
Beginning net assets (deficit)	18,172,854	(955,219)	398,078	(61,424)	17,554,289
Ending net assets	\$ 21,611,795	\$ 62,772	\$ 54,821	\$ 2,555	\$ 21,731,943

*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, 2012

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2003A-2011AB	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2009-2011-2NIBP	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM	SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND SERIES 1996A-2001A	TOTAL SINGLE FAMILY PROGRAMS
Net cash provided (used) by:					
Operating activities	\$ 125,352,055	\$ (162,790,000)	\$ -	\$ 85,428	\$ (37,352,517)
Noncapital financing activities	(116,488,178)	63,822,104	(54,584,992)	(71,742)	(107,322,808)
Investing activities	(8,846,147)	93,538,137	54,584,992	(1,101)	139,275,881
Net increase/(decrease)	17,730	(5,429,759)	-	12,585	(5,399,444)
Beginning cash and cash equivalents	-	5,429,759	-	-	5,429,759
Ending cash and cash equivalents	\$ 17,730	\$ -	\$ -	\$ 12,585	\$ 30,315

CONDENSED STATEMENT OF NET ASSETS - MULTI-FAMILY PROGRAMS FUND SEGMENTS
JUNE 30, 2012

	MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1992D & E	MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 2001A	FAF RESERVES	TOTAL MULTI-FAMILY PROGRAMS
Assets				
Current assets	\$ -	\$ -	\$ -	\$ -
Non-current assets	-	-	-	-
Total assets	-	-	-	-
Liabilities				
Current liabilities	-	-	-	-
Non-current liabilities	-	-	-	-
Total liabilities	-	-	-	-
Net assets, restricted	\$ -	\$ -	\$ -	\$ -

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - MULTI-FAMILY PROGRAMS FUND SEGMENTS
FOR THE YEAR ENDED JUNE 30, 2012

	MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1992D & E	MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 2001A	FAF RESERVES	TOTAL MULTI-FAMILY PROGRAMS
Operating revenues*	\$ 12,149	\$ 214,507	\$ -	\$ 226,656
Operating expenses				
Interest expense on bonds	26,789	49,811	-	76,600
Other	7,031	65,321	-	72,352
Operating income (loss)	(21,671)	99,375	-	77,704
Non-operating revenue/(expenses):				
Interest income on investments	-	225,522	29	225,551
Other non-operating revenue/(expenses)	(177,690)	(101,307)	-	(278,997)
Transfers out	(4,533,620)	(11,932,588)	(55,915)	(16,522,123)
Change in net assets	(4,732,981)	(11,708,998)	(55,886)	(16,497,865)
Beginning net assets	4,732,981	11,708,998	55,886	16,497,865
Ending net assets	\$ -	\$ -	\$ -	\$ -

*Operating revenues consist primarily of interest income on loans.

CONDENSED STATEMENT OF CASH FLOWS - MULTI-FAMILY PROGRAMS FUND SEGMENTS
FOR THE YEAR ENDED JUNE 30, 2012

	MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1992D & E	MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 2001A	FAF RESERVES	TOTAL MULTI-FAMILY PROGRAMS
Net cash provided (used) by:				
Operating activities	\$ 127,175	\$ 1,958,532	\$ -	\$ 2,085,707
Noncapital financing activities	(5,812,018)	(10,131,109)	(55,915)	(15,999,042)
Investing activities	5,684,843	8,172,577	55,915	13,913,335
Net decrease	-	-	-	-
Beginning cash and cash equivalents	-	-	-	-
Ending cash and cash equivalents	\$ -	\$ -	\$ -	\$ -

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 \$160,000, and \$180,000. 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 Housing Partnership Corporation (DHP), Huling Cove Housing Corporation (HCHC), and Wexford Village Housing Corporation (WVHC) are related organizations of the Authority. Accordingly, financial information for these three entities is excluded from the Authority's financial statements.

During the Year Ended June 30, 2012, DHP and HCHC were under agreement with the Authority for the management of their operations. For the Year Ended June 30, 2012, DHP and HCHC paid management fees to the Authority totaling \$60,000 and \$35,295, respectively.

As of June 30, 2012, HCHC and WVHC were indebted to the Authority for Housing Development Fund loans in the amounts of \$3,597,469 and \$2,035,979, respectively.

For the Year Ended June 30, 2012, Section 8 Contract Administration housing assistance payments totaling \$325,704 from the US Dept. of HUD passed through the Authority to HCHC.

C. Economic dependency

During the Year Ended June 30, 2012, the Authority's business-type activities received 57.7 percent of its revenue from the U.S. Department of Housing and Urban Development (HUD).

D. Post-retirement health care benefits

State Employees

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

The Authority's contribution to the State of Delaware Employees' Pension Plan, a cost-sharing, multiple-employer defined benefit public employees retirement system (the "State PERS"), for post-retirement health care benefits for the Year Ended June 30, 2012 was \$84,587, 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, 2011 and June 30, 2010 were \$90,219 and \$86,308, respectively, equal to the required contribution for each year.

Non-State Employees

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

1. **Plan Description** - The Delaware State Housing Authority (DSHA) retiree medical program is a single-employer defined benefit healthcare plan administered by the Authority. The DSHA retiree medical program provides health care insurance benefits to its non-state retirees and their spouses and dependents in accordance with Authority General Order Number 325. The amount the Authority pays for the medical insurance premiums for retirees and spouses varies by the individual's service and retirement date. All regular active employees who retire directly from the Authority and meet the eligibility criteria may participate. The Authority issues this publicly available financial report that includes financial statements and required supplementary information for the plan.

2. **Funding Policy** - Contributions to the plan are made by the Authority to the DSHA Retiree Medical Trust as established by the Authority on March 1, 2008. The Authority contributes to the Trust periodically the amounts it determines necessary or appropriate. The Authority contributed \$632,273 for the Fiscal Year Ended June 30, 2012.

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)	\$	632,525
Adjustment to Annual Required Contribution:		
Interest on net OPEB Obligation (NOO)		(128)
Amortization of Net OPEB Obligation (NOO)		166
Annual OPEB Cost (expense) (AOC)		632,563
Contributions made		(632,273)
Increase (decrease) in net OPEB obligation		290
Net OPEB obligation, beginning of year		(2,554)
Net OPEB obligation, end of year	\$	(2,264)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributions to the plan, and the net OPEB obligation for Fiscal Year 2012 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 616,094	100.28%	\$ (2,480)
6/30/2011	\$ 764,710	100.01%	\$ (2,554)
6/30/2012	\$ 632,563	99.96%	\$ (2,264)

4. **Funded Status and Funding Progress** - As of July 1, 2011, the plan was 45% funded. The actuarial accrued liability (AAL) for benefits was \$5,599,680 and the actuarial value of assets was \$2,495,334, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,104,346. The covered payroll (annual payroll of active non-state employees covered by the plan) was \$4,470,000, and the ratio of the UAAL to the covered payroll was 69.4%.

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

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

In the July 1, 2011 actuarial valuation the projected unit credit cost method was used. The actuarial assumptions included a 5.0% investment rate of return and an annual healthcare cost trend assumption beginning at 8.0% and decreasing to a 5.0% long-term trend rate after seven years. A 3.0% inflation rate assumption was used. The level dollar open amortization method is being used to amortize the UAAL over 30 years.

E. Pension plans

State Employees

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

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

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

Pension provisions include survivor's benefits, whereby the employee must have been receiving a pension or have been an active employee with five years of credited services. Eligible survivors receive 50% of the pension the employee would have received at age 62. Additionally, the plan provides for monthly disability provisions which are the same as the pension benefit. The employee must have five years of credited service subject to limitations. The plan's death benefit is \$7,000 per member. The State PERS issues a publicly available financial report that includes the financial statements and required supplementary information. That report may be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Blvd., Dover, DE 19904, or by calling 1-800-722-7300.

2. Funding Policy - Employees of the Authority are required to contribute 3% of earnings in excess of \$6,000. Additionally, for the Year Ended June 30, 2012, the Authority was required to contribute 9.27% of covered payroll to the plan. The Authority's contribution to the State PERS for the Year Ended June 30, 2012 was \$96,951, equal to the required contribution for the year. The Authority's contributions to the State PERS for the Years Ended June 30, 2011 and June 30, 2010 were \$93,845 and \$97,756, respectively, equal to the

required contribution for each year.

Non-State Employees

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

1. Plan Description - Full-time non-state employees 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 Fiscal Year Ended June 30, 2012. The Authority's contribution to the Housing Renewal and Local Agency Retirement Plan for the Year Ended June 30, 2012 was \$426,299 equal to the required contribution for the year. The Authority's contributions to the plan for the Years Ended June 30, 2011 and June 30, 2010 were \$411,562 and \$408,371, respectively, equal to the required contributions for each year.

F. Contingent liabilities

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

G. Subsequent events

As of September 21, 2012, the Authority had borrowed as additional \$30,248,635 from FHLB Pittsburgh under the agreement disclosed on page 43 of this report. The additional borrowing was used for the purchase of mortgaged backed securities and will be repaid with the proceeds of a bond issue expected to occur in the near future.

H. Restatement of prior year fund balances

During the current year, management determined that certain prior year short term debt was incorrectly reported on the Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances instead of the Balance Sheet. The effect of this adjustment was to decrease the General Fund's fund balance as of July 1, 2010 by \$851,914 and to increase the change in the General Fund's fund balance for the fiscal year ended June 30, 2011 by \$851,914.

DELAWARE STATE HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION

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DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF FUNDING PROGRESS FOR DELAWARE STATE HOUSING AUTHORITY
RETREE MEDICAL PLAN
AS OF JUNE 30, 2012

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)
07/01/2009	\$ 1,187,694	\$ 4,526,854	\$ 3,339,160	26%	\$ 4,166,000	80.2%
07/01/2010	1,773,758	5,917,119	4,143,361	30%	4,260,000	97.3%
07/01/2011	2,495,334	5,599,680	3,104,346	45%	4,470,000	69.4%

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DELAWARE STATE HOUSING AUTHORITY
OTHER SUPPLEMENTARY INFORMATION

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DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF ACTIVITIES - ENTITY-WIDE
FOR THE YEAR ENDED JUNE, 30, 2012

EXPENSES	\$ 115,675,031
PROGRAM REVENUE	
Charges for services	52,684,892
Operating grants and contributions	86,530,054
Capital grants and contributions	<u>1,132,894</u>
NET OPERATING REVENUE	24,672,809
GENERAL REVENUE	
Investment earnings	<u>1,661,105</u>
TOTAL GENERAL REVENUE	<u>1,661,105</u>
CHANGE IN NET ASSETS	26,333,914
NET ASSETS, BEGINNING	339,656,332
NET ASSETS, ENDING	<u>\$ 365,990,246</u>

DELAWARE STATE HOUSING AUTHORITY
BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	DELAWARE EMERGENCY MORTGAGE ASSISTANCE PROGRAM	DELAWARE HOUSING INSURANCE FUND	FORECLOSURE PREVENTION PROGRAM	HOUSING REHABILITATION LOAN PROGRAM
ASSETS				
Cash and cash equivalents	\$ 933,666	\$ -	\$ 389,434	\$ 710,273
Investments	-	174,831	-	2,226,587
Interfund receivables	11,257	-	-	179
Loans receivable:				
Mortgages receivable, net	2,909,335	-	-	2,164,961
Accrued interest & other receivables	209,659	-	-	32,425
TOTAL ASSETS	\$ 4,063,917	\$ 174,831	\$ 389,434	\$ 5,134,425
LIABILITIES & FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 13,194	\$ -	\$ -	\$ 428
Interfund payables	-	192	-	165
TOTAL LIABILITIES	13,194	192	-	593
FUND BALANCES				
Nonspendable	3,130,251	-	-	2,197,565
Restricted	920,472	174,639	389,434	-
Assigned	-	-	-	2,936,267
TOTAL FUND BALANCES	4,050,723	174,639	389,434	5,133,832
TOTAL LIABILITIES & FUND BALANCES	\$ 4,063,917	\$ 174,831	\$ 389,434	\$ 5,134,425

STATE RENTAL ASSISTANCE PROGRAM	WEXFORD VILLAGE REHAB PROGRAM	WILMINGTON SENIOR TAX ASSISTANCE PROGRAM	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ 972,713	\$ 582,846	\$ 152,545	\$ 3,741,477
560,041	-	-	2,961,459
-	-	-	11,436
-	-	-	5,074,296
-	-	-	242,084
\$ 1,532,754	\$ 582,846	\$ 152,545	\$ 12,030,752

\$ -	\$ -	\$ -	\$ 13,622
1,100	-	-	1,457
1,100	-	-	15,079

-	-	-	5,327,816
-	-	-	1,484,545
1,531,654	582,846	152,545	5,203,312
1,531,654	582,846	152,545	12,015,673
\$ 1,532,754	\$ 582,846	\$ 152,545	\$ 12,030,752

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	DELAWARE EMERGENCY MORTGAGE ASSISTANCE PROGRAM	DELAWARE HOUSING INSURANCE FUND	FORECLOSURE PREVENTION PROGRAM	HOUSING REHABILITATION LOAN PROGRAM
REVENUES				
Interest income:				
Investments	\$ 2,102	\$ -	\$ 961	\$ 14,774
Loans	79,038	-	-	70,532
Total interest income	81,140	-	961	85,306
Grants	-	-	-	-
Payments from primary government	-	-	615,600	-
Gains on investments	-	-	-	1,529
Fees	-	-	-	94
Other revenue	440,746	-	-	24,416
TOTAL REVENUES	521,886	-	616,561	111,345
EXPENDITURES				
Current:				
Home ownership	75,536	-	272,801	-
Affordable rental housing	-	-	-	-
Housing rehabilitation	-	417,381	-	13,186
TOTAL EXPENDITURES	75,536	417,381	272,801	13,186
EXCESS/(DEFICIT) REVENUE OVER EXPENDITURES	446,350	(417,381)	343,760	98,159
OTHER FINANCING SOURCES (USES)				
Transfers in	-	2,225	-	-
Transfers out	-	(4,295)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(2,070)	-	-
NET CHANGE IN FUND BALANCES	446,350	(419,451)	343,760	98,159
FUND BALANCES, BEGINNING	3,604,373	594,090	45,674	5,035,673
FUND BALANCES, ENDING	\$ 4,050,723	\$ 174,639	\$ 389,434	\$ 5,133,832

STATE RENTAL ASSISTANCE PROGRAM	WEXFORD VILLAGE REHAB PROGRAM	WILMINGTON SENIOR TAX ASSISTANCE PROGRAM	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ 2,869	\$ -	\$ -	\$ 20,706
-	-	-	149,570
2,869	-	-	170,276
-	-	170,000	170,000
-	-	-	615,600
-	-	-	1,529
-	-	-	94
-	-	-	465,162
2,869	-	170,000	1,422,661
-	-	17,455	365,792
901,309	-	-	901,309
-	-	-	430,567
901,309	-	17,455	1,697,668
(898,440)	-	152,545	(275,007)
1,500,000	582,846	-	2,085,071
-	-	-	(4,295)
1,500,000	582,846	-	2,080,776
601,560	582,846	152,545	1,805,769
930,094	-	-	10,209,904
\$ 1,531,654	\$ 582,846	\$ 152,545	\$ 12,015,673

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF NET ASSETS - PROPRIETARY FUND - SUBFUNDS OF THE FEDERAL PROGRAMS ENTERPRISE FUND
JUNE 30, 2012

	COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAMS	DEMAP 2011/ EMERGENCY HOMEOWNERS LOAN PROGRAM	FAMILY UNIFICATION PROGRAM	HOME INVESTMENT PARTNERSHIP PROGRAM
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 156,620	\$ 126,530	\$ 57,434	\$ 38,457
Investments	-	-	-	-
Accrued interest and other receivables	76,575	-	-	-
Grants receivable-U.S. Dept of HUD	5,746	44,660	-	-
Interfund receivables	24,358	30,728	-	-
Prepaid expenses	-	-	21,578	-
Total current assets	263,299	201,918	79,012	38,457
Non-Current Assets:				
Cash, restricted for payment of escrows	-	-	-	-
Investments	-	-	-	3,763,150
Mortgages receivable, net	-	-	-	48,227,207
Accrued interest and other receivables, net	-	-	-	8,643,880
Capital assets not being depreciated	-	-	-	-
Capital assets net of accumulated depreciation	-	-	-	-
Total non-current assets	-	-	-	60,634,237
TOTAL ASSETS	\$ 263,299	\$ 201,918	\$ 79,012	\$ 60,672,694
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 164,460	\$ 44,490	\$ -	\$ 11,842
Due St of Delaware-pension costs	399	-	-	495
Interfund payables	76,775	157,428	-	50
Compensated absences payable	2,009	-	-	2,145
Total current liabilities	243,643	201,918	-	14,532
Non-Current Liabilities:				
Compensated absences payable	19,656	-	-	24,347
Escrow deposits	-	-	-	3,763,150
Total non-current liabilities	19,656	-	-	3,787,497
TOTAL LIABILITIES	263,299	201,918	-	3,802,029
NET ASSETS				
Invested in capital assets	-	-	-	-
Restricted by federal regulations	-	-	79,012	56,870,665
TOTAL NET ASSETS	-	-	79,012	56,870,665
TOTAL LIABILITIES AND NET ASSETS	\$ 263,299	\$ 201,918	\$ 79,012	\$ 60,672,694

LOW INCOME HOUSING TAX CREDIT EXCHANGE PROGRAM	MOVING TO WORK DEMONSTRATION PROGRAM	NATIONAL FORECLOSURE MITIGATION COUNSELING PROGRAM	SECTION 8 CONTRACT ADMINISTRATION	SUSTAINABLE ENERGY UTILITY/ DELAWARE ENERGY OFFICE PROGRAM	TOTAL FEDERAL PROGRAMS
\$ -	\$ 1,025,401	\$ 12,864	\$ 798,427	\$ 208,559	\$ 2,424,292
-	981,034	-	-	-	981,034
-	129,640	-	615	-	206,830
-	925	-	232,985	-	284,316
-	42,441	55	-	-	97,582
-	477,809	-	3,076,937	-	3,576,324
-	2,657,250	12,919	4,108,964	208,559	7,570,378
-	933,042	-	-	-	933,042
-	-	-	88,632	-	3,851,782
-	-	-	-	-	48,227,207
-	-	-	-	-	8,643,880
-	3,945,532	-	-	-	3,945,532
-	13,461,824	-	-	-	13,461,824
-	18,340,398	-	88,632	-	79,063,267
\$ -	\$ 20,997,648	\$ 12,919	\$ 4,197,596	\$ 208,559	\$ 86,633,645
\$ -	\$ 465,188	\$ -	\$ 16,038	\$ 208,559	\$ 910,577
-	345	-	409	-	1,648
-	2,050	50	3,242,758	-	3,479,111
-	5,286	-	184	-	9,624
-	472,869	50	3,259,389	208,559	4,400,960
-	286,046	-	44,108	-	374,157
-	933,042	-	88,632	-	4,784,824
-	1,219,088	-	132,740	-	5,158,981
-	1,691,957	50	3,392,129	208,559	9,559,941
-	17,407,356	-	-	-	17,407,356
-	1,898,335	12,869	805,467	-	59,666,348
-	19,305,691	12,869	805,467	-	77,073,704
\$ -	\$ 20,997,648	\$ 12,919	\$ 4,197,596	\$ 208,559	\$ 86,633,645

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND -
SUBFUNDS OF THE FEDERAL PROGRAMS ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2012

	COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAMS	DEMAP 2011/ EMERGENCY HOMEOWNERS LOAN PROGRAM	FAMILY UNIFICATION PROGRAM	HOME INVESTMENT PARTNERSHIP PROGRAM
OPERATING REVENUES				
Interest income on loans	\$ -	\$ -	\$ -	\$ 1,196,423
Federal housing program grants	10,879,406	2,378,829	222,940	3,431,526
Rental income	-	-	-	-
Miscellaneous	583	-	-	-
TOTAL OPERATING REVENUES	10,879,989	2,378,829	222,940	4,627,949
OPERATING EXPENSES				
Administrative	497,066	273,157	-	302,155
Grants and housing assistance payments	10,382,923	2,105,672	307,352	475,264
Public housing maintenance & utilities	-	-	-	-
Depreciation	-	-	-	-
TOTAL OPERATING EXPENSES	10,879,989	2,378,829	307,352	777,419
OPERATING INCOME/(LOSS)	-	-	(84,412)	3,850,530
NON-OPERATING INCOME/(EXPENSES)				
Interest income on investments	-	-	-	122
Miscellaneous expense	-	-	-	-
TOTAL NON-OPERATING INCOME/EXPENSES)	-	-	-	122
INCOME/(LOSS) BEFORE CAPITAL GRANTS AND OPERATING TRANSFERS	-	-	(84,412)	3,850,652
Capital grants and contributions	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
CHANGE IN NET ASSETS	-	-	(84,412)	3,850,652
NET ASSETS, BEGINNING, RESTATED	-	-	163,424	53,020,013
NET ASSETS, ENDING	\$ -	\$ -	\$ 79,012	\$ 56,870,665

LOW INCOME HOUSING TAX CREDIT EXCHANGE PROGRAM	MOVING TO WORK DEMONSTRATION PROGRAM	NATIONAL FORECLOSURE MITIGATION COUNSELING PROGRAM	SECTION 8 CONTRACT ADMINISTRATION	SUSTAINABLE ENERGY UTILITY/ DELAWARE ENERGY OFFICE PROGRAM	TOTAL FEDERAL PROGRAMS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,196,423
1,557,177	9,266,812	261,610	38,123,009	-	66,121,309
-	521,169	-	-	-	521,169
-	301,550	-	-	-	302,133
1,557,177	10,089,531	261,610	38,123,009	-	68,141,034
-	3,437,769	254,160	928,030	-	5,692,337
1,557,177	6,030,292	-	36,913,107	-	57,771,787
-	1,556,281	-	-	-	1,556,281
-	1,588,896	-	-	-	1,588,896
1,557,177	12,613,238	254,160	37,841,137	-	66,609,301
-	(2,523,707)	7,450	281,872	-	1,531,733
-	2,063	55	41	-	2,281
-	(2,433)	-	-	-	(2,433)
-	(370)	55	41	-	(152)
-	(2,524,077)	7,505	281,913	-	1,531,581
-	1,132,894	-	-	-	1,132,894
-	-	-	-	-	-
-	-	-	-	-	-
-	(1,391,183)	7,505	281,913	-	2,664,475
-	20,696,874	5,364	523,554	-	74,409,229
\$ -	\$ 19,305,691	\$ 12,869	\$ 805,467	\$ -	\$ 77,073,704

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF NET ASSETS - PROPRIETARY FUND - SUBFUNDS OF THE SINGLE FAMILY PROGRAMS
ENTERPRISE FUND
JUNE 30, 2012

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2003A-2011AB	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2009-2011-2 NIBP	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 17,730	\$ -	\$ -
Investments	18,961,001	8,363,250	15,970,722
Mortgages receivable, net	7,541,289	4,327,068	-
Accrued interest and other receivables	5,560,906	768,080	42,998
Interfund receivables	-	-	-
Deferred bond issuance costs	451,594	72,953	-
Total current assets	32,532,520	13,531,351	16,013,720
Non-Current Assets:			
Investments	1,646,366	-	-
Mortgages receivable, net	530,262,152	244,681,091	-
Deferred bond issuance costs	6,421,572	1,210,615	-
Total non-current assets	538,330,090	245,891,706	-
TOTAL ASSETS	\$ 570,862,610	\$ 259,423,057	\$ 16,013,720
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 10,000	\$ -	\$ -
Interfund payables	105	-	-
Accrued interest payable	-	-	4,057
Notes payable	-	-	15,954,842
Revenue bonds payable	13,678,470	4,965,723	-
Total current liabilities	13,688,575	4,965,723	15,958,899
Non-Current Liabilities:			
Revenue bonds payable	535,562,240	254,394,562	-
Total non-current liabilities	535,562,240	254,394,562	-
TOTAL LIABILITIES	549,250,815	259,360,285	15,958,899
NET ASSETS			
Restricted by bond covenants	21,611,795	62,772	54,821
TOTAL NET ASSETS	21,611,795	62,772	54,821
TOTAL LIABILITIES AND NET ASSETS	\$ 570,862,610	\$ 259,423,057	\$ 16,013,720

SECOND
MORTGAGE
ASSISTANCE
LOAN REVENUE TOTAL SINGLE
BOND SERIES FAMILY
1996A-2001A PROGRAMS

\$	12,585	\$	30,315
	23,018		43,317,991
	-		11,868,357
	1,544,698		7,916,682
	192		192
	3,247		527,794
	1,583,740		63,661,331
	275,688		1,922,054
	1,614,807		776,558,050
	37,865		7,670,052
	1,928,360		786,150,156
\$	3,512,100	\$	849,811,487

\$	-	\$	10,000
	160		265
	-		4,057
	-		15,954,842
	-		18,644,193
	160		34,613,357

	3,509,385		793,466,187
	3,509,385		793,466,187
	3,509,545		828,079,544

	2,555		21,731,943
	2,555		21,731,943
\$	3,512,100	\$	849,811,487

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND -
SUBFUNDS OF THE SINGLE FAMILY PROGRAMS ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2012

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2003A-2011AB	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2009-2011-2 NIBP	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM
OPERATING REVENUES			
Interest income on loans	\$ 31,969,624	\$ 7,957,485	\$ -
Amortization of deferred revenues	2,712,495	205,849	-
Miscellaneous	110,514	-	-
TOTAL OPERATING REVENUES	34,792,633	8,163,334	-
OPERATING EXPENSES			
Interest expense on bonds	31,103,736	7,162,230	-
Amortization of deferred bond issuance costs	1,006,617	64,390	-
Loan servicing fees	97,331	-	-
Other expenses	524,285	21,044	-
TOTAL OPERATING EXPENSES	32,731,969	7,247,664	-
OPERATING INCOME/(LOSS)	2,060,664	915,670	-
NON-OPERATING INCOME/(EXPENSES)			
Interest income on investments	287,378	35,087	442,125
Net increase/(decrease) in fair value of investments	(419)	-	-
Rebate expense	(6,735)	-	-
Miscellaneous revenue/(expense)	43	-	(36,526)
TOTAL NON-OPERATING INCOME/(EXPENSES)	280,267	35,087	405,599
INCOME/(LOSS) BEFORE CAPITAL GRANTS AND OPERATING TRANSFERS	2,340,931	950,757	405,599
Transfers in	37,563,489	100,387,594	-
Transfers out	(36,465,479)	(100,320,360)	(748,856)
CHANGE IN NET ASSETS	3,438,941	1,017,991	(343,257)
NET ASSETS (DEFICIT), BEGINNING	18,172,854	(955,219)	398,078
NET ASSETS (DEFICIT), ENDING	\$ 21,611,795	\$ 62,772	\$ 54,821

*Transfers in and out have been reduced by \$129,470,776 for transfers between subfunds in the Single Family Program Fund.

SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND SERIES 1996A-2001A		TOTAL SINGLE FAMILY PROGRAMS	
\$	182,564	\$	40,109,673
	-		2,918,344
	3,221		113,735
	185,785		43,141,752
	183,913		38,449,879
	2,713		1,073,720
	-		97,331
	15,290		560,619
	201,916		40,181,549
	(16,131)		2,960,203
	10,073		774,663
	57,967		57,548
	-		(6,735)
	-		(36,483)
	68,040		788,993
	51,909		3,749,196
	12,070		8,492,377 *
	-		(8,063,919) *
	63,979		4,177,654
	(61,424)		17,554,289
\$	2,555	\$	21,731,943

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF NET ASSETS - PROPRIETARY FUND - SUBFUNDS OF THE MULTI-FAMILY PROGRAMS
ENTERPRISE FUND
JUNE 30, 2012

	MULTI-FAMILY MORTGAGE REVENUE REFUNDING SERIES 1992D&E	MULTI-FAMILY MORTGAGE REVENUE REFUNDING SERIES 2001A	FAF RESERVES PROGRAM	TOTAL MULTI-FAMILY REFUNDING LOAN PROGRAMS
ASSETS				
Current Assets:				
Investments	\$ -	\$ -	\$ -	\$ -
Mortgages receivable, net	-	-	-	-
Accrued interest and other receivables	-	-	-	-
Deferred bond issuance costs	-	-	-	-
Total current assets	-	-	-	-
Non-Current Assets:				
Investments	-	-	-	-
Mortgages receivable, net	-	-	-	-
Deferred bond issuance costs	-	-	-	-
Total non-current assets	-	-	-	-
TOTAL ASSETS	\$ -	\$ -	\$ -	\$ -
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Interfund payables	-	-	-	-
Accrued arbitrage rebate payable	-	-	-	-
Accrued interest payable	-	-	-	-
Revenue bonds payable	-	-	-	-
Total current liabilities	-	-	-	-
Non-Current Liabilities:				
Escrow deposits	-	-	-	-
Revenue bonds payable	-	-	-	-
Total non-current liabilities	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
NET ASSETS				
Restricted by bond covenants	-	-	-	-
TOTAL NET ASSETS	-	-	-	-
TOTAL LIABILITIES AND NET ASSETS	\$ -	\$ -	\$ -	\$ -

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND - SUBFUNDS OF THE MULTI-FAMILY PROGRAMS ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2012

	MULTI-FAMILY MORTGAGE REVENUE REFUNDING SERIES 1992D&E	MULTI-FAMILY MORTGAGE REVENUE REFUNDING SERIES 2001A	FAF RESERVES PROGRAM	TOTAL MULTI-FAMILY REFUNDING LOAN PROGRAMS
OPERATING REVENUES				
Interest income on loans	\$ 12,149	\$ 202,882	\$ -	\$ 215,031
Miscellaneous	-	11,625	-	11,625
TOTAL OPERATING REVENUES	12,149	214,507	-	226,656
OPERATING EXPENSES				
Interest expense on bonds	26,789	49,811	-	76,600
Grant payments	-	-	-	-
Amortization of deferred bond issuance costs	6,155	65,181	-	71,336
Loan servicing fees	736	-	-	736
Other expenses	140	140	-	280
TOTAL OPERATING EXPENSES	33,820	115,132	-	148,952
OPERATING INCOME/(LOSS)	(21,671)	99,375	-	77,704
NON-OPERATING INCOME/(EXPENSES)				
Interest income on investments	-	225,522	29	225,551
Net increase/(decrease) in fair value of investments	(157,087)	-	-	(157,087)
US Dept of HUD financing adjustment factor payments	-	(4)	-	(4)
Rebate expense	-	(101,303)	-	(101,303)
Miscellaneous revenue/(expense)	(20,603)	-	-	(20,603)
TOTAL NON-OPERATING INCOME/(EXPENSES)	(177,690)	124,215	29	(53,446)
INCOME/(LOSS) BEFORE CAPITAL GRANTS AND OPERATING TRANSFERS	(199,361)	223,590	29	24,258
Transfers in	212,074	1,623,772	-	- *
Transfers out	(4,745,694)	(13,556,360)	(55,915)	(16,522,123) *
CHANGE IN NET ASSETS	(4,732,981)	(11,708,998)	(55,886)	(16,497,865)
NET ASSETS (DEFICIT), BEGINNING	4,732,981	11,708,998	55,886	16,497,865
NET ASSETS, ENDING	\$ -	\$ -	\$ -	\$ -

*The transfers in and out have been reduced by \$1,835,846 for transfers between subfunds in the Multi-Family Program Fund.

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE
FOR THE YEAR ENDED JUNE 30, 2012

The details of and changes in the Authority's mortgage revenue bonds during the Year Ended June 30, 2012 are as follows:

Bond Issue	Interest Rate	Final Maturity Date	Bonds Outstanding June 30, 2011	Issued	Matured	Called	Other	Bonds Outstanding June 30, 2012
Single Family Mortgage Revenue Bonds 1997 Series B	5.01%	2029	5,011,336	-	-	5,021,857	10,521	-
Single Family Mortgage Revenue Bonds 1999 Series A	5.17% - 5.65%	2310	4,567,239	-	-	4,623,577	56,338	-
Single Family Mortgage Revenue Bonds 2000 Series A	4.69% - 6.00%	2032	8,799,514	-	-	8,856,015	56,501	-
Single Family Mortgage Revenue Bonds 2001 Series A	3.95% - 4.73%	2033	6,524,225	-	-	6,605,000	80,775	-
Single Family Mortgage Revenue Bonds 2002 Series A	4.18% - 5.40%	2034	4,178,875	-	-	4,065,000	(113,875)	-
Single Family Mortgage Revenue Bonds 2002 Series B	4.65% - 6.63%	2033	3,293,539	-	-	3,105,000	(188,539)	-
Single Family Mortgage Revenue Bonds 2003 Series A	4.65% - 6.00%	2035	6,085,368	-	-	709,316	(37,233)	5,338,819
Single Family Mortgage Revenue Bonds 2003 Series B	4.00% - 5.20%	2025	6,142,639	-	-	1,495,000	95,815	4,743,454
Single Family Mortgage Revenue Bonds 2004 Series A	4.60% - 5.75%	2036	19,264,304	-	-	1,451,544	(75,139)	17,737,621
Single Family Mortgage Revenue Bonds 2005 Series A	4.30% - 5.80%	2036	27,740,448	-	380,000	3,815,000	(136,233)	23,409,215
Single Family Mortgage Revenue Bonds 2006 Series A	4.10% - 5.75%	2037	34,249,637	-	375,000	6,425,000	(241,502)	27,208,135
Single Family Mortgage Revenue Bonds 2006 Series B	4.40% - 6.20%	2037	39,182,105	-	400,000	5,565,000	(275,592)	32,941,513
Single Family Mortgage Revenue Bonds 2006 Series C	4.65% - 6.25%	2037	28,903,843	-	125,000	3,655,000	(160,271)	24,963,572
Single Family Mortgage Revenue Bonds 2006 Series D	4.30% - 5.88%	2048	49,494,080	-	405,000	6,465,000	(216,822)	42,407,258
Single Family Mortgage Revenue Bonds 2007 Series A	4.15% - 5.90%	2048	60,931,033	-	475,000	9,065,000	(271,866)	51,119,167
Single Family Mortgage Revenue Bonds 2007 Series B	4.05% - 5.60%	2048	62,406,859	-	-	10,955,000	(278,659)	51,173,200
Single Family Mortgage Revenue Bonds 2007 Series C	4.90% - 5.55%	2049	56,025,783	-	-	8,850,000	(206,664)	46,969,119
Single Family Mortgage Revenue Bonds 2007 Series D	4.625% - 5.80%	2049	70,837,940	-	-	12,910,000	(214,955)	57,712,985
Single Family Mortgage Revenue Bonds 2008 Series A	4.27% - 6.65%	2039	38,103,735	-	-	4,235,000	(110,866)	33,757,869
Single Family Mortgage Revenue Bonds 2008 Series B	3.45% - 6.50%	2040	68,302,633	-	1,505,000	4,847,616	117,845	62,067,862
Single Family Mortgage Revenue Bonds 2009 Series A	2.25% - 7.75%	2040	35,293,685	-	665,000	1,204,990	180,691	33,604,386
Single Family Mortgage Revenue Bonds 2009 (NIBP)	varies	2041	101,000,000	-	-	101,000,000	-	-
Single Family Mortgage Revenue Bonds 2010-1 (NIBP)	3.01% - 4.55%	2041	86,595,984	-	-	2,400,000	(125,533)	84,070,451

Continued on next page.

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE
FOR THE YEAR ENDED JUNE 30, 2012

The details of and changes in the Authority's mortgage revenue bonds during the Year Ended June 30, 2012 are as follows:

Bond Issue	Interest Rate	Final Maturity Date	Bonds Outstanding June 30, 2011	Issued	Matured	Called	Other	Bonds Outstanding June 30, 2012
Single Family Mortgage Revenue Bonds 2011-1 (NIBP)	1.26% - 4.40%	2041	-	99,600,000	-	2,365,000	880,625	98,115,625
Single Family Mortgage Revenue Bonds 2011-2 (NIBP)	0.53% - 4.38%	2041	-	76,735,000	-	435,000	874,209	77,174,209
Single Family Mortgage Revenue Bonds 2011 Series A/B	4.25% - 5.10%	2031	-	36,809,016	-	3,775,483	1,053,002	34,086,535
Multi-Family Mortgage Revenue Refunding Bonds 1992D Series	6.85%	2012	570,000	-	-	570,000	-	-
Multi-Family Mortgage Revenue Refunding Bonds 1992E Series	6.95%	2014	980,000	-	-	980,000	-	-
Multi-Family Mortgage Revenue Refunding Bonds 2001A Series	5.15% - 5.40%	2024	2,196,101	-	-	2,240,000	43,899	-
SMAL Mortgage Revenue Bonds 1996 Series A	5.7%	2028	437,174	-	-	2,157	22,815	457,832
SMAL Mortgage Revenue Bonds 1997 Series A	5.3%	2029	449,981	-	-	8,313	23,849	465,517
SMAL Mortgage Revenue Bonds 1998 Series A	5.3%	2030	354,233	-	-	9,620	18,529	363,142
SMAL Mortgage Revenue Bonds 1998 Series B	5.25%	2030	926,713	-	-	3,931	48,583	971,365
SMAL Mortgage Revenue Bonds 2001 Series A	5.67%	2033	1,243,782	-	-	60,820	68,567	1,251,529
TOTAL			\$ 830,092,788	\$ 213,144,016	\$ 4,330,000	\$ 227,775,239	\$ 978,815	\$ 812,110,380

The "Other" category totaling \$978,815 represents accretion on capital appreciation bonds, netted by deferred amounts on refunding and bond forgiveness.

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

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

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DELAWARE STATE HOUSING AUTHORITY
SINGLE AUDIT SUPPLEMENT

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REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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September 21, 2012

To the Delaware State Housing Authority
Dover, Delaware

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Delaware State Housing Authority (the "Authority"), a component unit of the State of Delaware, as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Delaware State Housing Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

Delaware State Housing Authority
Dover, Delaware

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

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH T 302.478.8940
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL E 302.468.4001
EFFECT ON EACH MAJOR PROGRAM AND ON www.btcpa.com
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

September 21, 2012

To the Delaware State Housing Authority
Dover, Delaware

Compliance

We have audited the compliance of the Delaware State Housing Authority (the "Authority") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2012. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

Delaware State Housing Authority
Dover, Delaware

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

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

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

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

PART A - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

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

Unqualified

Internal control over financial reporting:

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

FEDERAL AWARDS

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

Unqualified

Internal control over major programs:

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

Yes	X	No
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Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.182	Section 8 Contract Administration/New Construction and Substantial Rehabilitation
14.256	Neighborhood Stabilization Program 2 (ARRA)
14.258	HOME Tax Credit Assistance Program (ARRA)
14.323	Emergency Homeownership Loan Program
21.000	Low Income Housing Tax Credit Exchange Program (ARRA)
21.000	National Foreclosure Mitigation Counseling

Dollar threshold used to distinguish between Type A and Type B programs: \$2,033,159

Auditee qualified as low-risk auditee? X Yes No

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

PART C - FINDINGS RELATED TO FEDERAL AWARDS

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR/PROGRAM TITLE	CFDA NUMBER	CONTRACT NUMBER	EXPENDITURES
DIRECT GRANTS:			
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Federal Housing Administration (FHA) - Insurance Proceeds (1)	14.117	N/A	\$ 415,604
Section 8 Contract Administration/New Construction and Substantial Rehabilitation	14.182 *	Various	38,123,009
Community Development Block Grant (CDBG) States' Program	14.228	B-10-DC-10-0001	\$ 810,276
		B-11-DC-10-0001	1,058,498
Neighborhood Stabilization Program		B-08-DN-10-0001	713,561
		B-11-DN-14-0001	116,545
Total CDBG States' Programs			2,698,880
Emergency Shelter Grants	14.231	S09-DC-10-0001	2,002
		S10-DC-10-0001	83,950
Total Emergency Shelter Grants			85,952
HOME Programs	14.239	M-08-SG-10-0100	250,067
		M-09-SG-10-0100	1,544,844
		M-10-SG-10-0100	991,727
		M-11-SG-10-0100	275,206
Total HOME Programs			3,061,844
Housing Opportunities for People with AIDS (HOPWA)	14.241	DE26-H10-FY999	21,584
		DE26-H11-FY999	163,039
Total Housing Opportunities for People with AIDS (HOPWA)			184,623
Emergency Homeownership Loan Program	14.323 *	EHLP11002	2,378,829
Family Unification Program	14.880	2009-FUP-DE901-8010	222,940
MTW Demonstration Program:	14.881		
Public and Indian Housing Program		P-4520	2,420,297
Public Housing Capital Fund		Various	1,215,796
Lower Income Housing Assistance Program (Section 8):			
Moving To Work Vouchers		DE901VOW054-058	6,715,352
Housing Conversion Vouchers		DE901VO0057-0065	12,482
Special Fees		DE901AF0041-0049	35,778
Total MTW Demonstration Program			10,399,705
Total U. S. Department of Housing and Urban Development			57,571,386
VETERANS BENEFITS ADMINISTRATION			
Veterans Administration - VA Guaranteed Proceeds (1)	64.114	N/A	98,087
Total Veterans Benefits Administration			98,087
TOTAL DIRECT GRANTS			57,669,473
INDIRECT GRANTS:			
U. S. TREASURY			
Neighborworks			
National Foreclosure Mitigation Counseling (2)	21.000 *	PL110-161:95X1350	265,669
TOTAL INDIRECT GRANTS			265,669

Continued on next page

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 2 - ARRA	14.256 *	B-09-DN-DE-0012	7,803,699
Homeless Prevention and Rapid Re-Housing Program - ARRA	14.257	S-09-DY-10-0001	106,253
HOME Tax Credit Assistance Program - ARRA	14.258 *	M-09-ES-10-0100	369,683
Total U. S. Department of Housing and Urban Development			<u>8,279,635</u>
U. S. TREASURY			
Low Income Housing Tax Credit Exchange Program - ARRA (2)	21.000 *	S9032715	<u>1,557,177</u>
TOTAL ARRA DIRECT GRANTS			<u>9,836,812</u>
TOTAL FEDERAL AWARDS			<u>\$ 67,771,954</u>

N/A - Not Available.

* Denotes a major federal program.

(1) As of June 30, 2012, the amount of outstanding single family mortgages purchased by the Authority and covered by either FHA insurance, FMHA insurance, or a VA guarantee was \$18,505,800, \$215,086, and \$3,450,436, respectively.

(2) Total Expenditures by CFDA Number for Grants Received Through Multiple Pass-Through Entries

National Foreclosure Mitigation Counseling	21.000	\$ 265,669
Low Income Housing Tax Credit Exchange Program - ARRA	21.000	<u>1,557,177</u>
		<u>\$ 1,822,846</u>

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, 2012

ANNUAL CONTRIBUTIONS CONTRACT P-4520

	PROJECT NUMBER			
	DE26-P004- 50109	DE26-P004- 50110	DE26-P004- 50111	TOTAL
Funds advanced	\$ 808,437	\$ 804,807	\$ 70,376	\$ 1,683,620
Management improvements	69,498	14,209	-	83,707
Site improvements	658,095	709,178	2,135	1,369,408
Dwelling structures	-	-	-	-
Dwelling equipment - nonexpendable	-	-	-	-
Nondwelling structures/equipment	-	-	-	-
Administration	80,844	81,420	68,241	230,505
Fees and costs	-	-	-	-
Funds expended	808,437	804,807	70,376	1,683,620
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.

