

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, 2018
With Summarized Totals for June 30, 2017**

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

TABLE OF CONTENTS	i-ii
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Entity-wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Balance Sheet - Governmental Funds	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Fund Net Position - Proprietary Funds	22
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24
Statements of Fund Net Position - Fiduciary Funds	26
Statements of Changes in Fiduciary Net Position	27
Notes to Financial Statements	28
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of State of Delaware Net Pension Liability	74
Notes to Schedule of State of Delaware Net Pension Liability	75
Schedule of Employer Contributions to State of Delaware Pension Plan	76
Schedule of Changes in Net OPEB Liability	77
Notes to Schedule of Changes in Net OPEB Liability	78
Schedule of Contributions	79
Schedule of Annual Money-Weighted Rate of Return on Investments	80
Schedule of State of Delaware Other Post Employment Benefits Plan	81
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Activities - Entity-wide	85
Balance Sheet - Nonmajor Governmental Funds	87
Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds	89
Schedule of Net Position - Proprietary Fund - Subfunds of the Federal Programs Enterprise Fund	91
Schedule of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund - Subfunds of the Federal Programs Enterprise Fund	93
Schedule of Net Position - Proprietary Fund - Subfunds of the Single Family Programs Enterprise Fund	95
Schedule of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund - Subfunds of the Single Family Programs Enterprise Fund	97
Schedule of Revenue Bonds Payable	99

TABLE OF CONTENTS, continued

SINGLE AUDIT SUPPLEMENT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	102
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	104
Schedule of Findings and Questioned Costs	108
Schedule of Expenditures of Federal Awards	110
Supplemental Statement of Public Housing Actual Modernization Capital Fund Grant Costs	112
Notes to Schedule of Expenditures of Federal Awards and Supplemental Statement of Public Housing Actual Modernization Capital Fund Grant Costs	113
Corrective Action Plan	114



BELFINT • LYONS • SHUMAN
Certified Public Accountants

www.belfint.com

Independent Auditors' Report

To the Delaware State Housing Authority
Dover, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Delaware State Housing Authority (DSHA), a component unit of the State of Delaware, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise DSHA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

To the Delaware State Housing Authority
Dover, Delaware

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of DSHA, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Section V Note H of the financial statements, in 2018 DSHA adopted new accounting guidance, GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Report on Summarized Comparative Information

We have previously audited DSHA's June 30, 2017 financial statements, and our report dated October 23, 2017 expressed unmodified opinions on those financial statements. As discussed in Section V Note H to the financial statements, DSHA adopted GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Adoption of GASBS No. 75 required retroactive adjustment to DSHA's June 2017 financial statements. In our opinion, with the exception of the effect of the retroactive adjustment resulting from the adoption of GASBS No. 75, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

As part of our audit of the June 30, 2018 financial statements, we also audited the adjustments described in Section V Note H that were applied to the June 30, 2017 summarized comparative information to adopt GASBS No. 75. In our opinion, such adjustments were appropriate and have been properly applied.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, Schedule of State of Delaware Net Pension Liability and related notes on pages 74 and 75, Schedule of Employer Contributions to State of Delaware Pension Plan on page 76, Schedule of Changes in Net OPEB Liability and related notes on pages 77 and 78, Schedule of Contributions on page 79, Schedule of Annual Money-Weighted Rate of Return on Investments on page 80, and Schedule of State of Delaware Other Post Employment Benefits Plan on page 81 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

To the Delaware State Housing Authority
Dover, Delaware

basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise DSHA's basic financial statements. The Other Supplementary Information as listed in the table of contents and the supplemental statement of public housing actual modernization capital fund grant costs and related notes are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2018, on our consideration of DSHA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DSHA's internal control over financial reporting and compliance.

Belfint, Lyons & Shuman, P.A.

November 7, 2018
Wilmington, Delaware



DELAWARE STATE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The Delaware State Housing Authority (the Authority), a component unit of the State of Delaware, is a public corporation whose Director is appointed by and reports directly to the Governor of the State. The Authority's functions are to provide home ownership, affordable rental housing, and both housing and community rehabilitation assistance. Funding for the home ownership program is accomplished through mortgage backed security purchases and sales in the To-Be-Announced (TBA) market. The affordable rental housing programs are supported through Federal grant funds from the U.S. Department of Housing and Urban Development (HUD), and the State Housing Development Fund. Housing rehabilitation is also funded through the State sponsored Housing Development Fund. Community rehabilitation is provided through grants from HUD and the State.

As management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the Fiscal Year Ended June 30, 2018. The Authority's Management's Discussion and Analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual fund issues or concerns.

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

Financial Highlights

- The Authority's assets exceeded liabilities at the close of the fiscal year by \$495,278,409 (net position).
- The Authority's total net position increased by \$7,442,263 (1.5%) in fiscal year 2018 when compared to the previous year's ending net position. Net position of governmental activities increased by \$18,556,356 (5.34%) from the previous year and net position of business-type activities decreased by \$11,114,092 (-7.9%) from the previous year.

The most significant factors contributing to the governmental activities increases were: (1) the appropriation of \$10,000,000 from the State of Delaware to the Housing Development Fund for the purpose of making loans and grants to meet affordable housing needs; (2) the appropriation of \$8,500,000 from the State of Delaware to fund and administer the Downtown Development Districts Grant Program for the purpose of community rehabilitation in designated areas within Delaware's cities and towns; and (3) the appropriation of \$6,120,000 from the State of Delaware to serve individuals who have access to continuing supportive services but require affordable housing to live safely and independently in the community.

The most significant factors contributing to the business-type activities decreases were: (1) the receipt of \$2,182,983 in HOME Investment Partnership Program federal grant funds for the purpose of making loans and grants to meet affordable housing needs and (2) the receipt of over \$6,400,000 in gains on sales of investments within the DSHA Mortgage Backed Securities (MBS) Purchase Program resulting from MBS purchases and sales in the To-Be-Announced (TBA) market; offset by: (1) the transfer of administrative fees of \$1,035,433 from

the Single Family Mortgage Revenue Bond Programs to the General Fund in support of operations and (2) the transfer of over \$8,700,000 in loans from the Single Family Program to the DSHA Second Mortgage Assistance Loan program and Authority Loan Programs, governmental activities programs, in support of the programs' objectives to make down payment assistance available to qualified homebuyers.

- Unrestricted net position totaled \$14,899,769. This amount is dedicated to the Authority's operations, pursuant to Title 31, Chapter 40 of the Delaware Code and Authority bond resolutions. A General Fund cash and investment balance of \$29,297,482 contributes to this unrestricted net position total.
- At the close of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$366,314,994, an increase of \$18,556,355 (5.3%) in comparison with the prior year balances. The significant factors contributing to governmental funds fund balances increases were the same as those contributing to the governmental activities net position increases discussed above.
- The Authority's total debt, excluding compensated absences, decreased by \$49,572,384 (20.8%) during fiscal year 2018. The Single Family Programs paid revenue bond scheduled maturities of \$1,165,000, bond calls of \$47,382,699, primarily the result of bond redemption and mortgage prepayments, and \$1,024,716 representing the net of accretion on capital appreciation bonds, deferred amounts on refunding, and bond forgiveness.

Overview of the Financial Statements

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

Entity-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements. The notes to the financial statements can be found on pages 28-71 of this report.

Other Information

This report contains certain required supplementary information concerning the Authority's progress in funding its obligation to provide pension and other post-employment benefits to its employees. The required supplementary information can be found on pages 72-81.

This report contains certain other supplementary information schedules concerning the Authority's individual funds, programs, and revenue bond issues. The other supplementary information can be found on pages 83-99.

Also contained in this report is the Authority's Single Audit Supplement, presented in compliance with U.S. Office of Management and Budget's Uniform Guidance. The Single Audit Supplement can be found on pages 97-107.

Entity-wide Financial Analysis

The following condensed financial information is derived from the entity-wide Statement of Net Position and reflects the net position at June 30, 2018:

Delaware Housing Authority's Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Noncapital assets	\$424,634,749	\$402,323,657	\$317,149,890	\$373,893,266	\$ 741,784,639	\$ 776,216,923
Capital assets	1,203,934	1,149,328	8,499,337	12,123,372	9,703,271	13,272,700
Total assets	<u>425,838,683</u>	<u>403,472,985</u>	<u>325,649,227</u>	<u>386,016,638</u>	<u>751,487,910</u>	<u>789,489,623</u>
Deferred outflow of resources	1,036,650	283,788	140,671	171,647	1,177,321	455,435
Long-term liabilities outstanding	56,714,064	40,915,431	186,769,841	239,221,701	243,483,905	280,137,132
Other liabilities	276,511	923,826	9,758,050	6,564,187	10,034,561	7,488,013
Total liabilities	<u>56,990,575</u>	<u>41,839,257</u>	<u>196,527,891</u>	<u>245,785,888</u>	<u>253,518,466</u>	<u>287,625,145</u>
Deferred inflow of resources	3,569,764	104,070	298,592	324,890	3,868,356	428,960
Net position:						
Invested in capital assets	1,203,934	1,149,328	8,499,337	12,123,372	9,703,271	13,272,700
Restricted	350,211,291	344,280,974	120,464,078	127,954,135	470,675,369	472,235,109
Unrestricted	14,899,769	16,383,146	-	-	14,899,769	16,383,146
Total net position	<u>\$366,314,994</u>	<u>\$361,813,448</u>	<u>\$128,963,415</u>	<u>\$140,077,507</u>	<u>\$ 495,278,409</u>	<u>\$ 501,890,955</u>

The following condensed financial information is derived from the entity-wide Statement of Activities and reflects the changes in net position during the fiscal year ending June 30, 2018:

Delaware State Housing Authority's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 11,790,834	\$ 9,456,347	\$ 14,054,481	\$ 19,931,185	\$ 25,845,315	\$ 29,387,532
Operating grants & contributions	24,870,895	35,190,800	57,519,387	56,675,462	82,390,282	91,866,262
Capital grants & contributions	-	-	1,050,397	447,124	1,050,397	447,124
General revenues, principally						
Investment income (loss)	(458,071)	248,583	(1,935,685)	(5,106,497)	(2,393,756)	(4,857,914)
Total revenues	<u>36,203,658</u>	<u>44,895,730</u>	<u>70,688,580</u>	<u>71,947,274</u>	<u>106,892,238</u>	<u>116,843,004</u>
Expenses:						
Administrative	5,438,058	5,316,364	-	-	5,438,058	5,316,364
Affordable rental housing	11,158,589	10,212,616	59,690,280	56,793,428	70,848,869	67,006,044
Community rehabilitation	6,610,951	3,936,342	2,607,042	3,332,987	9,217,993	7,269,329
Home ownership	3,209,735	3,472,145	10,341,553	13,209,189	13,551,288	16,681,334
Housing rehabilitation	393,767	65,128	-	-	393,767	65,128
Total expenses	<u>26,811,100</u>	<u>23,002,595</u>	<u>72,638,875</u>	<u>73,335,604</u>	<u>99,449,975</u>	<u>96,338,199</u>
Change in net position before transfers	9,392,558	21,893,135	(1,950,295)	(1,388,330)	7,442,263	20,504,805
Transfers	9,163,797	3,271,313	(9,163,797)	(3,271,313)	-	-
Prior period adjustment	-	(14,054,809)	-	-	-	(14,054,809)
Changes in net position	18,556,355	25,164,448	(11,114,092)	(4,659,643)	7,442,263	20,504,805
Net position, beginning	347,758,639	336,649,000	140,077,507	144,737,150	487,836,146	481,386,150
Net position, ending	<u>\$366,314,994</u>	<u>\$347,758,639</u>	<u>\$128,963,415</u>	<u>\$140,077,507</u>	<u>\$ 495,278,409</u>	<u>\$ 487,836,146</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Authority's assets exceeded its liabilities by \$495,278,409 at the close of the fiscal year.

Of the Authority's total assets, 61.7% represent mortgage loans outstanding, including securitized mortgage loans. Cash and investments comprise 28.2% of the total assets, while other noncapital assets make up 8.8% of total assets. Investment in capital assets accounts for 1.3% of total assets. Of the Authority's total liabilities, 74.3% consists of revenue bonds payable. Escrow deposits represent 20.0% of total liabilities, with miscellaneous liabilities comprising 5.7% of total liabilities.

For the year ended June 30, 2018, the Authority has implemented Governmental Standards Board Statement No. 75 (GASBS No. 75), Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting). This statement establishes accounting and financial reporting standards to improve the information provided by state and local governments about financial support for OPEB Plans.

The Authority's beginning net position, OPEB liability, and deferred outflows of the entity-wide governmental statement of net position as of June 30, 2017 has been restated to reflect this implementation as follows:

	Deferred Outflow Contributions	OPEB Liability	Unrestricted Net Position
June 30, 2017 - Governmental unrestricted net position - as reported	\$ -	\$ (629,799)	\$ (16,383,146)
DSHA Medical Retiree Trust	732,138	(11,515,029)	10,782,891
State of Delaware OPEB Plan	65,589	(3,337,507)	3,271,918
June 30, 2017 - Governmental unrestricted net position - as restated	<u>\$ 797,727</u>	<u>\$ (15,482,335)</u>	<u>\$ (2,328,337)</u>

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

are amounts available to be spent to meet the Authority's needs.

Most (95.0%) of the Authority's net position is restricted by bond covenants, federal and state grantors, and the Authority's Loan Program. Another 2.0% of net position reflects the Authority's investment in capital assets (e.g. land, buildings, improvements, and equipment). The remaining 3.0% of net position is unrestricted. Net position for the previous fiscal year had a similar composition.

At the end of the current fiscal year, the Authority is able to report a positive balance in net position for the Authority as a whole. Separately, the Authority reports a positive net position in governmental activities and a negative net position in business-type activities.

As a result of its operations, the Authority's total net position increased by \$7,442,263 for the fiscal year ending June 30, 2018. Of this amount, governmental activities net position increased by \$18,556,355 and business-type net position decreased by \$11,114,092. These decreases in net positions are discussed in detail below, under Governmental Activities and Business-type Activities headings.

Of the Authority's total revenues, 76.27% were derived from operating grants and contributions, mostly from HUD and the State of Delaware. Another 23.18% came from charges for services which are mostly comprised of mortgage loan interest. Investment income represents (0.43)% of total revenues, while capital grants make up the remaining 0.98%.

Of the Authority's total expenses, 71.6% were for affordable rental housing function, mostly as housing assistance payments. Another 13.4% of total expenses were for home ownership function, mostly for home ownership and foreclosure prevention counseling and grants. Community and housing rehabilitation functions accounted for 9.2%, mostly in the form of grants, leaving only 5.8% of total costs attributable to Authority administrative function.

During the fiscal year, net transfers of \$9,163,797 were made from business-type activities to the governmental activities. The most significant transfers for the fiscal year were as follows: (1) cash transfers of \$1,035,433 from Single Family Programs, a business-type activity, to the Authority's General Fund, a governmental activity, in the form of administrative fees, (2) a cash transfer of \$1,543,987 from the DSHA Mortgage Backed Securities Purchase Program, a business-type activity, to the DSHA SMAL program, a governmental activity, in support of the program's objective to make down payment assistance available to qualified homebuyers, and (3) a noncash transfer of the transfer of over \$6,400,000 in loans from the Single Family Program, a business-type activity, to the Authority Loan Program, a governmental activity. Additional information regarding the Authority's interfund transactions can be found in note IV., E. on page 54 of this report.

Governmental Activities

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

Function	Fiscal Year 2018			Fiscal
	Expenses	Revenues	Net (Exp)/Rev	Year 2017
Administration	\$ 5,438,058	\$ 2,881,294	\$ (2,556,764)	\$ (3,376,578)
Affordable rental housing	11,158,589	21,211,215	10,052,626	12,434,837
Community rehabilitation	6,610,951	8,505,565	1,894,614	10,831,458
Home ownership	3,209,735	4,013,392	803,657	1,779,429
Housing rehabilitation	393,767	50,263	(343,504)	(24,595)
Total	\$ 26,811,100	\$ 36,661,729	\$ 9,850,629	\$ 21,644,551

**Governmental Activities
Revenues by Source**

Source	Fiscal Year 2018		Fiscal Year 2017	
	Revenue	Percent	Revenue	Percent
Charges for services	\$ 11,790,834	26%	\$ 9,456,346	20%
Operating grants and contributions	24,870,895	55%	35,190,800	73%
Other general revenues	(458,071)	1%	248,583	1%
Transfers	9,163,797	20%	3,271,313	7%
Total	\$ 45,367,455	100%	\$ 48,167,042	100%

Governmental activities increased the Authority's net position by \$18,556,355. The most significant factors contributing to the governmental activities increases were: (1) the appropriation of \$10,000,000 from the State of Delaware to the Housing Development Fund for the purpose of making loans and grants to meet affordable housing needs; and (2) the appropriation of \$8,500,000 from the State of Delaware to fund and administer the Downtown Development Districts Grant Program for the purpose of community rehabilitation in designated areas within Delaware's cities and towns.

Business-type Activities

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

Function	Fiscal Year 2018		Fiscal Year 2017	
	Expenses	Revenues	Net (Exp)/Rev	Net (Exp)/Rev
Affordable rental housing	\$ 59,690,280	\$ 58,549,821	\$ (1,140,459)	\$ (462,189)
Community rehabilitation	2,607,042	2,596,112	(10,930)	715
Home ownership	10,341,553	11,478,332	1,136,779	4,179,641
Total	\$ 72,638,875	\$ 72,624,265	\$ (14,610)	\$ 3,718,167

**Business-type Activities
Revenues by Source**

Source	Fiscal Year 2018		Fiscal Year 2017	
	Revenue	Percent	Revenue	Percent
Charges for services	\$ 14,054,481	20%	\$ 19,931,185	28%
Operating grants and contributions	57,519,387	81%	56,675,462	79%
Capital grants and contributions	1,050,397	1%	447,124	1%
Other general revenues	(1,935,685)	-3%	(5,106,497)	-7%
Total	\$ 70,688,580	100%	\$ 71,947,274	100%

Business-type activities decreased the Authority's net position by \$11,114,092. The key elements of this decrease were: (1) the receipt of \$2,182,983 in HOME Investment Partnership Program federal grant funds for the purpose of making loans and grants to meet affordable housing needs and (2) the receipt of over \$6,400,000 in gains on sales of investments within the DSHA Mortgage Backed Securities (MBS) Purchase Program resulting from MBS purchases and sales in the To-Be-Announced (TBA) market; offset by: (1) the transfer of administrative fees of \$1,035,433 from the Single Family Mortgage Revenue Bond Programs to the General Fund in support of operations and (2) the transfer of over \$8,700,000 in loans from the Single Family Program to the DSHA Second Mortgage Assistance Loan program and Authority Loan Programs, governmental activities programs, in support of the programs' objectives to make down payment assistance available to qualified homebuyers.

Financial Analysis of the Authority's Funds

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

Governmental Funds

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

As of the end of the fiscal year, the Authority's governmental funds reported combined ending fund balances of \$380,942,681, an increase of \$18,658,505 (5.2%) 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 \$44,371,381, an increase of \$3,995,011 (9.9%) in comparison with the prior year. The key factors of this increase mostly consisted of General Fund revenues of \$3,373,288 from interest income, fees, and other income, combined with expenditures of \$5,669,305, and transfers in the amount of \$6,241,481 from the Single Family Programs which includes \$5,206,048 for loans transferred to Authority Loans and \$1,035,433 for administrative fees resulted in an operating income of \$3,995,011 in comparison to the previous year operating deficit of \$2,218,084. All of the General Fund fund balance is classified as either nonspendable, in the form of receivables and other prepaid items, or committed by the Authority to support operations and program activities.

The Housing Development Fund (HDF) had a total fund balance of \$251,367,631, of which \$229,294,974 is restricted, to be used for the specific purposes of HDF activities per enabling legislation and \$22,072,657 is committed, authorized for specific purposes but not yet disbursed at the statement date. The net increase in the fund balance during the current year in the HDF was \$8,035,706 (3.3%) in comparison with the prior year. The increase is the result of grants in the amount of \$10,000,000 from the State of Delaware used to generate mortgages and grants, \$3,904,215 in interest income, \$1,059,754 in fee revenue, and \$9,871 in other revenue offset by Affordable Rental Housing expenditures of \$4,773,750 and by Housing Rehabilitation expenditures of \$357,693.

The Downtown Development Districts Grant Program (DDD) had a fund balance of \$23,329,686, all of which is restricted, to be used for the specific purposes of DDD activities per enabling legislation. DDD was established and funded by State of Delaware legislation for the purpose of community rehabilitation in designated areas within Delaware's cities and towns. Investors who make qualified real property investments to commercial, industrial, residential and mixed-use buildings or facilities located within the boundaries of a designated DDD may apply to the Authority for a DDD grant. The State of Delaware appropriation of \$8,500,000 to the DDD Grant Program in fiscal year 2018 contributed significantly to the overall increase in the governmental funds fund balance.

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

The DSHA Second Mortgage Assistance Loan Program (DSHA SMAL), a non-major governmental fund, has a total fund balance of \$35,304,071, which is reported as restricted. The net increase in the fund balance during the fiscal year was \$6,279,183 (21.6%) in comparison with the prior year. The increase was the result of interest income received and accrued in the amount of \$1,014,590 and transfers from the Single Family Programs Fund and the DSHA Mortgage Backed Security Purchase

Program, a Business Type Activity to the DSHA SMAL, a non-major governmental fund, totaling \$6,506,166 to fund the Authority's second mortgage assistance loan initiatives. These revenue sources, offset by program costs of \$1,241,573, contributed to the overall increase in the governmental funds fund balance.

Proprietary Funds

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

Restricted net position of the Federal Programs Fund at the end of the year amounted to \$84,526,335, and those of the Single Family Programs Funds amounted to \$44,437,080. The total decrease in net position for the Federal Programs Fund was \$2,066,998 (2.4%) in comparison with the prior year, primarily due to the receipt of \$2,182,983 in HOME Program grant offset by operating expenses in the program of \$2,298,626 and the decrease of \$2,913,118 for the MTW program.

The total decrease in net position for the Single Family Program Funds was \$9,047,094 (16.9%) in comparison with the prior year, primarily due to the receipt of over \$6,500,000 in gains on the sale of investments within the DSHA Mortgaged Backed Securities Purchase Program resulting from mortgage backed security purchases and sales in the To-Be-Announced (TBA) market and a total operating loss of over \$9,000,000 in the Single Family Mortgage Revenue Bond Programs resulting from interest received on mortgage loans exceeding interest paid on bonds; offset by net transfers out of \$9,163,797, and the net decrease in the change in fair value of investments of \$7,616,634.

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, 2018, amounts to \$9,703,271 (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 26.9% (a 4.8% increase for governmental activities and a 29.9% decrease for business-type activities). The net decrease in capital assets was due to depreciation expense on existing capital assets being greater than capital asset additions and improvements for the fiscal year. Major capital asset events during the fiscal year included the following:

- Architect fees and construction costs for storage rooms at one public housing site.
- Architect fees and construction costs for a repaving project at one public housing site.
- Construction fees for door replacements at one public housing site.
- Construction fees for a HVAC project at one public housing site.
- Sale of Liberty Court to Liberty Court Preservation L.P.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 509,500	\$ 509,500	\$ 1,000,828	\$ 2,336,842	\$ 1,510,328	\$ 2,846,342
Buildings held for resale	-	-	330,911	330,911	330,911	330,911
Construction in progress	-	-	616,164	462,544	616,164	462,544
Buildings	572,818	629,450	1,835,434	2,575,121	2,408,252	3,204,571
Land/site improvements	6,228	10,378	4,565,622	6,380,220	4,571,850	6,390,598
Vehicles	-	-	36,569	37,734	36,569	37,734
Other equipment	115,388	-	113,809	-	229,197	-
Total	\$ 1,203,934	\$ 1,149,328	\$ 8,499,337	\$ 12,123,372	\$ 9,703,271	\$ 13,272,700

Additional information on the Authority's capital assets can be found in note IV., D. on page 53 of this report.

Long-term Debt

At the end of the current fiscal year, Delaware State Housing Authority had total bonded debt outstanding of \$188,338,148. The Authority's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

Delaware State Housing Authority's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenue bonds payable	\$ -	\$ -	\$188,338,148	\$237,910,533	\$ 188,338,148	\$ 237,910,533
Total	\$ -	\$ -	\$188,338,148	\$237,910,533	\$ 188,338,148	\$ 237,910,533

The Authority's outstanding debt, excluding compensated absences, decreased by \$49,572,385 (20.8%) in comparison to the prior year. Key factors in this decrease were Single Family Programs Enterprise Fund bond calls of \$47,382,669, scheduled maturities of \$1,165,000, and bond accretion of \$1,024,716. The bond calls of \$47,382,669 in the Single Family programs were primarily the result of the redemption of one older bond issues during the year and numerous mortgage prepayments in all the programs.

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

Additional information on the Authority's long-term debt can be found in note IV., F. on pages 55-58 of this report.

Requests for Information

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

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2018
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2017)

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL 2018	TOTAL 2017*
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 56,346,537	\$ 7,141,586	\$ 63,488,123	\$ 42,045,059
Investments	42,809,828	16,312,883	59,122,711	89,256,362
Mortgage loans receivable, net	513,916	2,288,141	2,802,057	2,458,363
Accrued interest & other receivables	2,020,351	1,821,308	3,841,659	3,867,385
Grants receivable-US Dept of HUD	-	318,071	318,071	531,758
Internal balances	229,727	(229,727)	-	-
Other post employment benefits (OPEB) asset	-	-	-	-
Prepaid expenses	166,241	3,831,491	3,997,732	3,875,709
Total current assets	102,086,600	31,483,753	133,570,353	142,034,636
Non-current assets:				
Cash, restricted for payment of escrows	-	1,261,322	1,261,322	1,052,393
Investments	82,210,282	5,968,606	88,178,888	69,968,214
Securitized mortgage loans	-	190,606,287	190,606,287	239,255,735
Mortgage loans receivable, net	192,601,410	77,584,571	270,185,981	268,779,928
Accrued interest & other receivables, net	43,948,039	14,033,769	57,981,808	55,126,017
Internal balances	3,788,418	(3,788,418)	-	-
Capital assets:				
Capital assets not being depreciated	509,500	1,616,992	2,126,492	3,308,886
Capital assets net of accumulated depreciation	694,434	6,882,345	7,576,779	9,963,814
Total non-current assets	323,752,083	294,165,474	617,917,557	647,454,987
TOTAL ASSETS	425,838,683	325,649,227	751,487,910	789,489,623
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on State of DE Pension and OPEBs	1,036,650	-	1,036,650	1,081,515
Deferred amounts on bond refundings	-	140,671	140,671	171,647
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,036,650	140,671	1,177,321	1,253,162
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	264,398	636,034	900,432	842,970
Due to State of Delaware-pension costs	2,169	939	3,108	4,123
Compensated absences payable	9,944	3,662	13,606	18,541
Revenue bonds payable	-	4,829,412	4,829,412	5,992,578
Total current liabilities	276,511	5,470,047	5,746,558	6,858,212
Non-current liabilities:				
Compensated absences payable	592,743	312,207	904,950	940,593
State of Delaware pension obligation	414,818	-	414,818	571,337
OPEB liability	12,281,002	-	12,281,002	15,482,335
Escrow deposits	43,425,501	7,236,901	50,662,402	46,707,248
Revenue bonds payable	-	183,508,736	183,508,736	231,917,954
Total non-current liabilities	56,714,064	191,057,844	247,771,908	295,619,467
TOTAL LIABILITIES	56,990,575	196,527,891	253,518,466	302,477,679
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts on State of Delaware pensions	3,569,764	-	3,569,764	104,070
Deferred amounts on bond refundings	-	298,592	298,592	324,890
TOTAL DEFERRED INTFLOWS OF RESOURCES	3,569,764	298,592	3,868,356	428,960
NET POSITION				
Invested in capital assets	1,203,934	8,499,337	9,703,271	13,272,700
Restricted by federal and state regulations	312,030,768	76,026,998	388,057,766	374,030,819
Restricted by bond covenants	-	44,437,080	44,437,080	53,484,174
Restricted for Authority Loan Program	38,180,523	-	38,180,523	44,720,116
Unrestricted, for Authority's purposes	14,899,769	-	14,899,769	2,328,337
TOTAL NET POSITION	\$ 366,314,994	\$ 128,963,415	\$ 495,278,409	\$ 487,836,146

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

* Restated - See note V.H.

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2017)

FUNCTION	PROGRAM REVENUE				NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL 2018	TOTAL 2017
Governmental activities:								
Administrative	\$ 5,438,058	\$ 2,708,294	\$ 173,000	\$ -	(2,556,764)	\$ -	\$ (2,556,764)	\$ (3,376,578)
Affordable rental housing	11,158,589	5,091,215	16,120,000	-	10,052,626	-	10,052,626	12,434,837
Community rehabilitation	6,610,951	5,565	8,500,000	-	1,894,614	-	1,894,614	10,831,458
Home ownership	3,209,735	3,935,497	77,895	-	803,657	-	803,657	1,779,429
Housing rehabilitation	393,767	50,263	-	-	(343,504)	-	(343,504)	(24,595)
Total governmental activities	<u>\$26,811,100</u>	<u>\$ 11,790,834</u>	<u>\$ 24,870,895</u>	<u>\$ -</u>	<u>9,850,629</u>	<u>-</u>	<u>9,850,629</u>	<u>21,644,551</u>
Business-type activities:								
Affordable rental housing	\$59,690,280	\$ 2,592,937	\$ 54,906,487	\$ 1,050,397	\$ -	\$ (1,140,459)	\$ (1,140,459)	\$ (462,189)
Community rehabilitation	2,607,042	12,216	2,583,896	-	-	(10,930)	(10,930)	715
Home ownership	10,341,553	11,449,328	29,004	-	-	1,136,779	1,136,779	4,179,643
Total business-type activities	<u>\$72,638,875</u>	<u>\$ 14,054,481</u>	<u>\$ 57,519,387</u>	<u>\$ 1,050,397</u>	<u>-</u>	<u>(14,610)</u>	<u>(14,610)</u>	<u>3,718,169</u>
General revenues:								
Investment income, gains/(losses) on investments, and miscellaneous earnings					(458,071)	(1,088,210)	(1,546,281)	(4,857,915)
Gain/(Loss) on Disposal of Property					-	(847,475)	(847,475)	-
Transfers					9,163,797	(9,163,797)	-	-
Total general revenues and transfers					<u>8,705,726</u>	<u>(11,099,482)</u>	<u>(2,393,756)</u>	<u>(4,857,915)</u>
Change in net position					18,556,355	(11,114,092)	7,442,263	20,504,805
Net position, beginning of year					347,758,639	140,077,507	487,836,146	481,386,150
Prior period adjustment					-	-	-	(14,054,809)
Net position, end of year					<u>\$ 366,314,994</u>	<u>\$ 128,963,415</u>	<u>\$ 495,278,409</u>	<u>\$ 487,836,146</u>

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



DELAWARE STATE HOUSING AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2017)

	GENERAL FUND	HOUSING DEVELOPMENT FUND	DOWNTOWN DEVELOPMENT DISTRICTS GRANT FUND	STATE RENTAL ASSISTANCE PROGRAM	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
						2018	2017
ASSETS							
Cash & cash equivalents	\$ 5,959,413	\$ 10,888,244	\$ 23,234,132	\$ 3,152,908	\$ 13,111,840	\$ 56,346,537	\$ 36,011,421
Investments	23,338,069	93,867,830	95,604	1,894,773	5,823,834	125,020,110	137,170,849
Interfund receivables	4,877,909	-	-	-	55,384	4,933,293	4,452,969
Loans receivable:							
Mortgages receivable, net	6,373,397	155,425,964	-	-	31,315,965	193,115,326	184,539,656
Accrued interest & other receivables	5,173,294	34,069,041	-	-	6,726,055	45,968,390	40,499,135
Prepaid items	166,241	-	-	-	-	166,241	98,537
TOTAL ASSETS	\$ 45,888,323	\$ 294,251,079	\$ 23,329,736	\$ 5,047,681	\$ 57,033,078	\$ 425,549,897	\$ 402,772,567
LIABILITIES & FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 253,310	\$ 11,045	\$ -	\$ -	\$ 43	\$ 264,398	\$ 279,744
Due to St of Delaware-pension costs	2,169	-	-	-	-	2,169	2,528
Deferred credit	-	-	-	-	-	-	-
Interfund payables	669,047	63,366	50	-	182,685	915,148	448,912
Escrow deposits	592,416	42,809,037	-	-	24,048	43,425,501	39,757,207
TOTAL LIABILITIES	1,516,942	42,883,448	50	-	206,776	44,607,216	40,488,391
FUND BALANCES							
Nonspendable	13,635,828	-	-	-	-	13,635,828	8,802,261
Restricted	-	229,294,974	23,329,686	5,047,681	56,663,824	314,336,165	299,529,073
Committed	30,735,553	22,072,657	-	-	-	52,808,210	52,642,103
Assigned	-	-	-	-	162,478	162,478	1,310,739
TOTAL FUND BALANCES	44,371,381	251,367,631	23,329,686	5,047,681	56,826,302	380,942,681	362,284,176
TOTAL LIABILITIES & FUND BALANCES	\$ 45,888,323	\$ 294,251,079	\$ 23,329,736	\$ 5,047,681	\$ 57,033,078	\$ 425,549,897	\$ 402,772,567

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

DELAWARE STATE HOUSING AUTHORITY
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
 THE STATEMENT OF NET POSITION
 JUNE 30, 2018

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

TOTAL FUND BALANCES OF GOVERNMENTAL FUNDS (page 18)	\$ 380,942,681
Other post-employment benefits (OPEB) assets/(liabilities) are not financial resources and, therefore, are not reported in the funds.	(12,281,002)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,203,934
Deferred outflows of resources related to State of Delaware pensions	1,036,650
Long-term liabilities are not due and payable in the current period and, therefore not reported in the funds.	(1,017,505)
Deferred inflows of resources related to State of Delaware pensions	<u>(3,569,764)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES (page 15)	<u><u>\$ 366,314,994</u></u>

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

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2017)

	GENERAL FUND	HOUSING DEVELOPMENT FUND	DOWNTOWN DEVELOPMENT DISTRICTS GRANT FUND	STATE RENTAL ASSISTANCE PROGRAM	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
						2018	2017
REVENUES							
Interest income:							
Investments	\$ 305,872	\$ 483,079	\$ -	\$ 2,938	\$ 13,623	\$ 805,512	\$ 617,390
Loans	630,902	3,421,136	-	-	1,115,424	5,167,462	4,835,898
Total interest income	936,774	3,904,215	-	2,938	1,129,047	5,972,974	5,453,288
Grants	173,000				77,895	250,895	8,790,800
Payments from primary government	-	10,000,000	8,500,000	6,120,000		24,620,000	26,400,000
Gains/(losses) on investments	(152,197)	(306,691)	-	-	817	(458,071)	(368,806)
Fees	2,317,701	1,059,754	-	-	141,324	3,518,779	3,166,073
Other revenue	98,010	9,871	-	-	2,191,201	2,299,082	1,454,375
TOTAL REVENUES	3,373,288	14,667,149	8,500,000	6,122,938	3,540,284	36,203,659	44,895,730
EXPENDITURES							
Current:							
Administrative	5,547,270	-	-	-	-	5,547,270	4,466,631
Affordable rental housing	-	4,773,750	-	6,384,838	-	11,158,588	10,212,616
Community rehabilitation	-	-	4,944,372	-	1,666,579	6,610,951	3,936,342
Home ownership	122,035	-	-	-	2,876,338	2,998,373	3,472,145
Housing rehabilitation	-	357,693	-	-	36,076	393,769	65,128
TOTAL EXPENDITURES	5,669,305	5,131,443	4,944,372	6,384,838	4,578,993	26,708,951	22,152,862
EXCESS/(DEFICIT) REVENUE OVER EXPENDITURES	(2,296,017)	9,535,706	3,555,628	(261,900)	(1,038,709)	9,494,708	22,742,868
OTHER FINANCING SOURCES (USES)							
Transfers in	12,987,100	6,156,568	-	-	8,600,260	10,663,797	3,996,313
Transfers out	(6,696,072)	(7,656,568)	-	-	(4,227,491)	(1,500,000)	(725,000)
TOTAL OTHER FINANCING SOURCES (USES)	6,291,028	(1,500,000)	-	-	4,372,769	9,163,797	3,271,313
NET CHANGE IN FUND BALANCES	3,995,011	8,035,706	3,555,628	(261,900)	3,334,060	18,658,505	26,014,181
FUND BALANCES, BEGINNING	40,376,370	243,331,925	19,774,058	5,309,581	53,492,242	362,284,176	336,269,995
FUND BALANCES, ENDING	\$ 44,371,381	\$ 251,367,631	\$ 23,329,686	\$ 5,047,681	\$ 56,826,302	\$ 380,942,681	\$ 362,284,176

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, 2018

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

NET CHANGES IN FUND BALANCE-TOTAL GOVERNMENTAL FUNDS (page 20)	\$	18,658,505
Governmental funds report other post-employment benefit (OPEB) expenditures equal to the amount contributed to the plan or expected to be liquidated with expendable available financial resources. However, in the statement of activities, OPEB expense for the year is reported in relation to the change in the net OPEB Liability. This amount is the net effect of this difference in the treatment of OPEB expenditure/expense.		(159,022)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This amount is the net difference in the treatment of capital outlay.		54,605
Compensated absences which are reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		(4,048)
Governmental funds report DSHA pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
State of Delaware pension contributions	\$	46,856
Cost of benefits earned net of employee contributions		<u>(40,541)</u>
		6,315
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (page 16)	<u>\$</u>	<u>18,556,355</u>

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

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2018
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2017)

	FEDERAL PROGRAMS ENTERPRISE FUND	SINGLE FAMILY PROGRAMS ENTERPRISE FUND	TOTAL ENTERPRISE FUNDS	
			2018	2017
ASSETS				
Current Assets:				
Cash & cash equivalents	\$ 3,565,654	\$ 3,575,932	\$ 7,141,586	\$ 6,033,638
Investments	1,711,983	14,600,900	16,312,883	16,155,436
Mortgage loans receivable, net		2,288,141	2,288,141	1,959,354
Accrued interest and other receivables	123,987	1,697,321	1,821,308	2,320,325
Grants receivable-US Dept of HUD	318,071	-	318,071	531,758
Interfund receivables	75,060	-	75,060	4,718
Prepaid expenses	3,831,491	-	3,831,491	3,777,172
Total current assets	9,626,246	22,162,294	31,788,540	30,782,401
Non-Current Assets:				
Cash, restricted for payment of escrows	1,261,322	-	1,261,322	1,052,393
Investments	5,927,806	40,800	5,968,606	5,898,291
Securitized mortgage loans	-	190,606,287	190,606,287	239,255,735
Mortgage loans receivable, net	59,432,932	18,151,639	77,584,571	84,739,281
Accrued interest and other receivables, net	11,832,787	2,200,982	14,033,769	16,173,942
Interfund receivables	25,282	-	25,282	25,980
Capital assets not being depreciated	1,616,992	-	1,616,992	2,799,386
Capital assets net of accumulated depreciation	6,882,345	-	6,882,345	9,323,986
Total non-current assets	86,979,466	210,999,708	297,979,174	359,268,994
TOTAL ASSETS	96,605,712	233,162,002	329,767,714	390,051,395
DEFERRED OUTFLOW OF RESOURCES				
Deferred amount on bond refunding	-	140,671	140,671	171,647
TOTAL DEFERRED OUTFLOW OF RESOURCES	-	140,671	140,671	171,647
LIABILITIES				
Current Liabilities:				
Accounts payable	635,969	65	636,034	563,226
Due St of Delaware-pension costs	939	-	939	1,595
Interfund payables	76,049	228,738	304,787	271,007
Compensated absences payable	3,662	-	3,662	6,788
Revenue bonds payable	-	4,829,412	4,829,412	5,992,578
Total current liabilities	716,619	5,058,215	5,774,834	6,835,194
Non-Current Liabilities:				
Interfund payables	3,813,650	50	3,813,700	3,763,750
Compensated absences payable	312,207	-	312,207	353,707
Escrow deposits	7,236,901	-	7,236,901	6,950,040
Revenue bonds payable	-	183,508,736	183,508,736	231,917,954
Total non-current liabilities	11,362,758	183,508,786	194,871,544	242,985,451
TOTAL LIABILITIES	12,079,377	188,567,001	200,646,378	249,820,645
DEFERRED INFLOW OF RESOURCES				
Deferred amount on bond refunding	-	298,592	298,592	324,890
TOTAL DEFERRED INFLOW OF RESOURCES	-	298,592	298,592	324,890
NET POSITION				
Invested in capital assets	8,499,337	-	8,499,337	12,123,372
Restricted by federal regulations	76,026,998	-	76,026,998	74,469,961
Restricted by bond covenants	-	44,437,080	44,437,080	53,484,174
TOTAL NET POSITION	\$ 84,526,335	\$ 44,437,080	\$ 128,963,415	\$ 140,077,507

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

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2017)

	FEDERAL PROGRAMS ENTERPRISE FUND	SINGLE FAMILY PROGRAMS ENTERPRISE FUND	TOTAL ENTERPRISE FUNDS	
			2018	2017
OPERATING REVENUES				
Interest income on loans	\$ 1,233,804	\$ 10,384,705	\$ 11,618,509	\$ 15,942,921
Federal housing program grants	57,519,386	-	57,519,386	56,675,462
Rental income	678,568	-	678,568	825,562
Miscellaneous	692,782	13,610	706,392	696,610
TOTAL OPERATING REVENUES	60,124,540	10,398,315	70,522,855	74,140,555
OPERATING EXPENSES				
Interest expense on bonds	-	6,494,742	6,494,742	7,596,260
Administrative	6,694,444	726,758	7,421,202	7,629,128
Grants and housing assistance payments	52,954,322	1,336,145	54,290,467	51,153,803
Public housing maintenance & utilities	1,495,814	-	1,495,814	1,498,616
Depreciation	1,252,124	-	1,252,124	1,700,994
Loan servicing fees	-	29,091	29,091	39,024
Other expenses	-	604,423	604,423	1,251,687
TOTAL OPERATING EXPENSES	62,396,704	9,191,159	71,587,863	70,869,512
OPERATING INCOME	(2,272,164)	1,207,156	(1,065,008)	3,271,043
NON-OPERATING INCOME/(EXPENSES)				
Investment income	2,244	6,526,180	6,528,424	5,512,347
Change in fair value of investments	-	(7,616,633)	(7,616,633)	(10,618,844)
Gain/(Loss) on Disposal of Property	(847,475)	-	(847,475)	-
TOTAL NON-OPERATING INCOME/(EXPENSES)	(845,231)	(1,090,453)	(1,935,684)	(5,106,497)
INCOME/(LOSS) BEFORE CAPITAL GRANTS AND OPERATING TRANSFERS				
	(3,117,395)	116,703	(3,000,692)	(1,835,454)
Capital grants	1,050,397	-	1,050,397	447,124
Transfers in	-	2,941,607	2,941,607	1,719,666
Transfers out	-	(12,105,404)	(12,105,404)	(4,990,979)
CHANGE IN NET POSITION	(2,066,998)	(9,047,094)	(11,114,092)	(4,659,643)
NET POSITION, BEGINNING	86,593,333	53,484,174	140,077,507	144,737,150
NET POSITION, ENDING	\$ 84,526,335	\$ 44,437,080	\$ 128,963,415	\$ 140,077,507

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, 2018
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2017)

	FEDERAL PROGRAMS ENTERPRISE FUND	SINGLE FAMILY PROGRAMS ENTERPRISE FUND	TOTAL ENTERPRISE FUNDS	
			2018	2017
OPERATING ACTIVITIES:				
Securitized mortgage loans principal repayments received	\$ -	\$ 41,032,814	\$ 41,032,814	\$ 56,783,930
Mortgage loans principal repayments received	232,067	3,645,564	3,877,631	4,811,957
Mortgage interest payments received	188,310	10,045,146	10,233,456	15,017,061
Grants received	57,733,073	-	57,733,073	56,462,769
Rental and related rental income	662,808	-	662,808	824,812
Insurance claims received	-	546,607	546,607	641,055
Escrow receipts	2,038,877	-	2,038,877	1,669,622
Other receipts	973,349	-	973,349	651,342
New mortgages disbursed	(1,986,965)	-	(1,986,965)	(1,974,335)
Grants disbursed	(51,181,044)	(1,432,131)	(52,613,175)	(51,184,670)
Goods/Services expenses	(2,148,802)	(55,924)	(2,204,726)	(5,828,991)
Employee expenses	(3,310,646)	-	(3,310,646)	-
Maintenance and utility expenses	(1,495,814)	-	(1,495,814)	(1,498,616)
Trustee and servicing fees paid	-	(94,076)	(94,076)	(103,768)
Escrow disbursements	(1,713,603)	-	(1,713,603)	(1,150,886)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(8,390)	53,688,000	53,679,610	75,121,282
NONCAPITAL FINANCING ACTIVITIES:				
Interfund payments received	-	2,452,595	2,452,595	7,443,436
Repayments of principal on revenue bonds	-	(48,547,669)	(48,547,669)	(63,388,893)
Payments of interest on revenue bonds	-	(7,470,829)	(7,470,829)	(10,218,697)
Premium on bond call	-	(43,950)	(43,950)	(32,225)
Interfund payments made	-	(5,764,146)	(5,764,146)	(10,711,428)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	-	(59,373,999)	(59,373,999)	(76,907,807)
CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital grant funds from US Dept of HUD	1,050,397	-	1,050,397	447,124
Proceeds from sales of capital assets	431,791	-	431,791	-
Purchase of capital assets	(733,174)	-	(733,174)	(447,124)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	749,014	-	749,014	-
INVESTING ACTIVITIES:				
Proceeds from sales and maturities of investments	25,874,622	40,023,884	65,898,506	131,345,803
Interest income on investments	2,244	63,044	65,288	66,168
Purchase of investment securities	(25,237,747)	(34,463,795)	(59,701,542)	(129,529,232)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	639,119	5,623,133	6,262,252	1,882,739
NET INCREASE (DECREASE) IN CASH/CASH EQUIVALENT	1,379,743	(62,866)	1,316,877	96,214
CASH/CASH EQUIVALENTS, BEGINNING OF YEAR	3,447,233	3,638,798	7,086,031	6,989,817
CASH/CASH EQUIVALENTS, END OF YEAR	\$ 4,826,976	\$ 3,575,932	8,402,908	\$ 7,086,031

Continued on next page.

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2017)

	FEDERAL PROGRAMS ENTERPRISE FUND	SINGLE FAMILY PROGRAMS ENTERPRISE FUND	TOTAL ENTERPRISE FUNDS	
			2018	2017
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES				
OPERATING INCOME/(LOSS)	\$ (2,272,164)	\$ 1,207,156	\$ (1,065,008)	\$ 3,271,043
Adjustments to reconcile operating income to net cash provided(used) by operating activities:				
Amortization of deferred bond costs	-	30,976	30,976	28,887
Amortization of bond premium	-	(1,051,013)	(1,051,013)	(2,466,093)
Depreciation expense	1,252,124	-	1,252,124	1,700,994
Interest expense on bonds	-	7,514,779	7,514,779	10,033,464
Decrease in fair value of securitized mortgage loans	-	(7,616,634)	(7,616,634)	(10,550,128)
Noncash transfers of mortgages	-	(5,684,545)	(5,684,545)	(1,168,616)
Noncash grants	1,825,817	-	1,825,817	-
Changes in assets and liabilities:				
(Increase) decrease in accrued interest and other receivables	633,508	2,149,727	2,783,235	1,573,786
(Increase) decrease in securitized mortgage loans	-	48,649,447	48,649,447	67,334,060
(Increase) decrease in mortgage loans receivable	(1,754,899)	8,580,821	6,825,922	4,727,983
(Increase) decrease in other assets	(54,319)	-	(54,319)	(156,963)
Increase (decrease) in accounts payable and accrued expenses	36,269	(92,714)	(56,445)	342,254
Decrease in bonds payable	-	-	-	(68,125)
Increase (decrease) in escrow deposits	325,274	-	325,274	518,736
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (8,390)	\$ 53,688,000	\$ 53,679,610	\$ 75,121,282
NONCASH NONCAPITAL FINANCING ACTIVITIES				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	(5,684,545)	(5,684,545)	-
NET NONCASH TRANSFERS	\$ -	\$ (5,684,545)	\$ (5,684,545)	\$ -
NONCASH CAPITAL ACTIVITIES				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	(1,825,817)	-	(1,825,817)	-
NET NONCASH TRANSFERS	\$ (1,825,817)	\$ -	\$ (1,825,817)	\$ -
NONCASH INVESTING ACTIVITIES				
Increase (decrease) in fair value of investments	\$ (38,413)	\$ -	\$ (38,413)	\$ (98,379)

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

DELAWARE STATE HOUSING AUTHORITY
 STATEMENTS OF FIDUCIARY NET POSITION
 JUNE 30, 2018 AND 2017

	<u>DSHA RETIREE MEDICAL TRUST</u>	
	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 750
Interest receivable on investments	31,193	18,384
Interest receivable on loans	4,895	4,977
Investments, at fair value:		
Savings account	34,859	24,037
Corporate Notes	2,323,377	2,005,586
U.S. Treasury Obligations	841,386	887,046
U.S. Government Agencies	2,686,730	2,321,546
Loans receivable	1,174,727	1,194,367
Total assets	<u>7,097,167</u>	<u>6,456,693</u>
LIABILITIES		
Accounts payable	<u>10,939</u>	<u>9,824</u>
Total liabilities	<u>10,939</u>	<u>9,824</u>
NET POSITION		
Net Position Restricted for OPEB	<u>\$ 7,086,228</u>	<u>\$ 6,446,869</u>

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

DELAWARE STATE HOUSING AUTHORITY
 STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>DSHA RETIREE MEDICAL TRUST</u>	
	<u>2018</u>	<u>2017</u>
ADDITIONS		
Contributions:		
Employer contributions	\$ 713,293	\$ 732,138
Total contributions	<u>713,293</u>	<u>732,138</u>
Investment earnings:		
Interest	93,117	65,179
Interest on loan	59,190	60,150
Net increase (decrease) in fair value	<u>(98,511)</u>	<u>(64,385)</u>
Total investment earnings	53,796	60,944
Less: Investment expense	<u>(3,197)</u>	<u>(2,883)</u>
Net investment earnings	<u>50,599</u>	<u>58,061</u>
Total additions	<u>763,892</u>	<u>790,199</u>
DEDUCTIONS		
Benefits paid	112,483	101,539
Administrative expenses	12,050	8,800
Total deductions	<u>124,533</u>	<u>110,339</u>
Net Increase/(decrease) in net position	639,359	679,860
Net position - beginning	6,446,869	5,767,009
Net position - ending	<u>\$ 7,086,228</u>	<u>\$ 6,446,869</u>

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

**DELAWARE STATE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

INDEX

I.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	29
A.	Reporting Entity	29
B.	Entity-wide and fund financial statements	29
C.	Measurement focus, basis of accounting, and financial statement presentation	37
D.	Assets, liabilities, and net position or equity	39
II.	RECONCILIATION OF ENTITY-WIDE AND FUND FINANCIAL STATEMENTS	45
A.	Explanation of certain differences between the governmental fund balance sheet and the entity-wide statement of net position	45
B.	Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the entity-wide statement of activities	45
III.	COMPLIANCE AND ACCOUNTABILITY	46
IV.	DETAILED NOTES ON ALL FUNDS	46
A.	Deposits and investments	46
B.	Receivables	50
C.	Accounts payable	52
D.	Capital assets	53
E.	Interfund transactions	54
F.	Short-term and long-term debt	55
G.	Segment information	57
V.	OTHER INFORMATION	58
A.	Risk management	58
B.	Related organizations and related party transactions	58
C.	Economic dependency	59
D.	Post-retirement health care benefits	59
E.	Pension plans	66
F.	Contingent liabilities	70
G.	Subsequent events	70
H.	Implementation of new pronouncement	71
I.	Reclassifications	71

**DELAWARE STATE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

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

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

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

B. Entity-wide and fund financial statements

The financial statements include certain prior-year summarized comparative information in total but not by activity type or fund. Such information does not include sufficient detail to constitute a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2017 from which the summarized information was derived.

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

The entity-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the Authority. Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by state grants, interest

income, and transfers, are reported separately from business-type activities, which rely to a significant extent on federal grants, interest income, mortgage repayments, and bond proceeds for support.

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

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

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

The Authority's funds are as follows:

Governmental Fund Types

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

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

- **Housing Development Fund (HDF)** – This program provides for the development of affordable housing on a statewide level. Funding for this program is made through

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

- **Downtown Development Districts Program (DDD)** – The Downtown Development District Act was created to leverage state resources in a limited number of designated areas in Delaware’s cities and towns to: (1) spur private capital investment in commercial business districts and other neighborhoods; (2) stimulate job growth and improve the commercial vitality of our cities and towns; and (3) help build a stable community of long-term residents in our downtowns and other neighborhoods. Under this Act, funding is allocated through the General Assembly to the Authority for the purpose of establishing and administering the DDD Grant Program. Investors who make qualified real property investments to commercial, industrial, residential, and mixed-use buildings or facilities located within the boundaries of a designated DDD may apply to the Authority for a DDD Grant. DSHA received \$8,500,000 as part of its fiscal year 2018 appropriation from the General Assembly.
- **State Rental Assistance Program (SRAP)** – SRAP is designed to serve individuals who have access to continuing supportive services but require affordable housing to live safely and independently in the community. This population includes youth exiting foster care, families for whom the lack of affordable housing is a barrier to reunification, individuals exiting long-term care facilities, and individuals at-risk of being admitted to, or requiring supportive services from, a state-supported institution. The program will utilize rental subsidies administered by the Authority for households referred by the Department of Health and Social Services (DHSS) and the Departments of Services for Children, Youth, and their Families (DSCYF). Funding for this program is received through appropriations from the General Assembly.
- **Delaware Emergency Mortgage Assistance Program (DEMAP)** – Funded through the Housing Development Fund, State Banking Commission licensing fees, and contributions, DEMAP is a loan program to help homeowners who have fallen behind on their mortgages due to financial hardships beyond their control. DEMAP low-interest loans provide eligible homeowners up to \$25,000 for reinstating delinquent mortgages and keeping the mortgage up to date for a period of up to 24 months from the date of delinquency. The Authority’s Housing Finance Office originates, underwrites, approves, and services these loans. There is a mortgage recorded against the subject property, in second or third lien position. In fiscal year 2013, The Authority received additional funding for DEMAP from the Delaware

Department of Justice (DOJ) Mortgage Multistate Settlement Funds. The agreement between DOJ and the Authority transferred \$4,812,500 into DEMAP for additional loans and allows principal repayments to remain in the original DEMAP account.

- **Delaware Housing Insurance Fund (DHIF)** – This program accounts for the activity related to the Authority’s administration of State funds which provide loan insurance for certain housing development loans. Additionally, the DHIF is used to pay debt service to SMAL bondholders for loans that foreclosed but were not forgiven by the bondholders.
- **Delaware Mortgage Mediation Program** – In January 2012, the Superior Court of the State of Delaware (the Court) delegated responsibility of administering the Automatic Residential Mortgage Foreclosure Mediation Program (Mediation Program) to the Consumer Protection Unit (CPU) of the Delaware Department of Justice. The CPU sub-delegated certain administrative responsibilities to the Authority. The Authority receives mediation fee payments from the Court and makes disbursements as detailed in a Memorandum of Understanding between the Authority, the CPU, and the Court. Disbursements include program and operating expenses and reimbursements to housing counseling agency and non-profit legal service entities that have provided housing counseling assistance in the Mediation Program.
- **DSHA Second Mortgage Assistance Program (DSHA SMAL)** – This program accounts for a program originally financed by the Housing Development Fund that provided second mortgage assistance loans to qualified first time home buyers who had inadequate savings to cover up-front costs associated with a home purchase. The Authority discontinued that program in February 2007, with no new loans being made after that date. Additionally, in August of 2008, the Delaware Housing Partnership granted a loan portfolio of over \$9 million to this program for the purpose of securing additional funding for second mortgage assistance. To date over \$4.5 million of this program’s loan portfolio has been granted to the Authority’s Single Family program to be used as collateral for bond issues that included over \$9 million of bond proceeds to be made available for second mortgage assistance loans. In fiscal year 2016, DSHA SMAL funded additional second mortgage assistance loans to qualified homebuyers with funds provided by the DSHA Mortgage Backed Securities Purchase/TBA Financing Program, a grant from the Housing Development Fund (HDF), and program income. In fiscal year 2018, the Authority created a new program called Preferred Plus to fund all new SMAL loans.
- **Preferred Plus** – In fiscal year 2018, DSHA SMAL funded additional second mortgage assistance loans to qualified homebuyers with funds provided by DSHA’s Preferred Plus program. This program provides no-interest second-mortgage loans of two percent to five percent of the homebuyers’ overall loan amount.
- **Delaware Department of Justice (DOJ) Mortgage Multistate Settlement Funds** – This program accounts for \$8,888,923 paid to the State of Delaware from the National Mortgage Foreclosure Settlement. The settlement was the result of an investigation by State Attorneys General into widespread mortgage servicing fraud by five of the nation’s largest banks. The use of the funds is restricted to housing-related and financial fraud-related purposes. The Authority entered into a Memorandum of Understanding (MOU) with the Delaware DOJ detailing joint oversight and coordination of the settlement funds. The MOU specifies the allocation of the funds for housing counseling, education and outreach, legal aid, and foreclosure prevention assistance.

- **Housing Rehabilitation Loan Program (HRLP)** - The HRLP was funded through the Housing Development Fund. The purpose of the program is to encourage the preservation of existing housing stock already occupied by low and moderate income people. This program provides an interest rate of 3% on housing rehabilitation loans to qualified owner-occupants and to landlords who rent their units to low-income persons. Owner occupants and investors may borrow 100% of rehabilitation costs. The limit on such rehabilitation costs is \$35,000 for owner-occupied and \$25,000 for investor owned. Loans carry up to a 15 year term. These loans are originated by one of four Local Administering Agencies (LAA), New Castle County, Kent County, Sussex County, and City of Wilmington. The Authority underwrites and approves the loans. Artisans Bank services these loans. Based on declining demand, the Authority suspended accepting new HRLP applications as of November 2013. The remaining HRLP funds are gradually being transferred to the DSHA SMAL as repayments are received.
- **Post Foreclosure Financial Coaching Program** – The Authority received funding for the Post Foreclosure Financial Coaching Program from the Delaware Department of Justice (DOJ) Mortgage Multistate Settlement funds. The agreement between the Joint Finance Committee of the Delaware Legislature, DOJ, and the Authority allocated \$1,000,000 to the Authority to implement a program to repair credit and poise households to return to successful homeownership. Funding was received in May of 2016 for activities to begin in fiscal year 2017.
- **Strong Neighborhoods Housing Fund (SNHF)** – The Authority received \$2,906,300 from the JPMorgan/Chase Mortgage Settlement, as part of the fiscal year 2015 appropriation from the General Assembly, to establish the Strong Neighborhoods Housing Fund. The SNHF is set up as a revolving fund to be used for the acquisition, renovation, and sale of vacant, abandoned, foreclosed or blighted property throughout the State. The funds are targeted for efforts that: (1) support community development and (2) transform neighborhoods that are experiencing blight or other forms of stress, including high crime. Funds for the pilot program will be disbursed through a competitive process.
- **Vacant Property Maintenance Program** – The Authority received funding for the Vacant Property Maintenance Program from the Delaware Department of Justice (DOJ) Mortgage Multistate Settlement funds. The agreement between the Joint Finance Committee of the Delaware Legislature, DOJ, and the Authority allocated \$500,000 to the Authority to implement a program to provide seed funding to help communities maintain abandoned property resulting from foreclosure. Funding was received in May of 2016 for activities to begin in fiscal year 2017.
- **Wilmington Senior Tax Assistance Program (WSTAP)** – The Wilmington Senior Tax assistance Program is designed to assist homeowners in the City of Wilmington who are 62 years of age or older and facing imminent foreclosure due to delinquent property taxes, or sewer and water bills. This program is funded with grants from United Way of Delaware and the City of Wilmington. Program payments of taxes and/or water/sewer bills for approved applicants are made by the Authority directly to the City of Wilmington. The maximum grant amount available under this program is \$3,000.

Proprietary Fund Type

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

Federal Programs Fund

Moving To Work Demonstration Program (MTW) – The MTW Demonstration Program offers the Authority the opportunity to design and test housing and self-sufficiency strategies for low-, very-low, and extremely low-income families by allowing exemptions from existing public housing and tenant-based Housing Choice Voucher rules and, with HUD approval, permits the Authority to combine operating, capital, and tenant-based assistance funds into a single agency-wide funding source.

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

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

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

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

- **Community Development Block Grant (CDBG)** - This grant program provides funding for rehabilitation, demolition, and Housing Code enforcement to maintain and improve existing housing, and provide the infrastructure to support this housing for low and moderate income persons. Eligible local governments implement this program by adopting a local Community Housing and Development Plan and submitting an application to the Authority for approval. A review panel evaluates applications based upon the extent of low-income individuals affected. Currently, only Kent and Sussex Counties, and municipalities within those two counties are eligible to apply under this program.
- **Emergency Solutions Program (ESP)** - This grant program provides existing emergency housing providers with assistance to expend and renovate homeless

shelters and provides supportive housing service assistance to homeless persons and families in Kent and Sussex Counties.

- **Housing Opportunities for People With AIDS (HOPWA)** - This grant program provides funding for payment of project-based and/or tenant-based rental assistance, including shared housing, rent, mortgage, and/or utility payments to prevent homelessness for the tenant or mortgagor, in Kent and Sussex Counties. Funds may also be used for supportive services. The funds are awarded to the Delaware HIV Consortium.
- **Neighborhood Stabilization Program (NSP)** - The purpose of this grant program is (1) to assist communities that have been, or are likely to be, affected by foreclosed and abandoned properties by stimulating re-use of the property, and (2) to provide affordable rental and homeownership opportunities to households at or below 120% of Area Median Income (AMI), with 25% of the funds targeted to provide assistance to households at less than 50% of AMI.

Other Federal Funded Programs

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

attain and maintain shelter. Individuals receive financial assistance (1) with security deposits, utility deposits, and utility arrears; (2) for crisis housing; and/or (3) with short term rental assistance.

- **Section 8 Contract Administration (CA)** – the Authority administers Housing Assistance Payment (HAP) contracts for 59 HUD financed/insured Section 8 developments in Delaware.
- **Section 811 Project Rental Assistance Demonstration Program (S811 PRAD)** – This program accounts for HUD funding provided to create and sustain 170 units of affordable housing over five years for persons with disabilities who have extremely low incomes. The Authority and Delaware Department of Health and Social Services work together to identify persons with disabilities who require long-term services and support to live independently in the community with the Authority managing the housing subsidy.
- **Housing Trust Fund** – This program is a compliment to existing Federal, State, and local efforts to increase and preserve the supply of affordable housing for extremely low and very low-income households including families experiencing homelessness.
- **ROSS Grant** – A Resident Service Case Manager will serve Teenage, Disabled, and elderly residents (Public Housing and Housing Choice Voucher) to provide job training opportunities, financial literacy classes, legal assistance, mental health counseling to promote successful outcomes.

Single Family Programs Fund

- **Single Family Bond Program** - This program accounts for the proceeds of the single family mortgage revenue bonds that are used to purchase long-term mortgage loans on owner occupied single family homes or mortgage loans securitized by Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA), and Federal Home Loan Mortgage Corporation (FHLMC). Beginning in fiscal 2009, the Authority included provisions for some bond proceeds to be used to purchase second mortgage assistance loans for qualifying home buyers. Private financial institutions act as agents for the Authority and process, disburse and service individual mortgage loans, second mortgage assistance loans are serviced by the Authority. Separate accounts are maintained for each series of bonds in accordance with the applicable bond resolution and indenture; however, for financial statement presentation, these accounts have been combined. Any excess of revenues over expenses in these accounts, as defined by the resolution and indenture, is not available for the general and lawful use of the Authority until all of the restrictive covenants of the applicable bond resolutions and indentures have been met.
- **Delaware State Housing Authority (DSHA) Mortgage Backed Securities Purchase Program** – This program accounts for the purchasing of mortgage backed securities. Since fiscal year 2013, the Authority has utilized the To-Be-Announced (TBA) market for single family homeownership financing. Under the DSHA TBA model: (1) Originators issue loans; (2) Lakeview Loan Servicing purchases and pools the loans; (3) Hilltop Securities purchases the MBS from Lakeview; and (4) Hilltop Securities send DSHA the premium, which is calculated at a predetermined price. The TBA financing allows DSHA to provide competitively priced mortgage loans while generating revenue.

- **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. The bonds associated with this program were paid in full in FY2018, and the mortgages were moved to the Authority Loan program.

Fiduciary Fund Type

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

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

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

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

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

- Grant revenues (wherein monies must be expended on specific purposes prior to the Authority being reimbursed) are recognized as reimbursable expenditures as incurred.
- Service revenues are recognized as earned.
- Interest revenues on cash and investments are recognized as earned.
- Interest revenues on mortgage loans are recognized as earned.

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

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

Impact of Future Accounting Pronouncements

In 2015, the GASB issued No. 75 *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.”* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflow of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actual present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined OPEB also are addressed. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity. This Statement is effective for fiscal years beginning after June 15, 2017. The Authority implemented this statement in FY2018.

In 2016, the GASB issued No. 82 *“Pension Issues.”* The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement is effective for fiscal years beginning after June 15, 2016 or June 15, 2017, depending on the specific requirements. The Authority implemented this statement in FY2018.

In 2016, the GASB issued No. 83 *“Certain Asset Retirement Obligations.”* The objective of this statement is to address accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement is effective for fiscal years beginning after June 15, 2018. The Authority is currently evaluating the future impact of this statement.

In 2017, the GASB issued No. 84 *“Fiduciary Activities.”* The objective of this statement is to establish criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement is effective for fiscal years beginning after December 15, 2018. The Authority is currently evaluating the future impact of this statement.

In 2017, the GASB issued No. 86 *“Certain Debt Extinguishment Issues.”* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Authority is currently evaluating the future impact of this statement.

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

In 2018, the GASB issued No. 88 *“Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.”* The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Authority is currently evaluating the future impact of this statement.

D. Assets, liabilities, and net position or equity

Cash and Cash Equivalents

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

Investments

The Authority considers all interest bearing bank money market, money market savings and

State of Delaware investment pool accounts to be investments. Investment securities are recorded at fair value, except that investment securities with a remaining maturity at time of purchase of one year or less are reported at cost adjusted for the amortization of premium or the accretion of discount over the term of the investment, which approximates fair value (see Note IV., A.). These securities are stated at fair value based upon quoted market prices and changes in the fair value are reported in the statements of revenue, expenses, and changes in net position as net increase (decrease) in fair value of investments, in accordance with GASBS Statement No. 72, *Accounting and Financial Reporting for Fair Value Measurement and Application* (GASB No. 72).

Securitized Mortgage Loans

Securitized mortgage loans consist of Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA), and Federal Home Loan Mortgage Corporation (FHLMC) mortgage backed securities (MBS), which were pooled and securitized by a contract servicer utilizing Single Family Mortgage Program loans purchased by the Authority. These securities are stated at fair value based upon quoted market prices and changes in the fair value are reported in the statements of revenue, expenses, and changes in net position as net increase (decrease) in fair value of investments, in accordance with GASB Statement No. 72, *Accounting and Financial Reporting for Fair Value Measurement and Application* (GASB No. 72). The bond issue trustee uses a third-party pricing service to compute the MBS fair value. Principal and interest repayments as well as proceeds from the sale of mortgage backed securities are restricted for payment of corresponding bonds assigned to underlying mortgages.

Mortgage Loans Receivable

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

Accrued Interest and Other Receivables

An allowance for doubtful accounts in the amount of \$17,280 has been established for tenant accounts receivable in the business-type activities and the Federal Programs Enterprise Fund as of June 30, 2018. The allowance is based upon an aging of the tenant accounts receivable and is adjusted annually. All tenant account receivable balances with no payment activity within 120 days are considered doubtful accounts.

An allowance for doubtful accounts is recorded for the accrued interest on loans to certain nonprofit developers within the Housing Development Fund and HOME Investment Partnership Program. These loans have deferred payment terms with interest accruing at a rate of 3% per year. The Authority recognizes an allowance for doubtful accounts for a portion of the accrued interest on these loans. Based on the fact that the present rate is 1% for new nonprofit loans, the Authority established an allowance for doubtful accounts for two thirds of the accrued interest on these loans. An allowance for doubtful accounts is recorded for loans from the Housing Development fund that are expected to be granted upon the grantees' compliance with the terms of the award. At June 30, 2018, an allowance for doubtful accounts equal to 90% of the forgivable loans outstanding was recorded. The allowance for doubtful accounts is the amount the Authority anticipates will be granted in the future. The allowance as of June 30, 2018 was \$3,893,393 in the Housing Development

Fund, governmental activity and major governmental fund; and \$3,200,734 in the HOME Investment Partnership Program, a business-type activity and Federal Programs Enterprise Fund. The allowance amount is calculated based on 90% which is anticipated to be granted in the future.

An allowance for doubtful accounts is recorded for loans from the Housing Development Fund that are expected to be converted to grants upon the grantees' compliance with the terms of the award. At June 30, 2018, an allowance for doubtful accounts equal to 90% of the forgivable loans outstanding was recorded. The allowance for doubtful accounts is the amount that the Authority anticipates will be converted to grants in the future. The allowance as of June 30, 2018 was \$2,216,951.

Capital Assets

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

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

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

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

Deferred Amounts on Bond Refunding

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

Compensated Absences Payable

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

Deferred Inflows and Outflows of Resources

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

Net Pension Obligation

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

Net Other Post-Employment Benefits (OPEB) Liability

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

Escrow Deposits

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

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

In the Housing Development Fund, escrow deposits represent funds received from project

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

Restricted Resources

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

Net Position/Fund Equity

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

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

General Fund

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

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

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

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

Housing Development Fund

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

Other Governmental Funds

- **Restricted:** Balances used for specific program activities per enabling legislation.
- **Assigned:** Balances include amounts that are constrained by the Authority's intent, as approved by the Director, a position appointed by the Governor and authorized by Delaware Code, Title 31, Chapters 40 and 43, to be used for a specific purpose, but are neither restricted nor committed.

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

A summary of governmental fund balances at June 30, 2018, is as follows:

	General Fund	Housing Development Fund	Downtown Development Districts Grant Fund	State Rental Assistance Program	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
General Fund	\$ 13,635,828	\$ -	\$ -	\$ -	\$ -	\$ 13,635,828
Total nonspendable	13,635,828	-	-	-	-	13,635,828
Restricted:						
Housing Development	-	229,294,974	-	-	-	229,294,974
Downtown Development District	-	-	23,329,686	-	-	23,329,686
Rental Assistance	-	-	-	5,047,681	-	5,047,681
Foreclosure Prevention and Housing Counseling	-	-	-	-	15,355,059	15,355,059
Housing Rehabilitation	-	-	-	-	958,515	958,515
Mortgage Assistance	-	-	-	-	35,304,071	35,304,071
Neighborhood Revitalization	-	-	-	-	5,039,236	5,039,236
Other Purposes	-	-	-	-	6,943	6,943
Total restricted	-	229,294,974	23,329,686	5,047,681	56,663,824	314,336,165
Committed:						
General Fund	30,735,553	-	-	-	-	30,735,553
Housing Development	-	22,072,657	-	-	-	22,072,657
Total committed	30,735,553	22,072,657	-	-	-	52,808,210
Assigned:						
Housing Rehabilitation	-	-	-	-	109,455	109,455
Other Purposes	-	-	-	-	53,023	53,023
Total assigned	-	-	-	-	162,478	162,478
Total Fund Balance	\$ 44,371,381	\$ 251,367,631	\$ 23,329,686	\$ 5,047,681	\$ 56,826,302	\$ 380,942,681

Comparative Data

Comparative total data for the prior year is presented in the basic financial statements to provide an understanding of changes in the Authority's financial position and operations. That comparative data is not at the level of detail required for a presentation in conformity with generally accepted accounting principles and has been reclassified, as needed, from the presentation in the Authority's June 30, 2017, financial statements to be comparative with the current-year presentation.

Statement of Cash Flows

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

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

Budgetary Comparisons

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

II. RECONCILIATION OF ENTITY-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the entity-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and therefore, are not reported in the funds. The details of this \$1,203,934 difference are as follows:

Capital assets	\$3,507,312
Less: Accumulated depreciation	<u>(2,303,378)</u>
Net capital asset adjustment	<u>\$1,203,934</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 \$(1,017,505) difference are as follows:

Compensated absences	\$(602,687)
State of Delaware pension obligation	<u>(414,818)</u>
Net long-term liabilities adjustment	<u>\$(1,017,505)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the entity-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$(54,606) difference are as follows:

Capital outlay	\$134,000
Less: Depreciation expense	<u>(79,394)</u>
Net capital asset adjustment	<u>\$(54,606)</u>

III. COMPLIANCE AND ACCOUNTABILITY

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

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Investment Policies

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

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

Certain federal funds administered by the Authority are subject to additional limitations within the qualified investments listed above. The policy can be amended by the Authority provided the changes meet the Delaware Code requirements. There have been no significant investment policy changes during the fiscal year.

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

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

Investments

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

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

The following is a listing of investments and their maturities:

Investment type	Fair Value 6/30/2018	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	\$ 20,263,152	\$ 6,240,791	\$ 14,022,361	\$ -	\$ -	\$ -
U.S.Treasury Bonds	24,096	-	-	24,096	-	-
U.S.Treasury Strips	380,698	-	-	380,698	-	-
U.S. Agencies	32,649,875	10,820,640	21,829,235	-	-	-
Corporate Notes	32,128,644	6,073,130	26,055,514	-	-	-
Commercial Paper	2,883,188	2,883,188	-	-	-	-
Bank Money Market Accounts	36,406,189	36,406,189	-	-	-	-
State of Delaware Investment Pool	284,268	284,268	-	-	-	-
Total Governmental Activities Investments	125,020,110	62,708,206	61,907,110	404,794	-	-
Business-type activities:						
U.S.Treasury Notes	922,826	244,024	678,802	-	-	-
U.S. Agencies	1,603,598	438,584	1,165,014	-	-	-
Corporate Notes	1,599,646	271,492	1,328,154	-	-	-
Commercial Paper	61,935	61,935	-	-	-	-
Investment Agreements	40,800	-	-	-	-	40,800
Money Market Saving Accounts	1,883,187	1,883,187	-	-	-	-
Bank Money Market Accounts	16,169,494	16,169,494	-	-	-	-
State of Delaware Investment Pool	3	3	-	-	-	-
Securitized Mortgage Loans	190,606,287	-	-	-	-	190,606,287
Total Business-type Activities Investments	212,887,776	19,068,719	3,171,970	-	-	190,647,087
Total Entity-wide Investments	\$ 337,907,886	\$ 81,776,925	\$ 65,079,080	\$ 404,794	\$ -	\$ 190,647,087
Fiduciary Fund Investments:						
U.S.Treasury Notes	\$ 841,386	\$ -	\$ 841,386	\$ -	\$ -	\$ -
U.S. Agencies	2,686,730	-	2,686,730	-	-	-
Corporate Notes	2,323,377	99,378	2,223,999	-	-	-
Bank Money Market Accounts	34,859	34,859	-	-	-	-
Mortgage Loan Receivable	1,174,727	20,645	93,698	293,553	524,999	241,832
Total Fiduciary Fund Investments	\$ 7,061,079	\$ 154,882	\$ 5,845,813	\$ 293,553	\$ 524,999	\$ 241,832

Interest Rate Risk

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

- **Single Family Program Funds:** Investment contracts for bond program funds should have a maturity that matches the final bond maturity to minimize reinvestment risk. Individual investments of bond program funds should match anticipated cash requirements or provide sufficient liquidity to allow funds to be accessed to meet bond resolution requirements without incurring material principal losses.
- **Federal Program Funds:** HUD funds held by the Authority should have a maximum maturity of one year. HUD-related funds held by the Authority (escrows, replacement reserves, residual receipts) shall have a maximum maturity of three years.
- **General Fund:** The Operating Reserve Account, which is managed externally, should have a maximum maturity at the time of purchase of ten years. However, specific

investments may be transferred into the account from time to time that may have a longer maturity. The Authority may further reduce the maximum maturity of the operating reserve investments from time to time.

- Other Authority funds should be invested with a maturity that matches, or is prior to, the anticipated time at which the funds will be needed.
- Authority investments (other than deposit accounts, money market fund shares, or deposits with the State Treasurer's Office) should have a fixed maturity date by which principal and accrued interest will be fully repaid. The Authority is not permitted to enter into investments that have an expected maturity date that can be extended depending upon market conditions.

Credit Risk

The Authority's general investment policy is to make investments with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as, the probable income to be derived. The Authority's investment policy limits its investment choices as mentioned above under Investments. For the Authority's Single Family Programs, the investment rating must be equal to or exceed the bond rating. The Authority's Operating Reserve Account has a specific credit quality requirement as follows: Corporate debt obligations and shares of money market mutual funds shall have a long-term rating of AA and/or Aa, respectively by Standard & Poor's (S&P) and Moody's at the time of purchase. The State of Delaware Investment Pool and money market accounts are not rated by any of the nationally recognized statistical rating organizations. As of June 30, 2018, the Authority's investments were rated as detailed below, in addition, the Fiduciary Fund investments include a mortgage loan receivable of \$1,225,000 which the Authority, in the event of loan default, has guaranteed. Additionally, the Fiduciary Fund Corporate Notes includes a NOVARTIS Capital Corp investment in the amount of \$534,237 which exceeds 5% of the total investments.

Investment Type	Ratings (S & P)							U.S. government guaranteed
	A1	A1+	A+	AA-	AA	AA+	AAA	
Governmental activities:								
U.S. Treasury Notes								\$ 20,263,152
U.S. Treasury Bonds								\$ 24,095
U.S. Treasury Strips								\$ 380,698
U.S. Agencies						\$ 32,649,875		
Corporate Notes			\$ 1,959,545	\$ 17,784,277	\$ 2,001,122	\$ 8,742,630	\$ 1,641,070	
Commercial Paper	\$ 496,954	\$ 2,386,234						
Business-type activities:								
U.S. Treasury Notes								\$ 922,826
U.S. Agencies						\$ 1,603,598		
Corporate Notes			\$ 56,884	\$ 884,515	\$ 127,542	\$ 437,409	\$ 93,296	
Commercial Paper		\$ 61,935						
Securitized Mortgage Loans								\$ 190,606,287
Fiduciary Fund:								
U.S. Treasury Notes								\$ 841,386
U.S. Agencies						\$ 2,686,730		
Corporate Notes			\$ 99,378	\$ 1,571,380	\$ 144,768	\$ 313,567	\$ 194,284	

Custodial Credit Risk

For deposits (i.e., cash and cash equivalents) custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. All of the Authority's deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The bank and savings money markets balance at June 30, 2018 of \$118,864,087 was collateralized at 102% or greater by securities pledged and identified as held in the

Authority's name. Although the State Investment Pool is not collateralized, the State's Cash Management Policy Board requires that investments meet certain ratings, investment types and maturity criteria. No deposits were uninsured or uncollateralized at June 30, 2018.

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 \$337,907,885 investment balance, \$40,800 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 Authority's investment policy does not limit the amount of securities that can be held by the counterparties.

Fair Value Hierarchy

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

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

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

Investment type	Fair Value 6/30/2018	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Governmental activities:				
U.S. Treasury Notes	\$ 20,263,152	\$ 20,263,152	\$ -	\$ -
U.S. Treasury Bonds	24,096	24,096	-	-
U.S. Treasury Strips	380,698	380,698	-	-
U.S. Agencies	32,649,875	32,649,875	-	-
Corporate Notes	32,128,644	32,128,644	-	-
Commercial Paper	2,883,188	2,883,188	-	-
Bank Money Market Accounts	36,406,189	36,406,189	-	-
State of Delaware Investment Pool	284,268	284,268	-	-
Total Governmental Activities Investments	125,020,110	125,020,110	-	-
Business-type activities:				
U.S. Treasury Notes	922,826	922,826	-	-
U.S. Agencies	1,603,598	1,603,598	-	-
Corporate Notes	1,599,646	1,599,646	-	-
Commercial Paper	61,935	61,935	-	-
Investment Agreements	40,800	40,800	-	-
Money Market Saving Accounts	1,883,187	1,883,187	-	-
Bank Money Market Accounts	16,169,494	16,169,494	-	-
State of Delaware Investment Pool	3	3	-	-
Securitized Mortgage Loans	190,606,287	190,606,287	-	-
Total Business-type Activities Investments	212,887,776	212,887,776	-	-
Total Entity-wide Investments	\$ 337,907,886	\$ 337,907,886	\$ -	\$ -
Fiduciary Fund Investments:				
U.S. Treasury Notes	\$ 841,386	\$ 841,386	\$ -	\$ -
U.S. Agencies	2,686,730	2,686,730	-	-
Corporate Notes	2,323,377	2,323,377	-	-
Bank Money Market Accounts	34,859	34,859	-	-
Mortgage Loan Receivable	1,174,727	-	-	1,174,727
Total Fiduciary Fund Investments	\$ 7,061,079	\$ 5,886,352	\$ -	\$ 1,174,727

Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. The mortgage loan receivable classified in Level 3 of the fair value hierarchy is valued at the amount of principal due at June 30, 2018.

B. Receivables

Total receivables as of June 30, 2018 are as follows:

Receivables	Governmental Activities	Business-type Activities	Total
Mortgage loans	\$ 202,274,893	\$ 81,330,294	\$ 283,605,187
Accrued interest	49,392,154	19,061,424	68,453,578
Other receivables	1,097,118	203,057	1,300,175
Grants receivable	-	318,071	318,071
Total receivables	252,764,165	100,912,846	353,677,011
Allowance for doubtful accounts	(13,680,449)	(4,866,986)	(18,547,435)
Total receivables, net	\$ 239,083,716	\$ 96,045,860	\$ 335,129,576
Amounts not scheduled for collection during the subsequent year	\$ 236,549,449	\$ 91,618,340	\$ 328,167,789

Mortgage loans receivable

A summary of mortgage loans receivable as of June 30, 2018 is shown below:

Governmental Activities:

General Fund	\$ 2,275,327
Housing Development Fund	157,936,548
Non-major governmental funds	<u>42,063,018</u>
Mortgage loans receivable, governmental activities	202,274,893
Less: Allowance for doubtful accounts	<u>(9,159,567)</u>
Net mortgage loan receivables, governmental activities	<u>193,115,326</u>

Business-type Activities:

Federal Programs Fund	60,047,932
Single Family Programs Fund	<u>21,282,362</u>
Mortgage loans receivable, business-type activities	81,330,294
Less: Allowance for doubtful accounts	<u>(1,457,582)</u>
Net mortgage loan receivables, business-type activities	<u>79,872,712</u>
Total mortgage loans receivable, net	<u>\$ 272,988,038</u>

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

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

Mortgage loans receivable in the Single Family Programs Fund are secured by first liens on real property. Loans purchased in the Single Family Programs Fund that have a loan to value ratio in excess of 72% (80% for loans purchased after 1986) are insured or guaranteed by either the Federal Housing Administration ("FHA"), the Farmers Home Administration ("FmHA"), the Department of Veterans' Affairs ("VA"), or by a private primary mortgage insurance policy. All loans purchased under this Program, exclusive of FHA and VA loans, are also insured by a mortgage pool insurance policy. Interest rates on the loans range from 4.50% to 9.35% with maturities of such loans ranging from 15 to 40 years. Mortgage loans receivable in the Single Family Programs also include second mortgage assistance loans with interest rates ranging from 0% to 8%. The second mortgage is a lien against the property with monthly payments deferred until (1) the first mortgage is paid off; (2) the property is sold or transferred; or (3) the property is no longer the borrower's primary residence. However, the borrower can voluntarily repay at any time with no prepayment penalty.

Accrued interest and other receivables

Accrued interest and other receivables as of June 30, 2018 are as follows:

	Governmental Activities			Business-type Activities		Total
	General Fund	Housing Development Fund	Nonmajor Governmental Funds	Federal Programs	Single Family Programs	
Loan interest	\$ 3,845,632	\$ 33,888,000	\$ 6,687,172	\$ 11,844,396	\$ 3,824,901	\$ 60,090,101
Investment interest	81,316	181,041	650	-	3	263,010
HDF projects	844,253	-	-	-	-	844,253
Other projects	206,169	-	-	-	-	206,169
Servicers	6,736	-	-	-	73,399	80,135
Tenants, net	-	-	-	12,912	-	12,912
Other	189,188	-	38,233	99,466	-	326,887
Total	\$ 5,173,294	\$ 34,069,041	\$ 6,726,055	\$ 11,956,774	\$ 3,898,303	\$ 61,823,467

C. Accounts payable

Accounts payables as of June 30, 2018 are as follows:

	Governmental Activities			Business-type Activities		Total
	General Fund	Housing Development Fund	Nonmajor Governmental Funds	Federal Programs	Single Family Programs	
Vendors	\$ 71,654	\$ -	\$ 43	\$ 239,976	\$ -	\$ 311,673
Salaries	163,118	-	-	99,725	-	262,843
Security deposits	-	-	-	151,698	-	151,698
Other	18,538	11,045	-	144,570	65	174,218
Total	\$ 253,310	\$ 11,045	\$ 43	\$ 635,969	\$ 65	\$ 900,432

D. Capital assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance			Ending Balance
	June 30, 2017	Increases	Decreases	
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 509,500	\$ -	\$ -	\$ 509,500
Total capital assets, not being depreciated	509,500	-	-	509,500
Capital assets, being depreciated:				
Buildings	1,934,902	-	-	1,934,902
Land/Site Improvements	211,929	-	-	211,929
Computer Equipment	415,167	134,000	-	549,167
Equipment	265,067	-	-	265,067
Telecommunications Equipment	36,747	-	-	36,747
Total capital assets being depreciated	2,863,812	134,000	-	2,997,812
Less accumulated depreciation for:				
Buildings	1,305,451	56,633	-	1,362,084
Land/Site Improvements	201,551	4,150	-	205,701
Computer Equipment	415,167	18,611	-	433,778
Equipment	265,068	-	-	265,068
Telecommunications Equipment	36,747	-	-	36,747
Total accumulated depreciation	2,223,984	79,394	-	2,303,378
Total capital assets, being depreciated, net	639,828	54,606	-	694,434
Governmental activities capital assets, net	\$ 1,149,328	\$ 54,606	\$ -	\$ 1,203,934
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,336,842	\$ -	\$ 1,336,014	\$ 1,000,828
Construction in Progress	462,544	587,854	434,234	616,164
Total capital assets, not being depreciated	2,799,386	587,854	1,770,248	1,616,992
Capital assets, being depreciated:				
Buildings	22,600,570	-	4,808,778	17,791,792
Buildings held for resale	330,911	-	69,619	261,292
Land/Site Improvements	21,885,334	434,234	2,736,392	19,583,176
Vehicles	117,376	31,511	18,867	130,020
Equipment	826,090	113,809	196,860	743,039
Total capital assets being depreciated	45,760,281	579,554	7,830,516	38,509,319
Less accumulated depreciation for:				
Buildings	20,025,449	184,126	4,322,836	15,886,739
Land/Site Improvements	15,505,114	1,038,467	1,526,027	15,017,554
Vehicles	79,642	29,531	15,722	93,451
Equipment	826,090	-	196,860	629,230
Total accumulated depreciation	36,436,295	1,252,124	6,061,445	31,626,974
Total capital assets, being depreciated, net	9,323,986	(672,570)	1,769,071	6,882,345
Business-type activities capital assets, net	\$ 12,123,372	\$ (84,716)	\$ 3,539,319	\$ 8,499,337

Depreciation expense of \$79,394 was charged to the administrative function in the governmental activities. Depreciation expense of \$1,252,124 was charged to the affordable rental housing function in the business-type activities.

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

Construction commitments

The Authority has active capital projects as of June 30, 2018. The projects include renovations at the various public housing developments. At year end, the Authority had commitments with contractors of \$34,775, relating to business-type activities and the Federal

Programs Enterprise Fund.

E. Interfund transactions

The composition of interfund balances as of June 30, 2018, is as follows:

Due to:	Governmental Activities				Business-type Activities			Total
	General Fund	Housing Development Fund	Downtown Development District	Nonmajor Governmental Funds	Federal Programs	Single Family Programs		
Current:								
General Fund	\$ -	\$ -	\$ -	\$ 181,150	\$ 21,052	\$ 228,737	\$ -	\$ 430,939
Nonmajor Govt Funds	387	-	-	-	54,997	-	-	55,384
Federal Programs	11,694	63,366	-	-	-	-	-	75,060
Single Family Programs	-	-	-	1,485	-	-	-	1,485
Total	\$ 12,081	\$ 63,366	\$ -	\$ 182,635	\$ 76,049	\$ 228,737	\$ -	\$ 562,868
Non-current:								
General Fund	\$ -	\$ -	\$ 50	\$ 50	\$ 3,813,650	\$ 50	\$ -	\$ 3,813,800
Federal Programs	-	-	-	-	-	25,282	-	25,282
Total	\$ -	\$ -	\$ 50	\$ 50	\$ 3,813,650	\$ 25,332	\$ -	\$ 3,839,082

The current interfund balances result from timing differences between the date a disbursement is made by the General Fund and the date the General Fund receives reimbursement from other funds.

The non-current balances mainly represent loans made from the general fund to other programs for the purpose program operations. The General Fund has loaned \$80,000 to the Family Unification Program, \$500,000 to the Housing Choice Voucher Program, and \$3,200,000 to the Section 8 Contract Administration Program, both business-type activities and Federal Program Enterprise Funds, to allow the programs to disburse housing assistance payments prior to the receipt of the federal funds.

Interfund transfers for the year ended June 30, 2018 consisted of the following:

Transfers in:	Governmental Activities			Business-type Activities			Total
	General Fund	Housing Development Fund	Nonmajor Governmental Funds	Federal Programs	Single Family Programs		
Transfers out:							
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 6,665,048	\$ -	\$ 6,665,048
Nonmajor Governmental Funds	15,244	1,500,000	-	-	3,085,802	-	4,601,046
Single Family Programs	358,775	-	228,278	-	-	-	587,053
Total transfer out	\$ 374,019	\$ 1,500,000	\$ 228,278	\$ -	\$ 9,750,850	\$ -	\$ 11,853,147

The governmental activities transfers consist of: (1) the General Fund, a major governmental fund, transferred \$346,697 to the Single Family, a major business-type fund, to payoff SMAL 2001A bond issue; and (2) the Housing Development Fund, a major governmental fund, transferred \$1,500,000 to the DSHA Second Mortgage Assistance Loan Program, a governmental activity and non-major governmental fund in support of the program’s objective to make down payment assistance available to qualified homebuyers.

Within business-type activities, Single Family Programs reported cash transfers consisting mainly of the transfer of: (1) administrative fees of \$1,035,433 from the Single Family Mortgage Revenue Bond Programs, a Single Family Programs Enterprise Fund, to the General Fund, a governmental activity and major governmental fund, in support of operations; (2) \$1,543,987 from the DSHA Mortgage Backed Securities Purchase Program, a

Single Family Programs Enterprise Fund, to the DSHA Second Mortgage Assistance Loan Program, a governmental activity and non-major governmental fund, in support of the program's objective to make down payment assistance available to qualified homebuyers. Single Family Programs also reported non-cash transfers of: (1) \$1,541,816 from Single Family Loans, a Single Family Programs Enterprise Fund, to DSHA SMAL, a governmental activity and non-major governmental fund; and (2) \$5,206,048 Single Family Loans, a Single Family Programs Enterprise Fund to Authority Loans – SMAL in the General Fund, a governmental activity and major governmental fund to transfer the outstanding loan balances and corresponding accrued interest.

F. Short-term and long-term debt

Short-term and long-term debt activity for the year ended June 30, 2018, was as follows:

	Beginning Balance			Ending Balance		
	June 30, 2017	Increases	Decreases	June 30, 2018	Due Within	One Year
Governmental activities:						
Compensated absences, relating to the General Fund	\$ 598,639	\$ 334,505	\$ 330,457	\$ 602,687	\$	9,944
Governmental activity long-term liabilities	\$ 598,639	\$ 334,505	\$ 330,457	\$ 602,687	\$	9,944
Business-type activities:						
Compensated absences, relating to the Federal Programs Fund	\$ 360,495	\$ 208,540	\$ 253,166	\$ 315,869	\$	3,662
Revenue bonds payable, Single Family Programs Fund	232,160,174	-	48,547,669	183,612,505		4,460,000
Bond Premium & Discount	5,750,359		1,024,716	4,725,643		369,412
Total Revenue Bonds Payable	237,910,533	-	49,572,385	188,338,148		4,829,412
FHLB Loans, relating to MBS Purchase Program*	-	-	-	-		-
Business-type activity long-term liabilities	\$ 238,271,028	\$ 208,540	\$ 49,825,551	\$ 188,654,017	\$	4,833,074

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

Compensated Absences

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

Revenue Bonds Payable

The revenue bonds outstanding have been issued to provide financing for mortgage loans. The bonds are secured by the mortgage loans made or purchased under the applicable resolutions, the revenues, prepayments and foreclosures proceeds received related to the mortgage loans, and certain funds and accounts established pursuant to the applicable bond resolutions. All bonds are callable subject to certain restrictions. Interest rates on bonds outstanding range from 0% to 5.80% with maturities of such bonds up through January 1, 2049.

On June 30, 2017, the Authority paid the bond holders for all outstanding bonds of the SMAL 2001A Bond issue, all outstanding SMAL loans associated with this issues will be transferred to the authority on July 1, 2017.

On January 1, 2018, the Authority called all remaining bonds of the Single Family Mortgage Revenue Bonds 2008 Series A issue and sold all remaining mortgage backed securities associated with the bond issue.

Federal Home Loan Bank (FHLB) Line of Credit

DSHA has a collateralized line of credit with the FHLB of Pittsburgh. For fiscal year 2018, there were no draws or repayments.

Conduit Debt

Through its Multi-Family Mortgage Revenue Bond Program (MFMRB), the Authority has issued debt to assist private-sector entities in the acquisition, new construction, or substantial rehabilitation of apartment complexes which are available for rent to low-income individuals and families. The bonds are secured by the properties financed and are payable solely from rents and payments received on the underlying mortgage loans. Neither the Authority nor the State is obligated in any manner for repayment of the bonds. Accordingly, the bonds and any related assets are not reported as assets or liabilities in the accompanying financial statements. Application and other fees generated from the administration of this program are recorded in the General Fund. As of June 30, 2018, nine issues with debt of \$46,533,179 are outstanding.

Interest Expense on Long-Term Debt

Interest expense of \$7,514,779 on long-term debt has been included in the direct expenses of individual functions on the entity-wide statement of activities. Authorization for general long-term debt is essential for the creation and continuing existence of the Single Family mortgage programs; thus an objective connection can be made to these programs. All interest on long-term debt is reported as a direct expense of the program for which borrowing is related. The interest expense of \$7,514,779 was charged to the home ownership function in the business-type activities.

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

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

Fiscal Year	Principal	Interest	Total
2019	4,829,412	6,325,805	11,155,217
2020	4,645,000	6,140,642	10,785,642
2021	4,840,000	5,946,339	10,786,339
2022	5,080,000	5,741,945	10,821,945
2023	5,240,000	5,521,080	10,761,080
2024 - 2028	30,120,000	23,711,548	53,831,548
2029 - 2033	21,997,862	18,044,815	40,042,677
2034 - 2038	23,900,000	14,463,851	38,363,851
2039 - 2043	80,248,636	9,482,085	89,730,721
2044 - 2048	5,827,954	840,894	6,668,848
2049 - 2053	1,609,284	11,044	1,620,328
Totals	\$ 188,338,148	\$ 96,230,048	\$ 284,568,196

G. Segment information

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

CONDENSED STATEMENT OF NET POSITION - SINGLE FAMILY PROGRAMS FUND SEGMENTS JUNE 30, 2018

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2007C-2013A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES NIBP 2010-2013-1	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM	SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND SERIES 2001A	TOTAL SINGLE FAMILY PROGRAMS
Assets					
Current assets	\$ 5,499,016	\$ 444,713	\$ 16,218,565	\$ -	\$ 22,162,294
Current interfund receivables	-	-	-	-	-
Non-current assets	96,453,896	114,545,812	-	-	210,999,708
Total assets	101,952,912	114,990,525	16,218,565	-	233,162,002
Deferred outflow of resources					
Deferred amount on bond refunding	140,671	-	-	-	140,671
Total deferred outflow of resources	140,671	-	-	-	140,671
Liabilities					
Current liabilities	4,073,674	2,887,976	66	-	6,961,716
Current interfund payables	180,330	-	48,407	-	228,737
Non-current liabilities	69,492,997	111,883,501	-	-	181,376,498
Non-current interfund payables	50	-	-	-	50
Total liabilities	73,747,051	114,771,477	48,473	-	188,567,001
Deferred inflow of resources					
Deferred amount on bond refunding	-	298,592	-	-	298,592
Total deferred inflow of resources	-	298,592	-	-	298,592
Net position, restricted	\$ 28,346,532	\$ (79,544)	\$ 16,170,092	\$ -	\$ 44,437,080

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - SINGLE FAMILY PROGRAMS FUND SEGMENTS FOR THE YEAR ENDED JUNE 30, 2018

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2007C-2013A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES NIBP 2010-2013-1	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM	SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND SERIES 1997A-2001A	TOTAL SINGLE FAMILY PROGRAMS
Operating revenues*	\$ 5,788,269	\$ 4,610,046	\$ -	\$ -	\$ 10,398,315
Operating expenses:					
Interest expense on bonds	2,784,624	3,710,118	-	-	6,494,742
Other	1,335,272	24,186	1,336,959	-	2,696,417
Operating income/(loss)	1,668,373	875,742	(1,336,959)	-	1,207,156
Non-operating revenue/(expenses):					
Investment income	15,243	2,325	6,508,611	1	6,526,180
Change in Fair Value of Investments	(3,432,923)	(4,183,710)	-	-	(7,616,633)
Transfers in/(out)	(6,936,681)	35,581	(2,065,194)	(197,503)	(9,163,797)
Change in net position	(8,685,988)	(3,270,062)	3,106,458	(197,502)	(9,047,094)
Beginning net position	37,032,520	3,190,518	13,063,634	197,502	53,484,174
Ending net position	\$ 28,346,532	\$ (79,544)	\$ 16,170,092	\$ -	\$ 44,437,080

*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, 2018

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2007C-2013A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES NIBP 2010-2013-1	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM	SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND SERIES 2001A	TOTAL SINGLE FAMILY PROGRAMS
Net cash provided (used) by:					
Operating activities	\$ 30,650,787	\$ 24,470,268	\$ (1,432,950)	\$ (105)	\$ 53,688,000
Noncapital financing activities	(32,604,545)	(24,700,406)	(2,065,194)	(3,854)	(59,373,999)
Investing activities	1,915,953	230,139	3,473,770	3,271	5,623,133
Net increase/(decrease)	(37,805)	1	(24,374)	(688)	(62,866)
Beginning cash and cash equivalents	112,880	4	3,525,226	688	3,638,798
Ending cash and cash equivalents	\$ 75,075	\$ 5	\$ 3,500,852	\$ -	\$ 3,575,932

V. OTHER INFORMATION

A. Risk management

The Authority is exposed to various risks of loss related to non-state employee workers' compensation, automobile, and property and casualty claims. In Section D, the discussion of post-retirement health care benefits defines state and non-state employees. The State bears all risks associated with the Authority's state employees. The Authority's non-state employee risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have never exceeded commercial insurance coverage.

The Authority, as a public corporation, is responsible for all risk liabilities associated with its operations, with the exception that employees in state-owned vehicles and its offices in the Carvel State Office Building are covered by the State of Delaware. Over the past five years, the Authority annual insurance premiums have ranged between \$198,400 and \$272,730. The top four policies by premium amount were: commercial property, workers compensation, director and officer liability, and auto. The Authority's retained risk, meaning insurance deductible outlays through self-insurance, has ranged from \$1,000 to \$50,000 per occurrence. The primary insurance coverage was \$2 million (with \$25,000 deductible) for property insurance; up to \$2.0 million (with \$10,000 deductible) for general liability insurance; up to \$1.0 million (with \$1,000 deductible) for auto insurance; and \$1.0 million (with \$50,000 deductible) for director and officer liability insurance.

B. Related organizations and related party transactions

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

During the Year Ended June 30, 2018, HCHC and LCPLP are under agreements with the Authority for the management of its operations. For the Year Ended June 30, 2018, HCHC paid management fees to the Authority totaling \$34,068 and labor charges totaling \$120,436. LCPLP will pay management fees to the Authority after permanent closing and have paid labor charges totaling \$201,490.

As of June 30, 2018, HCHC, WVHC, and LCPLP were indebted to the Authority for Housing Development Fund loans in the amounts of \$2,810,322, \$3,943,333, and \$1,687,647, respectively. LCPLP was also indebted to the Authority for a HOME Loan in the amount of

\$1,184,367.

For the Year Ended June 30, 2018, Section 8 Contract Administration housing assistance payments totaling \$345,388 from the HUD passed through the Authority to HCHC.

For the Year Ended June 30, 2018, the Authority transferred the land, community building, and maintenance building to the Liberty Court Preservation Corporation (LCPC), net of accumulated depreciation, totaling \$1,825,817.

C. Economic dependency

During the Year Ended June 30, 2018, the Authority's business-type activities received 80.6 percent of their revenue from the U.S. Department of Housing and Urban Development.

D. Post-retirement health care benefits

State Employees

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

On July 1, 2007, the OPEB Trust was established pursuant to Section 115 of the Internal Revenue Code and separate from the DPERS. The OPEB Trust is administered by the DPERS Board of Directors. Policy for and management of the OPEB Trust benefits provided to retirees are the responsibility of the State. No stand-alone financial report is issued for the OPEB Trust. The following are brief descriptions of the Plan in effect as of June 30, 2017. For a more complete description, please refer to the State of Delaware's Consolidated Annual Financial Report available online at <https://accounting.delaware.gov>.

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

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

4. Vesting Provisions –

- Early Retirement: Age 55 with 15 years of service or any age with 25 years of service
- Normal Retirement (hired before January 1, 2012): Age 62 with 5 years of service, or age 60 with 15 years of service, or any age with 30 years of service
- Normal Retirement (hired on or after January 1, 2012): Age 65 with 10 years of service,

- or age 60 with 20 years of service, or any age with 30 years of service
- Spouse and Survivor Coverage: Both are available under any of the plan options with similar retiree contributions. Surviving spouses are eligible for coverage after the retiree's death.

5. Benefits Provided - During the fiscal year ended June 30, 2018, the State provided health insurance options through several providers.

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

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

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

8. Contributions - The contribution rates for the employer and retiree are established annually by the budgeting process of the State. Those rates include an employer contribution based on projected pay-as-you go financing requirements as a percent of covered payroll, with an additional amount to prefund benefits, which is not actuarially determined. For fiscal year 2018, the Authority's contribution was 9.71% of covered payroll and totaled \$49,585.

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

9. Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - As of June 30, 2018, the Authority reported a liability of \$2,282,581 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the total OPEB liability as of June 30, 2016 to June 30, 2017. The Authority's proportion of the net OPEB liability was calculated utilizing the employer's contribution as it relates to the total reported contributions. As of June 30, 2018, the Authority's proportion was 0.0276%.

For the year ended June 30, 2018, the Authority recognized OPEB income of \$30,119. As of June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to the OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	\$ -	\$ 4,519
Changes of assumptions	-	266,475
Changes in the proportion	-	688,224
Contributions	49,585	-
	<u>\$ 49,585</u>	<u>\$ 959,218</u>

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

Year Ending June 30	
2019	\$ 169,129
2020	169,129
2021	169,129
2022	169,129
2023	167,998
Thereafter	<u>114,706</u>
	<u>\$ 959,218</u>

10. Actuarial Assumptions - The collective total OPEB liability as of June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, with update procedures used to roll forward the total OPEB liability to June 30, 2017. The actuarial assumptions used the following actuarial assumptions:

Actuarial Cost Method - Entry Age Normal

Investment Rate of Return - 3.75%

Discount Rate - 3.58%

Projected Salary Increases - 3.25% plus merit

Healthcare Cost Trend Rate - 7.00% decreasing 0.2% per year to 4% in 2032.

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

The total OPEB liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2016. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual

experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates; the larger the impact on future financial statements.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Asset Allocation
Domestic Equity	3.75%	36.7%
International Equity	3.75%	19.2%
Fixed Income	3.75%	38.1%
Cash and Equivalents	0.0%	6.0%

The discount rate used to measure the total OPEB liability was 2.85 percent at the beginning of the current measurement period and 3.58 percent at the end, based on the Bond Buyer GO 20- Bond Municipal Bond Index, an index satisfying the GASB requirement of an index rate for 20- year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The discount rate assumed that contributions from plan members will be made at the current contribution rate and that employer contributions to the Plan will continue to follow the pay as you go contribution policy. Based on the assumptions of a pay-as-you-go plan, the discount rates used at the June 30, 2017 measurement date is equal to the applicable rate of the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

11. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability of the OPEB Trust, as well as what the OPEB Trust's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) and 1-percentage-point higher (4.58 percent) than the current discount rate:

1% Decrease 2.58%	Current Discount Rate 3.58%	1% Increase 4.58%
\$ 2,736,913	\$ 2,282,581	\$ 1,928,539

12. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the net OPEB liability of the OPEB Trust, as well as what the OPEB Trust's net OPEB liabilities would be if it were calculated using healthcare cost trend rates that are 1- percentage-point lower (7.0 percent decreasing to 6.0 percent) and 1-percentage higher (7.0 increasing to 8.0 percent) than the current healthcare trend rates:

1% Decrease 6.00%	Current Trend Rate 7.00%	1% Increase 8.00%
\$ 1,932,651	\$2,282,581	\$ 2,711,214

Non-State Employees

Authority non-state employees are hired by the Authority directly and are eligible for Delaware State Housing Authority employee benefits including the DSHA Retiree Medical Plan (DSHA OPEB). The following disclosures are for the June 30, 2017 plan measurement date and the June 30, 2018 employer reporting date as defined by GASBS Nos. 74 and 75.

1. Plan Description - The Delaware State Housing Authority (DSHA) retiree medical program is a single-employer defined benefit healthcare plan administered by the Authority's Retiree Medical Trustees. By-Laws were adopted on March 1, 2008, which established benefits and plan amendment terms, can be amended by the Board of Trustees. There are five trustees, one of whom serves as Chair Person and another as Vice Chair Person, with 2-year alternating terms. Vacancies are selected by current trustees. The DSHA retiree medical program provides health care insurance benefits to its non-state retirees, their spouses and dependents participating in the State of Delaware Group Health Insurance Program. The amount the Authority pays for the medical insurance premiums for retirees varies by the individual's service and retirement date. All regular active employees who retire directly from the Authority and meet the eligibility criteria may participate. The Authority issues this publicly available financial report that includes financial statements and required supplementary information for the plan. As of July 1, 2016, there were 110 active plan members, 21 inactive plan members currently receiving benefits, and no inactive plan members entitled to but not yet receiving benefits.

2. Funding Policy - Contributions to the plan are made by the Authority to the DSHA Retiree Medical Trust as established by the Authority on March 1, 2008. The Authority contributes to the Trust periodically the amounts it determines necessary or appropriate. The contribution requirement can be amended by the Board of Trustees. The Authority contributed \$713,293 for the Year Ended June 30, 2018. The Authority's OPEB expense for this plan for the year ended June 30, 2018 was \$952,019. The funds are invested according to the Authority's investment policy described in Note IV. A.

3. Investment Policy - The funds are invested according to the Authority's investment policy described in Note IV. A. The Fiduciary Fund investments include a mortgage loan receivable held by the DSHA Retiree Medical Trust to generate income. The mortgage loan provided \$1,225,000 in permanent financing to a Delaware affordable rental housing site in the form of a 5 percent amortizing loan over 30 years, with a 20-year call provision. The loan was disbursed in October of 2015. The Authority, in the event of loan default, is the guarantor of this loan. The annual money-weighted rate of return on plan investments for the year ended June 30, 2018 was 0.82%.

4. Funded Status and Funding Progress - As of June 30, 2017 measurement (June 30, 2018 employer reporting), the total OPEB liability was \$16,445,290. The plan's fiduciary net position was \$6,446,869, resulting in a net OPEB liability of \$9,998,421. The plan's fiduciary net position as a percentage of the total OPEB liability calculates to 39%. The following schedule summarizes the change in the net pension liability for the measurement period

ended June 30, 2017 (employer reporting as of June 30, 2018):

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
June 30, 2017 measurement date and June 30, 2018 reporting date	\$ 17,911,837	\$ 5,767,009	\$ (12,144,828)
Service Date	937,606	-	(937,606)
Interest Cost	535,772	-	(535,772)
Differences between expected and actual experience	(39,636)	-	39,636
Changes in assumptions	(2,798,750)	-	2,798,750
Benefit payments	(101,539)	(101,539)	-
Employer contributions		732,138	732,138
Net investment income		58,061	58,061
Administrative expense		(8,800)	(8,800)
June 30, 2017 measurement date and June 30, 2018 reporting date	<u>\$ 16,445,290</u>	<u>\$ 6,446,869</u>	<u>\$ (9,998,421)</u>

As of June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to the DSHA OPEB as follows:

	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ -	\$ 34,330
Changes in assumptions	-	2,424,085
Differences between expected and actual net investment income	92,127	-
Contributions made after measurement date	713,293	-
Total	<u>\$ 805,420</u>	<u>\$ 2,458,415</u>

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

2019	\$ 356,939
2020	356,939
2021	356,939
2022	356,940
2023	379,971
Thereafter	558,560
	<u>\$ 2,366,288</u>

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

Valuation date	July 1, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry age normal
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	3.00%
Discount rate	2.85%
20-Year municipal bond rate	3.58%
Municipal bond rate basis	Bond buyers' general obligation 20 year Municipal bond index
Inflation rate	2.00%
Ultimate rate of medical inflation	
Pre-65 trend	6.00% in 2016 decreasing to 4.50% in 2027
Post-65 trend	5.00% in 2016 decreasing to 4.50% in 2027
Mortality rate	RP-2014 mortality table projected generationally with scale MP-2015 from the central year
Asset method	Fair market value

The Plan's discount rate changed from 2.85% as of June 20, 2016 (measurement date) to 3.58% as of June 20, 2017 (measurement date) due to the change in the 20-year municipal bond rate.

The following table illustrates the impact of healthcare cost trend sensitivity on the Net OPEB Liability as of the June 30, 2017 measurement (June 30, 2018 reporting):

	1% Decrease	Trend Rate	1% Increase
Total OPEB liability	\$ 13,111,620	\$ 16,445,290	\$ 20,942,205
Plan fiduciary net position	6,446,869	6,446,869	6,446,869
Net OPEB liability	<u>\$ 6,664,751</u>	<u>\$ 9,998,421</u>	<u>\$ 14,495,336</u>

Based on DSHA's funding policy, projected assets are not projected to be sufficient to cover projected benefit payments, so the expected return is not used as the discount rate. The assumed asset allocation of the plan portfolio shown as arithmetically:

Asset Class	Balance at 6/30/2018	Percent of Portfolio	Long-Term Expected Real Rate of Return
Corporate notes	\$ 2,005,586	31.2%	1.7%
U.S. agencies	2,321,546	36.1%	1.7%
U.S. Treasury notes	887,046	13.8%	1.6%
Money market savings	24,037	0.4%	0.0%
Loans receivable	1,194,367	18.5%	5.0%

The following table illustrates the impact of interest rate sensitivity on the Net OPEB Liability as of the June 30, 2017 measurement (June 30, 2018 reporting):

	1% Decrease 2.58%	Trend Rate 3.58%	1% Increase 4.58%
Total OPEB liability	\$ 20,437,168	\$16,445,290	\$13,429,050
Plan fiduciary net position	6,446,869	6,446,869	6,446,869
Net OPEB liability	<u>\$ 13,990,299</u>	<u>\$ 9,998,421</u>	<u>\$ 6,982,181</u>

E. Pension plans

State Employees

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

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

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

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

2. Funding Policy - Employees of the Authority are required to contribute 3% of earnings in excess of \$6,000. Additionally, for the Year Ended June 30, 2018, the Authority was required to contribute 11.52% of covered payroll to the plan. The Authority's contribution to the State PERS for the Year Ended June 30, 2018 was \$46,856, equal to the required contribution for the year. The Authority's contributions to the State PERS for the Years Ended June 30, 2017 and June 30, 2016 were \$52,807 and \$69,271, respectively, equal to the required contribution for each year.

3. Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred

Inflows of Resources Related to Pensions - At June 30, 2018, the Authority reported a liability of \$414,818 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 with update procedures used to roll forward the total pension liability to June 30, 2017. As of the June 30, 2017 and 2016 measurement dates, the Authority's proportion was 0.0283 percent and 0.0379 percent, respectively. The Authority's proportionate share of the Net Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, and Pension Expense (the Collective Pension Amounts) was determined in accordance with Governmental Accounting Standards Board No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). The Plan's Management has elected to allocate the employer's proportionate shares of the Collective Pension amounts on the percentage of actual employer contributions. Intra-fund transfers and journal entries associated with payroll adjustments are not included in the allocation.

As of June 30, 2018, the Authority reported deferred inflows and outflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Net difference between projected and actual experience	\$ 4,789	\$ 7,314
Net difference to change in proportion	-	144,817
Net difference between projected and actual earnings on plan investments	48,494	-
Changes of assumptions	81,506	-
Contributions made after the measurement date	46,856	-
Total	<u>\$ 181,645</u>	<u>\$ 152,131</u>

The \$46,856 of deferred outflows of resources resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

4. Actuarial Assumptions - The collective total pension liability for June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016 and update procedures were used to roll forward the total pension liability to June 30, 2017. These actuarial valuations used the following actuarial assumptions:

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

*Inflation is included at 2.5%

For the June 30, 2016 actuarial valuation, the investment rate of return / discount rate was decreased from 7.2% to 7.0% and cost of living adjustments was changed from ad hoc to 0%.

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

The assumptions used were based on the results of an actuarial experience study conducted in 2016. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Mortality rates were based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

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

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

Asset Class	Long-Term Expected Real Rate of Return	Asset Allocation
Domestic equity	5.7%	33.5%
International equity	5.7%	13.7%
Fixed income	2.0%	26.6%
Alternative investments	7.8%	22.7%
Cash and equivalents	-	3.5%

Discount Rate - The discount rate for all plans used to measure the total pension liability was 7.0%. The change in the discount rate assumption to 7.0% from 7.2% was due to an adoption by the Board of Trustees in Fiscal Year 2017. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plans fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

1% Decrease	Discount Rate	1% Increase
-------------	---------------	-------------

\$	746,775	\$	414,818	\$	133,402
----	---------	----	---------	----	---------

5. Deferred Outflows of Resources and Deferred Inflows of Resources - The components of collective deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual earnings on the DPERS investments, are amortized into pension expense over a closed period, which reflects the weighted average remaining service life as of all plan members, beginning the year in which the deferred amount occurs. The amortization period is six years for the State Employees' Plan, for deferred amounts arising in fiscal year 2016. The annual difference between the projected and actual earnings on investments is amortized over a five-year closed period beginning the year in which the difference occurs. The cumulative amounts of collective net deferred outflows (inflows) of resources reported as of June 30, 2017 will be recognized in pension expense during the years ended June 30, as follows:

	2019	\$	(7,573)
	2020		33,821
	2021		17,164
	2022		(23,421)
	2023		(13,197)
	Thereafter		<u>(24,136)</u>
		<u>\$</u>	<u>(17,342)</u>

6. Pension Expense - For the year ended June 30, 2018, the Authority recognized pension expense of \$49,114. The components of the pension expense for the year ending June 30, 2018 are as follows:

Service costs	\$	51,137
Interest on total pension liability		191,456
Member contributions		(17,457)
Administrative expenses		1,595
Change in benefit terms		1,362
Projected earnings on plan investments		(159,290)
Differences between projected and actual earnings on plan investments		(236)
Differences between projected and actual experiences regarding other inputs in the measurement of total pension liability		(1,082)
Change in assumption regarding factors or other inputs in the measurement of total pension liability		17,883
Net amortization of deferred amounts from changes in proportion		<u>(36,254)</u>
Pension expense	<u>\$</u>	<u>49,114</u>

7. Plan Assets - The Plan's investments are reported at fair value. Fair value for fixed income and equity securities are generally valued based on published market prices and quotations from national security exchanges or securities pricing services. Pooled investments are funds wherein the System owns units or shares of commingled equity, bond, and cash

funds. Alternative investments included nontraditional investments, some of which may be illiquid, such as limited partnerships, venture capital funds, or private LLCs.

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

Non-State Employees

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

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

2. Funding Policy - This defined contribution plan is funded by contributions from both the covered employees and the Authority. Non-state employees of the Authority are required to contribute 3.5% of their basic salary. The Authority's contribution rate was 9.59% of covered payroll for the Year Ended June 30, 2018. The Authority's contribution to the Housing Renewal and Local Agency Retirement Plan for the Year Ended June 30, 2018 was \$498,474 equal to the required contribution for the year. The Authority's contributions to the plan for the Years Ended June 30, 2017 and June 30, 2016 were \$498,277 and \$470,591, respectively, equal to the required contributions for each year.

F. Contingent liabilities

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

G. Subsequent events

The Authority has evaluated all subsequent events through October 25, 2018, the date the financial statements were available to be issued.

On July 12, 2018, the Authority Issued \$20,630,000 in Single Family Mortgage Revenue Bonds. The proceeds were used to refund the Single Family Mortgage Revenue Bond 2007 Series C, the Single Family Mortgage Revenue Bond 2007 Series D and the Single Family Mortgage Revenue Bond 2008 Series B. The refunding resulted in a cash flow savings of \$3,753,942 and an economic gain of \$13,300,769.

A portion of the outstanding mortgage backed securities in the amount of \$20,893,411 from all three of the refunded bond issues were transferred to this new issue, with the remainder of \$8,169,752 being released to the Authority. Likewise, the outstanding whole loans and second mortgage assistance loans from all three of the refunded bond issues were transferred to the Authority's General Fund from the Single Family Programs Enterprise Fund.

H. Implementation of new pronouncement

For the year ended June 30, 2018, the Authority has implemented Governmental Standards Board Statement No. 75 (GASBS No. 75), Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting). This statement establishes accounting and financial reporting standards to improve the information provided by state and local governments about financial support for OPEB Plans.

The Authority's beginning net position, OPEB liability, and deferred outflows of the entity-wide governmental statement of net position as of June 30, 2017 has been restated to reflect this implementation as follows:

	Deferred Outflow Contributions	OPEB Liability	Unrestricted Net Position
June 30, 2017 - Governmental Unrestricted net position - as reported	\$ -	\$ (629,799)	\$ (16,383,146)
DSHA Medical Retiree Trust	732,138	(11,515,029)	10,782,891
State of Delaware OPEB Plan	65,589	(3,337,507)	3,271,918
June 30, 2017 - Governmental unrestricted net position - as restated	<u>\$ 797,727</u>	<u>\$ (15,482,335)</u>	<u>\$ (2,328,337)</u>

I. Reclassifications

Certain accounts in the prior year have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications had no effect on previously reported total expenses or change in net assets.

DELAWARE STATE HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION



DELAWARE STATE HOUSING AUTHORITY
STATE OF DELAWARE EMPLOYEES' PENSION PLAN
SCHEDULE OF NET PENSION LIABILITY
AS OF JUNE 30, 2018

Actuarial Valuation Date	Proportion of Collective Net Pension Liability	Proportion of Total Pension Liability	Authority's Covered Payroll	Net Pension Liability as a Percentage of Covered Payroll	Plan's Fiduciary Net Position as a Percentage of Total Pension Liability
6/30/2014	0.048%	\$ 177,377	\$ 878,451	20.2%	95.8%
6/30/2015	0.046%	\$ 307,518	\$ 863,020	35.6%	92.7%
6/30/2016	0.038%	\$ 571,337	\$ 718,116	79.6%	84.1%
6/30/2017	0.038%	\$ 414,818	\$ 459,368	90.3%	85.3%

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

DELAWARE STATE HOUSING AUTHORITY
STATE OF DELAWARE EMPLOYEES' PENSION PLAN
NOTES TO SCHEDULE OF NET PENSION LIABILITY
AS OF JUNE 30, 2018

Employer Reporting Date	June 30, 2018	June 30, 2017	June 30, 2016
Actuarial Valuation Date	June 30, 2016	June 30, 2015	June 30, 2014
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015
Investment Rate of return/discount rate*	7.0%	7.2%	7.2%
Projected salary increases*	2.5% + Merit	2.5% + Merit	3.5% to 11.5%
Cost-of-living adjustments	0%	0%	Ad hoc
Mortality rates	RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.		Mortality rates were based on the Sex distinct RP-2000 combined Mortality Table projected to 2015 scale AA for Males or Females, as appropriate, for mortality improvement.

*Inflation is included at 2.5%

DELAWARE STATE HOUSING AUTHORITY
STATE OF DELAWARE EMPLOYEES' PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
AS OF JUNE 30, 2018

Date	Required Employer Contribution	Contributions Recognized in Relation to the Required Employer Contribution	Contribution Deficiency/(Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
6/30/2008	\$ 173,724	\$ 173,724	\$ -	\$ 2,457,199	7.07%
6/30/2009	\$ 144,028	\$ 144,028	\$ -	\$ 2,156,108	6.68%
6/30/2010	\$ 97,756	\$ 97,756	\$ -	\$ 1,456,870	6.71%
6/30/2011	\$ 93,845	\$ 93,845	\$ -	\$ 1,130,663	8.30%
6/30/2012	\$ 96,951	\$ 96,951	\$ -	\$ 1,045,858	9.27%
6/30/2013	\$ 91,068	\$ 91,068	\$ -	\$ 929,265	9.80%
6/30/2014	\$ 92,413	\$ 92,413	\$ -	\$ 878,451	10.52%
6/30/2015	\$ 91,739	\$ 91,739	\$ -	\$ 863,020	10.63%
6/30/2016	\$ 76,982	\$ 76,982	\$ -	\$ 718,116	10.72%
6/30/2017	\$ 52,807	\$ 52,807	\$ -	\$ 493,985	10.69%
6/30/2018	\$ 46,856	\$ 46,856	\$ -	\$ 459,368	10.20%

NOTE TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

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

DELAWARE STATE HOUSING AUTHORITY
 RETIREE MEDICAL TRUST FUND
 SCHEDULE OF CHANGES IN NET OPEB LIABILITY
 AS OF JUNE 30, 2018

Measurement Date	June 30, 2017
Reporting Date	<u>June 30, 2018</u>
Beginning OPEB Liability Balance	\$ 17,911,837
Service Cost	937,606
Interest Cost	535,772
Difference Between Expected and Actual Experience	(39,636)
Change in assumptions	(2,798,750)
Benefit payments	<u>(101,539)</u>
Ending OPEB Liability Balance	\$ <u>16,445,290</u>
Beginning Plan Fiduciary Net Position	\$ 5,767,009
Benefit payments	(101,539)
Employer contributions	732,138
Net Investment Income	58,061
Administrative expense	<u>(8,800)</u>
Ending Plan Fiduciary Net Position	<u>6,446,869</u>
Net OPEB Liability	<u>\$ 9,998,421</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	39.20%

DELAWARE STATE HOUSING AUTHORITY
 RETIREE MEDICAL TRUST FUND
 NOTES TO SCHEDULE OF CHANGES IN NET OPEB LIABILITY
 AS OF JUNE 30, 2018

Valuation date	July 1, 2016
Measurement date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	3.00%
Discount Rate	2.85%
20 Year Municipal Bond Rate	3.58%
Municipal Bond Rate Basis	Bond Buyers General Obligation 20 Year Municipal Bond Index
Inflation Rate	2.00%
Ultimate Rate of Medical Inflation	
Pre-65 Trend	6.00% in 2016 decreasing to 4.50% in 2027
Post-65 Trend	5.00% in 2016 decreasing to 4.50% in 2027
Mortality Rate	RP-2014 Mortality Table projected generationally with scale MP-2015 from
Asset Method	Fair Market Value

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

DELAWARE STATE HOUSING AUTHORITY
 RETIREE MEDICAL TRUST FUND
 SCHEDULE OF CONTRIBUTIONS
 AS OF JUNE 30, 2018

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

Notes to Schedule of Contribution

Valuation Date: Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported

Actuarial Cost Method: Projected Unit Credit with 30-year fresh start amortization period for the unfunded liability

Asset Valuation Method: Market Value

Investment Rate of Return: 3.00%, net of OPEB plan investment expense, including inflation

Retirement Age: Varies by age

Mortality: RP 2014 Mortality Table projected generational with scale MP-2015 from the central year

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

DELAWARE STATE HOUSING AUTHORITY
RETIREE MEDICAL TRUST FUND
SCHEDULE OF ANNUAL MONEY-WEIGHTED RATE OF RETURN ON INVESTMENTS
AS OF JUNE 30, 2018

Fiscal Year End Date	Annual Money-Weighted Rate of Return on Investments
6/30/2018	0.82%
6/30/2017	1.88%

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

DELAWARE STATE HOUSING AUTHORITY
STATE OF DELAWARE OTHER POST EMPLOYMENT BENEFITS PLAN
JUNE 30, 2018

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

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



DELAWARE STATE HOUSING AUTHORITY
OTHER SUPPLEMENTARY INFORMATION



DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF ACTIVITIES - ENTITY-WIDE
FOR THE YEAR ENDED JUNE, 30, 2018

EXPENSES	\$	99,449,975
PROGRAM REVENUE		
Charges for services		25,845,315
Operating grants and contributions		82,390,282
Capital grants and contributions		<u>1,050,397</u>
NET OPERATING REVENUE		9,836,019
GENERAL REVENUE		
Loss on Fixed Assets		(847,475)
Investment gains/(losses)		<u>(1,546,281)</u>
TOTAL GENERAL REVENUE		<u>(2,393,756)</u>
CHANGE IN NET POSITION		7,442,263
NET POSITION, BEGINNING		<u>487,836,146</u>
NET POSITION, ENDING	\$	<u><u>495,278,409</u></u>



DELAWARE STATE HOUSING AUTHORITY
BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	DELAWARE EMERGENCY MORTGAGE ASSISTANCE PROGRAM	DELAWARE HOUSING INSURANCE FUND	DELAWARE MORTGAGE MEDIATION PROGRAM	DSHA SECOND MORTGAGE ASSISTANCE LOAN PROGRAM	DELAWARE DEPARTMENT OF JUSTICE MORTGAGE SETTLEMENT FUND
ASSETS					
Cash and cash equivalents	\$ 5,909,471	\$ 6,993	\$ -	\$ 5,206,638	\$ 260,860
Investments	1,665,364	-	38,425	-	-
Interfund receivables	-	-	-	387	54,997
Loans receivable:					
Mortgages receivable, net	6,414,750	-	-	23,990,463	-
Accrued interest & other receivables	436,842	-	-	6,241,450	-
TOTAL ASSETS	\$ 14,426,427	\$ 6,993	\$ 38,425	\$ 35,438,938	\$ 315,857
LIABILITIES & FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred credit	-	-	-	-	-
Interfund payables	206	50	-	134,867	47,562
Escrow deposits	24,048	-	-	-	-
TOTAL LIABILITIES	24,254	50	-	134,867	47,562
FUND BALANCES					
Restricted	14,402,173	6,943	38,425	35,304,071	268,295
Assigned	-	-	-	-	-
TOTAL FUND BALANCES	14,402,173	6,943	38,425	35,304,071	268,295
TOTAL LIABILITIES & FUND BALANCES	\$ 14,426,427	\$ 6,993	\$ 38,425	\$ 35,438,938	\$ 315,857

HOUSING REHABILITATION LOAN PROGRAM	POST FORECLOSURE FINANCIAL COACHING PROGRAM	STRONG NEIGHBORHOODS HOUSING FUND	NEIGHBORWORKS PROJECT REINVEST	WILMINGTON SENIOR TAX ASSISTANCE PROGRAM	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ -	\$ 633,333	\$ 1,028,689	\$ 12,833	\$ 53,023	\$ 13,111,840
109,498	-	4,010,547	-	-	5,823,834
-	-	-	-	-	55,384
910,752	-	-	-	-	31,315,965
47,763	-	-	-	-	6,726,055
<u>\$ 1,068,013</u>	<u>\$ 633,333</u>	<u>\$ 5,039,236</u>	<u>\$ 12,833</u>	<u>\$ 53,023</u>	<u>\$ 57,033,078</u>
\$ 43	\$ -	\$ -	\$ -	\$ -	\$ 43
-	-	-	-	-	-
-	-	-	-	-	182,685
-	-	-	-	-	24,048
<u>43</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>206,776</u>
958,515	633,333	5,039,236	12,833	-	56,663,824
109,455	-	-	-	53,023	162,478
<u>1,067,970</u>	<u>633,333</u>	<u>5,039,236</u>	<u>12,833</u>	<u>53,023</u>	<u>56,826,302</u>
<u>\$ 1,068,013</u>	<u>\$ 633,333</u>	<u>\$ 5,039,236</u>	<u>\$ 12,833</u>	<u>\$ 53,023</u>	<u>\$ 57,033,078</u>

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	DELAWARE EMERGENCY MORTGAGE ASSISTANCE PROGRAM	DELAWARE HOUSING INSURANCE FUND	DELAWARE MORTGAGE MEDIATION PROGRAM	DSHA SECOND MORTGAGE ASSISTANCE LOAN PROGRAM	DELAWARE DEPARTMENT OF JUSTICE MORTGAGE SETTLEMENT FUND
REVENUES					
Interest income:					
Investments	\$ 1,665	\$ -	\$ 177	\$ -	\$ -
Loans	67,686	-	-	1,014,590	-
Total interest income	69,351	-	177	1,014,590	-
Payments from primary government	-	-	-	-	-
Gains/(losses) on investments	-	-	-	-	-
Fees	-	-	141,300	-	-
Other revenue	1,503,182	-	-	677,144	-
TOTAL REVENUES	1,572,533	-	141,477	1,691,734	-
EXPENDITURES					
Current:					
Affordable rental housing	-	-	-	-	-
Community rehabilitation	-	-	-	-	-
Home ownership	794,185	-	146,156	1,241,573	361,477
Housing rehabilitation	-	-	-	-	-
TOTAL EXPEDITURES	794,185	-	146,156	1,241,573	361,477
EXCESS/(DEFICIT) REVENUE OVER EXPENDITURES	778,348	-	(4,679)	450,161	(361,477)
OTHER FINANCING SOURCES (USES)					
Transfers in	661,716	40,703	-	7,539,976	248,591
Transfers out	(892,837)	(127,044)	-	(1,710,954)	(17,470)
TOTAL OTHER FINANCING SOURCES (USES)	(231,121)	(86,341)	-	5,829,022	231,121
NET CHANGE IN FUND BALANCES	547,227	(86,341)	(4,679)	6,279,183	(130,356)
FUND BALANCES, BEGINNING	13,854,946	93,284	43,104	29,024,888	398,651
FUND BALANCES, ENDING	\$ 14,402,173	\$ 6,943	\$ 38,425	\$ 35,304,071	\$ 268,295

* The transfers in and out have been reduced by \$4,227,491 for transfers between Nonmajor Programs.

HOUSING REHABILITATION LOAN PROGRAM	POST FORECLOSURE FINANCIAL COACHING PROGRAM	STRONG NEIGHBORHOODS HOUSING FUND	NEIGHBORWORKS PROJECT REINVEST	WILMINGTON SENIOR TAX ASSISTANCE PROGRAM	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ 6,217	\$ -	\$ 5,564	\$ -	\$ -	\$ 13,623
33,148	-	-	-	-	1,115,424
39,365	-	5,564	-	-	1,129,047
-	-	-	77,895	-	77,895
817	-	-	-	-	817
24	-	-	-	-	141,324
10,875	-	-	-	-	2,191,201
51,081	-	5,564	77,895	-	3,540,284
-	-	-	-	-	-
-	-	1,666,579	-	-	1,666,579
-	237,500	-	65,062	30,385	2,876,338
36,076	-	-	-	-	36,076
36,076	237,500	1,666,579	65,062	30,385	4,578,993
15,005	(237,500)	(1,661,015)	12,833	(30,385)	(1,038,709)
109,274	-	-	-	-	4,372,769
(1,479,186)	-	-	-	-	-
(1,369,912)	-	-	-	-	4,372,769
(1,354,907)	(237,500)	(1,661,015)	12,833	(30,385)	3,334,060
2,422,877	870,833	6,700,251	-	83,408	53,492,242
\$ 1,067,970	\$ 633,333	\$ 5,039,236	\$ 12,833	\$ 53,023	\$ 56,826,302

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF NET POSITION - PROPRIETARY FUND - SUBFUNDS OF THE FEDERAL PROGRAMS ENTERPRISE FUND
JUNE 30, 2018

	COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAMS	COMPREHENSIVE HOUSING COUNSELING GRANT PROGRAM	FAMILY UNIFICATION PROGRAM	HOME INVESTMENT PARTNERSHIP PROGRAM
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 200	\$ 50	\$ 42,890	\$ 50
Investments	-	-	-	659,152
Accrued interest and other receivables	-	-	-	11,609
Grants receivable-U.S. Dept of HUD	-	-	-	-
Interfund receivables	-	-	-	63,366
Prepaid expenses	-	-	23,516	-
Total current assets	<u>200</u>	<u>50</u>	<u>66,406</u>	<u>734,177</u>
Non-Current Assets:				
Cash, restricted for payment of escrows	-	-	41,656	-
Investments	-	-	-	5,927,806
Mortgages receivable, net	-	-	-	59,432,932
Accrued interest and other receivables, net	-	-	-	11,832,787
Interfund receivables	25,282	-	-	-
Capital assets not being depreciated	-	-	-	-
Capital assets net of accumulated depreciation	-	-	-	-
Total non-current assets	<u>25,282</u>	<u>-</u>	<u>41,656</u>	<u>77,193,525</u>
TOTAL ASSETS	<u>25,482</u>	<u>50</u>	<u>108,062</u>	<u>77,927,702</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	5,940	-	-	8,049
Due St of Delaware-pension costs	479	-	-	-
Interfund payables	-	54,997	-	21,052
Compensated absences payable	1,683	-	-	-
Total current liabilities	<u>8,102</u>	<u>54,997</u>	<u>-</u>	<u>29,101</u>
Non-Current Liabilities:				
Interfund payables	200	50	30,000	50
Compensated absences payable	20,715	-	-	2,240
Escrow deposits	-	-	41,656	5,927,806
Total non-current liabilities	<u>20,915</u>	<u>50</u>	<u>71,656</u>	<u>5,930,096</u>
TOTAL LIABILITIES	<u>29,017</u>	<u>55,047</u>	<u>71,656</u>	<u>5,959,197</u>
NET POSITION				
Invested in capital assets	-	-	-	-
Restricted by federal regulations	(3,535)	(54,997)	36,406	71,968,505
TOTAL NET POSITION	<u>\$ (3,535)</u>	<u>\$ (54,997)</u>	<u>\$ 36,406</u>	<u>\$ 71,968,505</u>

HOUSING TRUST FUND	MOVING TO WORK DEMONSTRATION PROGRAM	NATIONAL FORECLOSURE MITIGATION COUNSELING	SECOND CHANCE ACT/ I-ADAPT HOUSING PROGRAM	SECTION 8 CONTRACT ADMINISTRATION PROGRAM	SECTION 811 PROJECT RENTAL ASSISTANCE DEMONSTRATION PROGRAM	TOTAL FEDERAL PROGRAMS
\$ 8	\$ 2,519,571	\$ 240	\$ 3,088	\$ 974,084	\$ 25,473	\$ 3,565,654
-	1,052,831	-	-	-	-	1,711,983
42	111,189	-	-	1,147	-	123,987
-	-	-	-	318,071	-	318,071
-	11,694	-	-	-	-	75,060
-	542,879	-	-	3,210,469	54,627	3,831,491
50	4,238,164	240	3,088	4,503,771	80,100	9,626,246
-	1,219,666	-	-	-	-	1,261,322
-	-	-	-	-	-	5,927,806
-	-	-	-	-	-	59,432,932
-	-	-	-	-	-	11,832,787
-	-	-	-	-	-	25,282
-	1,616,992	-	-	-	-	1,616,992
-	6,882,345	-	-	-	-	6,882,345
-	9,719,003	-	-	-	-	86,979,466
50	13,957,167	240	3,088	4,503,771	80,100	96,605,712
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,333	555,630	-	-	63,017	-	635,969
-	460	-	-	-	-	939
-	-	-	-	-	-	76,049
-	1,979	-	-	-	-	3,662
3,333	558,069	-	-	63,017	-	716,619
-	-	-	-	-	-	-
50	503,100	50	50	3,200,000	80,100	3,813,650
-	236,909	-	-	52,343	-	312,207
-	1,267,439	-	-	-	-	7,236,901
50	2,007,448	50	50	3,252,343	80,100	11,362,758
3,383	2,565,517	50	50	3,315,360	80,100	12,079,377
-	-	-	-	-	-	-
-	8,499,337	-	-	-	-	8,499,337
(3,333)	2,892,313	190	3,038	1,188,411	-	76,026,998
\$ (3,333)	\$ 11,391,650	\$ 190	\$ 3,038	\$ 1,188,411	\$ -	\$ 84,526,335

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND -
SUBFUNDS OF THE FEDERAL PROGRAMS ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2018

	COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAMS	COMPREHENSIVE HOUSING COUNSELING GRANT PROGRAM	FAMILY UNIFICATION PROGRAM	HOME INVESTMENT PARTNERSHIP PROGRAM
OPERATING REVENUES				
Interest income on loans	\$ -	\$ -	\$ -	\$ 1,233,804
Federal housing program grants	2,583,896	-	303,102	2,182,983
Rental income	-	-	-	-
Miscellaneous	12,218	-	9,486	17,688
TOTAL OPERATING REVENUES	2,596,114	-	312,588	3,434,475
OPERATING EXPENSES				
Administrative	159,960	70,569	-	1,476,874
Grants and housing assistance payments	2,447,083	-	316,851	821,752
Public housing maintenance & utilities	-	-	-	-
Depreciation	-	-	-	-
TOTAL OPERATING EXPENSES	2,607,043	70,569	316,851	2,298,626
OPERATING INCOME/(LOSS)	(10,929)	(70,569)	(4,263)	1,135,849
NON-OPERATING INCOME/(EXPENSES)				
Investment income	-	-	-	1,042
Gain/(Loss) on Disposal of Property	-	-	-	-
TOTAL NON-OPERATING INCOME/(EXPENSES)	-	-	-	1,042
INCOME/(LOSS) BEFORE CAPITAL GRANTS AND OPERATING TRANSFERS				
	(10,929)	(70,569)	(4,263)	1,136,891
Capital grants and contributions	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
CHANGE IN NET POSITION	(10,929)	(70,569)	(4,263)	1,136,891
NET POSITION, BEGINNING	7,394	15,572	40,669	70,831,614
NET POSITION, ENDING	\$ (3,535)	\$ (54,997)	\$ 36,406	\$ 71,968,505

* The transfer in and out have been reduced by \$434,234 for transfer between Federal Programs.

HOUSING TRUST FUND	MOVING TO WORK DEMONSTRATION PROGRAM	NATIONAL FORECLOSURE MITIGATION COUNSELING	SECOND CHANCE ACT/ I-ADAPT HOUSING PROGRAM	SECTION 8 CONTRACT ADMINISTRATION	SECTION 811 PROJECT RENTAL ASSISTANCE DEMONSTRATION PROGRAM	TOTAL FEDERAL PROGRAMS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,233,804
260,211	11,015,372	29,004	-	40,771,009	373,809	57,519,386
-	678,568	-	-	-	-	678,568
-	653,390	-	-	-	-	692,782
260,211	12,347,330	29,004	-	40,771,009	373,809	60,124,540
263,544	3,320,621	28,814	-	1,300,290	73,772	6,694,444
-	9,396,012	-	3,111	39,654,865	314,647	52,954,321
-	1,495,814	-	-	-	-	1,495,814
-	1,252,124	-	-	-	-	1,252,124
263,544	15,464,571	28,814	3,111	40,955,155	388,419	62,396,703
(3,333)	(3,117,241)	190	(3,111)	(184,146)	(14,610)	(2,272,163)
-	1,201	-	-	-	-	2,243
-	(847,475)	-	-	-	-	(847,475)
-	(846,274)	-	-	-	-	(845,232)
(3,333)	(3,963,515)	190	(3,111)	(184,146)	(14,610)	(3,117,395)
-	1,050,397	-	-	-	-	1,050,397
-	434,234	-	-	-	-	-
-	(434,234)	-	-	-	-	-
(3,333)	(2,913,118)	190	(3,111)	(184,146)	(14,610)	(2,066,998)
-	14,304,768	-	6,149	1,372,557	14,610	86,593,333
\$ (3,333)	\$ 11,391,650	\$ 190	\$ 3,038	\$ 1,188,411	\$ -	\$ 84,526,335

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF NET POSITION - PROPRIETARY FUND - SUBFUNDS OF THE SINGLE FAMILY PROGRAMS
ENTERPRISE FUND
JUNE 30, 2018

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2007C-2013A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES - NIBP 2010-1 - 2013-1	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 75,075	\$ 5	\$ 3,500,852
Investments	1,783,642	99,545	12,717,713
Mortgage loan receivable, net	2,288,141	-	-
Accrued interest and other receivables	1,352,158	345,163	-
Interfund receivables	-	-	-
Total current assets	5,499,016	444,713	16,218,565
Non-Current Assets:			
Investments	40,800	-	-
Securitized mortgage loans, net	76,060,475	114,545,812	-
Mortgage loan receivable, net	18,151,639	-	-
Accrued interest and other receivables	2,200,982	-	-
Total non-current assets	96,453,896	114,545,812	-
TOTAL ASSETS	101,952,912	114,990,525	16,218,565
DEFERRED OUTFLOW OF RESOURCES			
Deferred amount on bond refunding	140,671	-	-
TOTAL DEFERRED OUTFLOW OF RESOURCES	140,671	-	-
LIABILITIES			
Current Liabilities:			
Accounts payable	-	-	65
Interfund payables	180,330	-	48,408
Revenue bonds payable	1,941,436	2,887,976	-
Total current liabilities	2,121,766	2,887,976	48,473
Non-Current Liabilities:			
Interfund payables	50	-	-
Revenue bonds payable	71,625,235	111,883,501	-
Total non-current liabilities	71,625,285	111,883,501	-
TOTAL LIABILITIES	73,747,051	114,771,477	48,473
DEFERRED INFLOW OF RESOURCES			
Deferred amount on bond refunding	-	298,592	-
TOTAL DEFERRED INFLOW OF RESOURCES	-	298,592	-
NET POSITION			
Restricted by bond covenants	28,346,532	(79,544)	16,170,092
TOTAL NET POSITION	\$ 28,346,532	\$ (79,544)	\$ 16,170,092

SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND SERIES 2001A		TOTAL SINGLE FAMILY PROGRAMS
\$	-	\$ 3,575,932
	-	14,600,900
	-	2,288,141
	-	1,697,321
	-	-
	-	<u>22,162,294</u>
	-	40,800
	-	190,606,287
	-	18,151,639
	-	2,200,982
	-	<u>210,999,708</u>
	-	<u>233,162,002</u>
	-	140,671
	-	<u>140,671</u>
	-	65
	-	228,738
	-	4,829,412
	-	<u>5,058,215</u>
	-	50
	-	183,508,736
	-	<u>183,508,786</u>
	-	<u>188,567,001</u>
	-	298,592
	-	<u>298,592</u>
	-	44,437,080
\$	-	<u>\$ 44,437,080</u>

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND -
SUBFUNDS OF THE SINGLE FAMILY PROGRAMS ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2018

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2007C-2013A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES - NIBP 2010-1 - 2013-1	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM
OPERATING REVENUES			
Interest income on loans	\$ 5,774,659	\$ 4,610,046	\$ -
Amortization of deferred revenues	-	-	-
Miscellaneous	13,610	-	-
TOTAL OPERATING REVENUES	5,788,269	4,610,046	-
OPERATING EXPENSES			
Interest expense on bonds	2,784,624	3,710,118	-
Administrative	725,944	-	814
Grants	-	-	1,336,145
Loan servicing fees	29,091	-	-
Amortization of deferred expenses	-	-	-
Other expenses	580,237	24,186	-
TOTAL OPERATING EXPENSES	4,119,896	3,734,304	1,336,959
OPERATING INCOME/(LOSS)	1,668,373	875,742	(1,336,959)
NON-OPERATING INCOME/(EXPENSES)			
Investment income	15,243	2,325	6,508,611
Change in fair value of investments	(3,432,923)	(4,183,710)	-
TOTAL NON-OPERATING INCOME/(EXPENSES)	(3,417,680)	(4,181,385)	6,508,611
INCOME/(LOSS) BEFORE OPERATING TRANSFERS	(1,749,307)	(3,305,643)	5,171,652
Transfers in	1,757,298	1,184,309	-
Transfers out	(8,693,979)	(1,148,728)	(2,065,194)
CHANGE IN NET POSITION	(8,685,988)	(3,270,062)	3,106,458
NET POSITION, BEGINNING	37,032,520	3,190,518	13,063,634
NET POSITION, ENDING	\$ 28,346,532	\$ (79,544)	\$ 16,170,092

SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND SERIES 2001A		TOTAL SINGLE FAMILY PROGRAMS
\$	-	\$ 10,384,705
	-	-
	-	13,610
	-	<u>10,398,315</u>
	-	6,494,742
	-	726,758
	-	1,336,145
	-	29,091
	-	-
	-	<u>604,423</u>
	-	<u>9,191,159</u>
	-	<u>1,207,156</u>
	1	6,526,180
	-	(7,616,633)
	<u>1</u>	<u>(1,090,453)</u>
	1	116,703
	-	2,941,607
	<u>(197,503)</u>	<u>(12,105,404)</u>
	(197,502)	(9,047,094)
	<u>197,502</u>	<u>53,484,174</u>
\$	-	\$ <u>44,437,080</u>

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE
FOR THE YEAR ENDED JUNE 30, 2018

The details of and changes in the Authority's mortgage revenue bonds during the Year Ended June 30, 2018 are as follows:

Bond Issue	Interest Rate	Final Maturity Date	Bonds Outstanding June 30, 2017	Matured	Called	Other	Bonds Outstanding June 30, 2018
Single Family Mortgage Revenue Bonds 2007 Series C	5.30% - 5.55%	2049	7,264,684	-	(1,545,000)	(83,196)	5,636,488
Single Family Mortgage Revenue Bonds 2007 Series D	4.63% - 5.80%	2049	8,564,458	-	(1,470,000)	(82,170)	7,012,288
Single Family Mortgage Revenue Bonds 2008 Series A	4.75% - 6.65%	2039	9,993,621	-	(9,475,000)	(518,621)	-
Single Family Mortgage Revenue Bonds 2008 Series B	4.00% - 5.45%	2040	13,930,000	(555,000)	(4,480,000)	-	8,895,000
Single Family Mortgage Revenue Bonds 2009 Series A	3.45% - 5.45%	2040	12,960,186	(455,000)	(1,950,000)	(35,330)	10,519,856
Single Family Mortgage Revenue Bonds 2011 Series A/B	4.25% - 5.10%	2031	12,626,361	-	(2,690,000)	(110,827)	9,825,534
Single Family Mortgage Revenue Bonds 2013 Series A	2.60%	2043	36,800,174	-	(5,122,669)	-	31,677,505
Single Family Mortgage Revenue Bonds 2010-1 (NIBP)	3.01% - 4.55%	2041	44,420,536	-	(5,605,000)	(134,429)	38,681,107
Single Family Mortgage Revenue Bonds 2011-2 (NIBP)	1.80% - 4.38%	2041	40,345,513	-	(6,315,000)	(60,143)	33,970,370
Single Family Mortgage Revenue Bonds 2013-1 (NIBP)	1.26% - 4.40%	2041	51,005,000	(155,000)	(8,730,000)	-	42,120,000
TOTAL			\$ 237,910,533	\$(1,165,000)	\$(47,382,669)	\$(1,024,716)	\$ 188,338,148

The "Other" category totaling \$(1,024,715) represents accretion on capital appreciation bonds, netted by deferred amounts on refunding and bond forgiveness.

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

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

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

All SMAL Mortgage Revenue Bonds.

DELAWARE STATE HOUSING AUTHORITY
SINGLE AUDIT SUPPLEMENT





BELFINT • LYONS • SHUMAN
Certified Public Accountants

www.belfint.com

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

To the Delaware State Housing Authority
Dover, Delaware

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Delaware State Housing Authority (DSHA), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise DSHA's basic financial statements, and have issued our report thereon dated November 7, 2018.

Internal Control Over Financial Reporting

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

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

To the Delaware State Housing Authority
Dover, Delaware

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2018-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

DSHA's Response to Finding

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

Purpose of this Report

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

Belfint, Lyons & Shuman, P.A.

November 7, 2018
Wilmington, Delaware



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

To the Delaware State Housing Authority
Dover, Delaware

Report on Compliance for Each Major Federal Program

We have audited the Delaware State Housing Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Delaware State Housing Authority's major federal programs for the year ended June 30, 2018. Delaware State Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

To the Delaware State Housing Authority
Dover, Delaware

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

Opinion on Each Major Federal Program

In our opinion, Delaware State Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

To the Delaware State Housing Authority
Dover, Delaware

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

Belfint, Lyons & Shuman, P.A.

November 7, 2018
Wilmington, Delaware



DELAWARE STATE HOUSING AUTHORITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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? | <u> </u> Yes | <u> X</u> No |
| • Significant deficiency(ies) identified? | <u> X</u> Yes | <u> </u> None reported |
| • Noncompliance material to financial statements noted? | <u> </u> Yes | <u> X</u> 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? | <u> </u> Yes | <u> X</u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X</u> None reported |

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

- | | |
|-----------------------|-------------------|
| <u> </u> Yes | <u> X</u> No |
|-----------------------|-------------------|

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>14.327</u>	<u>Performance Based Contract Administrator Program</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

Dollar threshold used to distinguish between Type A and Type B programs: \$1,758,727

Auditee qualified as low-risk auditee? X Yes No

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

See finding on page 109

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

PART C - FINDINGS RELATED TO FEDERAL AWARDS

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

DELAWARE STATE HOUSING AUTHORITY
18 The Green
Dover, Delaware 19901

Financial Statement Findings

Reference Number: 2018-001

Type of Finding: Significant Deficiency

Department of Finance - Financial Reporting Close Process

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

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

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

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

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

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

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

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR/PROGRAM TITLE	CFDA NUMBER	CONTRACT NUMBER	TOTAL PROGRAM EXPENDITURES	SUB-RECIPIENT EXPENDITURES
DIRECT GRANTS:				
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Comprehensive Housing Counseling Grant Program	14.169	HC150341002	\$ -	\$ -
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	B-15-DC-10-0001	4,299	4,299
		B-16-DC-10-0001	760,586	735,019
		B-17-DC-10-0001	1,042,849	916,401
		B-08-DN-10-0001	330,792	354,209
Total CDBG/State's Program and Non-Entitlement Grants in Hawaii			<u>2,138,526</u>	<u>2,009,928</u>
Emergency Solutions Grant Program	14.231	E-15-DC-10-0001	1,585	1,585
		E-16-DC-10-0001	86,163	84,233
		E-17-DC-10-0001	138,110	138,110
Total Emergency Solutions Grant Program			<u>225,858</u>	<u>223,928</u>
HOME Investment Partnerships Program	14.239	M-14SG1-00100	203,185	203,185
		M-15SG1-00100	1,176,522	1,176,522
		M-16SG1-00100	640,143	398,266
		M-17SG1-00100	163,134	-
		Program income	502,473	1,030,744
Total HOME Investment Partnerships Program			<u>2,685,457</u>	<u>2,808,717</u>
Housing Opportunities for Persons with AIDS	14.241	DEH16F999	63,241	56,956
		DEH17F999	156,272	156,272
Total Housing Opportunities for Persons with AIDS			<u>219,513</u>	<u>213,228</u>
Section 811 Project Rental Assistance Demonstration	14.326	DE26DRD1201	374,426	314,647
Performance Based Contract Administrator Program	14.327 *	Various	40,984,079	39,654,865
ROSS Grant	14.870	DE004RPS121A015	18,463	-
Housing Trust Fund	14.275	F16SG1-00100	260,211	260,211
Family Unification Program	14.880	2009FUPDE9018010	303,102	293,823
Moving to Work Demonstration Program:	14.881			
Public and Indian Housing Program		DE004-0000316D	4,306	-
		DE004-0000317D	1,681,193	-
		DE004-0000318D	1,400,128	-
Public Housing Capital Fund		Various	811,766	-
Lower Income Housing Assistance Program (Section 8):				
Moving To Work Vouchers		DE901VOW089-097	6,650,138	-
VASH		DE901VORV01	30,289	-
RAD		DE901VO0120	375,652	-
Special Administrative Fees		DE901AFE003-011	908,994	-
Special Administrative Fees		DE901AFR417	162,046	-
Special Administrative Fees		DE901AFRD01-02	81,410	-
Special Administrative Fees		DE901VOPR16-17	32,526	-
Special Administrative Fees		DE901AF0089-0097	53,320	-
Total Moving to Work Demonstration Program			<u>12,191,768</u>	<u>-</u>
Total U. S. Department of Housing and Urban Development			<u>59,401,403</u>	<u>45,779,346</u>
TOTAL DIRECT GRANTS			<u>59,401,403</u>	<u>45,779,346</u>

Continued on next page

DELAWARE STATE HOUSING AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR/PROGRAM TITLE	CFDA NUMBER	CONTRACT NUMBER	TOTAL PROGRAM EXPENDITURES	SUB-RECIPIENT EXPENDITURES
INDIRECT GRANTS:				
United States Congress				
Appropriation allocated to HUD and passed through to Neighborhood Reinvestment Corporations (dba NeighborWorks® America) via Public Law				
National Foreclosure Mitigation Counseling Program	14.xxx	PL110-161:95X1350	29,004	28,493
Appropriation allocated to U.S. Dept. of Justice, Office of Justice Programs and passed through to Delaware Criminal Justice Council via Public Law				
Second Chance Act	16.812		-	2,399
TOTAL INDIRECT GRANTS			<u>29,004</u>	<u>30,892</u>
TOTAL FEDERAL AWARDS			<u>\$ 59,430,407</u>	<u>\$ 45,810,238</u>

N/A - Not Available.

* Denotes a major federal program.

- (1) As of June 30, 2018, the amount of outstanding single family mortgages purchased by the Authority and covered by either FHA insurance or a VA guarantee was \$6,334,004 and \$1,265,152, respectively.
- (2) HOME Investment Partnerships Program Income cash receipts included \$1,042 of interest revenue for the fiscal year ended June 30, 2018.

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, 2018

ANNUAL CONTRIBUTIONS CONTRACT P-4520

	PROJECT NUMBER		TOTAL
	DE26-P004- 50116	DE26-P004- 50117	
Funds advanced	\$ 722,948	\$ 490,387	\$ 1,213,335
Management improvements	60,430	374	60,804
Site improvements	566,800	416,240	983,040
Administration	95,718	73,773	169,491
Funds expensed	722,948	490,387	1,213,335
Excess (deficiency) of funds advanced	\$ -	\$ -	\$ -

See notes to supplemental schedule of expenditures of federal awards.

DELAWARE STATE HOUSING AUTHORITY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

2. OTHER INFORMATION

The Authority charges administrative expenses to federal programs based on its June 2016 Indirect Cost Allocation Plan.

3. ANNUAL CONTRIBUTIONS CONTRACT

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



DOVER

(302) 739-4263
(302) 739-6122 FAX
(302) 739-7428 TDD

**18 THE GREEN
DOVER, DELAWARE 19901
TOLL FREE: (888) 363-8808**

WILMINGTON

(302) 577-5001
(302) 577-5021 FAX

Corrective Action Plan

Finding 2018-001:

June 30, 2018

The Senior Fiscal Administrative Officer who supervises the Senior Accountant position will follow up on the year end processes as well as the Financial Analysis and Reporting Section Manager will implement the items below:

- An electronic reminder is in place to calculate the Allowance for Doubtful Accounts percentages annually. Going forward, the Financial Analysis and Reporting Section Manager will verify that each allowance adjustment is entered.
- For expenses that exceed the Fixed Asset threshold, the A/P section will be reminded to code the expense to a Fixed Asset account code. The Financial Analysis and Reporting Section Manager will remind the Senior Fiscal Administration Officer in the A/P section to review coding to ensure proper classification. The Senior Accountant responsible for reconciling the General Ledger will also be reminded to verify that large expenditures are properly classified as Fixed Assets. These reminders are placed on all responsible staff's Outlook calendars and follow up will be conducted.
- To ensure prepaid expenses are captured, the A/P section will be reminded to notify the Financial Analysis and Reporting Section when a bill is paid for services covering more than the current fiscal period.
- The Interest Income Accrual posting was removed correctly from the Single Family Program, but the entry was omitted from the DSHA SMAL Program to which the loans were transferred. The Senior Accountant will verify the loans and associated accrued interest are properly transferred to the General Ledger that accounts for the DSHA SMAL loans. An electronic reminder and manual checklist will be followed on future transfers to ensure all entries are recorded properly.
- The above action items are incorporated into all related instructions manuals.

Responsible Positions: Financial Analysis & Reporting Section Manager and Senior Fiscal Administrative Officer

