



# DELAWARE STATE HOUSING AUTHORITY

Basic Financial Statement Audit  
for Fiscal Year ended June 30, 2021



**Kathleen K. McGuinness, RPh, CFE**

Delaware State Auditor



KATHLEEN  
**McGUINNESS**  
DELAWARE  
STATE AUDITOR

# Delaware State Housing Authority

Basic Financial Statement Audit  
for Fiscal Year 2021

---

**What Was Performed?** A financial statement audit that includes a review of internal controls over the financial reporting of the Delaware State Housing Authority for Fiscal Year ended June 30, 2021.

---

**Why This Engagement?** This engagement was performed in accordance with 31 *Del. C.* § 4015 and 29 *Del. C.* § 2906.

The mission of the Delaware State Housing Authority (DSHA) is to provide – and to help others with providing – quality, affordable housing opportunities and appropriate supportive services to low- and moderate-income Delawareans.

**What Was Found?** Although the overall report contains an unmodified opinion<sup>1</sup>, the internal controls review section contains two findings:

- **Finding 1:** Auditors identified several errors in the financial statement balances, which required significant journal entry adjustments. The adjustments increased assets by \$719,000, decreased liabilities by \$866,000, decreased inter-fund balances by \$1.6 million and increased expenses by \$3 million. A similar finding was also reported the previous year. Management ultimately made the corrections in the financial statements, which allowed for the overall unmodified opinion.
- **Finding 2:** DSHA identified potential errors in the processing and payment of assistance totaling approximately \$1 million during the fiscal year ended June 30, 2021. Additionally, potential errors totaling approximately \$2.2 million occurred between July 1, 2021, and Sept. 30, 2021.

The Delaware State Housing Authority's Basic Financial Statement Audit for Fiscal Year ended June 30, 2021 can be found on our [website](#).

Please do not reply to this email. For any questions regarding the attached report, please contact State Auditor Kathleen McGuinness at 302-739-5055 or [Kathleen.Mcguinness@delaware.gov](mailto:Kathleen.Mcguinness@delaware.gov).

---

---

<sup>1</sup> An unmodified opinion is sometimes referred to as a "clean" opinion. It is one in which the auditor expresses an opinion that the financial statements present fairly, in all material respects, an entity's financial position, results of operations and cash flows in conformity with generally accepted accounting principles.

|   |      |
|---|------|
| <b>TABLE OF CONTENTS</b>  | i-ii |
| <b>INDEPENDENT AUDITORS' REPORT</b>   | 1    |
| <b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>   | 5    |
| <b>BASIC FINANCIAL STATEMENTS</b>   |      |
| 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<br>Statement of Net Position   | 19   |
| Statement of Revenues, Expenditures, and Changes in Fund Balances -<br>Governmental Funds   | 20   |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes<br>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 -<br>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   |
| <b>REQUIRED SUPPLEMENTARY INFORMATION</b>   |      |
| Schedule of State of Delaware Net Pension Liability   | 76   |
| Notes to Schedule of State of Delaware Net Pension Liability  | 77   |
| Schedule of Employer Contributions to State of Delaware Pension Plan  | 78   |
| Schedule of Changes in Net OPEB Liability   | 79   |
| Notes to Schedule of Changes in Net OPEB Liability  | 80   |
| Schedule of Contributions   | 81   |
| Schedule of Annual Money-Weighted Rate of Return on Investments   | 82   |
| Schedule of State of Delaware Other Post Employment Benefits Plan   | 83   |
| <b>OTHER SUPPLEMENTARY INFORMATION</b>  |      |
| Schedule of Activities - Entity-wide  | 87   |
| Balance Sheet - Nonmajor Governmental Funds   | 89   |
| Statement of Revenues, Expenditures, and Changes in Fund Balances<br>Nonmajor Governmental Funds  | 91   |
| Schedule of Net Position - Proprietary Fund - Subfunds of the Federal<br>Programs Enterprise Fund   | 93   |
| Schedule of Revenues, Expenses, and Changes in Fund Net Position -<br>Proprietary Fund - Subfunds of the Federal Programs Enterprise Fund       | 95   |
| Schedule of Net Position - Proprietary Fund - Subfunds of the Single<br>Family Programs Enterprise Fund   | 97   |
| Schedule of Revenues, Expenses, and Changes in Fund Net Position -<br>Proprietary Fund - Subfunds of the Single Family Programs Enterprise Fund | 98   |
| Schedule of Revenue Bonds Payable   | 99   |

**TABLE OF CONTENTS, continued**

**OTHER SUPPLEMENTARY INFORMATION, continued**

|   |     |
|---|-----|
| Supplemental Statement of Public Housing Actual Modernization Capital Fund Grant Costs  | 100 |
| Notes to Supplemental Statement of Public Housing Actual Modernization<br>Capital Fund Grant Costs  | 101 |
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters<br>Based on an Audit of Financial Statements Performed in Accordance with<br><i>Government Auditing Standards</i> | 105 |
| Schedule of Findings and Questioned Costs   | 107 |
| Financial Reporting Findings  | 107 |
| Corrective Action Plan  | 110 |
| Summary Schedule of Prior Audit Findings  | 112 |



BELFINT • LYONS • SHUMAN  
Certified Public Accountants

---

[www.belfint.com](http://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, 2021, 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 auditors consider 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

To the Delaware State Housing Authority  
Dover, Delaware

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### **Report on Summarized Comparative Information**

We have previously audited DSHA's June 30, 2020 financial statements, and our report dated November 17, 2020 expressed unmodified opinions on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 14, Schedule of State of Delaware Net Pension Liability and related notes on pages 76 and 77, Schedule of Employer Contributions to State of Delaware Pension Plan on page 78, Schedule of Changes in Net OPEB Liability and related notes on pages 79 and 80, Schedule of Contributions on page 81, Schedule of Annual Money-Weighted Rate of Return on Investments on page 82, and Schedule of State of Delaware Other Post Employment Benefits Plan on page 83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Delaware State Housing Authority  
Dover, Delaware

*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, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary Information as listed in the table of contents is the responsibility of management and was 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 as listed in the table of contents, is 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 January 26, 2022, 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.*

January 26, 2022  
Wilmington, Delaware





DELAWARE STATE HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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, 2020. 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 and deferred outflows exceeded liabilities and deferred inflows at the close of the fiscal year by \$604,716,628 (net position).
- The Authority's total net position increased by \$37,064,152 (6.7%) in fiscal year 2021 when compared to the previous year's ending net position. Net position of governmental activities increased by \$30,595,203 (7.1%) from the previous year and net position of business-type activities increased by \$6,468,949 (4.7%) from the previous year.

The most significant factors contributing to the governmental activities increases were: (1) the appropriation of \$9,000,000 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 \$4,000,000 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; (3) the appropriation of \$6,750,000 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; and (4) the appropriation of \$4,000,000 from the State of Delaware to the Strong neighborhood housing fund.

The most significant factors contributing to the business-type activities increases were the receipt of \$2,425,052 in General Funds for the purpose of making loans to support homeownership needs (an decrease of \$56,336 from 2020) offset by: (1) the transfer of administrative fees of \$1,952,447 from the Single Family Mortgage Revenue Bond Programs to the General Fund in support of operations; (2) the transfer of over \$12,000,000 from the To-

Be-Announced (TBA) fund to the Preferred Plus Loan program, governmental activities, in support of the programs' objectives to make down payment assistance available to qualified homebuyers; (3) the transfer of over \$5,000,000 from the Moving to Work federal program, business-type fund, to the General fund, a major governmental fund due to a property transaction; and (4) \$700,000 from DEHAP, a federal program, business-type to the Housing Development Fund, a major governmental fund, to return funds HDF had transferred to DEHAP.

- Unrestricted net position totaled \$80,583,818. 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 \$38,435,154 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 \$473,481,746, an increase of \$29,944,577 (6.8%) 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 \$73,097,874 (57.6%) during fiscal year 2021. The Single Family Programs paid bond calls of \$72,927,105 which were primarily the result of bond redemption and mortgage prepayments, and paid \$1,170,769 representing the net of accretion on capital appreciation bonds, gains related to optional calls, and deferred amounts on refunding. The Authority's debt increased \$1,000,000 due to Sustainable Energy Utility Loan Fund.

## **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 twenty four 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. 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 28-75 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 73-82.

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 83-100.

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 101-118.

### **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, 2021:

#### **Delaware Housing Authority's Net Position**

|                                   | Governmental<br>Activities |               | Business-type<br>Activities |               | Total          |                |
|-----------------------------------|----------------------------|---------------|-----------------------------|---------------|----------------|----------------|
|                                   | 2021                       | 2020          | 2021                        | 2020          | 2021           | 2020           |
| Noncapital assets                 | \$ 524,701,718             | \$494,662,528 | \$441,548,202               | \$273,842,676 | \$ 966,249,920 | \$ 768,505,204 |
| Capital assets                    | 2,693,416                  | 1,720,849     | 5,102,837                   | 7,207,279     | 7,796,253      | 8,928,128      |
| Total assets                      | 527,395,134                | 496,383,377   | 446,651,039                 | 281,049,955   | 974,046,173    | 777,433,332    |
| Deferred outflow of resources     | 4,130,455                  | 1,064,094     | 39,894                      | 63,130        | 4,170,349      | 1,127,224      |
| Long-term liabilities outstanding | 62,054,063                 | 58,629,779    | 61,834,907                  | 133,165,130   | 123,888,970    | 191,794,909    |
| Other liabilities                 | 1,587,226                  | 537,497       | 240,099,467                 | 9,284,729     | 241,686,693    | 9,822,226      |
| Total liabilities                 | 63,641,289                 | 59,167,276    | 301,934,374                 | 142,449,859   | 365,575,663    | 201,617,135    |
| Deferred inflow of resources      | 6,084,961                  | 7,076,059     | 1,839,270                   | 2,214,886     | 7,924,231      | 9,290,945      |
| Net position:                     |                            |               |                             |               |                |                |
| Invested in capital assets        | 2,693,416                  | 1,720,849     | 5,102,837                   | 7,207,279     | 7,796,253      | 8,928,128      |
| Restricted                        | 378,522,105                | 399,901,433   | 138,841,540                 | 129,241,061   | 517,363,645    | 529,142,494    |
| Unrestricted                      | 80,583,818                 | 29,581,854    | (1,027,088)                 | -             | 79,556,730     | 29,581,854     |
| Total net position                | \$ 461,799,339             | \$431,204,136 | \$142,917,289               | \$136,448,340 | \$ 604,716,628 | \$ 567,652,476 |

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, 2021:

**Delaware State Housing Authority's Changes in Net Position**

|   | Governmental<br>Activities |                      | Business-type<br>Activities |                      | Total                 |                       |
|---|----------------------------|----------------------|-----------------------------|----------------------|-----------------------|-----------------------|
|   | 2021                       | 2020                 | 2021                        | 2020                 | 2021                  | 2020                  |
| Revenues:                               |                            |                      |                             |                      |                       |                       |
| Program revenues:                       |                            |                      |                             |                      |                       |                       |
| Charges for services                    | \$ 13,371,717              | \$ 10,814,648        | \$ 14,624,128               | \$ 8,769,069         | \$ 27,995,845         | \$ 19,583,717         |
| Operating grants & contributions        | 23,884,900                 | 28,313,000           | 90,209,611                  | 63,407,690           | 114,094,511           | 91,720,690            |
| Capital grants & contributions          | -                          | -                    | 332,470                     | 1,625,608            | 332,470               | 1,625,608             |
| General revenues, principally           |                            |                      |                             |                      |                       |                       |
| Investment income (loss)                | 269,987                    | 2,498,330            | 7,561,154                   | 14,499,214           | 7,831,141             | 16,997,544            |
| Gain (loss) on sale of capital assets   |                            |                      | 4,003,493                   |                      | 4,003,493             |                       |
| Total revenues                          | <u>37,526,604</u>          | <u>41,625,978</u>    | <u>116,730,856</u>          | <u>88,301,581</u>    | <u>154,257,460</u>    | <u>129,927,559</u>    |
| Expenses:                               |                            |                      |                             |                      |                       |                       |
| Administrative                          | 4,507,179                  | 4,562,047            | -                           | -                    | 4,507,179             | 4,562,047             |
| Affordable rental housing               | 12,430,622                 | 14,028,328           | 87,783,516                  | 61,269,446           | 100,214,138           | 75,297,774            |
| Community rehabilitation                | 3,746,535                  | 7,201,234            | 4,759,810                   | 1,971,268            | 8,506,345             | 9,172,502             |
| Home ownership                          | 1,363,329                  | 2,014,791            | 2,587,277                   | 4,486,909            | 3,950,606             | 6,501,700             |
| Housing rehabilitation                  | 15,040                     | 23,114               | -                           | -                    | 15,040                | 23,114                |
| Total expenses                          | <u>22,062,705</u>          | <u>27,829,514</u>    | <u>95,130,603</u>           | <u>67,727,623</u>    | <u>117,193,308</u>    | <u>95,557,137</u>     |
| Change in net position before transfers | 15,463,899                 | 13,796,464           | 21,600,253                  | 20,573,958           | 37,064,152            | 34,370,422            |
| Transfers                               | 15,131,304                 | 5,179,143            | (15,131,304)                | (5,179,143)          | -                     | -                     |
| Changes in net position                 | 30,595,203                 | 18,975,607           | 6,468,949                   | 15,394,815           | 37,064,152            | 34,370,422            |
| Net position, beginning                 | 431,204,136                | 412,228,529          | 136,448,340                 | 121,053,525          | 567,652,476           | 533,282,054           |
| Net position, ending                    | <u>\$ 461,799,339</u>      | <u>\$431,204,136</u> | <u>\$142,917,289</u>        | <u>\$136,448,340</u> | <u>\$ 604,716,628</u> | <u>\$ 567,652,476</u> |

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Authority's assets and deferred outflows exceeded its liabilities and deferred inflows by \$604,716,628 at the close of the fiscal year.

Of the Authority's total assets, 35.8% represent mortgage loans outstanding, including securitized mortgage loans. Cash and investments comprise 56.4% of the total assets, while other noncapital assets make up 7.0% of total assets. Investment in capital assets accounts for 0.8% of total assets. Of the Authority's total liabilities, 14.4% consists of revenue bonds payable. Escrow deposits represent 16.0% of total liabilities. Deferred revenue represent 63.8% of total liabilities, with miscellaneous liabilities comprising 5.8% of total liabilities.

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

Most (85.5%) of the Authority's net position is restricted by bond covenants, federal and state grantors, and the Authority's Loan Program. Another 1.3% of net position reflects the Authority's investment in capital assets (e.g. land, buildings, improvements, and equipment). The remaining 13.2% 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 change in net position in governmental activities and in business-type activities.

As a result of its operations, the Authority's total net position increased by \$37,064,152 for the fiscal year ending June 30, 2021. Of this amount, governmental activities net position increased by \$30,595,203 and business-type net position increased by \$6,468,949.

These decreases in net positions are discussed in detail below, under Governmental Activities and Business-type Activities headings.

Of the Authority's total revenues, 74.1% were derived from operating grants and contributions, mostly from HUD and the State of Delaware. Another 18.2% came from charges for services which are mostly comprised of mortgage loan interest. Investment income represents 5.1% of total revenues. Gain on disposal of property represents 2.6% of total revenues.

Of the Authority's total expenses, 85.5% were for affordable rental housing function, mostly as housing assistance payments. Another 3.4% 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 7.3%, mostly in the form of grants, leaving only 3.8% of total costs attributable to Authority administrative function.

During the fiscal year, net transfers of \$15,131,304 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 \$1,952,447 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 \$700,000 from the DSHA Home 4 Good, a governmental activity and non-major governmental fund, to the DEHAP Program, a business-type activity, in support of the program's objective to make down payment assistance available to qualified homebuyers, (3) a cash transfer of over \$12,000,000 from the To-Be-Announced (TBA) fund, a business-type activity, to the Preferred Plus Program, a government activity, in support of the program's objective to make down payment assistance available to qualified homebuyers, and (4) a noncash transfer of the transfer of \$5,177,177 from the Moving to Work federal program, business-type fund, to the General fund, a major governmental fund due to a property transaction. Additional information regarding the Authority's interfund transactions can be found in note IV., E. on pages 56 and 57 of this report.

### Governmental Activities

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

| Function                  | Fiscal Year 2021<br>Program |                      |                      | Fiscal<br>Year 2020  |
|---------------------------|-----------------------------|----------------------|----------------------|----------------------|
|                           | Expenses                    | Revenues             | Net (Exp)/Rev        | Net (Exp)/Rev        |
| Administration            | \$ 4,507,179                | \$ 4,762,937         | \$ 255,758           | \$ (2,711,806)       |
| Affordable rental housing | 12,430,622                  | 20,745,574           | 8,314,952            | 7,637,814            |
| Community rehabilitation  | 3,746,535                   | 8,000,000            | 4,253,465            | 4,316,367            |
| Home ownership            | 1,363,329                   | 3,713,346            | 2,350,017            | 2,050,729            |
| Housing rehabilitation    | 15,040                      | 34,760               | 19,720               | 5,030                |
| <b>Total</b>              | <b>\$ 22,062,705</b>        | <b>\$ 37,256,617</b> | <b>\$ 15,193,912</b> | <b>\$ 11,298,134</b> |

#### **Governmental Activities Revenues by Source**

| Source                             | Fiscal Year 2021     |             | Fiscal Year 2020     |             |
|------------------------------------|----------------------|-------------|----------------------|-------------|
|                                    | Revenue              | Percent     | Revenue              | Percent     |
| Charges for services               | \$ 13,371,717        | 25%         | \$ 10,814,648        | 23%         |
| Operating grants and contributions | 23,884,900           | 45%         | 28,313,000           | 60%         |
| Other general revenues             | 269,987              | 5%          | 2,498,330            | 5%          |
| Transfers                          | 15,131,304           | 29%         | 5,179,143            | 11%         |
| <b>Total</b>                       | <b>\$ 52,657,908</b> | <b>100%</b> | <b>\$ 46,805,121</b> | <b>100%</b> |

Governmental activities increased the Authority's net position by \$30,595,203. The most significant factors contributing to the governmental activities increases were: (1) the appropriation of \$9,000,000 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 \$4,000,000 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; (3) the appropriation of \$6,750,900 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; and (4) the appropriation of \$4,000,000 from the State of Delaware for the Strong Neighborhoods Housing fund.

### Business-type Activities

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

| Function                  | Fiscal Year 2021<br>Program |                      |                      | Fiscal<br>Year 2020 |
|---------------------------|-----------------------------|----------------------|----------------------|---------------------|
|                           | Expenses                    | Revenues             | Net (Exp)/Rev        | Net (Exp)/Rev       |
| Affordable rental housing | \$ 87,783,516               | \$ 88,199,523        | \$ 416,007           | \$ 4,452,577        |
| Community rehabilitation  | 4,759,810                   | 4,757,580            | (2,230)              | (683)               |
| Home ownership            | 2,587,277                   | 12,209,106           | 9,621,829            | 1,622,850           |
| <b>Total</b>              | <b>\$ 95,130,603</b>        | <b>\$105,166,209</b> | <b>\$ 10,035,606</b> | <b>\$ 6,074,744</b> |

#### **Business-type Activities Revenues by Source**

| Source                             | Fiscal Year 2021     |             | Fiscal Year 2020     |             |
|------------------------------------|----------------------|-------------|----------------------|-------------|
|                                    | Revenue              | Percent     | Revenue              | Percent     |
| Charges for services               | \$ 14,624,128        | 13%         | \$ 8,769,069         | 10%         |
| Operating grants and contributions | 90,209,611           | 77%         | 63,407,690           | 72%         |
| Capital grants and contributions   | 332,470              | 0%          | 1,625,608            | 2%          |
| Other general revenues             | 11,564,647           | 10%         | 14,499,214           | 16%         |
| <b>Total</b>                       | <b>\$116,730,856</b> | <b>100%</b> | <b>\$ 88,301,581</b> | <b>100%</b> |

Business-type activities increased the Authority's net position by \$6,468,949. The key elements of this increase were: the receipt of \$10,745,545 in Emergency Rental Assistance Program Funds for the purpose of providing housing rental assistance subsidies offset by: (1) the transfer of administrative fees of \$1,952,447 from the Single Family Mortgage Revenue Bond Programs to the General Fund in support of operations; (2) \$2,336,739 interest expense on bonds; and (3) the transfer of over \$12,000,000 from the To-Be-Announced (TBA) fund to the Preferred Plus Loan program, governmental activities, 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 \$473,461,746, an increase of (6.7%) in comparison with the prior year. All of the fund balance is nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending.

The General Fund is the chief operating fund of the Authority. At the end of the current fiscal year, the fund balance of the General Fund was \$94,959,641, an increase of \$13,682,434 (16.8%) in comparison with the prior year. The key factors of this increase mostly consisted of General Fund revenues of \$4,861,590 from interest income, fees, and other income, combined with expenditures of \$6,937,174, and transfers in the amount of \$15,758,018 from the Single Family Programs which includes over \$12,000,000 for loans transferred to Authority Loans, \$1,952,447 for administrative fees, and Single Family Program loans to DSHA SMAL in the amount of \$389,663 and \$5,177,177 from the Moving to Work federal program, business type fund resulted in a net change in fund balance of \$13,682,434 in comparison to the previous year net change in fund balance of \$8,436,011. All of the General 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 \$277,851,589, of which \$250,173,245 is restricted, to be used for the specific purposes of HDF activities per enabling legislation and \$27,678,344 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 \$9,378,603 (3.5%) in comparison with the prior year. The increase is the result of grants in the amount of \$9,000,000 from the State of Delaware used to generate mortgages and grants, \$4,054,225 in interest and investment income, \$1,503,496 in fee revenue, and \$5,214 in other revenue offset by Affordable Rental Housing expenditures of \$4,256,436.

The Downtown Development Districts Grant Program (DDD) had a fund balance of \$31,699,086, 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 \$4,000,000 to the DDD Grant Program in fiscal year 2021 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 program's fund balance decreased by \$608,031. A contributing factor for the decrease was the needs for rental assistance for the population served exceeded the amounts provided by the Delaware General Assembly in the State budget.

The DSHA Second Mortgage Assistance Loan Program (DSHA SMAL), a non-major governmental fund, has a total fund balance of \$31,697,828, which is reported as restricted. The net increase in the fund balance during the fiscal year was \$754,990 (2.4%) in comparison with the prior year. The decrease was the result of interest income received and accrued in the amount of \$1,036,355, offset by a \$511,124 transfer to the Preferred Plus Program, a Business-type Activity, to fund the Authority's second mortgage assistance loan initiatives.

### 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 \$88,422,678,



and those of the Single Family Programs Funds amounted to \$50,418,862. The total decrease in net position for the Federal Programs Fund was \$757,978 (0.8%) in comparison with the prior year, primarily due to the receipt of \$1,531,954 in HOME Program grant and \$1,138,095 of interest on loans offset by operating expenses in the program of \$1342,921, the receipt of \$10,745,545 in ERA Program funds offset by operating expenses in the program of \$11,775,442, the receipt of \$2,086,068 of HTF Program funds offset by operating expenses in the program of \$312,973, the receipt of \$13,896,281 of DEHAP Program funds offset by operating expenses in the program \$15,892,161, and the decrease of \$924,803 for the MTW program due to the transfer of property from the program to the general fund.

The total increase in net position for the Single Family Program Funds was \$7,226,927 (16.7%) in comparison with the prior year. This is primarily due to the receipt of approximately \$18,000,000 in interest income and 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. This was offset by net transfers out of \$9,950,350.

### General Fund Budget

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

### Capital Asset and Debt Administration

#### Capital Assets

The Authority's investment in capital assets for its governmental and business type activities as of June 30, 2021, amounts to \$7,796,253 (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 12.7% (a 56.5% increase for governmental activities and a 29.2% decrease for business-type activities). The net capital asset additions and improvements for the fiscal year were greater than the decrease in capital assets was due to depreciation expense on existing capital assets. Major capital asset events during the fiscal year included the following:

- Improvements to DSHA offices.
- Sales of three public housing sites.

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

|                           | Governmental<br>Activities |              | Business-type<br>Activities |              | Total        |              |
|---------------------------|----------------------------|--------------|-----------------------------|--------------|--------------|--------------|
|                           | 2021                       | 2020         | 2021                        | 2020         | 2021         | 2020         |
| Land                      | \$ 572,769                 | \$ 509,500   | \$ 937,559                  | \$ 1,000,828 | \$ 1,510,328 | \$ 1,510,328 |
| Buildings held for resale | -                          | -            | 261,292                     | 261,292      | 261,292      | 261,292      |
| Construction in progress  | -                          | 725,740      | -                           | 36,366       | -            | 762,106      |
| Buildings                 | 1,394,907                  | 459,554      | 843,592                     | 1,302,237    | 2,238,499    | 1,761,791    |
| Land/site improvements    | 539,402                    | -            | 2,319,207                   | 3,535,058    | 2,858,609    | 3,535,058    |
| Vehicles                  | -                          | -            | 16,048                      | 23,780       | 16,048       | 23,780       |
| Other equipment           | 186,338                    | 26,055       | 725,139                     | 1,047,718    | 911,477      | 1,073,773    |
| Total                     | \$ 2,693,416               | \$ 1,720,849 | \$ 5,102,837                | \$ 7,207,279 | \$ 7,796,253 | \$ 8,928,128 |

Additional information on the Authority's capital assets can be found in note IV., D. on page 54 of this

report.

### Long-term Debt

At the end of the current fiscal year, Delaware State Housing Authority had total bonded debt outstanding of \$52,286,455 and notes payable of \$1,000,000. The Authority's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

#### **Delaware State Housing Authority's Outstanding Debt**

|                       | Governmental<br>Activities |      | Business-type<br>Activities |                | Total         |                |
|-----------------------|----------------------------|------|-----------------------------|----------------|---------------|----------------|
|                       | 2021                       | 2020 | 2021                        | 2020           | 2021          | 2020           |
| Notes Payable         | \$ 1,000,000               | \$ - | \$ -                        | \$ -           | \$ 1,000,000  | \$ -           |
| Revenue bonds payable | -                          | -    | 52,781,394                  | 126,878,268    | 52,781,394    | 126,878,268    |
| Total                 | \$ 1,000,000               | \$ - | \$ 52,781,394               | \$ 126,878,268 | \$ 53,781,394 | \$ 126,878,268 |

The Authority's outstanding debt, excluding compensated absences, decreased by \$74,096,874 (58.4%) in comparison to the prior year. Key factors in this decrease were Single Family Programs Enterprise Fund bond calls of \$72,927,105 and bond accretion of \$1,170,769.

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 56-57 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, 2021  
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2020)

|   | GOVERNMENTAL<br>ACTIVITIES | BUSINESS TYPE<br>ACTIVITIES | TOTAL<br>2021         | TOTAL<br>2020         |
|---|----------------------------|-----------------------------|-----------------------|-----------------------|
| <b>ASSETS</b>                                     |                            |                             |                       |                       |
| Current assets:                                   |                            |                             |                       |                       |
| Cash and cash equivalents                         | \$ 45,338,992              | \$ 43,273,519               | \$ 88,612,511         | \$ 45,939,824         |
| Investments                                       | 149,185,292                | 263,776,242                 | 412,961,534           | 114,976,445           |
| Mortgage loans receivable, net                    | 525,632                    | 722,565                     | 1,248,197             | 1,776,382             |
| Accrued interest & other receivables              | 3,912,103                  | 1,237,602                   | 5,149,705             | 1,351,636             |
| Grants receivable-US Dept of HUD                  | -                          | 509,066                     | 509,066               | 112,359               |
| Internal balances                                 | 654,798                    | (654,798)                   | -                     | -                     |
| Prepaid expenses                                  | 152,615                    | 4,079,177                   | 4,231,792             | 4,141,175             |
| Total current assets                              | 199,769,432                | 312,943,373                 | 512,712,805           | 168,297,821           |
| Non-current assets:                               |                            |                             |                       |                       |
| Cash, restricted for payment of escrows           | -                          | 2,060,534                   | 2,060,534             | 1,740,179             |
| Investments                                       | 38,715,470                 | 7,041,944                   | 45,757,414            | 93,515,855            |
| Securitized mortgage loans                        | 6,070,359                  | 35,386,033                  | 41,456,392            | 140,862,442           |
| Mortgage loans receivable, net                    | 231,380,087                | 74,943,993                  | 306,324,080           | 303,134,283           |
| Accrued interest & other receivables, net         | 44,761,460                 | 13,177,235                  | 57,938,695            | 60,954,624            |
| Internal balances                                 | 4,004,910                  | (4,004,910)                 | -                     | -                     |
| Capital assets:                                   |                            |                             |                       |                       |
| Capital assets not being depreciated              | 572,769                    | 937,559                     | 1,510,328             | 2,272,434             |
| Capital assets net of accumulated depreciation    | 2,120,647                  | 4,165,278                   | 6,285,925             | 6,655,694             |
| Total non-current assets                          | 327,625,702                | 133,707,666                 | 461,333,368           | 609,135,511           |
| <b>TOTAL ASSETS</b>                               | <b>527,395,134</b>         | <b>446,651,039</b>          | <b>974,046,173</b>    | <b>777,433,332</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>             |                            |                             |                       |                       |
| Deferred amounts on State of DE Pension and OPEBs | 4,130,455                  | -                           | 4,130,455             | 1,064,094             |
| Deferred amounts on bond refundings               | -                          | 39,894                      | 39,894                | 63,130                |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>       | <b>4,130,455</b>           | <b>39,894</b>               | <b>4,170,349</b>      | <b>1,127,224</b>      |
| <b>LIABILITIES</b>                                |                            |                             |                       |                       |
| Current liabilities:                              |                            |                             |                       |                       |
| Accounts payable and other current liabilities    | 390,239                    | 6,110,002                   | 6,500,241             | 1,095,358             |
| Deferred Revenue                                  | 1,107,710                  | 233,125,676                 | 234,233,386           | 6,354,376             |
| Due to State of Delaware-pension costs            | 1,443                      | 1,035                       | 2,478                 | 2,478                 |
| Compensated absences payable                      | 87,834                     | 11,608                      | 99,442                | 58,105                |
| Accrued interest payable                          | -                          | 356,207                     | 356,207               | -                     |
| Revenue bonds payable                             | -                          | 494,939                     | 494,939               | 2,311,909             |
| Total current liabilities                         | 1,587,226                  | 240,099,467                 | 241,686,693           | 9,822,226             |
| Non-current liabilities:                          |                            |                             |                       |                       |
| Compensated absences payable                      | 699,032                    | 408,153                     | 1,107,185             | 1,011,684             |
| State of Delaware pension obligation              | 186,376                    | -                           | 186,376               | 267,335               |
| OPEB liability                                    | 10,838,428                 | -                           | 10,838,428            | 7,438,468             |
| Escrow deposits                                   | 49,330,227                 | 9,140,299                   | 58,470,526            | 58,510,063            |
| Notes payable                                     | 1,000,000                  | -                           | 1,000,000             | -                     |
| Revenue bonds payable                             | -                          | 52,286,455                  | 52,286,455            | 124,567,359           |
| Total non-current liabilities                     | 62,054,063                 | 61,834,907                  | 123,888,970           | 191,794,909           |
| <b>TOTAL LIABILITIES</b>                          | <b>63,641,289</b>          | <b>301,934,374</b>          | <b>365,575,663</b>    | <b>201,617,135</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>              |                            |                             |                       |                       |
| Deferred amounts on State of DE Pension and OPEBs | 6,084,961                  | -                           | 6,084,961             | 7,076,059             |
| Deferred amounts on bond refundings               | -                          | 1,839,270                   | 1,839,270             | 2,214,886             |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>        | <b>6,084,961</b>           | <b>1,839,270</b>            | <b>7,924,231</b>      | <b>9,290,945</b>      |
| <b>NET POSITION</b>                               |                            |                             |                       |                       |
| Invested in capital assets                        | 2,693,416                  | 5,102,837                   | 7,796,253             | 8,928,128             |
| Restricted by federal and state regulations       | 350,843,761                | 88,422,678                  | 439,266,439           | 428,684,918           |
| Restricted by bond covenants                      | -                          | 50,418,862                  | 50,418,862            | 43,191,935            |
| Restricted for Authority Loan Program             | 27,678,344                 | -                           | 27,678,344            | 57,265,641            |
| Unrestricted, for Authority's purposes            | 80,583,818                 | (1,027,088)                 | 79,556,730            | 29,581,854            |
| <b>TOTAL NET POSITION</b>                         | <b>\$ 461,799,339</b>      | <b>\$ 142,917,289</b>       | <b>\$ 604,716,628</b> | <b>\$ 567,652,476</b> |

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

DELAWARE STATE HOUSING AUTHORITY  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

| 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 2021            | TOTAL 2020            |
| <b>Governmental activities:</b>  |                      |                      |                                    |                                  |  |                          |                       |                       |
| Administrative   | \$ 4,507,179         | \$ 4,628,937         | \$ 134,000                         | \$ -                             | 255,758  | \$ -                     | \$ 255,758            | \$ (2,711,806)        |
| Affordable rental housing  | 12,430,622           | 4,994,674            | 15,750,900                         | -                                | 8,314,952  | -                        | 8,314,952             | 7,637,814             |
| Community rehabilitation   | 3,746,535            | -                    | 8,000,000                          | -                                | 4,253,465  | -                        | 4,253,465             | 4,316,367             |
| Home ownership   | 1,363,329            | 3,713,346            | -                                  | -                                | 2,350,017  | -                        | 2,350,017             | 2,050,729             |
| Housing rehabilitation   | 15,040               | 34,760               | -                                  | -                                | 19,720   | -                        | 19,720                | 5,030                 |
| <b>Total governmental activities</b>   | <b>\$ 22,062,705</b> | <b>\$ 13,371,717</b> | <b>\$ 23,884,900</b>               | <b>\$ -</b>                      | <b>15,193,912</b>                                  | <b>-</b>                 | <b>15,193,912</b>     | <b>11,298,134</b>     |
| <b>Business-type activities:</b>   |                      |                      |                                    |                                  |  |                          |                       |                       |
| Affordable rental housing  | \$ 87,783,516        | \$ 2,361,890         | \$ 85,505,163                      | \$ 332,470                       | \$ -   | \$ 416,007               | \$ 416,007            | \$ 4,452,577          |
| Community rehabilitation   | 4,759,810            | 53,132               | 4,704,448                          | -                                | -  | (2,230)                  | (2,230)               | (683)                 |
| Home ownership   | 2,587,277            | 12,209,106           | -                                  | -                                | -  | 9,621,829                | 9,621,829             | 1,622,850             |
| <b>Total business-type activities</b>  | <b>\$ 95,130,603</b> | <b>\$ 14,624,128</b> | <b>\$ 90,209,611</b>               | <b>\$ 332,470</b>                | <b>-</b>   | <b>10,035,606</b>        | <b>10,035,606</b>     | <b>6,074,744</b>      |
| <b>General revenues:</b>   |                      |                      |                                    |                                  |  |                          |                       |                       |
| Investment income, gains/(losses) on investments, and miscellaneous earnings |                      |                      |                                    |                                  | 269,987  | 7,561,154                | 7,831,141             | 16,997,544            |
| Gain/(Loss) on Disposal of Property  |                      |                      |                                    |                                  | -  | 4,003,493                | 4,003,493             | -                     |
| Transfers  |                      |                      |                                    |                                  | 15,131,304   | (15,131,304)             | -                     | -                     |
| <b>Total general revenues and transfers</b>                                  |                      |                      |                                    |                                  | <b>15,401,291</b>                                  | <b>(3,566,657)</b>       | <b>11,834,634</b>     | <b>16,997,544</b>     |
| Change in net position   |                      |                      |                                    |                                  | 30,595,203   | 6,468,949                | 37,064,152            | 34,370,422            |
| Net position, beginning of year  |                      |                      |                                    |                                  | 431,204,136  | 136,448,340              | 567,652,476           | 533,282,054           |
| <b>Net position, end of year</b>   |                      |                      |                                    |                                  | <b>\$ 461,799,339</b>                              | <b>\$ 142,917,289</b>    | <b>\$ 604,716,628</b> | <b>\$ 567,652,476</b> |

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



DELAWARE STATE HOUSING AUTHORITY  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2021  
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2020)

|  | GENERAL FUND         | HOUSING DEVELOPMENT FUND | DOWNTOWN DEVELOPMENT DISTRICTS GRANT FUND | STATE RENTAL ASSISTANCE PROGRAM | NONMAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |                       |
|--|----------------------|--------------------------|---|---------------------------------|-----------------------------|--------------------------|-----------------------|
|  |                      |                          |   |                                 |                             | 2021                     | 2020                  |
| <b>ASSETS</b>                                |                      |                          |   |                                 |                             |                          |                       |
| Cash & cash equivalents                      | \$ 8,001,396         | \$ 16,105,002            | \$ 387,922                                | \$ 2,372,448                    | \$ 18,472,224               | \$ 45,338,992            | \$ 27,275,733         |
| Investments                                  | 30,433,758           | 110,923,309              | 31,306,802                                | 1,084,981                       | 14,151,912                  | 187,900,762              | 178,812,608           |
| Securitized mortgage loans                   | 6,070,359            | -                        | -   | -                               | -                           | 6,070,359                | 7,059,994             |
| Interfund receivables                        | 4,939,333            | 534,266                  | 4,362                                     | -                               | 14,384                      | 5,492,345                | 4,316,332             |
| Loans receivable:                            |                      |                          |   |                                 |                             |                          |                       |
| Mortgages receivable, net                    | 40,013,245           | 166,938,088              | -   | -                               | 24,954,386                  | 231,905,719              | 228,643,279           |
| Accrued interest & other receivables         | 7,876,426            | 32,438,721               | -   | 138,900                         | 8,219,516                   | 48,673,563               | 48,442,438            |
| Prepaid items                                | 152,615              | -                        | -   | -                               | -                           | 152,615                  | 151,860               |
| <b>TOTAL ASSETS</b>                          | <b>\$ 97,487,132</b> | <b>\$ 326,939,386</b>    | <b>\$ 31,699,086</b>                      | <b>\$ 3,596,329</b>             | <b>\$ 65,812,422</b>        | <b>\$ 525,534,355</b>    | <b>\$ 494,702,244</b> |
| <b>LIABILITIES &amp; FUND BALANCES</b>       |                      |                          |   |                                 |                             |                          |                       |
| <b>LIABILITIES</b>                           |                      |                          |   |                                 |                             |                          |                       |
| Accounts payable                             | \$ 377,404           | \$ 12,835                | \$ -                                      | \$ -                            | \$ -                        | \$ 390,239               | \$ 477,949            |
| Due to St of Delaware-pension costs          | 1,443                | -                        | -   | -                               | -                           | 1,443                    | 1,443                 |
| Interfund payables                           | 401,222              | -                        | -   | 424,059                         | 7,356                       | 832,637                  | 39,716                |
| Deferred revenue                             | 1,107,710            | -                        | -   | -                               | -                           | 1,107,710                | -                     |
| Escrow deposits                              | 249,359              | 49,074,962               | -   | -                               | 5,906                       | 49,330,227               | 50,255,614            |
| <b>TOTAL LIABILITIES</b>                     | <b>2,137,138</b>     | <b>49,087,797</b>        | <b>-</b>                                  | <b>424,059</b>                  | <b>13,262</b>               | <b>51,662,256</b>        | <b>50,774,722</b>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>         |                      |                          |   |                                 |                             |                          |                       |
| Deferred amounts on Developer Fee            | 390,353              | -                        | -   | -                               | -                           | 390,353                  | 390,353               |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>   | <b>390,353</b>       | <b>-</b>                 | <b>-</b>                                  | <b>-</b>                        | <b>-</b>                    | <b>390,353</b>           | <b>390,353</b>        |
| <b>FUND BALANCES</b>                         |                      |                          |   |                                 |                             |                          |                       |
| Nonspendable                                 | 51,940,683           | -                        | -   | -                               | -                           | 51,940,683               | 43,635,736            |
| Restricted                                   | -                    | 250,173,245              | 31,699,086                                | 3,172,270                       | 65,779,517                  | 350,824,118              | 342,613,482           |
| Committed                                    | 43,018,958           | 27,678,344               | -   | -                               | -                           | 70,697,302               | 57,265,641            |
| Assigned                                     | -                    | -                        | -   | -                               | 19,643                      | 19,643                   | 22,310                |
| <b>TOTAL FUND BALANCES</b>                   | <b>94,959,641</b>    | <b>277,851,589</b>       | <b>31,699,086</b>                         | <b>3,172,270</b>                | <b>65,799,160</b>           | <b>473,481,746</b>       | <b>443,537,169</b>    |
| <b>TOTAL LIABILITIES &amp; FUND BALANCES</b> | <b>\$ 97,487,132</b> | <b>\$ 326,939,386</b>    | <b>\$ 31,699,086</b>                      | <b>\$ 3,596,329</b>             | <b>\$ 65,812,422</b>        | <b>\$ 525,534,355</b>    | <b>\$ 494,702,244</b> |

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, 2021

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

|   |                       |
|---|-----------------------|
| TOTAL FUND BALANCES OF GOVERNMENTAL FUNDS (page 18)   | \$ 473,481,746        |
| Pension and other post-employment benefits (OPEB) assets/(liabilities) are not financial resources and, therefore, are not reported in the funds. | (11,024,804)          |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.                         | 2,693,416             |
| Deferred outflows of resources related to State of Delaware pensions and OPEBs  | 4,130,455             |
| Long-term liabilities are not due and payable in the current period and, therefore not reported in the funds.                                     | (1,786,866)           |
| Deferred inflows of resources related to Developer Fee  | 390,353               |
| Deferred inflows of resources related to State of Delaware pensions and OPEBs   | <u>(6,084,961)</u>    |
| NET POSITION OF GOVERNMENTAL ACTIVITIES (page 15)   | <u>\$ 461,799,339</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, 2021  
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

|   | GENERAL FUND         | HOUSING<br>DEVELOPMENT<br>FUND | DOWNTOWN<br>DEVELOPMENT<br>DISTRICTS<br>GRANT FUND | STATE<br>RENTAL<br>ASSISTANCE<br>PROGRAM | NONMAJOR<br>GOVERNMENTAL<br>FUNDS | TOTAL GOVERNMENTAL<br>FUNDS |                       |
|---|----------------------|--------------------------------|--|--|-----------------------------------|-----------------------------|-----------------------|
|   |                      |                                |  |  |                                   | 2021                        | 2020                  |
| <b>REVENUES</b>                                       |                      |                                |  |  |                                   |                             |                       |
| Interest income:                                      |                      |                                |  |  |                                   |                             |                       |
| Investments   | \$ 321,837           | \$ 568,261                     | \$ 22,476  | \$ 1,922                                 | \$ 10,691                         | \$ 925,187                  | \$ 2,313,083          |
| Loans   | 1,935,132            | 3,485,964                      | -  | -  | 1,125,500                         | 6,546,596                   | 5,684,091             |
| Total interest income                                 | 2,256,969            | 4,054,225                      | 22,476   | 1,922                                    | 1,136,191                         | 7,471,783                   | 7,997,174             |
| Grants  | 134,000              |                                |  |  | -                                 | 134,000                     | 43,000                |
| Payments from primary government                      | -                    | 9,000,000                      | 4,000,000  | 6,750,900                                | 4,000,000                         | 23,750,900                  | 28,270,000            |
| Gains/(losses) on investments                         | (223,184)            | (432,016)                      | -  | -  | -                                 | (655,200)                   | 605,606               |
| Fees  | 2,246,080            | 1,503,496                      | -  | -  | 47,400                            | 3,796,976                   | 3,702,337             |
| Other revenue   | 447,725              | 5,214                          | -  | -  | 2,575,206                         | 3,028,145                   | 1,637,861             |
| <b>TOTAL REVENUES</b>                                 | <b>4,861,590</b>     | <b>14,130,919</b>              | <b>4,022,476</b>                                   | <b>6,752,822</b>                         | <b>7,758,797</b>                  | <b>37,526,604</b>           | <b>42,255,978</b>     |
| <b>EXPENDITURES</b>                                   |                      |                                |  |  |                                   |                             |                       |
| Current:  |                      |                                |  |  |                                   |                             |                       |
| Administrative  | 5,945,187            | -                              | -  | -  | -                                 | 5,945,187                   | 6,209,228             |
| Affordable rental housing                             | -                    | 4,256,436                      | -  | 7,360,853                                | 813,333                           | 12,430,622                  | 14,028,328            |
| Community rehabilitation                              | -                    | -                              | 2,857,974  | -  | 888,560                           | 3,746,534                   | 7,201,234             |
| Home ownership  | -                    | -                              | -  | -  | 520,692                           | 520,692                     | 1,198,572             |
| Housing rehabilitation                                | -                    | -                              | -  | -  | 15,040                            | 15,040                      | 23,116                |
| Capital Outlay  | 991,987              | -                              | -  | -  | -                                 | 991,987                     | 725,740               |
| <b>TOTAL EXPENDITURES</b>                             | <b>6,937,174</b>     | <b>4,256,436</b>               | <b>2,857,974</b>                                   | <b>7,360,853</b>                         | <b>2,237,625</b>                  | <b>23,650,062</b>           | <b>29,386,218</b>     |
| <b>EXCESS/(DEFICIT) REVENUE OVER<br/>EXPENDITURES</b> | <b>(2,075,584)</b>   | <b>9,874,483</b>               | <b>1,164,502</b>                                   | <b>(608,031)</b>                         | <b>5,521,172</b>                  | <b>13,876,542</b>           | <b>12,869,760</b>     |
| <b>OTHER FINANCING SOURCES (USES)</b>                 |                      |                                |  |  |                                   |                             |                       |
| Debt Proceeds   | -                    | -                              | -  | -  | 1,000,000                         | 1,000,000                   | -                     |
| Transfers in  | 18,184,969           | 704,120                        | -  | -  | 1,001,899                         | 19,890,988                  | 15,403,845            |
| Transfers out   | (2,426,951)          | (1,200,000)                    | -  | -  | (1,196,002)                       | (4,822,953)                 | (10,224,702)          |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b>       | <b>15,758,018</b>    | <b>(495,880)</b>               | <b>-</b>   | <b>-</b>                                 | <b>805,897</b>                    | <b>16,068,035</b>           | <b>5,179,143</b>      |
| <b>NET CHANGE IN FUND BALANCES</b>                    | <b>13,682,434</b>    | <b>9,378,603</b>               | <b>1,164,502</b>                                   | <b>(608,031)</b>                         | <b>6,327,069</b>                  | <b>29,944,577</b>           | <b>18,048,903</b>     |
| FUND BALANCES, BEGINNING                              | 81,277,207           | 268,472,986                    | 30,534,584   | 3,780,301                                | 59,472,091                        | 443,537,169                 | 425,488,266           |
| <b>FUND BALANCES, ENDING</b>                          | <b>\$ 94,959,641</b> | <b>\$ 277,851,589</b>          | <b>\$ 31,699,086</b>                               | <b>\$ 3,172,270</b>                      | <b>\$ 65,799,160</b>              | <b>\$ 473,481,746</b>       | <b>\$ 443,537,169</b> |

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, 2021

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

|  |           |                   |
|--|-----------|-------------------|
| NET CHANGES IN FUND BALANCE-TOTAL GOVERNMENTAL FUNDS (page 20)   | \$        | 29,944,577        |
| 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. |           | 697,782           |
| 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.   |           | 909,298           |
| Compensated absences which are reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.   |           | (60,399)          |
| Governmental funds report debt proceeds as a source of funds. However, this is not revenue on the statement of activities  |           | (1,000,000)       |
| The Authority transferred land from the Federal Programs Enterprise Fund to the General Fund. This noncash transfer of Capital Assets is not reported in the Governmental Funds.   |           | 63,269            |
| 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  | \$        | 34,501            |
| Cost of benefits earned net of employee contributions  |           | 6,175             |
|  |           | <u>40,676</u>     |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (page 16)  | <u>\$</u> | <u>30,595,203</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, 2021  
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2020)

|  | FEDERAL              | SINGLE               | TOTAL ENTERPRISE      |                       |
|--|----------------------|----------------------|-----------------------|-----------------------|
|  | PROGRAMS             | FAMILY               | FUNDS                 |                       |
|  | ENTERPRISE           | PROGRAMS             |                       |                       |
|  | FUND                 | ENTERPRISE           | 2021                  | 2020                  |
|  |                      | FUND                 |                       |                       |
| <b>ASSETS</b>                                  |                      |                      |                       |                       |
| Current Assets:                                |                      |                      |                       |                       |
| Cash & cash equivalents                        | \$ 14,802,432        | \$ 28,471,087        | \$ 43,273,519         | \$ 18,664,091         |
| Investments                                    | 232,148,463          | 31,627,779           | 263,776,242           | 23,240,750            |
| Mortgage loans receivable, net                 | -                    | 722,565              | 722,565               | 970,427               |
| Accrued interest and other receivables         | 212,725              | 1,024,877            | 1,237,602             | 1,519,134             |
| Grants receivable-US Dept of HUD               | 509,066              | -                    | 509,066               | 112,359               |
| Interfund receivables                          | 189,176              | -                    | 189,176               | 5,742                 |
| Prepaid expenses                               | 4,079,177            | -                    | 4,079,177             | 3,989,315             |
| Total current assets                           | 251,941,039          | 61,846,308           | 313,787,347           | 48,501,818            |
| Non-Current Assets:                            |                      |                      |                       |                       |
| Cash, restricted for payment of escrows        | 2,060,534            | -                    | 2,060,534             | 1,740,179             |
| Investments                                    | 7,041,944            | -                    | 7,041,944             | 6,438,942             |
| Secutitized mortgage loans                     | -                    | 35,386,033           | 35,386,033            | 133,802,448           |
| Mortgage loans receivable, net                 | 66,544,516           | 8,399,477            | 74,943,993            | 75,296,959            |
| Accrued interest and other receivables, net    | 13,074,343           | 102,892              | 13,177,235            | 12,344,688            |
| Interfund receivables                          | -                    | -                    | -                     | 24,457                |
| Capital assets not being depreciated           | 937,559              | -                    | 937,559               | 1,037,194             |
| Capital assets net of accumulated depreciation | 4,165,278            | -                    | 4,165,278             | 6,170,085             |
| Total non-current assets                       | 93,824,174           | 43,888,402           | 137,712,576           | 236,854,952           |
| <b>TOTAL ASSETS</b>                            | <b>345,765,213</b>   | <b>105,734,710</b>   | <b>451,499,923</b>    | <b>285,356,770</b>    |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>           |                      |                      |                       |                       |
| Deferred amount on bond refunding              | -                    | 39,894               | 39,894                | 63,130                |
| <b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>     | <b>-</b>             | <b>39,894</b>        | <b>39,894</b>         | <b>63,130</b>         |
| <b>LIABILITIES</b>                             |                      |                      |                       |                       |
| Current Liabilities:                           |                      |                      |                       |                       |
| Accounts payable                               | 6,103,931            | 6,071                | 6,110,002             | 617,409               |
| Deferred Revenue                               | 233,125,676          | -                    | 233,125,676           | 6,354,376             |
| Due State of Delaware-pension costs            | 1,035                | -                    | 1,035                 | 1,035                 |
| Interfund payables                             | 471,174              | 372,750              | 843,924               | 491,015               |
| Compensated absences payable                   | 11,608               | -                    | 11,608                | -                     |
| Accrued interest payable                       | -                    | 356,207              | 356,207               | -                     |
| Revenue bonds payable                          | -                    | 494,939              | 494,939               | 2,311,909             |
| Total current liabilities                      | 239,713,424          | 1,229,967            | 240,943,391           | 9,775,744             |
| Non-Current Liabilities:                       |                      |                      |                       |                       |
| Interfund payables                             | 4,004,910            | 50                   | 4,004,960             | 3,815,800             |
| Compensated absences payable                   | 408,153              | -                    | 408,153               | 343,322               |
| Escrow deposits                                | 9,140,299            | -                    | 9,140,299             | 8,254,449             |
| Revenue bonds payable                          | -                    | 52,286,455           | 52,286,455            | 124,567,359           |
| Total non-current liabilities                  | 13,553,362           | 52,286,505           | 65,839,867            | 136,980,930           |
| <b>TOTAL LIABILITIES</b>                       | <b>253,266,786</b>   | <b>53,516,472</b>    | <b>306,783,258</b>    | <b>146,756,674</b>    |
| <b>DEFERRED INFLOW OF RESOURCES</b>            |                      |                      |                       |                       |
| Deferred amount on bond refunding              | -                    | 1,839,270            | 1,839,270             | 2,214,886             |
| <b>TOTAL DEFERRED INFLOW OF RESOURCES</b>      | <b>-</b>             | <b>1,839,270</b>     | <b>1,839,270</b>      | <b>2,214,886</b>      |
| <b>NET POSITION</b>                            |                      |                      |                       |                       |
| Invested in capital assets                     | 5,102,837            | -                    | 5,102,837             | 7,207,279             |
| Restricted by federal regulations              | 88,422,678           | -                    | 88,422,678            | 86,049,126            |
| Restricted by bond covenants                   | -                    | 50,418,862           | 50,418,862            | 43,191,935            |
| Unrestricted                                   | (1,027,088)          | -                    | (1,027,088)           | -                     |
| <b>TOTAL NET POSITION</b>                      | <b>\$ 92,498,427</b> | <b>\$ 50,418,862</b> | <b>\$ 142,917,289</b> | <b>\$ 136,448,340</b> |

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, 2021  
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

|  | FEDERAL<br>PROGRAMS<br>ENTERPRISE<br>FUND | SINGLE<br>FAMILY<br>PROGRAMS<br>ENTERPRISE<br>FUND | TOTAL ENTERPRISE<br>FUNDS |                       |
|--|---|--|---------------------------|-----------------------|
|  |   |  | 2021                      | 2020                  |
| <b>OPERATING REVENUES</b>  |   |  |                           |                       |
| Interest income on loans   | \$ 1,237,554                              | \$ 10,393,264                                      | \$ 11,630,818             | \$ 6,735,452          |
| Federal housing program grants   | 90,209,611                                | -  | 90,209,611                | 63,407,690            |
| Rental income  | 552,125                                   | -  | 552,125                   | 770,507               |
| Amortization of deferred revenues                                      | -   | 1,546,383  | 1,546,383                 | 417,728               |
| Miscellaneous  | 625,343                                   | 269,459  | 894,802                   | 845,382               |
| <b>TOTAL OPERATING REVENUES</b>  | <b>92,624,633</b>                         | <b>12,209,106</b>                                  | <b>104,833,739</b>        | <b>72,176,759</b>     |
| <b>OPERATING EXPENSES</b>  |   |  |                           |                       |
| Interest expense on bonds  | -   | 2,336,739  | 2,336,739                 | 4,387,820             |
| Administrative   | 6,464,375                                 | 147,304  | 6,611,679                 | 6,930,219             |
| Grants and housing assistance payments                                 | 83,800,160                                | -  | 83,800,160                | 53,035,753            |
| Public housing maintenance & utilities                                 | 1,292,676                                 | -  | 1,292,676                 | 2,079,993             |
| Amortization of deferred expenses                                      | -   | 23,236   | 23,236                    | 27,517                |
| Depreciation   | 986,115                                   | -  | 986,115                   | 1,196,173             |
| Loan servicing fees  | -   | 17,260   | 17,260                    | 19,026                |
| Other expenses   | -   | 62,738   | 62,738                    | 51,122                |
| <b>TOTAL OPERATING EXPENSES</b>  | <b>92,543,326</b>                         | <b>2,587,277</b>                                   | <b>95,130,603</b>         | <b>67,727,623</b>     |
| <b>OPERATING INCOME</b>  | <b>81,307</b>                             | <b>9,621,829</b>                                   | <b>9,703,136</b>          | <b>4,449,136</b>      |
| <b>NON-OPERATING INCOME/(EXPENSES)</b>                                 |   |  |                           |                       |
| Investment income  | 5,706                                     | 14,102,514   | 14,108,220                | 11,005,636            |
| Change in fair value of investments                                    | -   | (6,547,066)  | (6,547,066)               | 3,493,578             |
| Gain/(Loss) on Disposal of Property                                    | 4,003,493                                 | -  | 4,003,493                 | -                     |
| <b>TOTAL NON-OPERATING INCOME/(EXPENSES)</b>                           | <b>4,009,199</b>                          | <b>7,555,448</b>                                   | <b>11,564,647</b>         | <b>14,499,214</b>     |
| <b>INCOME/(LOSS) BEFORE CAPITAL GRANTS<br/>AND OPERATING TRANSFERS</b> |   |  |                           |                       |
|  | 4,090,506                                 | 17,177,277   | 21,267,783                | 18,948,350            |
| Capital grants   | 332,470                                   | -  | 332,470                   | 1,625,608             |
| Transfers in   | 700,343                                   | 2,909,241  | 3,609,584                 | 5,706,993             |
| Transfers out  | (5,881,297)                               | (12,859,591)                                       | (18,740,888)              | (10,886,136)          |
| <b>CHANGE IN NET POSITION</b>  | <b>(757,978)</b>                          | <b>7,226,927</b>                                   | <b>6,468,949</b>          | <b>15,394,815</b>     |
| <b>NET POSITION, BEGINNING</b>   | <b>93,256,405</b>                         | <b>43,191,935</b>                                  | <b>136,448,340</b>        | <b>121,053,525</b>    |
| <b>NET POSITION, ENDING</b>  | <b>\$ 92,498,427</b>                      | <b>\$ 50,418,862</b>                               | <b>\$ 142,917,289</b>     | <b>\$ 136,448,340</b> |

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, 2021  
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

|  | FEDERAL              | SINGLE               | TOTAL ENTERPRISE     |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | PROGRAMS             | FAMILY               | FUNDS                |                      |
|  | ENTERPRISE           | ENTERPRISE           | 2021                 | 2020                 |
|  | FUND                 | FUND                 |                      |                      |
| <b>OPERATING ACTIVITIES:</b>                                     |                      |                      |                      |                      |
| Securitized mortgage loans principal repayments received         | \$ -                 | \$ 19,367,179        | \$ 19,367,179        | \$ 22,722,910        |
| Mortgage loans principal repayments received                     | 11,625,687           | 1,707,550            | 13,333,237           | 2,336,504            |
| Mortgage interest payments received                              | 416,787              | 10,637,282           | 11,054,069           | 5,943,913            |
| Grants received  | 316,584,204          | -                    | 316,584,204          | 69,872,259           |
| Rental and related rental income                                 | 577,859              | -                    | 577,859              | 751,334              |
| Insurance claims received  | -                    | 18,539               | 18,539               | 261,383              |
| Escrow receipts  | 3,143,053            | -                    | 3,143,053            | 1,972,335            |
| Other receipts   | 625,343              | 269,459              | 894,802              | 840,136              |
| New mortgages disbursed  | (12,779,311)         | -                    | (12,779,311)         | (6,307,493)          |
| Grants disbursed   | (78,239,921)         | -                    | (78,239,921)         | (52,806,448)         |
| Goods/Services expenses  | (3,186,132)          | (141,310)            | (3,327,442)          | (2,393,406)          |
| Employee expenses  | (3,365,276)          | -                    | (3,365,276)          | (3,410,592)          |
| Maintenance and utility expenses                                 | (1,292,676)          | -                    | (1,292,676)          | (2,093,642)          |
| Trustee and servicing fees paid                                  | -                    | (44,227)             | (44,227)             | (58,269)             |
| Foreclosure disbursements  | -                    | (7,408)              | (7,408)              | -                    |
| Escrow disbursements   | (2,203,386)          | -                    | (2,203,386)          | (1,664,251)          |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                 | <b>231,906,231</b>   | <b>31,807,064</b>    | <b>263,713,295</b>   | <b>35,966,673</b>    |
| <b>NONCAPITAL FINANCING ACTIVITIES:</b>                          |                      |                      |                      |                      |
| Proceeds from revenue bonds                                      | -                    | -                    | -                    | -                    |
| Interfund payments received                                      | 700,313              | 2,909,241            | 3,609,554            | 8,085,467            |
| Repayments of principal on revenue bonds                         | -                    | (74,097,875)         | (74,097,875)         | (25,444,683)         |
| Payments of interest on revenue bonds                            | -                    | (809,765)            | (809,765)            | (4,387,819)          |
| Interfund payments made  | (812,283)            | (12,859,591)         | (13,671,874)         | (10,413,008)         |
| <b>NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES</b>          | <b>(111,970)</b>     | <b>(84,857,990)</b>  | <b>(84,969,960)</b>  | <b>(32,160,043)</b>  |
| <b>CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                 |                      |                      |                      |                      |
| Capital grant funds from US Dept of HUD                          | 332,470              | -                    | 332,470              | 1,625,608            |
| Proceeds from sales of capital assets                            | 554,204              | -                    | 554,204              | -                    |
| Purchase of capital assets                                       | (54,449)             | -                    | (54,449)             | (808,850)            |
| <b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b> | <b>832,225</b>       | <b>-</b>             | <b>832,225</b>       | <b>816,758</b>       |
| <b>INVESTING ACTIVITIES:</b>                                     |                      |                      |                      |                      |
| Proceeds from sales and maturities of investments                | 31,422,523           | 229,659,042          | 261,081,565          | 88,235,825           |
| Interest income on investments                                   | 5,706                | 37,433               | 43,139               | 241,685              |
| Purchase of investment securities                                | (262,363,382)        | (153,407,099)        | (415,770,481)        | (82,681,528)         |
| <b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>          | <b>(230,935,153)</b> | <b>76,289,376</b>    | <b>(154,645,777)</b> | <b>5,795,982</b>     |
| <b>NET INCREASE (DECREASE) IN CASH/CASH EQUIVALENT:</b>          | <b>1,691,333</b>     | <b>23,238,450</b>    | <b>24,929,783</b>    | <b>10,419,370</b>    |
| <b>CASH/CASH EQUIVALENTS, BEGINNING OF YEAR</b>                  | <b>15,171,633</b>    | <b>5,232,637</b>     | <b>20,404,270</b>    | <b>9,984,900</b>     |
| <b>CASH/CASH EQUIVALENTS, END OF YEAR</b>                        | <b>\$ 16,862,966</b> | <b>\$ 28,471,087</b> | <b>45,334,053</b>    | <b>\$ 20,404,270</b> |

Continued on next page.

DELAWARE STATE HOUSING AUTHORITY  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021  
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

|   | FEDERAL               | SINGLE               | TOTAL ENTERPRISE      |                       |
|---|-----------------------|----------------------|-----------------------|-----------------------|
|   | PROGRAMS              | FAMILY               | FUNDS                 |                       |
|   | ENTERPRISE            | ENTERPRISE           | 2021                  | 2020                  |
|   | FUND                  | FUND                 |                       |                       |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES         |                       |                      |                       |                       |
| OPERATING INCOME/(LOSS)   | \$ 81,307             | \$ 9,621,829         | \$ 9,703,136          | \$ 4,449,136          |
| Adjustments to reconcile operating income to net cash provided(used) by operating activities: |                       |                      |                       |                       |
| Amortization of deferred bond costs   | -                     | 23,236               | 23,236                | 27,517                |
| Amortization of bond premium  | -                     | (1,546,383)          | (1,546,383)           | (417,728)             |
| Depreciation expense  | 986,115               | -                    | 986,115               | 1,196,173             |
| Interest expense on bonds   | -                     | 2,336,739            | 2,336,739             | 4,387,820             |
| Decrease / (Increase) in fair value of securitized mortgage loans                             | -                     | (6,547,066)          | (6,547,066)           | 3,493,578             |
| Sale of securitized mortgage loans  | -                     | (72,502,170)         | (72,502,170)          | -                     |
| Noncash transfers of mortgages and accrued interest   | -                     | -                    | -                     | (2,723,813)           |
| Changes in assets and liabilities:  |                       |                      |                       |                       |
| (Increase) decrease in accrued interest and other receivables                                 | (1,191,740)           | 244,018              | (947,722)             | 1,629,373             |
| (Increase) decrease in securitized mortgage loans   | -                     | 98,416,415           | 98,416,415            | 19,229,332            |
| (Increase) decrease in mortgage loans receivable  | (1,153,624)           | 1,754,452            | 600,828               | (2,226,058)           |
| (Increase) decrease in other assets   | (89,862)              | -                    | (89,862)              | (10,646)              |
| Increase (decrease) in accounts payable and accrued expenses                                  | 5,563,068             | 5,994                | 5,569,062             | 269,529               |
| Increase (decrease) in deferred revenue   | 226,771,300           | -                    | 226,771,300           | 6,354,376             |
| Increase (decrease) in escrow deposits  | 939,667               | -                    | 939,667               | 308,084               |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES  | <u>\$ 231,906,231</u> | <u>\$ 31,807,064</u> | <u>\$ 263,713,295</u> | <u>\$ 35,966,673</u>  |
| NONCASH NONCAPITAL FINANCING ACTIVITIES   |                       |                      |                       |                       |
| Transfers out   | (4,558,796)           | -                    | (4,558,796)           | (2,723,813)           |
| NET NONCASH TRANSFERS   | <u>\$ (4,558,796)</u> | <u>\$ -</u>          | <u>\$ (2,723,813)</u> | <u>\$ (2,723,813)</u> |
| NONCASH INVESTING ACTIVITIES  |                       |                      |                       |                       |
| Increase (decrease) in fair value of escrow investments                                       | <u>\$ (54,400)</u>    | <u>\$ -</u>          | <u>\$ (54,400)</u>    | <u>\$ 76,037</u>      |

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

DELAWARE STATE HOUSING AUTHORITY  
 STATEMENTS OF FIDUCIARY NET POSITION  
 JUNE 30, 2021 AND 2020

|                                    | <u>DSHA RETIREE MEDICAL TRUST</u> |                     |
|------------------------------------|-----------------------------------|---------------------|
|                                    | <u>2021</u>                       | <u>2020</u>         |
| <b>ASSETS</b>                      |                                   |                     |
| Cash and cash equivalents          | \$ -                              | \$ 500              |
| Interest receivable on investments | 31,250                            | 35,582              |
| Interest receivable on loans       | 4,623                             | 4,718               |
| Investments, at fair value:        |                                   |                     |
| Savings account                    | 40,974                            | 66,636              |
| Corporate Notes                    | 2,641,227                         | 2,860,116           |
| Commercial Paper                   | 568,857                           | 249,798             |
| U.S. Treasury Obligations          | 1,225,655                         | 823,068             |
| U.S. Government Agencies           | 4,174,741                         | 3,952,247           |
| Loans receivable                   | <u>1,109,568</u>                  | <u>1,132,380</u>    |
| Total assets                       | <u>9,796,895</u>                  | <u>9,125,045</u>    |
| <b>LIABILITIES</b>                 |                                   |                     |
| Accounts payable                   | <u>1,200</u>                      | <u>1,114</u>        |
| Total liabilities                  | <u>1,200</u>                      | <u>1,114</u>        |
| <b>NET POSITION</b>                |                                   |                     |
| Net Position Restricted for OPEB   | <u>\$ 9,795,695</u>               | <u>\$ 9,123,931</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, 2021 AND 2020

|                                       | <u>DSHA RETIREE MEDICAL TRUST</u> |                     |
|---------------------------------------|-----------------------------------|---------------------|
|                                       | <u>2021</u>                       | <u>2020</u>         |
| <b>ADDITIONS</b>                      |                                   |                     |
| Contributions:                        |                                   |                     |
| Employer contributions                | \$ 778,725                        | \$ 784,124          |
| Total contributions                   | <u>778,725</u>                    | <u>784,124</u>      |
| Investment earnings:                  |                                   |                     |
| Interest                              | 152,503                           | 160,823             |
| Interest on loan                      | 56,006                            | 57,121              |
| Net increase (decrease) in fair value | <u>(132,315)</u>                  | <u>178,817</u>      |
| Total investment earnings             | 76,194                            | 396,761             |
| Less: Investment expense              | <u>(4,587)</u>                    | <u>(4,099)</u>      |
| Net investment earnings               | <u>71,607</u>                     | <u>392,662</u>      |
| Total additions                       | <u>850,332</u>                    | <u>1,176,786</u>    |
| <b>DEDUCTIONS</b>                     |                                   |                     |
| Benefits paid                         | 168,668                           | 131,859             |
| Administrative expenses               | <u>9,900</u>                      | <u>9,700</u>        |
| Total deductions                      | <u>178,568</u>                    | <u>141,559</u>      |
| Net Increase in net position          | 671,764                           | 1,035,227           |
| Net position - beginning              | <u>9,123,931</u>                  | <u>8,088,704</u>    |
| Net position - ending                 | <u>\$ 9,795,695</u>               | <u>\$ 9,123,931</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, 2021**

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   | 38 |
| D.   | Assets, liabilities, and net position or equity  | 41 |
| II.  | RECONCILIATION OF ENTITY-WIDE AND FUND FINANCIAL STATEMENTS  | 47 |
| A.   | Explanation of certain differences between the governmental fund balance sheet and the entity-wide statement of net position   | 47 |
| 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 | 48 |
| III. | COMPLIANCE AND ACCOUNTABILITY  | 48 |
| IV.  | DETAILED NOTES ON ALL FUNDS  | 48 |
| A.   | Deposits and investments   | 48 |
| B.   | Receivables  | 53 |
| C.   | Accounts payable   | 54 |
| D.   | Capital assets   | 55 |
| E.   | Interfund transactions   | 56 |
| F.   | Short-term and long-term debt  | 57 |
| G.   | Segment information  | 59 |
| V.   | OTHER INFORMATION  | 61 |
| A.   | Risk management  | 61 |
| B.   | Related organizations and related party transactions   | 61 |
| C.   | Economic dependency  | 62 |
| D.   | Post-retirement health care benefits   | 62 |
| E.   | Pension plans  | 69 |
| F.   | Contingent liabilities   | 73 |
| G.   | Subsequent events  | 73 |



**DELAWARE STATE HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**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, 2020 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, except for interfund services provided and used. 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 \$4,000,000 for DDD as part of its fiscal year 2021 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. DSHA received \$6,750,900 from the State of Delaware to support 2021 SRAP operations.
- **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. 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.
- **Home 4 Good** – The Authority has partnered with the Federal Home Loan Bank of Pittsburgh to establish the Home 4 Good Program. The program has been funded by a grant from the Federal Home Loan Bank of Pittsburgh and a transfer from the HDF. The purpose of the program is to provide direct funding to approved nonprofit organizations that provide Housing Support programs for Homelessness Prevention, Rapid Re-Housing, and other similar types of activities to very low and low-income residents. In May 2020, the grant agreement with Federal Home Loan Bank of Pittsburgh allocated \$700,000 from its Home 4 Good Program to be used by DSHA exclusively for DSHA's DE HAP program to help meet the resulting challenges from COVID-19 and to help alleviate burdens faced by the communities served by DSHA and other housing finance agencies
- **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.

- **Pre-Development Loan Program** – The Pre-Development Loan Program is an HDF program that supports the development of housing for low- and moderate-income households. The program lends funds to non-profit entities to finance pre-development expenses of future affordable housing projects.
- **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.
- **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.
- **Sustainable Energy Utility Loan Fund (SEULF)** – The Authority borrowed \$1,000,000 from the Delaware Sustainable Energy Utility during fiscal year 2021, to establish the Sustainable Energy Utility Loan Fund. The SEULF is set up as a loan fund to finance new construction projects that meet or exceed DSHA’s Base Level Energy and Green Standards and to support affordable multifamily housing projects that are awarded Low Income Housing Tax Credits and other financing from DSHA. The loan requires repayment to the Sustainable Energy Utility upon receipt of interest and principal payment from borrowers.
- **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 seven 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 60 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.
- **2017 Mainstream Voucher** – In September 2018, HUD awarded the Authority 50 Mainstream Housing Choice Vouchers to provide nonelderly persons with disabilities exiting institutions or exiting homelessness with immediate access to permanent housing. This program is a subset of HUD’s Housing Choice Voucher program.
- **Delaware Housing Assistance Payment (DE HAP)** - This program provides housing rental assistance subsidies through Coronavirus Relief Funds from the State of Delaware of \$7,500,000 coupled by funding from HDF, Home4Good, and the State’s three counties. The goal of DE HAP is to prevent evictions, assist Delaware renter households, and help to stabilize the rental housing market by providing rental assistance. Maximum assistance is \$5,000. Households that received DE HAP assistance in the first round can receive it again. Arrears balances (from March 1, 2020 – on) plus the coming month due can be paid at one time. To target the households in greatest need, maximum income is 60% of the Area Median Income. Landlords are required to agree that by accepting DEHAP payment they agree to not pursue eviction due to nonpayment of rent for at least 60 days.

Tenants who are receiving ongoing federal or state rental assistance, project-based or tenant- based, are not eligible. DSHA is ensuring the availability of other homelessness prevention resources for these households.



- **CARES Act Funding – HUD** – During the years ended June 30, 2021 and 2020 the U.S. Department of Housing and Urban Development awarded the Authority the following amounts by federal program from the Federal CARES and CRRSA Acts:

|  |                                |
|--|--------------------------------|
| Community Development Block Grant          | \$ 6,588,288                   |
| Emergency Solutions Program                | 2,334,778                      |
| Housing Opportunities for People With AIDS | 45,703                         |
| Housing Choice Voucher Program             | 356,208                        |
| Public Housing                             | 471,712                        |
| Mainstream Vouchers                        | <u>3,179</u>                   |
| <br>Total HUD Allocated CARES Act Funding  | <br><u><u>\$ 9,799,868</u></u> |

- **Emergency Rental Assistance Program (ERA)** - This program provides housing rental assistance subsidies through funding provided under the Consolidated Appropriations Act and the American Rescue Plan Act. The goal of ERA is to prevent evictions, assist Delaware renter households, and help to stabilize the rental housing market by providing rental assistance. The Authority received two rounds of funding:
  - ERA 1 provided \$200,000,000 in funding that was received in advance. Assistance is available to renters for a maximum of 12 months.
  - ERA 2 provided \$40,000,000 in funding. Assistance is available to renters for a maximum of 18 months when combined with ERA 1 funding.
- **Homeowner Assistance Fund** - Delaware will receive \$50 million in federal Homeowner Assistance Funds (HAF) from the American Rescue Plan Act of 2021. The funds will be administered by the U.S. Treasury. These funds will assist qualifying homeowners who have experienced financial hardship due to the COVID-19 pandemic with direct assistance for mortgage payments and other related housing costs to prevent mortgage delinquencies, defaults, displacements, and foreclosures. This program will be used to relaunch the Delaware Emergency Mortgage Assistance Program (DEMAP).
- **Emergency Housing Voucher Program** – The American Rescue Plan Act allowed HUD to allocate additional vouchers to PHAs through an allocation formula. The vouchers are provided to help assist individuals and families who are (1) homeless, (2) at risk of homelessness, (3) fleeing, or attempting to flee, domestic violence, dating violence, sexual assault, stalking, or human trafficking, or (4) recently homeless. The Authority was initially awarded \$395,000.

#### 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 sends DSHA the premium, which is calculated at a predetermined price. The TBA financing allows DSHA to provide competitively priced mortgage loans while generating revenue.

### **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 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 were scheduled to be effective for reporting periods beginning after December 15, 2019, however in May of 2020 the effective date was delayed 18 months to periods beginning after June 15, 2021. The Authority is currently evaluating the future impact of this statement.

In August 2018, the GASB issued No. 89 “Accounting for Interest Cost Incurred before the End of a Construction Period.” The primary objective of this statement is to establish accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. The Authority is currently evaluating the future impact of this statement.

In 2019, the GASB issued No. 91 “Conduit Debt Obligations”, amending several previous GASB Statements. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. The Authority is currently evaluating the future impact of this statement.

In 2020, the GASB issued No. 92 “Omnibus 2020”. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during

implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports,
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan,
- The applicability of Statements 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, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits,
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements,
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition,
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers,
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature,
- Terminology used to refer to derivative instruments.

The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. Other requirements are effective for fiscal years beginning after June 15, 2021. The Authority is currently evaluating the future impact of this statement.

In 2020, the GASB issued No. 93, "Replacement of Interbank Offered Rates". The objective of this Statement is to address accounting and financial reporting implications that result from the expected replacement of LIBOR at the end of 2021. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The Authority is currently evaluating the future impact of this statement.

In 2020, the GASB issued No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to

whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. The Authority is currently evaluating the future impact of this statement.

In 2020, the GASB issued No. 96, "Subscription-Based Information Technology Arrangements". This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. The Authority is currently evaluating the future impact of this statement.

In 2020, the GASB issued No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans". The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The Authority is currently evaluating the future impact of this statement.

In October 2021, the GASB issued No. 98, "The Annual Comprehensive Financial Report". This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021 and the Authority has adopted this Statement of the year ended June 30, 2021.

#### **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 (\$127,984) has been established for tenant accounts receivable in the business-type activities and the Federal Programs Enterprise Fund as of June 30, 2021. 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. The allowance as of June 30, 2021 was \$7,342,856 in the Housing Development Fund, governmental activity and major governmental fund; and \$4,896,693 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 and loans that are expected to be forgiven. At June 30, 2021, an allowance for doubtful accounts equals 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, 2021 was \$1,939,385

### **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 398 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. On July 6, 2021, the Authority adopted a General Fund fund balance with the execution of General Order No. 679. The Order requires the Authority to establish a fund balance in October of each fiscal year, the Assistant Director, Financial Management will propose in writing to the Director the contingency reserve fund level for that fiscal year, based upon the greater of: DSHA's current administrative budget or the projected general fund amount over a ten year period needed to support operations identified in the most recent Resource Allocation Plan, along with the TBA Account balance. These funds will be invested based on the proposal of the General Fund Program Investment Working Group (Program Administrators of Finance, Asset Management, Development, Management, Administration, and the Director's Office.)

### **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, 2021, is as follows:

|   | General Fund  | Housing Development Fund | Downtown Development Districts Grant Fund | State Rental Assistance Program | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------|--------------------------|---|---------------------------------|-----------------------------|--------------------------|
| <b>Nonspendable:</b>  |               |                          |   |                                 |                             |                          |
| General Fund  | \$ 51,940,683 | \$ -                     | \$ -                                      | \$ -                            | \$ -                        | \$ 51,940,683            |
| Total nonspendable  | 51,940,683    | -                        | -   | -                               | -                           | 51,940,683               |
| <b>Restricted:</b>  |               |                          |   |                                 |                             |                          |
| Housing Development   | -             | 250,173,245              | -   | -                               | -                           | 250,173,245              |
| Downtown Development District:                                  | -             | -                        | 31,699,086                                | -                               | -                           | 31,699,086               |
| Rental Assistance   | -             | -                        | -   | 3,172,270                       | -                           | 3,172,270                |
| Foreclosure Prevention and Housing Counseling                   | -             | -                        | -   | -                               | 19,310,967                  | 19,310,967               |
| Housing Rehabilitation  | -             | -                        | -   | -                               | 584,278                     | 584,278                  |
| Mortgage Assistance   | -             | -                        | -   | -                               | 31,697,828                  | 31,697,828               |
| Energy Conservation in Affordable Multifamily Housing Loan Fund | -             | -                        | -   | -                               | 1,000,000                   | 1,000,000                |
| Neighborhood Revitalization                                     | -             | -                        | -   | -                               | 12,845,423                  | 12,845,423               |
| Other Purposes  | -             | -                        | -   | -                               | 341,021                     | 341,021                  |
| Total restricted  | -             | 250,173,245              | 31,699,086                                | 3,172,270                       | 65,779,517                  | 350,824,118              |
| <b>Committed:</b>   |               |                          |   |                                 |                             |                          |
| General Fund  | 43,018,958    | -                        | -   | -                               | -                           | 43,018,958               |
| Housing Development   | -             | 27,678,344               | -   | -                               | -                           | 27,678,344               |
| Total committed   | 43,018,958    | 27,678,344               | -   | -                               | -                           | 70,697,302               |
| <b>Assigned:</b>  |               |                          |   |                                 |                             |                          |
| Housing Rehabilitation  | -             | -                        | -   | -                               | -                           | -                        |
| Other Purposes  | -             | -                        | -   | -                               | 19,643                      | 19,643                   |
| Total assigned  | -             | -                        | -   | -                               | 19,643                      | 19,643                   |
| Total Fund Balance  | \$ 94,959,641 | \$ 277,851,589           | \$ 31,699,086                             | \$ 3,172,270                    | \$ 65,799,160               | \$ 473,481,746           |

## 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, 2020, 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 \$2,693,416 difference are as follows:

|                                |                    |
|--------------------------------|--------------------|
| Capital assets                 | \$5,288,308        |
| Less: Accumulated depreciation | <u>(2,594,892)</u> |
| Net capital asset adjustment   | <u>\$2,693,416</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 \$(1,786,866) difference are as follows:

|                                      |                      |
|--------------------------------------|----------------------|
| Compensated absences                 | \$(786,866)          |
| Sustainable Energy Utility Loan      | <u>(1,000,000)</u>   |
| Net long-term liabilities adjustment | <u>\$(1,786,866)</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 \$909,298 difference are as follows:

|                              |                  |
|------------------------------|------------------|
| Capital outlay               | \$991,987        |
| Less: Depreciation expense   | <u>(82,689)</u>  |
| Net capital asset adjustment | <u>\$909,298</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 Medical Retiree Trust (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                                   | Investment Maturities (in Years) |                       |                      |                   |                      |                      |
|---|----------------------------------|-----------------------|----------------------|-------------------|----------------------|----------------------|
|   | Fair Value                       | Less                  |                      |                   |                      |                      |
|   | 6/30/2021                        | than 1                | 1 to 5               | 5 to 10           | 10 to 20             | 20 to 30             |
| <b>Governmental activities:</b>                   |                                  |                       |                      |                   |                      |                      |
| U.S.Treasury Notes                                | \$ 10,419,360                    | \$ 2,226,603          | \$ 8,192,757         | \$ -              | \$ -                 | \$ -                 |
| U.S.Treasury Bills                                | 374,547                          | 374,547               | -                    | -                 | -                    | -                    |
| U.S.Treasury Bonds                                | 24,898                           | -                     | -                    | 24,898            | -                    | -                    |
| U.S.Treasury Strips                               | 452,238                          | -                     | 452,238              | -                 | -                    | -                    |
| U.S. Agencies                                     | 39,606,144                       | 6,208,780             | 33,012,309           | 385,055           | -                    | -                    |
| Corporate Notes                                   | 26,095,455                       | 7,058,712             | 19,036,743           | -                 | -                    | -                    |
| Commercial Paper                                  | 7,726,520                        | 7,726,520             | -                    | -                 | -                    | -                    |
| Money Market Bank Accounts                        | 95,464,968                       | 95,464,968            | -                    | -                 | -                    | -                    |
| Money Market Savings Accounts                     | 7,488,066                        | 7,488,066             | -                    | -                 | -                    | -                    |
| State of Delaware Investment Pool                 | 245,471                          | 245,471               | -                    | -                 | -                    | -                    |
| Uninvested Principal Cash                         | 3,095                            | 3,095                 | -                    | -                 | -                    | -                    |
| Securitized Mortgage Loans                        | 6,070,359                        | -                     | -                    | -                 | -                    | 6,070,359            |
| <b>Total Governmental Activities Investments</b>  | <b>193,971,121</b>               | <b>126,796,762</b>    | <b>60,694,047</b>    | <b>409,953</b>    | <b>-</b>             | <b>6,070,359</b>     |
| <b>Business-type activities:</b>                  |                                  |                       |                      |                   |                      |                      |
| U.S.Treasury Notes                                | 1,197,955                        | 283,752               | 914,203              | -                 | -                    | -                    |
| U.S.Treasury Bills                                | -                                | -                     | -                    | -                 | -                    | -                    |
| U.S. Agencies                                     | 38,520,779                       | 291,958               | 2,753,337            | 89,451            | 11,919,084           | 23,466,949           |
| Corporate Notes                                   | 1,920,566                        | 500,335               | 1,420,231            | -                 | -                    | -                    |
| Commercial Paper                                  | 701,693                          | 701,693               | -                    | -                 | -                    | -                    |
| Money Market Savings Accounts                     | 86,984                           | 86,984                | -                    | -                 | -                    | -                    |
| Money Market Bank Accounts                        | 205,417,441                      | 205,417,441           | -                    | -                 | -                    | -                    |
| State of Delaware Investment Pool                 | 3                                | 3                     | -                    | -                 | -                    | -                    |
| Uninvested Principal Cash                         | 22,972,765                       | 22,972,765            | -                    | -                 | -                    | -                    |
| Securitized Mortgage Loans                        | 35,386,033                       | -                     | -                    | -                 | -                    | 35,386,033           |
| <b>Total Business-type Activities Investments</b> | <b>306,204,219</b>               | <b>230,254,931</b>    | <b>5,087,771</b>     | <b>89,451</b>     | <b>11,919,084</b>    | <b>58,852,982</b>    |
| <b>Total Entity-wide Investments</b>              | <b>\$ 500,175,340</b>            | <b>\$ 357,051,693</b> | <b>\$ 65,781,818</b> | <b>\$ 499,404</b> | <b>\$ 11,919,084</b> | <b>\$ 64,923,341</b> |
| <b>Fiduciary Fund Investments:</b>                |                                  |                       |                      |                   |                      |                      |
| U.S.Treasury Bills                                | \$ 174,790                       | \$ 174,790            | \$ -                 | \$ -              | \$ -                 | \$ -                 |
| U.S.Treasury Notes                                | 1,050,865                        | 355,306               | 695,559              | -                 | -                    | -                    |
| U.S. Agencies                                     | 4,174,740                        | 1,185,501             | 2,989,240            | -                 | -                    | -                    |
| Corporate Notes                                   | 2,641,227                        | 1,128,726             | 1,512,501            | -                 | -                    | -                    |
| Commercial Paper                                  | 568,857                          | 568,857               | -                    | -                 | -                    | -                    |
| Money Market Bank Accounts                        | 40,974                           | 40,974                | -                    | -                 | -                    | -                    |
| Mortgage Loan Receivable                          | 1,109,568                        | -                     | -                    | -                 | -                    | 1,109,568            |
| <b>Total Fiduciary Fund Investments</b>           | <b>\$ 9,761,021</b>              | <b>\$ 3,454,154</b>   | <b>\$ 5,197,300</b>  | <b>\$ -</b>       | <b>\$ -</b>          | <b>\$ 1,109,568</b>  |

## **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. The Fiduciary Fund investments include a mortgage loan receivable of \$1,109,568 which the Authority, in the event of loan default, has guaranteed. Additionally, the Fiduciary Fund Corporate Notes include a NOVARTIS Capital Corp investment in the amount of \$559,686 and a Federal Farm Credit Bank investment in the amount of \$1,280,264 which each exceed 5% of the total investments. As of June 30, 2021, the Authority's investments were rated as follows:

| Investment Type                  | Ratings (S & P) |           |         |           |            |           |           |            | U.S.<br>government<br>guaranteed |            |
|----------------------------------|-----------------|-----------|---------|-----------|------------|-----------|-----------|------------|----------------------------------|------------|
|                                  | A1              | A1+       | A       | A+        | AA-        | AA        | AA+       | AAA        |                                  |            |
| <b>Governmental activities:</b>  |                 |           |         |           |            |           |           |            |                                  |            |
| U.S. Treasury Bills              | \$ -            | \$ -      | \$ -    | \$ -      | \$ -       | \$ -      | \$ -      | \$ -       | \$ -                             | \$ 374,547 |
| U.S. Treasury Notes              | -               | -         | -       | -         | -          | -         | -         | -          | -                                | 10,419,360 |
| U.S. Treasury Bonds              | -               | -         | -       | -         | -          | -         | -         | -          | -                                | 24,898     |
| U.S. Treasury Strips             | -               | -         | -       | -         | -          | -         | -         | -          | -                                | 452,238    |
| U.S. Agencies                    | -               | -         | -       | -         | -          | -         | -         | 34,334,582 | -                                | 5,271,562  |
| Corporate Notes                  | -               | -         | 523,960 | 3,526,057 | 14,401,146 | 1,076,484 | 5,770,674 | 797,134    | -                                | -          |
| Commercial Paper                 | 3,533,700       | 4,192,820 | -       | -         | -          | -         | -         | -          | -                                | -          |
| Securitized Mortgage Loans       | -               | -         | -       | -         | -          | -         | -         | -          | -                                | 6,070,359  |
| <b>Business-type activities:</b> |                 |           |         |           |            |           |           |            |                                  |            |
| U.S. Treasury Bills              | \$ -            | \$ -      | \$ -    | \$ -      | \$ -       | \$ -      | \$ -      | \$ -       | \$ -                             | \$ -       |
| U.S. Treasury Notes              | -               | -         | -       | -         | -          | -         | -         | -          | -                                | 1,197,955  |
| U.S. Agencies                    | -               | -         | -       | -         | -          | -         | -         | 2,756,047  | -                                | 35,764,732 |
| Corporate Notes                  | -               | -         | -       | 225,567   | 1,145,044  | 104,580   | 445,375   | -          | -                                | -          |
| Commercial Paper                 | 388,476         | 313,217   | -       | -         | -          | -         | -         | -          | -                                | -          |
| Securitized Mortgage Loans       | -               | -         | -       | -         | -          | -         | -         | -          | -                                | 35,386,033 |
| <b>Fiduciary Fund:</b>           |                 |           |         |           |            |           |           |            |                                  |            |
| U.S. Treasury Bills              | \$ -            | \$ -      | \$ -    | \$ -      | \$ -       | \$ -      | \$ -      | \$ -       | \$ -                             | \$ 174,790 |
| U.S. Treasury Notes              | -               | -         | -       | -         | -          | -         | -         | -          | -                                | 1,050,865  |
| U.S. Agencies                    | -               | -         | -       | -         | -          | -         | -         | 4,174,741  | -                                | -          |
| Commercial Paper                 | 568,857         | -         | -       | -         | -          | -         | -         | -          | -                                | -          |
| Corporate Notes                  | -               | -         | -       | 112,619   | 2,037,555  | 155,540   | 335,513   | -          | -                                | -          |

## 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, 2021 of \$423,568,003 was collateralized at 102% or greater by securities pledged and identified as held in the Authority's name. Bank and saving money markets of \$10,304,038, were secured by a \$11,000,000 Irrevocable Standby Letter of Credit issued by the Federal Home Loan Bank of Pittsburgh. 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, 2021.

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 \$500,175,340 investment balance, no deposits were 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<br>6/30/2021 | Fair Value Measurements Using   |  |  |
|---|-------------------------|---|--|--|
|   |                         | Quoted Prices in<br>Active Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Governmental activities:</b>                   |                         |   |  |  |
| U.S. Treasury Notes                               | \$ 10,419,360           | \$ 10,419,360   | \$ -   | \$ -   |
| U.S. Treasury Bills                               | 374,547                 | 374,547   | -  | -  |
| U.S. Treasury Bonds                               | 24,898                  | 24,898  | -  | -  |
| U.S. Treasury Strips                              | 452,238                 | 452,238   | -  | -  |
| U.S. Agencies                                     | 39,606,144              | 39,606,144  | -  | -  |
| Corporate Notes                                   | 26,095,455              | 26,095,455  | -  | -  |
| Commercial Paper                                  | 7,726,520               | 7,726,520   | -  | -  |
| Money Market Bank Accounts                        | 95,464,968              | 95,464,968  | -  | -  |
| Money Market Savings Accounts                     | 7,488,066               | 7,488,066   | -  | -  |
| State of Delaware Investment Pool                 | 245,471                 | 245,471   | -  | -  |
| Uninvested Principal Cash                         | 3,095                   | 3,095   | -  | -  |
| Securitized Mortgage Loans                        | 6,070,359               | 6,070,359   | -  | -  |
| <b>Total Governmental Activities Investments</b>  | <b>193,971,121</b>      | <b>193,971,121</b>  | <b>-</b>   | <b>-</b>   |
| <b>Business-type activities:</b>                  |                         |   |  |  |
| U.S. Treasury Notes                               | 1,197,955               | 1,197,955   | -  | -  |
| U.S. Agencies                                     | 38,520,779              | 38,520,779  | -  | -  |
| Corporate Notes                                   | 1,920,566               | 1,920,566   | -  | -  |
| Commercial Paper                                  | 701,693                 | 701,693   | -  | -  |
| Money Market Savings Accounts                     | 86,984                  | 86,984  | -  | -  |
| Money Market Bank Accounts                        | 205,417,441             | 205,417,441   | -  | -  |
| State of Delaware Investment Pool                 | 3                       | 3   | -  | -  |
| Uninvested Principal Cash                         | 22,972,765              | 22,972,765  | -  | -  |
| Securitized Mortgage Loans                        | 35,386,033              | 35,386,033  | -  | -  |
| <b>Total Business-type Activities Investments</b> | <b>306,204,219</b>      | <b>306,204,219</b>  | <b>-</b>   | <b>-</b>   |
| <b>Total Entity-wide Investments</b>              | <b>\$ 500,175,340</b>   | <b>\$ 500,175,340</b>   | <b>\$ -</b>  | <b>\$ -</b>  |
| <b>Fiduciary Fund Investments:</b>                |                         |   |  |  |
| U.S. Treasury Bills                               | \$ 174,790              | \$ 174,790  | \$ -   | \$ -   |
| U.S. Treasury Notes                               | 1,050,865               | 1,050,865   | -  | -  |
| U.S. Agencies                                     | 4,174,741               | 4,174,741   | -  | -  |
| Corporate Notes                                   | 2,641,227               | 2,641,227   | -  | -  |
| Commercial Paper                                  | 568,857                 | 568,857   | -  | -  |
| Money Market Bank Accounts                        | 40,974                  | 40,974  | -  | -  |
| Mortgage Loan Receivable                          | 1,109,568               | -   | -  | 1,109,568  |
| <b>Total Fiduciary Fund Investments</b>           | <b>\$ 9,761,022</b>     | <b>\$ 8,651,454</b>   | <b>\$ -</b>  | <b>\$ 1,109,568</b>                                |

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, 2021.



## B. Receivables

Total receivables as of June 30, 2021 are as follows:

| Receivables  | Governmental<br>Activities | Business-type<br>Activities | Total                |
|--|----------------------------|-----------------------------|----------------------|
| Mortgage loans   | 244,616,785                | \$76,613,496                | \$321,230,281        |
| Accrued interest   | 55,516,414                 | 19,275,651                  | 74,792,065           |
| Other receivables  | 2,087,578                  | 63,864                      | 2,151,442            |
| Grants receivable  | -                          | 509,066                     | 509,066              |
| Total receivables  | <u>302,220,777</u>         | <u>96,462,077</u>           | <u>398,682,854</u>   |
| Allowance for doubtful accounts                                    | <u>(21,641,495)</u>        | <u>(5,871,616)</u>          | <u>(27,513,111)</u>  |
| Total receivables, net   | <u>280,579,282</u>         | <u>\$90,590,461</u>         | <u>\$371,169,743</u> |
| Amounts not scheduled for collection<br>during the subsequent year | <u>\$276,141,547</u>       | <u>\$88,121,228</u>         | <u>\$335,725,484</u> |

### Mortgage loans receivable

A summary of mortgage loans receivable as of June 30, 2021 is shown below:

#### Governmental Activities:

|  |                     |
|--|---------------------|
| General Fund   | \$ 42,222,862       |
| Housing Development Fund                               | 169,733,997         |
| Non-major governmental funds                           | <u>32,659,926</u>   |
| Mortgage loans receivable, governmental activities     | 244,616,785         |
| Less: Allowance for doubtful accounts                  | <u>(12,711,066)</u> |
| Net mortgage loan receivables, governmental activities | <u>231,905,719</u>  |

#### Business-type Activities:

|   |                   |
|---|-------------------|
| Federal Programs Fund                                   | 67,004,516        |
| Single Family Programs Fund                             | <u>9,608,980</u>  |
| Mortgage loans receivable, business-type activities     | 76,613,496        |
| Less: Allowance for doubtful accounts                   | <u>(946,938)</u>  |
| Net mortgage loan receivables, business-type activities | <u>75,666,558</u> |

**Total mortgage loans receivable, net** \$ 307,572,277

Mortgage loans receivable in the General Fund and nonmajor funds 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. The Authority's General Fund has made various deferred loans to related organizations as detailed in Note V.

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, 2021 are as follows:

|                     | Governmental Activities |                          |                                 | Business-type Activities    |                      |                        | Total                |
|---------------------|-------------------------|--------------------------|---------------------------------|-----------------------------|----------------------|------------------------|----------------------|
|                     | General Fund            | Housing Development Fund | State Rental Assistance Program | Nonmajor Governmental Funds | Federal Programs     | Single Family Programs |                      |
| Loan interest       | \$ 6,519,131            | \$ 32,245,437            | \$ -                            | \$ 8,191,008                | \$ 13,203,056        | \$ 1,127,769           | \$ 61,286,401        |
| Investment interest | 49,938                  | 193,284                  | -                               | -                           | -                    | -                      | 243,222              |
| HDF projects        | 774,750                 | -                        | -                               | -                           | -                    | -                      | 774,750              |
| Other projects      | 102,173                 | -                        | -                               | -                           | -                    | -                      | 102,173              |
| Servicers           | 24,087                  | -                        | -                               | 23,693                      | -                    | -                      | 47,780               |
| Tenants, net        | -                       | -                        | -                               | -                           | 34,726               | -                      | 34,726               |
| Other               | 406,347                 | -                        | 138,900                         | 4,815                       | 49,286               | -                      | 599,348              |
| <b>Total</b>        | <b>\$ 7,876,426</b>     | <b>\$ 32,438,721</b>     | <b>\$ 138,900</b>               | <b>\$ 8,219,516</b>         | <b>\$ 13,287,068</b> | <b>\$ 1,127,769</b>    | <b>\$ 63,088,400</b> |

### C. Accounts payable

Accounts payables as of June 30, 2021 are as follows:

|                    | Governmental Activities |                          | Business-type Activities |                        | Total               |
|--------------------|-------------------------|--------------------------|--------------------------|------------------------|---------------------|
|                    | General Fund            | Housing Development Fund | Federal Programs         | Single Family Programs |                     |
| Vendors            | \$ 116,307              | \$ 12,835                | \$ 108,702               | \$ 5,000               | \$ 242,844          |
| Salaries           | 173,137                 | -                        | 107,032                  | -                      | 280,169             |
| Security deposits  | -                       | -                        | 118,629                  | -                      | 118,629             |
| Housing Assistance | -                       | -                        | 5,650,101                | -                      | 5,650,101           |
| Other              | 87,960                  | -                        | 119,467                  | 1,071                  | 208,498             |
| <b>Total</b>       | <b>\$ 377,404</b>       | <b>\$ 12,835</b>         | <b>\$ 6,103,931</b>      | <b>\$ 6,071</b>        | <b>\$ 6,500,241</b> |

## D. Capital assets

Capital asset activity for the year ended June 30, 2021 was as follows:

|  | Beginning Balance |              | Ending Balance |               |
|--|-------------------|--------------|----------------|---------------|
|  | June 30, 2020     | Increases    | Decreases      | June 30, 2021 |
| <b>Governmental activities:</b>              |                   |              |                |               |
| Capital assets, not being depreciated:       |                   |              |                |               |
| Land   | \$ 509,500        | \$ 63,269    | \$ -           | \$ 572,769    |
| Construction in Progress                     | 725,740           | -            | 725,740        | -             |
| Total capital assets, not being depreciated  | 1,235,240         | 63,269       | 725,740        | 572,769       |
| Capital assets, being depreciated:           |                   |              |                |               |
| Buildings                                    | 1,934,902         | 991,987      | -              | 2,926,889     |
| Land/Site Improvements                       | 211,929           | 539,402      | -              | 751,331       |
| Computer Equipment                           | 549,167           | 36,747       | -              | 585,914       |
| Equipment                                    | 265,067           | 186,338      | -              | 451,405       |
| Telecommunications Equipment                 | 36,747            | -            | 36,747         | -             |
| Total capital assets being depreciated       | 2,997,812         | 1,754,474    | 36,747         | 4,715,539     |
| Less accumulated depreciation for:           |                   |              |                |               |
| Buildings                                    | 1,475,349         | 56,633       | -              | 1,531,982     |
| Land/Site Improvements                       | 211,929           | -            | -              | 211,929       |
| Computer Equipment                           | 523,110           | 62,803       | -              | 585,913       |
| Equipment                                    | 265,068           | -            | -              | 265,068       |
| Telecommunications Equipment                 | 36,747            | -            | 36,747         | -             |
| Total accumulated depreciation               | 2,512,203         | 119,436      | 36,747         | 2,594,892     |
| Total capital assets, being depreciated, net | 485,609           | 1,635,038    | -              | 2,120,647     |
| Governmental activities capital assets, net  | \$ 1,720,849      | \$ 1,698,307 | \$ 725,740     | \$ 2,693,416  |
| <b>Business-type activities:</b>             |                   |              |                |               |
| Capital assets, not being depreciated:       |                   |              |                |               |
| Land   | \$ 1,000,828      | \$ -         | \$ 63,269      | \$ 937,559    |
| Construction in Progress                     | 36,366            | 78,631       | 114,997        | -             |
| Total capital assets, not being depreciated  | 1,037,194         | 78,631       | 178,266        | 937,559       |
| Capital assets, being depreciated:           |                   |              |                |               |
| Buildings                                    | 17,791,792        | -            | 2,784,036      | 15,007,756    |
| Buildings held for resale                    | 261,292           | -            | -              | 261,292       |
| Land/Site Improvements                       | 20,214,030        | -            | 2,690,048      | 17,523,982    |
| Vehicles                                     | 155,208           | -            | -              | 155,208       |
| Equipment                                    | 1,843,682         | -            | 379,173        | 1,464,509     |
| Total capital assets being depreciated       | 40,266,004        | -            | 5,853,257      | 34,412,747    |
| Less accumulated depreciation for:           |                   |              |                |               |
| Buildings                                    | 16,489,555        | 265,767      | 2,591,158      | 14,164,164    |
| Land/Site Improvements                       | 16,678,972        | 538,440      | 2,012,637      | 15,204,775    |
| Vehicles                                     | 131,428           | 7,732        | -              | 139,160       |
| Equipment                                    | 795,964           | 174,176      | 230,770        | 739,370       |
| Total accumulated depreciation               | 34,095,919        | 986,115      | 4,834,565      | 30,247,469    |
| Total capital assets, being depreciated, net | 6,170,085         | (986,115)    | 1,018,692      | 4,165,278     |
| Business-type activities capital assets, net | \$ 7,207,279      | \$ (907,484) | \$ 1,196,958   | \$ 5,102,837  |

Depreciation expense of \$82,689 was charged to the administrative function in the governmental activities. Depreciation expense of \$986,115 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, 2021. The projects include renovations at the Authority's administrative buildings and various public housing developments. At year end, the Authority had commitments with contractors of \$80,099 relating to the governmental activities.

## E. Interfund transactions

The composition of interfund balances as of June 30, 2021, is as follows:

| Due to:                       | Governmental Activities |                          |                               |                                 |                             | Business-type Activities |                        |                     | Total |
|-------------------------------|-------------------------|--------------------------|-------------------------------|---------------------------------|-----------------------------|--------------------------|------------------------|---------------------|-------|
|                               | General Fund            | Housing Development Fund | Downtown Development District | State Rental Assistance Program | Nonmajor Governmental Funds | Federal Programs         | Single Family Programs |                     |       |
| <b>Current:</b>               |                         |                          |                               |                                 |                             |                          |                        |                     |       |
| General Fund                  | \$ -                    | \$ -                     | \$ -                          | \$ 424,059                      | \$ 7,356                    | \$ 130,208               | \$ 372,750             | \$ 934,373          |       |
| Housing Development Fund      | 193,300                 | -                        | -                             | -                               | -                           | 340,966                  | -                      | 534,266             |       |
| Downtown Development District | 4,362                   | -                        | -                             | -                               | -                           | -                        | -                      | 4,362               |       |
| Nonmajor Govt Funds           | 14,384                  | -                        | -                             | -                               | -                           | -                        | -                      | 14,384              |       |
| Federal Programs              | 189,176                 | -                        | -                             | -                               | -                           | -                        | -                      | 189,176             |       |
| Single Family Programs        | -                       | -                        | -                             | -                               | -                           | -                        | -                      | -                   |       |
| <b>Total</b>                  | <b>\$ 401,222</b>       | <b>\$ -</b>              | <b>\$ -</b>                   | <b>\$ 424,059</b>               | <b>\$ 7,356</b>             | <b>\$ 471,174</b>        | <b>\$ 372,750</b>      | <b>\$ 1,676,561</b> |       |
| <b>Non-current:</b>           |                         |                          |                               |                                 |                             |                          |                        |                     |       |
| General Fund                  | \$ -                    | \$ -                     | \$ -                          | \$ -                            | \$ -                        | \$ 4,004,910             | \$ 50                  | \$ 4,004,960        |       |
| Federal Programs              | -                       | -                        | -                             | -                               | -                           | -                        | -                      | -                   |       |
| <b>Total</b>                  | <b>\$ -</b>             | <b>\$ -</b>              | <b>\$ -</b>                   | <b>\$ -</b>                     | <b>\$ -</b>                 | <b>\$ 4,004,910</b>      | <b>\$ 50</b>           | <b>\$ 4,004,960</b> |       |

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 \$30,000 to the Family Unification Program, \$80,000 to the Section 811 Project Rental Assistance Demonstration (PRAD) 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, 2021 consisted of the following:

| Transfers in:               | Governmental Activities |                          |                             | Business-type Activities |                        |                      |
|-----------------------------|-------------------------|--------------------------|-----------------------------|--------------------------|------------------------|----------------------|
|                             | General Fund            | Housing Development Fund | Nonmajor Governmental Funds | Federal Programs         | Single Family Programs | Total transfer in    |
| General Fund                | \$ -                    | \$ 200,000               | \$ 11,470                   | \$ 5,177,177             | \$ 12,859,591          | \$ 18,248,238        |
| Housing Development Fund    | -                       | -                        | -                           | 704,120                  | -                      | 704,120              |
| Nonmajor Governmental Funds | 1,899                   | 1,000,000                | -                           | -                        | -                      | 1,001,899            |
| Federal Programs            | -                       | -                        | 700,343                     | -                        | -                      | 700,343              |
| Single Family Programs      | 2,425,052               | -                        | 484,189                     | -                        | -                      | 2,909,241            |
| <b>Total transfer out</b>   | <b>\$ 2,426,951</b>     | <b>\$ 1,200,000</b>      | <b>\$ 1,196,002</b>         | <b>\$ 5,881,297</b>      | <b>\$ 12,859,591</b>   | <b>\$ 23,563,841</b> |

The governmental activities transfers consist of: (1) the General Fund, a major governmental fund, transferred \$2,425,052 to the Single Family, a major business-type fund, in support of the program's objective to make down payment assistance available to qualified homebuyers; (2) the General Fund, a major governmental fund, transferred \$1,899 to the DHIF, a governmental activity and non-major governmental fund, to reimburse the fund for investment losses; (3) the Housing Development Fund, a major governmental fund, transferred \$200,000 to the General Fund, a major governmental fund, in support of the Stand By Me program to increase financial stability for the people of Delaware; (4) the Housing Development Fund, a major governmental fund, transferred \$1,000,000 to the Home 4 Good Program, a governmental activity and non-major governmental fund, in support of the program's objective to provide affordable housing (5) DSHA Home 4 Good, a governmental activity and non-major governmental fund,

transferred \$700,000 to DEHAP, a federal program, business-type , in support of the program's objective to assist renters facing financial hardship as a result of the pandemic; and (6) DSHA SMAL, a governmental activity and non-major governmental fund, transferred \$484,189 to the Single Family, a major business-type 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 administrative fees of \$1,952,447 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. Single Family Programs also reported non-cash transfers of: (1) \$5,177,177 from the Moving to Work federal program, business-type fund, to the General fund, a major governmental fund due to a property transaction; (2) \$12,859,591 from Single Family Loans, a Single Family Programs Enterprise Fund, to Preferred Plus, a governmental activity with the General Fund; and (3) \$700,000 from DEHAP, a federal program, business-type to the Housing Development Fund, a major governmental fund, to return funds HDF had transferred to DEHAP.

**F. Short-term and long-term debt**

Short-term and long-term debt activity for the year ended June 30, 2021, was as follows:

|   | Beginning Balance |              |            |    | Ending Balance | Due Within |
|---|-------------------|--------------|------------|----|----------------|------------|
|   | June 30, 2020     | Increases    | Decreases  |    | June 30, 2021  | One Year   |
| <b>Governmental activities:</b>                             |                   |              |            |    |                |            |
| Compensated absences, relating to the General Fund          | \$ 726,467        | \$ 270,752   | \$ 210,353 | \$ | 786,866        | \$ 87,834  |
| Sustainable Energy Utility Loan Fund (non-major fund)       | -                 | 1,000,000    | -          |    | 1,000,000      | -          |
| Governmental activity long-term liabilities                 | \$ 726,467        | \$ 1,270,752 | \$ 210,353 | \$ | 1,786,866      | \$ 87,834  |
| <b>Business-type activities:</b>                            |                   |              |            |    |                |            |
| Compensated absences, relating to the Federal Programs Fund | \$ 343,322        | \$ 197,432   | \$ 120,993 | \$ | 419,761        | \$ 11,608  |
| Revenue bonds payable, Single Family Programs Fund          | 125,213,560       | -            | 72,927,105 |    | 52,286,455     | 1,416,252  |
| Bond Premium & Discount                                     | 1,665,708         | -            | 1,170,769  |    | 494,939        | -          |
| Total Revenue Bonds Payable                                 | 126,879,268       | -            | 74,097,874 |    | 52,781,394     | 1,416,252  |
| Business-type activity                                      |                   |              |            |    |                |            |

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 0.53% to 4.90% with maturities of such bonds up through June 30, 2051.

### Federal Home Loan Bank (FHLB) Line of Credit

DSHA has a collateralized line of credit with the FHLB of Pittsburgh. For fiscal year 2021, there were no draws or repayments.

### Note Payable

On March 19, 2019, the Authority entered a Memorandum of Understanding (MOU) with the Sustainable Energy Utility (SEU) to create a loan fund for the financing of energy efficient construction of low-income housing. During the year ended June 30, 2021, the Authority received a funding advance for this program in the form of a \$1,000,000 note payable from SEU. In accordance with the terms of the MOU, the Authority underwrites the loans to qualifying projects with SEU's approval to disburse 36 month project loans at 2% interest. DSHA's note payable to SEU is repaid as repayments including interest are received from the projects that received loans.

### 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, 2021, seven issues with debt of \$36,503,393 are outstanding.

### Interest Expense on Long-Term Debt

Interest expense of \$2,336,739 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 \$2,336,739 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:

| Fiscal Year | Principal     | Interest      | Total         |
|-------------|---------------|---------------|---------------|
| 2022        | \$ 22,701,252 | \$ 1,792,604  | \$ 24,493,856 |
| 2023        | -             | 1,399,972     | 1,399,972     |
| 2024        | -             | 1,356,784     | 1,356,784     |
| 2025        | -             | 1,311,752     | 1,311,752     |
| 2026        | -             | 1,264,195     | 1,264,195     |
| 2027-2031   | -             | 5,592,076     | 5,592,076     |
| 2032-2036   | -             | 4,799,257     | 4,799,257     |
| 2037-2041   | -             | 4,144,437     | 4,144,437     |
| 2042-2046   | 18,261,937    | 2,554,079     | 20,816,016    |
| 2047-2051   | 11,818,205    | 705,091       | 12,523,296    |
| Totals      | \$ 52,781,394 | \$ 24,920,247 | \$ 77,701,641 |

\*Principal maturities for the year ending June 30, 2022 includes a \$18,735,000 optional redemption of the Single Family Mortgage Revenue Bonds Series 2009-3 and Series 2011-2, as well as 2011A/B in the amount of \$3,470,000. The entity-wide and proprietary statements of net position report current portion of bond principal due during the year ending June 30, 2021 prior to this optional redemption.

#### **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 2011 Series A/B, 2013 Series A, 2018 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.

CONDENSED STATEMENT OF NET POSITION - SINGLE FAMILY PROGRAMS FUND SEGMENTS  
JUNE 30, 2021

|                                     | SINGLE<br>FAMILY<br>MORTGAGE<br>REVENUE BOND<br>SERIES<br>2011A/B-2018A | SINGLE<br>FAMILY<br>MORTGAGE<br>REVENUE BOND<br>SERIES<br>NIBP 2010-2013-1 | DSHA<br>MORTGAGE<br>BACKED<br>SECURITIES<br>PURCHASE<br>PROGRAM | TOTAL<br>SINGLE FAMILY<br>PROGRAMS |
|-------------------------------------|---|--|---|------------------------------------|
| <b>Assets</b>                       |   |  |   |                                    |
| Current assets                      | \$ 6,031,614  | \$ 23,810,504  | \$ 32,004,190   | \$ 61,846,308                      |
| Non-current assets                  | 42,636,199  | 1,252,203  | -   | 43,888,402                         |
| Total assets                        | 48,667,813  | 25,062,707   | 32,004,190  | 105,734,710                        |
| Deferred outflow of resources       |   |  |   |                                    |
| Deferred amount on bond refunding   | 39,894  | -  | -   | 39,894                             |
| Total deferred outflow of resources | 39,894  | -  | -   | 39,894                             |
| <b>Liabilities</b>                  |   |  |   |                                    |
| Current liabilities                 | 251,211   | 604,935  | 1,071   | 857,217                            |
| Current interfund payables          | 366,970   | -  | 5,830   | 372,800                            |
| Non-current liabilities             | 33,316,455  | 18,970,000   | -   | 52,286,455                         |
| Total liabilities                   | 33,934,636  | 19,574,935   | 6,901   | 53,516,472                         |
| Deferred inflow of resources        |   |  |   |                                    |
| Deferred amount on bond refunding   | 1,839,270   | -  | -   | 1,839,270                          |
| Total deferred inflow of resources  | 1,839,270   | -  | -   | 1,839,270                          |
| Net position, restricted            | \$ 12,933,801   | \$ 5,487,772   | \$ 31,997,289   | \$ 50,418,862                      |

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - SINGLE  
FAMILY PROGRAMS FUND SEGMENTS  
FOR THE YEAR ENDED JUNE 30, 2021

|                                     | SINGLE<br>FAMILY<br>MORTGAGE<br>REVENUE BOND<br>SERIES<br>2011A/B-2018A | SINGLE<br>FAMILY<br>MORTGAGE<br>REVENUE BOND<br>SERIES<br>NIBP 2010-2013-1 | DSHA<br>MORTGAGE<br>BACKED<br>SECURITIES<br>PURCHASE<br>PROGRAM | TOTAL<br>SINGLE FAMILY<br>PROGRAMS |
|-------------------------------------|---|--|---|------------------------------------|
| Operating revenues*                 | \$ 2,009,073  | \$ 9,937,603   | \$ 262,430  | \$ 12,209,106                      |
| Operating expenses:                 |   |  |   |                                    |
| Interest expense on bonds           | 1,233,618   | 1,103,121  | -   | 2,336,739                          |
| Other                               | 88,859  | 160,841  | 838   | 250,538                            |
| Operating income/(loss)             | 686,596   | 8,673,641  | 261,592   | 9,621,829                          |
| Non-operating reveue/(expenses):    |   |  |   |                                    |
| Investment income                   | 1,060   | 3,328  | 14,098,126  | 14,102,514                         |
| Change in Fair Value of Investments | (1,058,335)   | (5,488,731)  | -   | (6,547,066)                        |
| Transfers in/(out)                  | 1,653,481   | (3,537,983)  | (8,065,848)   | (9,950,350)                        |
| Change in net position              | 1,282,802   | (349,745)  | 6,293,870   | 7,226,927                          |
| Beginning net position              | 11,650,999  | 5,837,517  | 25,703,419  | 43,191,935                         |
| Ending net position                 | \$ 12,933,801   | \$ 5,487,772   | \$ 31,997,289   | \$ 50,418,862                      |

\*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, 2021

|                                     | SINGLE<br>FAMILY<br>MORTGAGE<br>REVENUE BOND<br>SERIES<br>2011A/B-2018A | SINGLE<br>FAMILY<br>MORTGAGE<br>REVENUE BOND<br>SERIES<br>NIBP 2010-2013-1 | DSHA<br>MORTGAGE<br>BACKED<br>SECURITIES<br>PURCHASE<br>PROGRAM | TOTAL<br>SINGLE FAMILY<br>PROGRAMS |
|-------------------------------------|---|--|---|------------------------------------|
| Net cash provided (used) by:        |   |  |   |                                    |
| Operating activities                | \$ 14,458,101   | \$ 17,087,371  | \$ 261,592  | \$ 31,807,064                      |
| Noncapital financing activities     | (11,010,054)  | (65,782,087)   | (8,065,849)   | (84,857,990)                       |
| Investing activities                | 297,245   | 67,935,284   | 8,056,847   | 76,289,376                         |
| Net increase/(decrease)             | 3,745,292   | 19,240,568   | 252,590   | 23,238,450                         |
| Beginning cash and cash equivalents | 65,512  | 7  | 5,167,118   | 5,232,637                          |
| Ending cash and cash equivalents    | \$ 3,810,804  | \$ 19,240,575  | \$ 5,419,708  | \$ 28,471,087                      |

**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 \$189,166 and \$251,900. 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), Delaware Rental Preservation Corporation, Liberty Court General Partner Corporation, Liberty Court Preservation, LP (LCPLP), MPH Preservation GP Corporation (MPHGP), and MPH Preservation, LP (MPHLP) are related organizations of the Authority. Accordingly, financial information for these eight entities is excluded from the Authority's financial statements.

During the Year Ended June 30, 2021, HCHC, LCPLP, and MPHLP are under agreements with the Authority for the management of their operations. For the Year Ended June 30, 2021, HCHC paid management fees to the Authority totaling \$34,068 and labor charges totaling \$150,490. LCPLP paid management fees to the Authority totaling \$72,302 and labor charges totaling \$146,493. MPHLP paid management fees to the Authority totaling \$53,609 and labor charges totaling \$159,291.

As of June 30, 2021, HCHC, WVHC, LCPLP, and MPHLP were indebted to the Authority for Housing Development Fund loans (including accrued interest) in the amounts of \$2,635,089, \$1,917,165, \$1,518,391, and \$178,821, respectively. WVHC, LCPLP and MPHLP were also indebted to the Authority for HOME loans in the amount of \$1,645,216, \$2,129,855, and \$61,424, respectively. WVHC was indebted to the General Fund for a construction loan in the amount of \$235,149. LCPLP and MPHLP were indebted to the General Fund for permanent loans in the amount of \$4,931,919 and \$5,675,796, respectively.

For the Year Ended June 30, 2021, Section 8 Contract Administration housing assistance payments totaling \$363,965 from the HUD passed through the Authority to HCHC and the Authority's Moving to Work Program passed RAD housing assistance payments totaling \$748,862 and \$568,505, respectively, through to LCPLP and MPHLP.

On August 27, 2020, the Authority entered a 100 year prepaid land lease agreement with MPHLP in exchange for an initial cash payment of \$554,204 and a deferred note receivable. The lease will expire on December 31, 2120. Lease revenue will be recognized on a straight-line basis over the term of the lease agreement.

### **C. Economic dependency**

During the Year Ended June 30, 2021, the Authority's business-type activities received 85.7 percent of their revenue from the U.S. Department of Housing and Urban Development.

### **D. Post-retirement health care benefits**

Other postemployment benefit expense for the year ended June 30, 2021 was \$80,943.

### **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. The following are brief descriptions of the Plan in effect as of June 30, 2020. For a more complete description, please refer to the State of Delaware's Annual Comprehensive Financial Report available online at <https://accounting.delaware.gov> or the OPEB Trust's stand-alone financial statements at: [open.omb.delaware.gov/financialreports/OPEB-Financial\\_reports.shtml](https://open.omb.delaware.gov/financialreports/OPEB-Financial_reports.shtml).

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, 2021, 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<br>December 31, 2006 |                            | After January 1, 2007 |                            |
|---|----------------------------|-----------------------|----------------------------|
| Years of Service                              | Percent of<br>Premium Paid | Years of Service      | Percent of<br>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 2021, the Authority's contribution was 12.86% of covered payroll and totaled \$33,025.

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, 2021, the Authority reported a liability of \$1,347,483 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020 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, 2019 to June 30, 2020. 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 the June 30, 2020 measurement, the Authority's proportion was 0.0129%.

For the year ended June 30, 2021, the Authority recognized OPEB income of \$287,023. As of June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to the OPEB as follows:

|  | <u>Deferred Outflows</u> | <u>Deferred Inflows</u> |
|--|--------------------------|-------------------------|
| Net difference between projected and actual earnings on plan investments | \$ -                     | \$ 1,497                |
| Net difference between projected and actual experience                   | 39,125                   | 92,625                  |
| Changes of Assumptions   | 227,863                  | 76,637                  |
| Changes in the proportion  | -                        | 1,160,222               |
| Total  | <u>\$ 266,988</u>        | <u>\$ 1,330,981</u>     |

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

| <u>Year Ending<br/>June 30</u> |                       |
|--------------------------------|-----------------------|
| 2022                           | \$ (195,829)          |
| 2023                           | (195,300)             |
| 2024                           | (170,083)             |
| 2025                           | (161,402)             |
| 2026                           | (148,006)             |
| Thereafter                     | <u>(193,370)</u>      |
|                                | <u>\$ (1,063,990)</u> |

10. Actuarial Assumptions - The collective total OPEB liability as of June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total OPEB liability to June 30, 2020. The actuarial assumptions used the following actuarial assumptions:

Actuarial Cost Method - Entry Age Normal

Investment Rate of Return – 7.00%, net of plan investment expense including inflation

Discount Rate - 3.50% at the beginning of the period and 2.21% at the end of the period

Projected Salary Increases - 3.25% plus merit including inflation

Healthcare Cost Trend Rate - 5.60% decreasing to 3.5% in 2038

Mortality rates were based on the sex-distinct RP-2014 Total Dataset Health Employee Mortality Table, including adjustment factors. Future mortality improvements are reflected by applying a custom projection scale on a generational basis to adjusted base tables from the base year.

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, 2020 are summarized in the following table:

| Asset Class             | Long-term<br>Expected<br>Real Rate<br>of Return | Target<br>Asset<br>Allocation<br>Range |
|-------------------------|---|--|
| Domestic Equity         | 5.7%  | 20% - 80%                              |
| International Equity    | 5.7%  | 20% - 80%                              |
| Fixed Income            | 2.0%  | 20% - 80%                              |
| Alternative Investments | 7.8%  | 0% - 30%                               |
| Cash and Equivalents    | -   | 20% - 80%                              |

The discount rate and investment rate of return used to measure the total OPEB liability was 3.50 percent at the beginning of the current measurement period and 2.21 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, 2020 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 (1.21 percent) and 1-percentage-point higher (3.21 percent) than the current discount rate:

|    | 1%<br>Decrease<br>1.21% | Current<br>Discount<br>Rate 2.21% | 1%<br>Increase<br>3.21% |
|----|-------------------------|-----------------------------------|-------------------------|
| \$ | 1,615,251               | \$ 1,347,483                      | \$ 1,138,272            |

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 (5.6 percent decreasing to 4.6 percent) and 1-percentage higher (5.6 increasing to 6.6 percent) than the current healthcare trend rates:

| 1%           | Current      | 1%           |
|--------------|--------------|--------------|
| Decrease     | Trend Rate   | Increase     |
| 4.60%        | 5.60%        | 6.60%        |
|              |              |              |
| \$ 1,264,417 | \$ 1,347,483 | \$ 1,474,178 |

**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, 2020 plan measurement date and the June 30, 2021 employer reporting date as defined by GASBS Nos. 74 and 75. No stand-alone financial report is issued for the Medical Retiree Trust.

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, 2020, there were 110 active plan members, 26 inactive plan members (including covered spouses) 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 \$778,725 for the Year Ended June 30, 2021. The Authority's OPEB expense for this plan for the year ended June 30, 2021 was \$367,966. 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, 2021 was 0.77%.

4. Funded Status and Funding Progress - As of June 30, 2020 measurement (June 30, 2021

employer reporting), the total OPEB liability was \$18,614,876. The plan's fiduciary net position was \$9,123,931, resulting in a net OPEB liability of \$9,490,945. The plan's fiduciary net position as a percentage of the total OPEB liability calculates to 49%.

5. The following schedule summarizes the change in the net pension liability for the measurement period ended June 30, 2020 (employer reporting as of June 30, 2021):

|  | Total OPEB<br>Liability | Plan<br>Fiduciary Net<br>Position | Net OPEB<br>Liability |
|--|-------------------------|-----------------------------------|-----------------------|
| June 30, 2019 measurement date<br>and June 30, 2020 reporting date | \$ 14,195,231           | \$ 8,088,704                      | \$ (6,106,527)        |
| Service Date   | 673,326                 | -                                 | (673,326)             |
| Interest Cost  | 519,593                 | -                                 | (519,593)             |
| Differences between expected<br>and actual experience              | (118,539)               | -                                 | 118,539               |
| Changes in assumptions   | 3,477,124               | -                                 | (3,477,124)           |
| Benefit payments   | (131,859)               | (131,859)                         | -                     |
| Employer contributions   |                         | 784,124                           | 784,124               |
| Net investment income  |                         | 392,662                           | 392,662               |
| Administrative expense   |                         | (9,700)                           | (9,700)               |
| June 30, 2020 measurement date<br>and June 30, 2021 reporting date | <u>\$ 18,614,876</u>    | <u>\$ 9,123,931</u>               | <u>\$ (9,490,945)</u> |

As of June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to the DSHA OPEB as follows:

|  | Deferred<br>Outflow | Deferred<br>Inflow  |
|--|---------------------|---------------------|
| Differences between expected<br>and actual experience            | \$ -                | \$ 1,864,124        |
| Changes in assumptions   | 3,012,888           | 2,673,911           |
| Differences between expected<br>and actual net investment income | -                   | 32,065              |
| Contributions made after<br>measurement date                     | <u>778,725</u>      | -                   |
| Total  | <u>\$ 3,791,613</u> | <u>\$ 4,570,100</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:

|            |    |                    |
|------------|----|--------------------|
| 2022       | \$ | (539,731)          |
| 2023       |    | (562,762)          |
| 2024       |    | (600,927)          |
| 2025       |    | (381,800)          |
| 2026       |    | (9,572)            |
| Thereafter |    | <u>537,580</u>     |
|            | \$ | <u>(1,557,212)</u> |

6. 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, 2020   |
| Measurement date                   | June 30, 2020  |
| Actuarial cost method              | Entry age normal   |
| Asset valuation method             | Market value   |
| Actuarial assumptions:             |  |
| Investment rate of return          | 2.21%  |
| Discount rate                      | 2.21%  |
| 20-Year municipal bond rate        | 2.21%  |
| Municipal bond rate basis          | Bond buyers' general obligation 20 year<br>Municipal bond index                  |
| Salary Increases                   | 2.00%  |
| Inflation rate                     | 2.00%  |
| Ultimate rate of medical inflation |  |
| Pre-65 trend                       | 6.00% in 2020 decreasing to 4.75% in 2028  |
| Post-65 trend                      | 5.75% in 2020 decreasing to 4.75% in 2028  |
| Mortality rate                     | PUB 2010 "General" Classification projected<br>generationally with Scale MP-2019 |
| Asset method                       | Fair market value  |

The following assumptions were updated for the June 30, 2020 measurement:

|                                    | June 30, 2020<br>Measurement              | June 30, 2019<br>Measurement              |
|------------------------------------|---|---|
| Discount Rate                      | 2.21%                                     | 3.51%                                     |
| 20-Year municipal bond rate        | 2.21%                                     | 3.51%                                     |
| Ultimate rate of medical inflation |   |   |
| Pre-65 trend                       | 6.00% in 2020 decreasing to 4.75% in 2028 | 6.75% in 2019 decreasing to 4.75% in 2028 |
| Post-65 trend                      | 5.75% in 2020 decreasing to 4.75% in 2028 | 6.00% in 2019 decreasing to 4.75% in 2028 |
| Mortality Rate Scale               | MP 2019                                   | MP 2018                                   |



The following table illustrates the impact of healthcare cost trend sensitivity on the Net OPEB Liability as of the June 30, 2020 measurement (June 30, 2021 reporting):

|                             | 1% Decrease   | Trend Rate    | 1% Increase   |
|-----------------------------|---------------|---------------|---------------|
| Total OPEB Liability        | \$ 14,855,144 | \$ 18,614,876 | \$ 23,705,514 |
| Plan Fiduciary Net Position | 9,123,931     | 9,123,931     | 9,123,931     |
| Net OPEB Liability          | \$ 5,731,213  | \$ 9,490,945  | \$ 14,581,583 |

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<br>June 30, 2021 | Percent of<br>Portfolio | Long-Term<br>Expected<br>Real Rate<br>of Return |
|----------------------|-----------------------------|-------------------------|---|
| Corporate Notes      | \$ 2,641,227                | 27.1%                   | 1.7%  |
| U.S. Agencies        | \$ 4,174,741                | 42.8%                   | 1.7%  |
| U.S. Treasury Notes  | \$ 1,225,655                | 12.6%                   | 1.6%  |
| Money Market Savings | \$ 40,974                   | 0.4%                    | 0.0%  |
| Commercial Paper     | \$ 568,857                  | 5.8%                    | 1.6%  |
| Loans Receivable     | \$ 1,109,568                | 11.4%                   | 5.0%  |

The following table illustrates the impact of interest rate sensitivity on the Net OPEB Liability as of the June 30, 2020 measurement (June 30, 2021 reporting):

|                             | 1% Decrease<br>1.21% | Trend Rate<br>2.21% | 1% Increase<br>3.21% |
|-----------------------------|----------------------|---------------------|----------------------|
| Total OPEB Liability        | \$ 23,271,342        | \$ 18,614,876       | \$ 15,110,343        |
| Plan Fiduciary Net Position | 9,123,931            | 9,123,931           | 9,123,931            |
| Net OPEB Liability          | \$ 14,147,411        | \$ 9,490,945        | \$ 5,986,412         |

## 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 state 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, 2021, the Authority was required to contribute 13.43% of covered payroll to the plan. The Authority's contribution to the State PERS for the Year Ended June 30, 2021 was \$34,501, equal to the required contribution for the year. The Authority's contributions to the State PERS for the Years Ended June 30, 2020 and June 30, 2019 were \$36,514 and \$46,063, 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, 2021, the Authority reported a liability of \$186,376 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 with update procedures used to roll forward the total pension liability to June 30, 2020. As of the June 30, 2020 and 2019 measurement dates, the Authority's proportion was 0.0133 percent and 0.0172 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, 2021, the Authority reported deferred inflows and outflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows | Deferred<br>Inflows |
|--|----------------------|---------------------|
| Net difference between projected and actual earnings experience          | \$ 24,297            | \$ 560              |
| Net difference to change in proportion                                   | -                    | 150,935             |
| Net difference between projected and actual earnings on plan investments | -                    | 32,385              |
| Changes of Assumptions   | 13,056               | -                   |
| Contributions made after the measurement date                            | 34,501               | -                   |
| Total  | <u>\$ 71,854</u>     | <u>\$ 183,880</u>   |

The \$34,501 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, 2022.

4. Actuarial Assumptions - The collective total pension liability for June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019 and update procedures were used to roll forward the total pension liability to June 30, 20. 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%

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 2018. 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<br>Expected Real<br>Rate of Return | Asset<br>Allocation |
|-------------------------|--|---------------------|
| Domestic equity         | 5.7%   | 28.5%               |
| International equity    | 5.7%   | 15.2%               |
| Fixed income            | 2.0%   | 28.8%               |
| Alternative investments | 7.8%   | 23.0%               |
| Cash and equivalents    | -  | 4.5%                |

Discount Rate - The discount rate for all plans used to measure the total pension liability was 7.0%. 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 7.0%, 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 |
|-------------|---------------|-------------|
| \$ 353,869  | \$ 186,376    | \$ 41,882   |

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, 2020 will be recognized in pension expense during the years ended June 30, as follows:

|      |                     |
|------|---------------------|
| 2022 | \$ (27,697)         |
| 2023 | (22,905)            |
| 2024 | (20,509)            |
| 2025 | (27,280)            |
| 2026 | (22,982)            |
| 2027 | (25,154)            |
|      | <u>\$ (146,527)</u> |

6. Pension Expense - For the year ended June 30, 2021, the Authority recognized pension expense of (\$7,755).

7. The components of the pension expense for the year ending June 30, 2021 are as follows:

|   |                   |
|---|-------------------|
| Service Costs   | \$ 26,873         |
| Interest on Total Pension Liability   | 98,774            |
| Member Contributions  | (9,833)           |
| Administrative Expenses   | 803               |
| Projected Earnings on Plan Investments  | (83,039)          |
| Differences between projected and actual earnings on plan investments   | 2,941             |
| Differences between projected and actual experiences with regard to or other inputs in the measurement of total pension liability | 5,157             |
| Change in Assumption with regard to factors or other inputs in the measurement of total pension liability                         | 8,377             |
| Net Amortization of deferred amounts from Changes in Proportion   | <u>(57,808)</u>   |
| Pension Expense   | <u>\$ (7,755)</u> |

8. 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, 2021. The Authority's contribution to the Housing Renewal and Local Agency Retirement Plan for the Year Ended June 30, 2021 was \$610,620 equal to the required contribution for the year. The Authority's contributions to the plan for the Years Ended June 30, 2020 and June 30, 2019 were \$590,981 and \$522,245, 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**

DSHA determined there were ERA/DEHAP applications processed and approved for payment that did not get properly recorded in the Authority's accounting system as of June 30, 2021. DSHA may be contingently liable for these payments based on the status of those applications on that date and is working to determine the number of applications and related dollar amounts which would likely impact the financial statements. A significant number of the applications have been reviewed and an adjusting journal entry was necessary to correctly report the ERA/DEHAP accrued liability and expense. However, management is of the opinion that ultimate resolution of the matter may result in an additional liability to the Authority.

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, 2021

| 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                            | \$ 493,985                  | 84.0%  | 85.3%  |
| 6/30/2018                | 0.023%   | \$ 292,497                            | \$ 459,368                  | 63.7%  | 87.5%  |
| 6/30/2019                | 0.017%   | \$ 267,335                            | \$ 357,909                  | 74.7%  | 85.4%  |
| 6/30/2020                | 0.013%   | \$ 186,376                            | \$ 279,587                  | 66.7%  | 87.3%  |

\* 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, 2021

| Employer Reporting Date                     | June 30, 2021 | June 30, 2020   | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016   |  |
|---|---------------|---|---------------|---------------|---------------|---|--|
| Actuarial Valuation Date                    | June 30, 2019 | June 30, 2018   | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014   |  |
| Measurement Date                            | June 30, 2020 | June 30, 2019   | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015   |  |
| Investment Rate of<br>return/discount rate* | 7.0%          | 7.0%  | 7.0%          | 7.0%          | 7.2%          | 7.2%  |  |
| Projected salary increases*                 | 2.5% + Merit  | 2.5% + Merit  | 2.5% + Merit  | 2.5% + Merit  | 2.5% + Merit  | 3.5% to 11.5%   |  |
| Cost-of-living adjustments                  | 0%            | 0%  | 0%            | 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, 2021

| Date      | Required<br>Employer<br>Contribution | Contributions  |                                     |              | Covered<br>Payroll | Contributions as a<br>Percentage of<br>Covered Payroll |
|-----------|--------------------------------------|--|-------------------------------------|--------------|--------------------|--|
|           |                                      | Recognized in Relation<br>to the Required<br>Employer Contribution | Contribution<br>Deficiency/(Excess) |              |                    |  |
| 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%             |  |
| 6/30/2019 | \$ 46,063                            | \$ 46,063  | \$ -                                | \$ 357,909   | 12.87%             |  |
| 6/30/2020 | \$ 36,514                            | \$ 36,514  | \$ -                                | \$ 279,587   | 13.06%             |  |
| 6/30/2021 | \$ 34,501                            | \$ 34,501  | \$ -                                | \$ 256,895   | 13.43%             |  |

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, 2021

| Measurement Date<br>Reporting Date   | June 30, 2020<br>June 30, 2021 | June 30, 2019<br>June 30, 2020 | June 30, 2018<br>June 30, 2019 | June 30, 2017<br>June 30, 2018 |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Beginning OPEB Liability Balance   | \$ 14,195,231                  | \$ 15,280,574                  | \$ 16,445,290                  | \$ 17,911,837                  |
| Service Cost   | 673,326                        | 677,546                        | 776,605                        | 937,606                        |
| Interest Cost  | 519,593                        | 615,235                        | 614,727                        | 535,772                        |
| Difference Between Expected and Actual Experience                          | (118,539)                      | (1,413,621)                    | (1,186,338)                    | (39,636)                       |
| Change in assumptions  | 3,477,124                      | (842,173)                      | (1,267,300)                    | (2,798,750)                    |
| Benefit payments   | (131,859)                      | (122,330)                      | (102,410)                      | (101,539)                      |
| Ending OPEB Liability Balance  | \$ 18,614,876                  | \$ 14,195,231                  | \$ 15,280,574                  | \$ 16,445,290                  |
| Beginning Plan Fiduciary Net Position                                      | \$ 8,088,704                   | \$ 7,096,300                   | \$ 6,446,869                   | \$ 5,767,009                   |
| Benefit payments   | (131,859)                      | (122,330)                      | (102,410)                      | (101,539)                      |
| Employer contributions   | 784,124                        | 748,852                        | 713,293                        | 732,138                        |
| Net Investment Income  | 392,662                        | 375,182                        | 50,598                         | 58,061                         |
| Administrative expense   | (9,700)                        | (9,300)                        | (12,050)                       | (8,800)                        |
| Ending Plan Fiduciary Net Position   | 9,123,931                      | 8,088,704                      | 7,096,300                      | 6,446,869                      |
| Net OPEB Liability   | \$ 9,490,945                   | \$ 6,106,527                   | \$ 8,184,274                   | \$ 9,998,421                   |
| Cover-Employee Payroll   | \$ 5,009,664                   | \$ 4,759,353                   | \$ 4,612,790                   | \$ 4,350,000                   |
| Net OPEB Liability as a Percentage of Payroll                              | 189.45%                        | 128.31%                        | 177.43%                        | 229.85%                        |
| Plan Fiduciary Net Position as a<br>Percentage of the Total OPEB Liability | 49.01%                         | 56.98%                         | 46.44%                         | 39.20%                         |

DELAWARE STATE HOUSING AUTHORITY  
 RETIREE MEDICAL TRUST FUND  
 NOTES TO SCHEDULE OF CHANGES IN NET OPEB LIABILITY  
 AS OF JUNE 30, 2021

| Valuation date                     | July 1, 2020  | July 1, 2019  | July 1, 2018   | July 1, 2016                                    |
|------------------------------------|---|---|--|---|
| Measurement date                   | June 30, 2020   | June 30, 2019   | June 30, 2018  | June 30, 2017                                   |
| Actuarial Cost Method              | Entry Age Normal  | Entry Age Normal  | Entry Age Normal   | Entry Age Normal                                |
| Asset Valuation Method             | Market Value  | Market Value  | Market Value   | Market Value                                    |
| Actuarial Assumptions:             |   |   |  |   |
| Investment Rate of Return          | 2.21%   | 3.51%   | 3.87%  | 3.00%   |
| Discount Rate                      | 2.21%   | 3.51%   | 3.87%  | 2.85%   |
| 20 Year Municipal Bond Rate        | 2.21%   | 3.51%   | 3.87%  | 2.85%   |
| Municipal Bond Rate Basis          |   | Bond Buyers General Obligation<br>20 Year Municipal Bond Index                          |  |   |
| Inflation Rate                     | 2.00%   | 2.00%   | 2.00%  | 2.00%   |
| Ultimate Rate of Medical Inflation |   |   |  |   |
| Pre-65 Trend                       | 6.00% in 2020<br>decreasing to 4.75% in<br>2028   | 6.75% in 2019<br>decreasing to 4.75% in<br>2028   | 7.50% in 2016<br>decreasing to 4.50% in<br>2028  | 6.00% in 2016<br>decreasing to<br>4.50% in 2027 |
| Post-65 Trend                      | 5.75% in 2020<br>decreasing to 4.75% in<br>2028   | 6.00% in 2019<br>decreasing to 4.75% in<br>2028   | 8.25% in 2016<br>decreasing to 4.50% in<br>2028  | 5.00% in 2016<br>decreasing to<br>4.50% in 2027 |
| Mortality Rate                     | PUB-2010, "General"<br>Classification projected<br>generationally with Scale<br>MP-2019 | PUB-2010, "General"<br>Classification projected<br>generationally with Scale<br>MP-2018 | RP-2014 Mortality Table projected<br>generationally with scale MP-2015 from the<br>central year. |   |
| Asset Method                       | Fair Market Value   | Fair Market Value   | Fair Market Value  | 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, 2021

| Fiscal Year End Date | Actuarially Determined Contribution | Contributions Recognized by Plan | Contribution Deficiency (Excess) | Covered Employee Payroll | Contribution as a Percentage of Payroll |
|----------------------|-------------------------------------|----------------------------------|----------------------------------|--------------------------|---|
| 6/30/2021            | \$ 1,476,504                        | \$ 778,725                       | \$ 697,779                       | \$ 5,009,664             | 15.54%                                  |
| 6/30/2020            | 1,029,396                           | 784,124                          | 245,272                          | 4,759,353                | 16.48%                                  |
| 6/30/2019            | 1,169,622                           | 748,852                          | 420,770                          | 4,612,790                | 16.23%                                  |
| 6/30/2018            | 1,471,550                           | 713,293                          | 758,257                          | 4,350,000                | 16.40%                                  |
| 6/30/2017            | 1,471,550                           | 732,138                          | 739,412                          | 4,350,000                | 16.83%                                  |

Notes to Schedule of Contribution

Valuation Date: Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported

Actuarial Cost Method: Entry Age Normal with 30-year open amortization period for the unfunded liability

Asset Valuation Method: Market Value

Investment Rate of Return: 2.21%, net of OPEB plan investment expense, including inflation

Retirement Age: Varies by age

Mortality: PUB-2010, "General" Classification, projected generationally with Scale MP-2019

\* 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, 2021

| Fiscal<br>Year End<br>Date | Annual<br>Money-Weighted<br>Rate of Return<br>on Investments |
|----------------------------|--|
| 6/30/2021                  | 0.77%  |
| 6/30/2020                  | 4.74%  |
| 6/30/2019                  | 5.29%  |
| 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, 2021

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.

|   | June 30, 2021                                  | June 30, 2020  | June 30, 2019  | June 30, 2018  |
|---|--|--|--|--|
| <u>Schedule of Net OPEB Liability</u>   |  |  |  |  |
| Measurement Date  | June 30, 2020                                  | June 30, 2019  | June 30, 2018  | June 30, 2017  |
| Percentage Proportion   | 0.0129%  | 0.0167%  | 0.0221%  | 0.0276%  |
| Net OPEB Liability Share  | \$ 1,347,483                                   | \$ 1,331,941   | \$ 1,812,358   | \$ 2,282,581   |
| Employer Covered Payroll  | 279,587  | 357,909  | 459,368  | 493,985  |
| OPEB Liability as a Percentage of Covered Plan's Fiduciary Net Position as a Percentage of Total OPEB Liability | 481.95%  | 372.15%  | 394.53%  | 349.06%  |
|   | 4.27%  | 4.89%  | 4.44%  | 4.13%  |
| <u>Schedule of Contributions</u>  |  |  |  |  |
| Required Contribution   | \$ 33,025                                      | \$ 35,762  | \$ 42,004  | \$ 49,585  |
| Actual Contribution   | 33,025   | 35,762   | 42,004   | 49,585   |
| Contribution Deficiency / (Excess)  | \$ -   | \$ -   | \$ -   | \$ -   |
| Employer Covered Payroll  | \$ 279,587                                     | \$ 357,909   | \$ 459,368   | \$ 493,985   |
| Actual contribution as a percentage of covered payroll  | 11.81%   | 9.99%  | 9.14%  | 10.04%   |
| <u>Notes to Required Supplementary Information</u>  |  |  |  |  |
| Actuarial Valuation Date  | June 30, 2019                                  | June 30, 2018  | June 30, 2017  | June 30, 2016  |
| Actuarial Cost Method   | entry age normal                               | entry age normal                                       | entry age normal                                       | entry age normal                                       |
| Discount Rate   | 2.21%  | 3.50%  | 3.87%  | 3.58%  |
| Healthcare Trend Rate   | 5.60%  | 6.60%  | 6.80%  | 7.00%  |
| Mortality Rate  | RP-2014 Total Dataset Employee Mortality Table | RP-2014 Total Dataset Health Annuitant Mortality Table | RP-2014 Total Dataset Health Annuitant Mortality Table | RP-2014 Total Dataset Health Annuitant Mortality Table |
| <u>Investment Allocation</u>  |  |  |  |  |
| Domestic Equity   | N/A  | N/A  | 20% - 80%  | 36.70%   |
| International Equity  | N/A  | N/A  | 20% - 80%  | 19.20%   |
| Equity  | 20% - 80%                                      | 20% - 80%  | N/A  | N/A  |
| Fixed Income  | 20% - 80%                                      | 20% - 80%  | 20% - 80%  | 38.10%   |
| Cash and Equivalents *  | 0.00%  | 0.00%  | 0.00%  | 6.00%  |
| Alternative Investments   |  |  |  |  |
| Illiquid Investments  | 0% - 30%                                       | 0% - 30%   | N/A  | N/A  |
| Other Diversification Investments   | 0% - 20%                                       | 0% - 20%   | N/A  | N/A  |
| <u>Investment Rate of Return</u>  |  |  |  |  |
| Domestic Equity   | 5.70%  | 5.70%  | 5.70%  | 3.75%  |
| International Equity  | 5.70%  | 5.70%  | 5.70%  | 3.75%  |
| Fixed Income  | 2.00%  | 2.00%  | 2.00%  | 3.75%  |
| Cash and Equivalents  | 0.00%  | 0.00%  | 0.00%  | 0.00%  |
| Alternative Investments   | 7.80%  | 7.80%  | N/A  | N/A  |

\* The Fund will rarely be fully invested at the minimum or maximum limits, and some assets will be held in cash.





DELAWARE STATE HOUSING AUTHORITY  
OTHER SUPPLEMENTARY INFORMATION



DELAWARE STATE HOUSING AUTHORITY  
 SCHEDULE OF ACTIVITIES - ENTITY-WIDE  
 FOR THE YEAR ENDED JUNE, 30, 2021

|                                    |    |                           |
|------------------------------------|----|---------------------------|
| EXPENSES                           | \$ | 117,193,308               |
| PROGRAM REVENUE                    |    |                           |
| Charges for services               |    | 27,995,845                |
| Operating grants and contributions |    | 114,094,511               |
| Capital grants and contributions   |    | <u>332,470</u>            |
| NET OPERATING REVENUE              |    | 25,229,518                |
| GENERAL REVENUE                    |    |                           |
| Gain/(Loss) on Fixed Assets        |    | 4,003,493                 |
| Investment gains/(losses)          |    | <u>7,831,141</u>          |
| TOTAL GENERAL REVENUE              |    | <u>11,834,634</u>         |
| CHANGE IN NET POSITION             |    | 37,064,152                |
| NET POSITION, BEGINNING            |    | <u>567,652,476</u>        |
| NET POSITION, ENDING               | \$ | <u><u>604,716,628</u></u> |



DELAWARE STATE HOUSING AUTHORITY  
 BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2021

|  | DELAWARE<br>EMERGENCY<br>MORTGAGE<br>ASSISTANCE<br>PROGRAM | DELAWARE<br>HOUSING<br>INSURANCE<br>FUND | DELAWARE<br>MORTGAGE<br>MEDIATION<br>PROGRAM | DSHA<br>SECOND<br>MORTGAGE<br>ASSISTANCE<br>LOAN PROGRAM | DELAWARE<br>DEPARTMENT<br>OF JUSTICE<br>MORTGAGE<br>SETTLEMENT<br>FUND |
|--|--|--|--|--|--|
| <b>ASSETS</b>                                |  |  |  |  |  |
| Cash and cash equivalents                    | \$ 10,270,083  | \$ 341,071                               | \$ -   | \$ 5,233,994   | \$ 409,072   |
| Investments                                  | 1,683,895  | -  | 12,204                                       | -  | -  |
| Interfund receivables                        | -  | -  | 7,361  | 7,023  | -  |
| Loans receivable:                            |  |  |  |  |  |
| Mortgages receivable, net                    | 5,570,797  | -  | -  | 18,755,084   | -  |
| Accrued interest & other receivables         | 439,490  | -  | -  | 7,708,093  | -  |
| <b>TOTAL ASSETS</b>                          | <b>\$ 17,964,265</b>                                       | <b>\$ 341,071</b>                        | <b>\$ 19,565</b>                             | <b>\$ 31,704,194</b>                                     | <b>\$ 409,072</b>  |
| <b>LIABILITIES &amp; FUND BALANCES</b>       |  |  |  |  |  |
| <b>LIABILITIES</b>                           |  |  |  |  |  |
| Interfund payables                           | \$ 790   | \$ 50                                    | \$ -   | \$ 6,366   | \$ -   |
| Escrow deposits                              | 5,906  | -  | -  | -  | -  |
| <b>TOTAL LIABILITIES</b>                     | <b>6,696</b>   | <b>50</b>                                | <b>-</b>                                     | <b>6,366</b>   | <b>-</b>   |
| <b>FUND BALANCES</b>                         |  |  |  |  |  |
| Restricted                                   | 17,957,569   | 341,021                                  | 19,565                                       | 31,697,828   | 409,072  |
| Assigned                                     | -  | -  | -  | -  | -  |
| <b>TOTAL FUND BALANCES</b>                   | <b>17,957,569</b>  | <b>341,021</b>                           | <b>19,565</b>                                | <b>31,697,828</b>  | <b>409,072</b>   |
| <b>TOTAL LIABILITIES &amp; FUND BALANCES</b> | <b>\$ 17,964,265</b>                                       | <b>\$ 341,071</b>                        | <b>\$ 19,565</b>                             | <b>\$ 31,704,194</b>                                     | <b>\$ 409,072</b>  |

| HOUSING REHABILITATION LOAN PROGRAM | STRONG NEIGHBORHOODS HOUSING FUND | HOME 4 GOOD PROGRAM | PRE DEVELOPMENT LOAN PROGRAM | NEIGHBOR- WORKS PROJECT REINVEST | WILMINGTON SENIOR TAX ASSISTANCE PROGRAM | SUSTAINABLE ENERGY UTILITY LOAN FUND | TOTAL NONMAJOR GOVERNMENTAL FUNDS |
|-------------------------------------|-----------------------------------|---------------------|------------------------------|----------------------------------|--|--------------------------------------|-----------------------------------|
| \$ -                                | \$ 389,610                        | \$ 412,517          | \$ 478,852                   | \$ 12,240                        | \$ 19,643                                | \$ 905,142                           | \$ 18,472,224                     |
| -                                   | 12,455,813                        | -                   | -                            | -                                | -  | -                                    | 14,151,912                        |
| -                                   | -                                 | -                   | -                            | -                                | -  | -                                    | 14,384                            |
| 512,399                             | -                                 | -                   | 21,198                       | -                                | -  | 94,908                               | 24,954,386                        |
| 71,879                              | -                                 | 54                  | -                            | -                                | -  | -                                    | 8,219,516                         |
| <u>\$ 584,278</u>                   | <u>\$ 12,845,423</u>              | <u>\$ 412,571</u>   | <u>\$ 500,050</u>            | <u>\$ 12,240</u>                 | <u>\$ 19,643</u>                         | <u>\$ 1,000,050</u>                  | <u>\$ 65,812,422</u>              |
| \$ -                                | \$ -                              | \$ 50               | \$ 50                        | \$ -                             | \$ -                                     | \$ 50                                | \$ 7,356                          |
| -                                   | -                                 | -                   | -                            | -                                | -  | -                                    | 5,906                             |
| -                                   | -                                 | 50                  | 50                           | -                                | -  | 50                                   | 13,262                            |
| 584,278                             | 12,845,423                        | 412,521             | 500,000                      | 12,240                           | -  | 1,000,000                            | 65,779,517                        |
| -                                   | -                                 | -                   | -                            | -                                | 19,643                                   | -                                    | 19,643                            |
| <u>584,278</u>                      | <u>12,845,423</u>                 | <u>412,521</u>      | <u>500,000</u>               | <u>12,240</u>                    | <u>19,643</u>                            | <u>1,000,000</u>                     | <u>65,799,160</u>                 |
| <u>\$ 584,278</u>                   | <u>\$ 12,845,423</u>              | <u>\$ 412,571</u>   | <u>\$ 500,050</u>            | <u>\$ 12,240</u>                 | <u>\$ 19,643</u>                         | <u>\$ 1,000,050</u>                  | <u>\$ 65,812,422</u>              |

DELAWARE STATE HOUSING AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

|   | DELAWARE<br>EMERGENCY<br>MORTGAGE<br>ASSISTANCE<br>PROGRAM | DELAWARE<br>HOUSING<br>INSURANCE<br>FUND | DELAWARE<br>MORTGAGE<br>MEDIATION<br>PROGRAM | DSHA<br>SECOND<br>MORTGAGE<br>ASSISTANCE<br>LOAN PROGRAM | DELAWARE<br>DEPARTMENT<br>OF JUSTICE<br>MORTGAGE<br>SETTLEMENT<br>FUND |
|---|--|--|--|--|--|
| <b>REVENUES</b>                                       |  |  |  |  |  |
| Interest income:                                      |  |  |  |  |  |
| Investments   | \$ 1,222   | \$ -                                     | \$ 196                                       | \$ -   | \$ -   |
| Loans   | 71,050   | -  | -  | 1,036,355  | -  |
| Total interest income                                 | 72,272   | -  | 196  | 1,036,355  | -  |
| Payments from primary government                      | -  | -  | -  | -  | -  |
| Gains/(losses) on investments                         | -  | -  | -  | -  | -  |
| Fees  | -  | -  | 47,400                                       | -  | -  |
| Other revenue   | 2,306,317  | -  | -  | 252,224  | -  |
| <b>TOTAL REVENUES</b>                                 | <b>2,378,589</b>   | <b>-</b>                                 | <b>47,596</b>                                | <b>1,288,579</b>   | <b>-</b>   |
| <b>EXPENDITURES</b>                                   |  |  |  |  |  |
| Current:  |  |  |  |  |  |
| Affordable rental housing                             | -  | -  | -  | -  | -  |
| Community rehabilitation                              | -  | -  | -  | -  | -  |
| Home ownership  | 138,784  | -  | 45,161                                       | 149,080  | 185,000  |
| Housing rehabilitation                                | -  | -  | -  | -  | -  |
| <b>TOTAL EXPENDITURES</b>                             | <b>138,784</b>   | <b>-</b>                                 | <b>45,161</b>                                | <b>149,080</b>   | <b>185,000</b>   |
| <b>EXCESS/(DEFICIT) REVENUE<br/>OVER EXPENDITURES</b> | <b>2,239,805</b>   | <b>-</b>                                 | <b>2,435</b>                                 | <b>1,139,499</b>   | <b>(185,000)</b>   |
| <b>OTHER FINANCING SOURCES (USES)</b>                 |  |  |  |  |  |
| Debt Proceeds   | -  | -  | -  | -  | -  |
| Transfers in  | -  | 1,899                                    | -  | 126,615  | -  |
| Transfers out   | -  | (8,641)                                  | -  | (511,124)  | -  |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>           | <b>-</b>   | <b>(6,742)</b>                           | <b>-</b>                                     | <b>(384,509)</b>   | <b>-</b>   |
| <b>NET CHANGE IN FUND BALANCES</b>                    | <b>2,239,805</b>   | <b>(6,742)</b>                           | <b>2,435</b>                                 | <b>754,990</b>   | <b>(185,000)</b>   |
| <b>FUND BALANCES, BEGINNING</b>                       | <b>15,717,764</b>  | <b>347,763</b>                           | <b>17,130</b>                                | <b>30,942,838</b>  | <b>594,072</b>   |
| <b>FUND BALANCES, ENDING</b>                          | <b>\$ 17,957,569</b>                                       | <b>\$ 341,021</b>                        | <b>\$ 19,565</b>                             | <b>\$ 31,697,828</b>                                     | <b>\$ 409,072</b>  |

| HOUSING REHABILITATION LOAN PROGRAM | STRONG NEIGHBORHOODS HOUSING FUND | HOME 4 GOOD PROGRAM | PRE DEVELOPMENT LOAN PROGRAM | NEIGHBOR- WORKS PROJECT REINVEST | WILMINGTON SENIOR TAX ASSISTANCE PROGRAM | SUSTAINABLE ENERGY UTILITY LOAN FUND | TOTAL NONMAJOR GOVERNMENTAL FUNDS |
|-------------------------------------|-----------------------------------|---------------------|------------------------------|----------------------------------|--|--------------------------------------|-----------------------------------|
| \$ -                                | \$ 9,273                          | \$ -                | \$ -                         | \$ -                             | \$ -                                     | \$ -                                 | \$ 10,691                         |
| 18,095                              | -                                 | -                   | -                            | -                                | -  | -                                    | 1,125,500                         |
| 18,095                              | 9,273                             | -                   | -                            | -                                | -  | -                                    | 1,136,191                         |
| -                                   | 4,000,000                         | -                   | -                            | -                                | -  | -                                    | 4,000,000                         |
| -                                   | -                                 | -                   | -                            | -                                | -  | -                                    | -                                 |
| -                                   | -                                 | -                   | -                            | -                                | -  | -                                    | 47,400                            |
| 16,665                              | -                                 | -                   | -                            | -                                | -  | -                                    | 2,575,206                         |
| 34,760                              | 4,009,273                         | -                   | -                            | -                                | -  | -                                    | 7,758,797                         |
| -                                   | -                                 | 813,333             | -                            | -                                | -  | -                                    | 813,333                           |
| -                                   | 888,560                           | -                   | -                            | -                                | -  | -                                    | 888,560                           |
| -                                   | -                                 | -                   | -                            | -                                | 2,667                                    | -                                    | 520,692                           |
| 15,040                              | -                                 | -                   | -                            | -                                | -  | -                                    | 15,040                            |
| 15,040                              | 888,560                           | 813,333             | -                            | -                                | 2,667                                    | -                                    | 2,237,625                         |
| 19,720                              | 3,120,713                         | (813,333)           | -                            | -                                | (2,667)                                  | -                                    | 5,521,172                         |
| -                                   | -                                 | -                   | -                            | -                                | -  | 1,000,000                            | 1,000,000                         |
| 14,400                              | -                                 | 1,000,000           | -                            | -                                | -  | -                                    | 1,001,899                         |
| (117,252)                           | -                                 | (700,000)           | -                            | -                                | -  | -                                    | (1,196,002)                       |
| (102,852)                           | -                                 | 300,000             | -                            | -                                | -  | -                                    | 805,897                           |
| (83,132)                            | 3,120,713                         | (513,333)           | -                            | -                                | (2,667)                                  | 1,000,000                            | 6,327,069                         |
| 667,410                             | 9,724,710                         | 925,854             | 500,000                      | 12,240                           | 22,310                                   | -                                    | 59,472,091                        |
| \$ 584,278                          | \$ 12,845,423                     | \$ 412,521          | \$ 500,000                   | \$ 12,240                        | \$ 19,643                                | \$ 1,000,000                         | \$ 65,799,160                     |



DELAWARE STATE HOUSING AUTHORITY  
SCHEDULE OF NET POSITION - PROPRIETARY FUND - SUBFUNDS OF THE FEDERAL PROGRAMS ENTERPRISE FUND  
JUNE 30, 2021

|   | COMMUNITY<br>DEVELOPMENT<br>BLOCK GRANT<br>PROGRAMS | FAMILY<br>UNIFICATION<br>PROGRAM | HOME<br>INVESTMENT<br>PARTNERSHIP<br>PROGRAM | HOUSING<br>TRUST<br>FUND | EMERGENCY<br>RENTAL<br>ASSISTANCE<br>PROGRAM |
|---|---|----------------------------------|--|--------------------------|--|
| <b>ASSETS</b>                                     |   |                                  |  |                          |  |
| Current Assets:                                   |   |                                  |  |                          |  |
| Cash and cash equivalents                         | \$ 13,740   | \$ 82,654                        | \$ 79,604                                    | \$ 121,897               | \$ 7,846,151                                 |
| Investments                                       | -   | -                                | 2,783,232                                    | -                        | 224,524,273                                  |
| Accrued interest and other receivables            | -   | -                                | 20,946                                       | 17,061                   | 28,508                                       |
| Grants receivable-U.S. Dept of HUD                | 22,569  | -                                | 3,077  | 3,868                    | -  |
| Interfund receivables                             | 70,595  | -                                | -  | 2,075                    | -  |
| Prepaid expenses                                  | -   | 26,619                           | -  | -                        | -  |
| Total current assets                              | 106,904   | 109,273                          | 2,886,859                                    | 144,901                  | 232,398,932                                  |
| Non-Current Assets:                               |   |                                  |  |                          |  |
| Cash, restricted for payment<br>of escrows        | -   | 79,462                           | -  | -                        | -  |
| Investments                                       | -   | -                                | 7,008,111                                    | 33,833                   | -  |
| Mortgages receivable, net                         | -   | -                                | 61,516,518                                   | 5,027,998                | -  |
| Accrued interest and other<br>receivables, net    | -   | -                                | 13,074,343                                   | -                        | -  |
| Interfund receivables                             | -   | -                                | -  | -                        | -  |
| Capital assets not being depreciated              | -   | -                                | -  | -                        | -  |
| Capital assets net of accumulated<br>depreciation | -   | -                                | -  | -                        | -  |
| Total non-current assets                          | -   | 79,462                           | 81,598,972                                   | 5,061,831                | -  |
| <b>TOTAL ASSETS</b>                               | <b>106,904</b>                                      | <b>188,735</b>                   | <b>84,485,831</b>                            | <b>5,206,732</b>         | <b>232,398,932</b>                           |
| <b>LIABILITIES</b>                                |   |                                  |  |                          |  |
| Current Liabilities:                              |   |                                  |  |                          |  |
| Accounts payable                                  | 8,294   | -                                | 8,009  | 6,074                    | 5,650,101                                    |
| Deferred Revenue                                  | -   | -                                | -  | -                        | 227,774,028                                  |
| Due St of Delaware-pension costs                  | 528   | -                                | -  | -                        | -  |
| Interfund payables                                | 38,944  | -                                | 138,061                                      | 70,380                   | -  |
| Compensated absences payable                      | -   | -                                | -  | 30                       | -  |
| Total current liabilities                         | 47,766  | -                                | 146,070                                      | 76,484                   | 233,424,129                                  |
| Non-Current Liabilities:                          |   |                                  |  |                          |  |
| Interfund payables                                | -   | 30,000                           | 71,201                                       | -                        | -  |
| Compensated absences payable                      | 61,029  | -                                | 12,396                                       | 18,715                   | -  |
| Escrow deposits                                   | -   | 79,462                           | 7,008,111                                    | 33,833                   | -  |
| Total non-current liabilities                     | 61,029  | 109,462                          | 7,091,708                                    | 52,548                   | -  |
| <b>TOTAL LIABILITIES</b>                          | <b>108,795</b>                                      | <b>109,462</b>                   | <b>7,237,778</b>                             | <b>129,032</b>           | <b>233,424,129</b>                           |
| <b>NET POSITION</b>                               |   |                                  |  |                          |  |
| Invested in capital assets                        | -   | -                                | -  | -                        | -  |
| Restricted by federal regulations                 | -   | 79,273                           | 77,248,053                                   | 5,077,700                | -  |
| Unrestricted                                      | (1,891)   | -                                | -  | -                        | (1,025,197)                                  |
| <b>TOTAL NET POSITION</b>                         | <b>\$ (1,891)</b>                                   | <b>\$ 79,273</b>                 | <b>\$ 77,248,053</b>                         | <b>\$ 5,077,700</b>      | <b>\$ (1,025,197)</b>                        |

| MOVING TO WORK DEMONSTRATION PROGRAM | DELAWARE HOUSING AND MORTGAGE ASSISTANCE PROGRAM | HOMEOWNER ASSISTANCE FUND | HOUSING VOUCHER PROGRAM | SECOND CHANCE ACT/ I-ADAPT HOUSING PROGRAM | SECTION 8 CONTRACT ADMINISTRATION PROGRAM | 2017 MAINSTREAM VOUCHER PROGRAM | SECTION 811 PROJECT RENTAL ASSISTANCE DEMONSTRATION PROGRAM | TOTAL FEDERAL PROGRAMS |
|--------------------------------------|--|---------------------------|-------------------------|--|---|---------------------------------|---|------------------------|
| \$ 5,166,026                         | \$ -   | \$ 499,825                | \$ 81,700               | \$ 3,088                                   | \$ 868,698                                | \$ 37,721                       | \$ 1,328  | \$ 14,802,432          |
| 340,894                              | -  | 4,500,064                 | -                       | -  | -   | -                               | -   | 232,148,463            |
| 146,210                              | -  | -                         | -                       | -  | -   | -                               | -   | 212,725                |
| 9,004                                | -  | -                         | -                       | -  | 470,548                                   | -                               | -   | 509,066                |
| 100,668                              | -  | -                         | -                       | -  | 3,299                                     | -                               | 12,539  | 189,176                |
| 487,024                              | -  | -                         | -                       | -  | 3,471,204                                 | 28,097                          | 66,233  | 4,079,177              |
| 6,249,826                            | -  | 4,999,889                 | 81,700                  | 3,088                                      | 4,813,749                                 | 65,818                          | 80,100  | 251,941,039            |
| 1,981,072                            | -  | -                         | -                       | -  | -   | -                               | -   | 2,060,534              |
| -                                    | -  | -                         | -                       | -  | -   | -                               | -   | 7,041,944              |
| -                                    | -  | -                         | -                       | -  | -   | -                               | -   | 66,544,516             |
| -                                    | -  | -                         | -                       | -  | -   | -                               | -   | 13,074,343             |
| -                                    | -  | -                         | -                       | -  | -   | -                               | -   | -                      |
| 937,559                              | -  | -                         | -                       | -  | -   | -                               | -   | 937,559                |
| 4,165,278                            | -  | -                         | -                       | -  | -   | -                               | -   | 4,165,278              |
| 7,083,909                            | -  | -                         | -                       | -  | -   | -                               | -   | 93,824,174             |
| 13,333,735                           | -  | 4,999,889                 | 81,700                  | 3,088                                      | 4,813,749                                 | 65,818                          | 80,100  | 345,765,213            |
| 406,572                              | -  | -                         | -                       | -  | 24,881                                    | -                               | -   | 6,103,931              |
| 266,944                              | -  | 4,999,825                 | 81,700                  | -  | -   | 3,179                           | -   | 233,125,676            |
| 507                                  | -  | -                         | -                       | -  | -   | -                               | -   | 1,035                  |
| 7,026                                | -  | -                         | -                       | -  | 188,666                                   | 28,097                          | -   | 471,174                |
| 11,578                               | -  | -                         | -                       | -  | -   | -                               | -   | 11,608                 |
| 692,627                              | -  | 4,999,825                 | 81,700                  | -  | 213,547                                   | 31,276                          | -   | 239,713,424            |
| 579,668                              | -  | -                         | -                       | 50   | 3,213,841                                 | 30,050                          | 80,100  | 4,004,910              |
| 246,900                              | -  | -                         | -                       | -  | 69,113                                    | -                               | -   | 408,153                |
| 2,018,893                            | -  | -                         | -                       | -  | -   | -                               | -   | 9,140,299              |
| 2,845,461                            | -  | -                         | -                       | 50   | 3,282,954                                 | 30,050                          | 80,100  | 13,553,362             |
| 3,538,088                            | -  | 4,999,825                 | 81,700                  | 50   | 3,496,501                                 | 61,326                          | 80,100  | 253,266,786            |
| 5,102,837                            | -  | -                         | -                       | -  | -   | -                               | -   | 5,102,837              |
| 4,692,810                            | -  | 64                        | -                       | 3,038                                      | 1,317,248                                 | 4,492                           | -   | 88,422,678             |
| -                                    | -  | -                         | -                       | -  | -   | -                               | -   | (1,027,088)            |
| \$ 9,795,647                         | \$ -   | \$ 64                     | \$ -                    | \$ 3,038                                   | \$ 1,317,248                              | \$ 4,492                        | \$ -  | \$ 92,498,427          |

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, 2021

|  | COMMUNITY<br>DEVELOPMENT<br>BLOCK GRANT<br>PROGRAMS | FAMILY<br>UNIFICATION<br>PROGRAM | HOME<br>INVESTMENT<br>PARTNERSHIP<br>PROGRAM | HOUSING<br>TRUST<br>FUND | EMERGENCY<br>RENTAL<br>ASSISTANCE<br>PROGRAM | MOVING<br>TO WORK<br>DEMONSTRATION<br>PROGRAM |
|--|---|----------------------------------|--|--------------------------|--|---|
| <b>OPERATING REVENUES</b>  |   |                                  |  |                          |  |   |
| Interest income on loans   | \$ -  | \$ -                             | \$ 1,138,095                                 | \$ 99,459                | \$ -   | \$ -  |
| Federal housing program grants   | 4,704,448   | 390,000                          | 1,531,954                                    | 1,986,609                | 10,745,545                                   | 11,886,185                                    |
| Rental income  | -   | -                                | -  | -                        | -  | 552,125                                       |
| Miscellaneous  | 53,132  | -                                | 17,482                                       | -                        | -  | 554,729                                       |
| <b>TOTAL OPERATING REVENUES</b>  | <b>4,757,580</b>                                    | <b>390,000</b>                   | <b>2,687,531</b>                             | <b>2,086,068</b>         | <b>10,745,545</b>                            | <b>12,993,039</b>                             |
| <b>OPERATING EXPENSES</b>  |   |                                  |  |                          |  |   |
| Administrative   | 345,218   | -                                | 569,508                                      | 312,972                  | 480,472                                      | 3,076,087                                     |
| Grants and housing assistance payments                                 | 4,414,592   | 417,027                          | 775,765                                      | -                        | 11,294,970                                   | 7,722,029                                     |
| Public housing maintenance & utilities                                 | -   | -                                | -  | -                        | -  | 1,292,676                                     |
| Depreciation   | -   | -                                | -  | -                        | -  | 986,115                                       |
| <b>TOTAL OPERATING EXPENSES</b>  | <b>4,759,810</b>                                    | <b>417,027</b>                   | <b>1,345,273</b>                             | <b>312,972</b>           | <b>11,775,442</b>                            | <b>13,076,907</b>                             |
| <b>OPERATING INCOME/(LOSS)</b>   | <b>(2,230)</b>                                      | <b>(27,027)</b>                  | <b>1,342,258</b>                             | <b>1,773,096</b>         | <b>(1,029,897)</b>                           | <b>(83,868)</b>                               |
| <b>NON-OPERATING INCOME/(EXPENSES)</b>                                 |   |                                  |  |                          |  |   |
| Investment income  | -   | -                                | 663  | -                        | 4,700  | 279   |
| Gain/(Loss) on Disposal of Property                                    | -   | -                                | -  | -                        | -  | 4,003,493                                     |
| <b>TOTAL NON-OPERATING INCOME/(EXPENSES)</b>                           | <b>-</b>  | <b>-</b>                         | <b>663</b>                                   | <b>-</b>                 | <b>4,700</b>                                 | <b>4,003,772</b>                              |
| <b>INCOME/(LOSS) BEFORE CAPITAL GRANTS<br/>AND OPERATING TRANSFERS</b> | <b>(2,230)</b>                                      | <b>(27,027)</b>                  | <b>1,342,921</b>                             | <b>1,773,096</b>         | <b>(1,025,197)</b>                           | <b>3,919,904</b>                              |
| Capital grants and contributions                                       | -   | -                                | -  | -                        | -  | 332,470                                       |
| Transfers in   | 343   | -                                | -  | -                        | -  | -   |
| Transfers out  | -   | -                                | -  | -                        | -  | (5,177,177)                                   |
| <b>CHANGE IN NET POSITION</b>  | <b>(1,887)</b>                                      | <b>(27,027)</b>                  | <b>1,342,921</b>                             | <b>1,773,096</b>         | <b>(1,025,197)</b>                           | <b>(924,803)</b>                              |
| <b>NET POSITION, BEGINNING</b>   | <b>(4)</b>  | <b>106,300</b>                   | <b>75,905,132</b>                            | <b>3,304,604</b>         | <b>-</b>                                     | <b>10,720,450</b>                             |
| <b>NET POSITION, ENDING</b>  | <b>\$ (1,891)</b>                                   | <b>\$ 79,273</b>                 | <b>\$ 77,248,053</b>                         | <b>\$ 5,077,700</b>      | <b>\$ (1,025,197)</b>                        | <b>\$ 9,795,647</b>                           |

| DELAWARE HOUSING AND MORTGAGE ASSISTANCE PROGRAM | HOMEOWNER ASSISTANCE FUND | EMERGENCY HOUSING VOUCHER PROGRAM | SECOND CHANCE ACT/ I-ADAPT HOUSING PROGRAM | SECTION 8 CONTRACT ADMINISTRATION | 2017 MAINSTREAM VOUCHER PROGRAM | SECTION 811 PROJECT RENTAL ASSISTANCE DEMONSTRATION PROGRAM | TOTAL FEDERAL PROGRAMS |
|--|---------------------------|-----------------------------------|--|-----------------------------------|---------------------------------|---|------------------------|
| \$ -   | \$ -                      | \$ -                              | \$ -                                       | \$ -                              | \$ -                            | \$ -  | \$ 1,237,554           |
| 13,896,281                                       | 175                       | -                                 | -  | 44,364,936                        | 40,709                          | 662,769   | 90,209,611             |
| -  | -                         | -                                 | -  | -                                 | -                               | -   | 552,125                |
| -  | -                         | -                                 | -  | -                                 | -                               | -   | 625,343                |
| 13,896,281                                       | 175                       | -                                 | -  | 44,364,936                        | 40,709                          | 662,769   | 92,624,633             |
| 372,510  | 175                       | -                                 | -  | 1,307,295                         | 137                             | -   | 6,464,374              |
| 15,519,651                                       | -                         | -                                 | -  | 42,748,987                        | 244,194                         | 662,945   | 83,800,160             |
| -  | -                         | -                                 | -  | -                                 | -                               | -   | 1,292,676              |
| -  | -                         | -                                 | -  | -                                 | -                               | -   | 986,115                |
| 15,892,161                                       | 175                       | -                                 | -  | 44,056,282                        | 244,331                         | 662,945   | 92,543,325             |
| (1,995,880)                                      | -                         | -                                 | -  | 308,654                           | (203,622)                       | (176)   | 81,308                 |
| -  | 64                        | -                                 | -  | -                                 | -                               | -   | 5,706                  |
| -  | -                         | -                                 | -  | -                                 | -                               | -   | 4,003,493              |
| -  | 64                        | -                                 | -  | -                                 | -                               | -   | 4,009,199              |
| (1,995,880)                                      | 64                        | -                                 | -  | 308,654                           | (203,622)                       | (176)   | 4,090,507              |
| -  | -                         | -                                 | -  | -                                 | -                               | -   | 332,470                |
| 700,000  | -                         | -                                 | -  | -                                 | -                               | -   | 700,343                |
| (704,120)  | -                         | -                                 | -  | -                                 | -                               | -   | (5,881,297)            |
| (2,000,000)                                      | 64                        | -                                 | -  | 308,654                           | (203,622)                       | (176)   | (757,977)              |
| 2,000,000  | -                         | -                                 | 3,038                                      | 1,008,594                         | 208,114                         | 176   | 93,256,404             |
| \$ -   | \$ 64                     | \$ -                              | \$ 3,038                                   | \$ 1,317,248                      | \$ 4,492                        | \$ -  | \$ 92,498,427          |

DELAWARE STATE HOUSING AUTHORITY  
SCHEDULE OF NET POSITION - PROPRIETARY FUND - SUBFUNDS OF THE SINGLE FAMILY PROGRAMS  
ENTERPRISE FUND  
JUNE 30, 2021

|  | SINGLE<br>FAMILY<br>MORTGAGE<br>REVENUE BOND<br>SERIES<br>2007D-2018A | SINGLE<br>FAMILY<br>MORTGAGE<br>REVENUE BOND<br>SERIES - NIBP<br>2010-1 - 2013-1 | DSHA<br>MORTGAGE<br>BACKED<br>SECURITIES<br>PURCHASE<br>PROGRAM | TOTAL SINGLE<br>FAMILY<br>PROGRAMS |
|--|---|--|---|------------------------------------|
| <b>ASSETS</b>                              |   |  |   |                                    |
| Current Assets:                            |   |  |   |                                    |
| Cash and cash equivalents                  | \$ 3,810,804  | \$ 19,240,575  | \$ 5,419,708  | \$ 28,471,087                      |
| Investments                                | 477,015   | 4,566,282  | 26,584,482  | 31,627,779                         |
| Mortgage loan receivable, net              | 722,565   | -  | -   | 722,565                            |
| Accrued interest and other receivables     | 1,021,230   | 3,647  | -   | 1,024,877                          |
| Total current assets                       | 6,031,614   | 23,810,504   | 32,004,190  | 61,846,308                         |
| Non-Current Assets:                        |   |  |   |                                    |
| Securitized mortgage loans, net            | 34,133,830  | 1,252,203  | -   | 35,386,033                         |
| Mortgage loan receivable, net              | 8,399,477   | -  | -   | 8,399,477                          |
| Accrued interest and other receivables     | 102,892   | -  | -   | 102,892                            |
| Total non-current assets                   | 42,636,199  | 1,252,203  | -   | 43,888,402                         |
| <b>TOTAL ASSETS</b>                        | <b>48,667,813</b>   | <b>25,062,707</b>  | <b>32,004,190</b>   | <b>105,734,710</b>                 |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>       |   |  |   |                                    |
| Deferred amount on bond refunding          | 39,894  | -  | -   | 39,894                             |
| <b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b> | <b>39,894</b>   | <b>-</b>   | <b>-</b>  | <b>39,894</b>                      |
| <b>LIABILITIES</b>                         |   |  |   |                                    |
| Current Liabilities:                       |   |  |   |                                    |
| Accounts payable                           | 5,000   | -  | 1,071   | 6,071                              |
| Interfund payables                         | 366,970   | -  | 5,830   | 372,800                            |
| Accrued interest payable                   | 87,190  | 269,017  | -   | 356,207                            |
| Revenue bonds payable                      | 159,021   | 335,918  | -   | 494,939                            |
| Total current liabilities                  | 618,181   | 604,935  | 6,901   | 1,230,017                          |
| Non-Current Liabilities:                   |   |  |   |                                    |
| Revenue bonds payable                      | 33,316,455  | 18,970,000   | -   | 52,286,455                         |
| Total non-current liabilities              | 33,316,455  | 18,970,000   | -   | 52,286,455                         |
| <b>TOTAL LIABILITIES</b>                   | <b>33,934,636</b>   | <b>19,574,935</b>  | <b>6,901</b>  | <b>53,516,472</b>                  |
| <b>DEFERRED INFLOW OF RESOURCES</b>        |   |  |   |                                    |
| Deferred amount on bond refunding          | 1,839,270   | -  | -   | 1,839,270                          |
| <b>TOTAL DEFERRED INFLOW OF RESOURCES</b>  | <b>1,839,270</b>  | <b>-</b>   | <b>-</b>  | <b>1,839,270</b>                   |
| <b>NET POSITION</b>                        |   |  |   |                                    |
| Restricted by bond covenants               | 12,933,801  | 5,487,772  | 31,997,289  | 50,418,862                         |
| <b>TOTAL NET POSITION</b>                  | <b>\$ 12,933,801</b>  | <b>\$ 5,487,772</b>  | <b>\$ 31,997,289</b>  | <b>\$ 50,418,862</b>               |

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, 2021

|   | SINGLE<br>FAMILY<br>MORTGAGE<br>REVENUE BOND<br>SERIES<br>2007D-2018A | SINGLE<br>FAMILY<br>MORTGAGE<br>REVENUE BOND<br>SERIES - NIBP<br>2010-1 - 2013-1 | DSHA<br>MORTGAGE<br>BACKED<br>SECURITIES<br>PURCHASE<br>PROGRAM | TOTAL SINGLE<br>FAMILY<br>PROGRAMS |
|---|---|--|---|------------------------------------|
| <b>OPERATING REVENUES</b>                       |   |  |   |                                    |
| Interest income on loans                        | \$ 1,778,133  | \$ 8,615,878   | \$ (747)  | \$ 10,393,264                      |
| Amortization of deferred revenues               | 224,658   | 1,321,725  | -   | 1,546,383                          |
| Miscellaneous                                   | 6,282   | -  | 263,177   | 269,459                            |
| <b>TOTAL OPERATING REVENUES</b>                 | <b>2,009,073</b>  | <b>9,937,603</b>   | <b>262,430</b>  | <b>12,209,106</b>                  |
| <b>OPERATING EXPENSES</b>                       |   |  |   |                                    |
| Interest expense on bonds                       | 1,233,618   | 1,103,121  | -   | 2,336,739                          |
| Administrative                                  | -   | 146,466  | 838   | 147,304                            |
| Loan servicing fees                             | 17,260  | -  | -   | 17,260                             |
| Amortization of deferred expenses               | 23,236  | -  | -   | 23,236                             |
| Other expenses                                  | 48,363  | 14,375   | -   | 62,738                             |
| <b>TOTAL OPERATING EXPENSES</b>                 | <b>1,322,477</b>  | <b>1,263,962</b>   | <b>838</b>  | <b>2,587,277</b>                   |
| <b>OPERATING INCOME/(LOSS)</b>                  | <b>686,596</b>  | <b>8,673,641</b>   | <b>261,592</b>  | <b>9,621,829</b>                   |
| <b>NON-OPERATING INCOME/(EXPENSES)</b>          |   |  |   |                                    |
| Investment income                               | 1,060   | 3,328  | 14,098,126  | 14,102,514                         |
| Change in fair value of investments             | (1,058,335)   | (5,488,731)  | -   | (6,547,066)                        |
| <b>TOTAL NON-OPERATING INCOME/(EXPENSES)</b>    | <b>(1,057,275)</b>  | <b>(5,485,403)</b>   | <b>14,098,126</b>   | <b>7,555,448</b>                   |
| <b>INCOME/(LOSS) BEFORE OPERATING TRANSFERS</b> | <b>(370,679)</b>  | <b>3,188,238</b>   | <b>14,359,718</b>   | <b>17,177,277</b>                  |
| Transfers in                                    | 2,567,635   | -  | 2,489,198   | 2,909,241                          |
| Transfers out                                   | (914,154)   | (3,537,983)  | (10,555,046)  | (12,859,591)                       |
| <b>CHANGE IN NET POSITION</b>                   | <b>1,282,802</b>  | <b>(349,745)</b>   | <b>6,293,870</b>  | <b>7,226,927</b>                   |
| <b>NET POSITION, BEGINNING</b>                  | <b>11,650,999</b>   | <b>5,837,517</b>   | <b>25,703,419</b>   | <b>43,191,935</b>                  |
| <b>NET POSITION, ENDING</b>                     | <b>\$ 12,933,801</b>  | <b>\$ 5,487,772</b>  | <b>\$ 31,997,289</b>  | <b>\$ 50,418,862</b>               |

\* Transfers in and out have been reduced by \$2,147,592 for transfers between Bond Series.

DELAWARE STATE HOUSING AUTHORITY  
SCHEDULE OF REVENUE BONDS PAYABLE  
FOR THE YEAR ENDED JUNE 30, 2021

The details of and changes in the Authority's mortgage revenue bonds during the Year Ended June 30, 2021 are as follows:

| Bond Issue   | Interest Rate | Final Maturity Date | Bonds Outstanding June 30, 2020 | Issued      | Matured     | Called                 | Other                 | Bonds Outstanding June 30, 2021 |
|--|---------------|---------------------|---------------------------------|-------------|-------------|------------------------|-----------------------|---------------------------------|
| Single Family Mortgage Revenue Bonds 2011 Series A/B | 4.25% - 5.10% | 2031                | 5,131,643                       | -           | -           | (1,235,000)            | (99,442)              | 3,797,201                       |
| Single Family Mortgage Revenue Bonds 2013 Series A   | 2.60%         | 2043                | 23,398,832                      | -           | -           | (5,727,489)            | -                     | 17,671,343                      |
| Single Family Mortgage Revenue Bonds 2018 Series A   | 3.48%         | 2048                | 16,554,729                      | -           | -           | (4,554,617)            | -                     | 12,000,112                      |
| Single Family Mortgage Revenue Bonds 2010-1 (NIBP)   | 3.01% - 4.55% | 2041                | 28,399,462                      | -           | -           | (27,400,000)           | (999,462)             | -                               |
| Single Family Mortgage Revenue Bonds 2011-2 (NIBP)   | 1.80% - 4.38% | 2041                | 24,474,603                      | -           | -           | (5,090,000)            | (71,865)              | 19,312,738                      |
| Single Family Mortgage Revenue Bonds 2013-1 (NIBP)   | 1.26% - 4.40% | 2041                | 28,920,000                      | -           | -           | (28,920,000)           | -                     | -                               |
| <b>TOTAL</b>   |               |                     | <b>\$ 126,879,269</b>           | <b>\$ -</b> | <b>\$ -</b> | <b>\$ (72,927,106)</b> | <b>\$ (1,170,769)</b> | <b>\$ 52,781,394</b>            |

The "Other " category totaling \$(1,169,455) 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 2013-1 NIBP (original issue amount of \$58,150,000).  
All SMAL Mortgage Revenue Bonds.

DELAWARE STATE HOUSING AUTHORITY  
 SUPPLEMENTAL STATEMENT OF PUBLIC HOUSING ACTUAL MODERNIZATION CAPITAL FUND  
 GRANT COSTS  
 AS OF JUNE 30, 2021

ANNUAL CONTRIBUTIONS CONTRACT P-4520

|                                       | PROJECT NUMBER      |                     |              |
|---------------------------------------|---------------------|---------------------|--------------|
|                                       | DE26-P004-<br>50118 | DE26-P004-<br>50119 | TOTAL        |
| Funds advanced                        | \$ 932,463          | \$ 819,210          | \$ 1,751,673 |
| Management improvements               | 23,367              | 406,297             | 429,664      |
| Site improvements                     | 292,266             | 58,029              | 350,295      |
| Administration                        | 616,830             | 354,884             | 971,714      |
| Funds expended                        | 932,463             | 819,210             | 1,751,673    |
| Excess (deficiency) of funds advanced | \$ -                | \$ -                | \$ -         |



**DELAWARE STATE HOUSING AUTHORITY**

**NOTES TO SUPPLEMENTAL STATEMENT OF PUBLIC HOUSING ACTUAL MODERNIZATION  
CAPITAL FUND GRANT COSTS**

**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.



DELAWARE STATE HOUSING AUTHORITY

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





BELFINT • LYONS • SHUMAN  
Certified Public Accountants

---

[www.belfint.com](http://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, 2021, and the related notes to the financial statements, which collectively comprise DSHA's basic financial statements, and have issued our report thereon dated January 26, 2022.

***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) as a basis for designing 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; 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 2021-001, 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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2021-002.

### ***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.*

January 26, 2022  
Wilmington, Delaware

**DELAWARE STATE HOUSING AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2021**

**FINANCIAL STATEMENT FINDINGS**

**Reference Number: 2021-001**

**Type of Finding: Significant Deficiency**

**Department of Finance - Financial Reporting Close Process**

**Condition:** During our audit work, we noted seven misstatements of the financial statement balances requiring material adjusting journal entries. These adjustments should have been made by the Financial Analysis and Reporting Section during the year-end financial close process but were required as a result of our audit procedures. The material adjusting journal entries increased assets \$718,888, decreased liabilities \$865,628, decreased interfund balances \$1,559,416, increased revenue \$3,023,016 and increased expenses \$2,997,915. These entries were to correctly record capital assets, adjust unrealized gains to actual, adjust interfund balances, record Delaware Sustainable Energy Utility proceeds as debt and other financing sources inflows, and to correctly recognize revenue, expenses and payables associated with undisbursed funds for a federal program.

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

**Cause:** While the Financial Analysis and Reporting Section's financial closing procedures captured most of the necessary closing journal entries, the procedures did not detect these unusual and complex entries.

**Effect:** These material misstatements, discovered by the auditors during the course of fieldwork, required adjustment to the financial statements.

**Recommendation:** We recommend DSHA enhance its financial closing procedures. As part of the process, the Financial Analysis and Reporting Section should evaluate all post-closing entries and audit adjustments, from the recent fiscal years, to ensure that procedures and controls are in place to properly identify and record similar or related transactions in the future, on a timely basis. All significant or non-routine transactions and adjustments should be subjected to a second level of review. Additionally, reconciliations should be prepared for all significant year end balances.

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

**DELAWARE STATE HOUSING AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**JUNE 30, 2021**

**FINANCIAL STATEMENT FINDINGS - CONTINUED**

**Reference Number: 2021-002**

**Type of Finding: Material Weakness**

**Internal Control Over Compliance - United States Emergency Rental Assistance Program**

**Condition:** During the year ended June 30, 2021, DSHA commenced operation of the United States Emergency Rental Assistance Program (ERA) which was funded the by the Consolidated Appropriations Act, 2020 and the American Rescue Plan Act of 2021. DSHA identified potential errors in the processing and payment of assistance of totaling approximately \$1 million that occurred during the year ended June 30, 2021. Additionally, potential errors occurred during the period of July 1, 2021 through September 30, 2021, totaling approximately \$2.2 million.

DSHA's design of procedures over the processing of payments included the following steps, performed by ERA Program Management, which we consider internal control design weaknesses which, together, we consider a material weakness:

- The vendor information for some landlords deemed eligible for receiving rental assistance for eligible renters was manually matched with pre-existing DSHA vendor information in the MITAS accounting system to facilitate the payment of rental assistance. The matching of landlord information to vendor information in the existing DSHA vendor database was not reviewed by DSHA prior to initiating vendor payment, potentially resulting in erroneous payments.
- Vendor profiles were manually imported from the Emergency Rental Assistance Program software to the DSHA's accounting system without the performance of a detailed comparison and review.
- ERA Program management uploaded vendor landlord payments calculated in the Emergency Rental Assistance Program software to the DSHA's accounting system without the performance of a detailed review before disbursement of the funds to verify payments were directed to the correct landlord(s).

**Criteria:** DSHA management is responsible for establishing and maintaining effective internal control over compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements.

**Cause:** Weaknesses in the design of internal controls and processing errors made by DSHA allowed erroneous payments of rental subsidies to be made and not detected.



**DELAWARE STATE HOUSING AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**JUNE 30, 2021**

**FINANCIAL STATEMENT FINDINGS - CONTINUED**

**Reference Number: 2021-002 - Continued**

*Effect:* DSHA's weaknesses in the design of internal controls over the vendor maintenance and payment processes in the Emergency Rental Assistance Program resulted in processing errors which caused overpayment and underpayment of rental assistance during the year ended June 30, 2021, and the subsequent period. DSHA's internal controls were insufficient for management or employees to identify noncompliance with the provisions of laws, regulations, contracts, and grant agreements relating to the Emergency Rental Assistance Program in a timely manner.

*Recommendation:* We recommend DSHA complete its analysis of identifying and remediating payment errors that occurred in the ERA program and re-design procedures to address the identified weaknesses in internal control

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

**DELAWARE STATE HOUSING AUTHORITY  
RESPONSE TO SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
CORRECTIVE ACTION PLAN  
JUNE 30, 2021**

**Financial Statement Finding 2021-001 - Financial Reporting Close Process  
Corrective Action Plan:**

The Financial Analysis and Reporting Section manager is responsible for ensuring all adjusting/closing journal entries are properly recorded. However, due to the turnover of personnel familiar with the unusual and complex nature of accounting for each program, along with addition funding guidelines, there were some non-routine transactions and adjustments that were overlooked during the closing process but got picked up during the financial statement audit.

Going forward, management will implement the auditor's recommendation to review and enhance our financial closing procedures; conduct secondary level reviews which will include consultation with our audit firm, if necessary; and prepare reconciliations for all significant year end balances.

These action plans have been implemented immediately for the 2022 Fiscal Year and will remain in effect going forward.

Responsible Official: Annette Miller, Director of Financial Management

**Financial Statement Finding 2021-002 - Internal Control Over Compliance - United States  
Emergency Rental Assistance  
Corrective Action Plan:**

DSHA has implemented a Corrective Action Plan which it believes fully addresses the internal control weaknesses identified in connection with the audit finding of a material weakness related to DSHA's operation of the Emergency Rental Assistance ("ERA") program. The Corrective Action Plan is comprised of three key elements:

1. Implementation of a new software system, the Yardi RentRelief system, that fully addresses certain process issues encountered with its existing Allita software application.
2. Implementation of new process workflows and approvals performed by DSHA personnel to ensure proper approval of case applications and payment of approved applications to proper vendors.
3. Engaging an external consultant to analyze, verify and remediate, as required, applications processed in the predecessor Allita software system.

Each of these three elements is further discussed below.

Implementation of Yardi RentRelief System

In August 2021, DSHA implemented a new software application, Yardi RentRelief, to accept and process applications for the ERA program and replace its existing Allita application. DSHA implemented this system as a means to correct and resolve the issues it was experiencing with respect to timely and accurate payment processing. The new system included significant

improvements in workflow related to payment processing and account verification, as well as other needed program features.

With the Yardi application, one of the root causes of DSHA's application payment issues was immediately addressed, by eliminating the need to manually upload vendor payment information from its Allita application to DSHA's accounting system for payment. The prior manual upload process resulted in various vendor payment issues and erroneous payments.

The Yardi application is a completely self-contained application, with workflow approvals that span from application submittal and approval to vendor payment. Each week all approved applications are automatically batched and sent to DSHA for approval prior to payment. This workflow has resolved previous issues where payments were not made timely for approved applications.

The Yardi system incorporates significant improvements to payment processing and account verification. As mentioned above, there is no need to transfer or upload data between Yardi and the accounting system to effect payments of approved applications. The Yardi system includes a verification process whereby the vendor ACH information is verified by a "penny test" or small deposit that the user must verify. ACH payments can only be made to accounts that are verified. Once payments are made through Yardi, batch details are imported to MITAS via a custom interface for accounting system transaction reporting.

#### Implementation of New Process Workflows, Approvals and Verifications by DSHA

Coupled with the new Yardi system implementation, DSHA implemented updated ERA Program Guidelines and new internal policy and process manuals to ensure its internal controls and processes appropriately addressed the compliance requirements of the ERA program and to ensure properly approved applications are paid to proper vendors.

All cases in Approved Status are batched each week by the Yardi system and sent to DSHA for approval. DSHA reviews each of the approved applications within the batch and approves the batch once verified. At that point, requested funds are wired and payments issued by the Yardi system. This process has resolved previous instances of non-payment of approved cases.

DSHA has developed new Case Auditor and Case Supervisor Process Guides and Checklists, which now standardize the processes used to review, verify and approve applications prior to payment. The Yardi case management workflow requires separate Case Auditor and Case Supervisor verification of program requirements and payments prior to approval and payment of an application.

#### Remediation of Prior Case Applications Processed in Allita

DSHA has engaged a third-party external consultant to assist it in ensuring that the applications processed in the Allita system resulted in payments to appropriate vendors for proper, compliant applications. The objective of this assessment is to identify any applications processed within Allita that resulted in either over or under payment to the vendor recipient. Once identified, these over and/or under payments will be remediated.

These action plans have been implemented beginning August 2021 for the 2022 Fiscal Year and will remain in effect going forward.

Responsible Official: Marlana Gibson, Director of Policy and Planning

**DELAWARE STATE HOUSING AUTHORITY**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**JUNE 30, 2021**

**FINANCIAL STATEMENT FINDING**

**Reference Number: 2020-001**

**Type of Finding: Significant Deficiency**

**Department of Finance - Financial Reporting Close Process**

**Condition:** During our audit work, we noted a misstatement of the financial statement balances requiring a material adjusting journal entry. This adjustment should have been made by the Financial Analysis and Reporting Section during the year-end financial close process but was required as a result of our audit procedures. The material adjusting journal entry was to adjust deferred inflows for \$630,000 received during the year ended June 30, 2020, and did not impact any of DSHA's federal programs.

**Recommendation:** We recommend DSHA enhance its financial closing procedures. As part of the process, the Financial Analysis and Reporting Section should evaluate all post-closing entries and audit adjustments, from the previous fiscal year, 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 transactions and adjustments should be subjected to a second level of review.

**Current Status:** A similar condition was noted during the June 30, 2021 audit. See finding 2021-001.