

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

**Basic Financial Statements
And Supplemental Information
For the Fiscal Year Ended June 30, 2023
With Summarized Totals for June 30, 2022**

**Including the
Independent Auditors' Reports**

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Independent Auditors' Report

To the Delaware State Housing Authority
Dover, Delaware

Report on the Audit of the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise DSHA's basic financial statements as listed in the table of contents.

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, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of DSHA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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; and for 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.

To the Delaware State Housing Authority
Dover, Delaware

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about DSHA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 DSHA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about DSHA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

To the Delaware State Housing Authority
Dover, Delaware

Other Matters

Report on Summarized Comparative Information

We have previously audited DSHA's June 30, 2022 financial statements, and our report dated December 22, 2022, 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, 2022, 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 75 and 76, Schedule of Employer Contributions to State of Delaware Pension Plan on page 77, Schedule of Changes in Net OPEB Liability and related notes on pages 78 and 79, Schedule of Contributions on page 80, Schedule of Annual Money-Weighted Rate of Return on Investments on page 81, and Schedule of State of Delaware Other Post Employment Benefits Plan on page 82 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary 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 relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The 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

To the Delaware State Housing Authority
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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 December 28, 2023, 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 the effectiveness of DSHA's 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.

December 28, 2023
Wilmington, Delaware

DELAWARE STATE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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, 2023. 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 \$644,977,847 (net position).
- The Authority's total net position increased by \$11,004,986 (1.7%) in fiscal year 2023 when compared to the previous year's ending net position. Net position of governmental activities increased by \$5,154,942 (1.0%) from the previous year and net position of business-type activities increased by \$5,850,044 (4.4%) from the previous year.

The most significant factors contributing to the governmental activities increases were: (1) the appropriation of \$10,000,000 from the State of Delaware to the Housing Development Fund for the purpose of making loans and grants to meet affordable housing needs; (2) the appropriation of \$5,500,000 from the State of Delaware to fund and administer the Downtown Development Districts Grant Program for the purpose of community rehabilitation in designated areas within Delaware's cities and towns; (3) the appropriation of \$9,035,750 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 \$58,726,876 in Emergency Rental Assistance Program Funds for the purpose of providing housing rental assistance subsidies offset by: (1) the transfer of administrative fees of \$400,663 from the Single Family Mortgage Revenue Bond Programs to the General Fund in support of operations; (2) \$652,385 interest expense on bonds; and (3) offset by gains on

investments and securitized mortgages of approximately \$3,000,000.

- Unrestricted net position totaled \$64,304,666. 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 \$35,265,256 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 \$510,506,656, an increase of \$4,499,944 (0.9%) 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 \$1,221,608 (4.6%) during fiscal year 2023. The Single Family Programs paid bond calls of \$2,112,608 which were primarily the result of bond redemption and mortgage prepayments and paid \$105,056 representing the gains related to optional calls, and deferred amounts on refunding.

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 15-17 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 seven 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 19-22 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 23-26 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 27-28 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 29-72 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.

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, 2023:

Delaware Housing Authority's Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------------|----------------------------|----------------|-----------------------------|----------------|----------------|----------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Noncapital assets | \$ 563,457,099 | \$ 558,896,599 | \$ 233,564,540 | \$ 301,886,070 | \$ 797,021,639 | \$ 860,782,669 |
| Capital assets | 2,674,568 | 2,857,244 | 4,788,486 | 4,724,809 | 7,463,054 | 7,582,053 |
| Total assets | 566,131,667 | 561,753,843 | 238,353,026 | 306,610,879 | 804,484,693 | 868,364,722 |
| Deferred outflow of resources | 4,599,164 | 8,428,609 | - | - | 4,599,164 | 8,428,609 |
| Long-term liabilities outstanding | 54,047,084 | 57,216,632 | 31,717,243 | 33,614,718 | 85,764,327 | 90,831,350 |
| Other liabilities | 1,732,307 | 4,540,117 | 65,285,112 | 137,390,478 | 67,017,419 | 141,930,595 |
| Total liabilities | 55,779,391 | 61,756,749 | 97,002,355 | 171,005,196 | 152,781,746 | 232,761,945 |
| Deferred inflow of resources | 9,748,469 | 8,377,674 | 1,575,795 | 1,680,851 | 11,324,264 | 10,058,525 |
| Net position: | | | | | | |
| Invested in capital assets | 2,509,097 | 2,655,815 | 4,172,821 | 4,296,771 | 6,681,918 | 6,952,586 |
| Restricted | 436,290,288 | 433,502,011 | 137,769,769 | 130,681,130 | 574,060,057 | 588,360,891 |
| Unrestricted | 66,403,586 | 63,890,203 | (2,167,714) | (1,053,069) | 64,235,872 | 38,659,384 |
| Total net position | \$ 505,202,971 | \$ 500,048,029 | \$ 139,774,876 | \$ 133,924,832 | \$ 644,977,847 | \$ 633,972,861 |

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, 2023:

Delaware State Housing Authority's Changes in Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|----------------|-----------------------------|----------------|----------------|----------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 11,657,357 | \$ 15,587,638 | \$ 2,991,809 | \$ 4,196,114 | \$ 14,649,166 | \$ 19,783,752 |
| Operating grants & contributions | 28,852,750 | 27,379,374 | 157,928,879 | 159,360,026 | 186,781,629 | 186,739,400 |
| Capital grants & contributions | - | - | 692,453 | 452,494 | 692,453 | 452,494 |
| General revenues, principally | | | | | | |
| Investment income (loss) | 1,973,127 | (2,902,279) | 2,586,967 | 10,107,823 | 4,560,094 | 7,205,544 |
| Total revenues | 42,483,234 | 40,064,733 | 164,200,108 | 174,116,457 | 206,683,342 | 214,181,190 |
| Expenses: | | | | | | |
| Administrative | 7,197,811 | 3,881,785 | - | - | 7,197,811 | 3,881,785 |
| Affordable rental housing | 12,055,658 | 13,958,697 | 152,626,932 | 150,230,667 | 164,682,590 | 164,189,364 |
| Community rehabilitation | 16,638,662 | 6,446,717 | 5,428,802 | 9,140,430 | 22,067,464 | 15,587,147 |
| Home ownership | 1,040,801 | 434,482 | 675,197 | 816,955 | 1,715,998 | 1,251,437 |
| Housing rehabilitation | 14,493 | 15,224 | - | - | 14,493 | 15,224 |
| Total expenses | 36,947,425 | 24,736,905 | 158,730,931 | 160,188,052 | 195,678,356 | 184,924,957 |
| Change in net position before transfers | 5,535,809 | 15,327,828 | 5,469,177 | 13,928,405 | 11,004,986 | 29,256,233 |
| Transfers | (380,867) | 22,920,862 | 380,867 | (22,920,862) | - | - |
| Changes in net position | 5,154,942 | 38,248,690 | 5,850,044 | (8,992,457) | 11,004,986 | 29,256,233 |
| Net position, beginning | 500,048,029 | 461,799,339 | 133,924,832 | 142,917,289 | 633,972,861 | 604,716,628 |
| Net position, ending | \$ 505,202,971 | \$ 500,048,029 | \$ 139,774,876 | \$ 133,924,832 | \$ 644,977,847 | \$ 633,972,861 |

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 \$644,977,847 at the close of the fiscal year.

Of the Authority's total assets, 43.2% represent mortgage loans outstanding, including securitized mortgage loans. Cash and investments comprise 47.8% of the total assets, while other noncapital assets make up 8.1% of total assets. Investment in capital assets accounts for 0.9% of total assets. Of the Authority's total liabilities, 13.9% consists of revenue bonds payable. Escrow deposits represent 39.2% of total liabilities. Unearned revenue represent 41.9% of total liabilities, with miscellaneous liabilities comprising 5.0% of total liabilities.

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

Most (89.0%) of the Authority's net position is restricted by bond covenants, federal and state grantors, and the Authority's Loan Program. Another 1.0% of net position reflects the Authority's investment in capital assets (e.g. land, buildings, improvements, and equipment). The remaining 10.0% of net position is unrestricted. Net position for the previous fiscal year had a similar composition.

At the end of the current fiscal year, the Authority is able to report a positive balance in net position for the Authority as a whole. Separately, the Authority reports a positive 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 \$11,004,986 for the fiscal year ending June 30, 2023. Of this amount, governmental activities net position increased by \$5,154,942 and business-type net position increased by \$5,850,044.

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

Of the Authority's total revenues, 90.2% were derived from operating grants and contributions, mostly from HUD and the State of Delaware. Another 7.2% came from charges for services which are mostly comprised of mortgage loan interest. Another 0.4% came from Capital grants and contributions which are mostly federal programs. Investment income represents 2.3% of total revenues.

Of the Authority's total expenses, 84.1% were for affordable rental housing function, mostly as housing assistance payments. Another 0.9% 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 11.3%, mostly in the form of grants, leaving only 3.7% of total costs attributable to Authority administrative function.

During the fiscal year, net transfers of \$380,867 were made from business-type activities to the governmental activities. The most significant transfers for the fiscal year were as follows: (1) the Housing Development Fund, a major governmental fund, transferred \$1,000,000 to the Home 4 Good Program, a governmental activity and nonmajor governmental fund, in support of the program's objective to provide affordable housing; (2) the Housing Development Fund, a major governmental fund, transferred \$5,000,000 to the Land Bank Program, a governmental activity and nonmajor governmental fund, in support of the program's objective to return vacant, dilapidated, abandoned, and delinquent properties back to productive use; and (3) DSHA SMAL, a governmental activity and non-major governmental fund, transferred \$3,492,157 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. Additional information regarding the Authority's interfund transactions can be found in note IV., E. on pages 55 and 56 of this report.

Governmental Activities

Governmental Activities Net (Expenses)/Revenues by Function

| Function | Fiscal Year 2023 | | | Fiscal |
|---------------------------|------------------|------------------|----------------|----------------------------|
| | Expenses | Program Revenues | Net (Exp)/Rev | Year 2022 Net (Exp)/Rev |
| Administration | \$ 7,197,811 | \$ 4,597,094 | \$ (2,600,717) | \$ 1,452,237 |
| Affordable rental housing | 12,055,658 | 23,403,459 | 11,347,801 | 10,030,820 |
| Community rehabilitation | 16,638,662 | 9,500,000 | (7,138,662) | 3,070,393 |
| Home ownership | 1,040,801 | 2,686,526 | 1,645,725 | 3,667,951 |
| Housing rehabilitation | 14,493 | 323,028 | 308,535 | 8,706 |
| Total | \$ 36,947,425 | \$ 40,510,107 | \$ 3,562,682 | \$ 18,230,107 |

Governmental Activities Revenues by Source

| Source | Fiscal Year 2023 | | Fiscal Year 2022 | |
|------------------------------------|------------------|---------|------------------|---------|
| | Revenue | Percent | Revenue | Percent |
| Charges for services | \$ 11,657,357 | 28% | \$ 15,587,638 | 25% |
| Operating grants and contributions | 28,852,750 | 68% | 27,379,374 | 43% |
| Other general revenues | 1,973,127 | 5% | (2,902,279) | -4% |
| Transfers | (380,867) | -1% | 22,920,862 | 36% |
| Total | \$ 42,102,367 | 100% | \$ 62,985,595 | 100% |

Governmental activities increased the Authority's net position by \$5,154,942. The most significant factors contributing to the governmental activities increases were: (1) the appropriation of \$10,000,000 from the State of Delaware to the Housing Development Fund for the purpose of making loans and grants to meet affordable housing needs; (2) the appropriation of \$5,500,000 from the State of Delaware to fund and administer the Downtown Development Districts Grant Program for the purpose of community rehabilitation in designated areas within Delaware's cities and towns; (3) the appropriation of \$9,035,750 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 2023 | | | Fiscal |
|---------------------------|------------------|----------------|---------------|----------------------------|
| | Expenses | Revenues | Net (Exp)/Rev | Year 2022 Net (Exp)/Rev |
| Affordable rental housing | \$ 152,626,932 | \$ 155,075,179 | \$ 2,448,247 | \$ 2,708,804 |
| Community rehabilitation | 5,428,802 | 5,447,472 | 18,670 | (7,375) |
| Home ownership | 675,197 | 1,090,490 | 415,293 | 1,119,153 |
| Total | \$ 158,730,931 | \$ 161,613,141 | \$ 2,882,210 | \$ 3,820,582 |

Business-type Activities Revenues by Source

| Source | Fiscal Year 2023 | | Fiscal Year 2022 | |
|------------------------------------|------------------|---------|------------------|---------|
| | Revenue | Percent | Revenue | Percent |
| Charges for services | \$ 2,991,809 | 2% | \$ 4,196,114 | 2% |
| Operating grants and contributions | 157,928,879 | 96% | 159,360,026 | 92% |
| Capital grants and contributions | 692,453 | 0% | 452,494 | 0% |
| Other general revenues | 2,586,967 | 2% | 10,107,823 | 6% |
| Total | \$ 164,200,108 | 100% | \$ 174,116,457 | 100% |

Business-type activities increased the Authority's net position by \$5,850,044. The most significant factors contributing to the business-type activities increases were the receipt of \$58,726,876 in Emergency Rental Assistance Program Funds for the purpose of providing housing rental assistance subsidies offset by: (1) the transfer of administrative fees of \$400,663 from the Single Family Mortgage Revenue Bond Programs to the General Fund in support of operations; (2) \$652,385 interest expense on bonds; and (3) offset by gains on investments and securitized mortgages of approximately \$3,000,000.

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 \$510,506,656 an increase of (0.9%) in comparison with the prior year. All 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 \$112,226,953 an decrease of \$808,593 (0.7%) in comparison with the prior year. The key factors of this decrease mostly consisted of General Fund revenues of \$4,969,152 from interest income, fees, and other income, combined with expenditures of \$9,206,167 and transfers in the amount of \$3,492,257 from the DSHA Second Mortgage Assistance Loan Program.

The most significant factors contributing to the business-type activities increases were (1) Receipt of Federal funding used to issue loans for housing programs totaling approximately \$3.2 million, (2) Transfers of \$500,000 from governmental funds to support the operation of the ERA program and (3) offset by gains on investments and securitized mortgages of approximately \$2,300,000. All 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 \$290,652,928 of which \$237,207,908 is restricted, to be used for the specific purposes of HDF activities per enabling legislation and \$53,445,020 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 \$4,935,094 (1.7%) in comparison with the prior year. The increase is the result of grants in the amount of \$10,000,000 from the State of Delaware used to generate mortgages and grants, \$4,297,102 in interest and investment income, \$1,132,815 in fee revenue, and \$242,956 in other revenue offset by Affordable Rental Housing expenditures of \$4,406,713.

The Downtown Development Districts Grant Program (DDD) had a fund balance of \$26,549,559 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. A contributing factor for the decrease was the Community Rehabilitation expenditures exceeded the amounts provided by the Delaware General Assembly in the State budget.

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 increased by \$2,632,302. The increase is the result of grants in the amount of \$9,035,750 from the State of Delaware used to provide housing assistance.

The DSHA Second Mortgage Assistance Loan Program (DSHA SMAL), a non-major governmental fund, has a total fund balance of \$28,359,279, which is reported as restricted. The net decrease in the fund balance during the fiscal year was \$3,406,008 (11%) in comparison with the prior year. The decrease was the result of a \$3,492,257 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 \$95,369,279 and those of the Single Family Programs Funds amounted to \$41,316,580. The total increase in net position for the Federal Programs Fund was \$3,241,656 (3.4%) in comparison with the prior year, primarily due to the receipt of \$1,272,841 in HOME Program grant and \$540,756 of interest on loans offset by operating expenses in the program of \$1,670,975, the receipt of \$58,726,876 in ERA Program funds offset by operating expenses in the program of \$59,543,452, the receipt of \$3,397,485 of HTF Program funds offset by operating expenses in the program of \$407,494 and the increase of \$197,912 for the MTW program. The ERA Program funds receipts totaled \$58,726,876, offset by operating expenses of \$59,543,452.

The total increase in net position for the Single Family Program Funds was \$2,608,388 (6.7%) in comparison with a decrease of \$11,710,670 the prior year. This is primarily due to the receipt of approximately \$3,000,000 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 \$119,133.

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, 2023, amounts to \$6,681,918 (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 4.9% (a 2.1% decrease for governmental activities and a 2.8% 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.

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

| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------------------|----------------------------|--------------|-----------------------------|--------------|--------------|--------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Land | \$ 572,769 | \$ 572,769 | \$ 937,559 | \$ 937,559 | \$ 1,510,328 | \$ 1,510,328 |
| Construction in progress | 138,479 | - | 38,518 | - | 176,997 | - |
| Buildings | 1,802,102 | 1,894,863 | 665,168 | 844,738 | 2,467,270 | 2,739,601 |
| Land/site improvements | - | - | 2,157,890 | 1,990,774 | 2,157,890 | 1,990,774 |
| Vehicles | - | - | 493 | 493 | 493 | 493 |
| Other equipment | - | 186,338 | 313,440 | 519,289 | 313,440 | 705,627 |
| Right of use capital asset - lease | 161,218 | 203,274 | 342,586 | 431,956 | 503,804 | 635,230 |
| Right of use intangible asset | - | - | 332,832 | - | 332,832 | - |
| Total | \$ 2,674,568 | \$ 2,857,244 | \$ 4,788,486 | \$ 4,724,809 | \$ 7,463,054 | \$ 7,582,053 |

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 \$21,275,568, notes payable of \$2,000,000 and Lease payable of \$517,098. The Authority's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------|----------------------------|--------------|-----------------------------|---------------|---------------|---------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Notes Payable | \$ 2,000,000 | \$ 1,000,000 | \$ - | \$ - | \$ 2,000,000 | \$ 1,000,000 |
| Revenue bonds payable | - | - | 21,275,568 | 23,388,176 | 21,275,568 | 23,388,176 |
| Lease Payable | 165,471 | 201,429 | 351,627 | 428,038 | 517,098 | 629,467 |
| Subscription Payable | - | - | 264,038 | - | 264,038 | - |
| Total | \$ 2,165,471 | \$ 1,201,429 | \$ 21,891,233 | \$ 23,816,214 | \$ 24,056,704 | \$ 25,017,643 |

The Authority's outstanding debt, excluding compensated absences, decreased by \$960,939 (3.8%) in comparison to the prior year. Key factors in this decrease were Single Family Programs Enterprise Fund bond calls of \$2,112,608.

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 56-58 of this report.

Requests for Information

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

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2023
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2022)

| | GOVERNMENTAL ACTIVITIES | BUSINESS TYPE ACTIVITIES | TOTAL 2023 | TOTAL 2022 |
|---|----------------------------|-----------------------------|--------------------|--------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 42,160,327 | \$ 35,212,709 | \$ 77,373,036 | \$ 123,912,518 |
| Investments | 162,728,424 | 74,922,756 | 237,651,180 | 278,927,753 |
| Mortgage loans receivable, net | 1,168,905 | - | 1,168,905 | 1,420,783 |
| Accrued interest & other receivables | 7,936,672 | 845,650 | 8,782,322 | 5,649,790 |
| Grants receivable-US Dept of HUD | - | 267,997 | 267,997 | 321,893 |
| Internal balances | 304,148 | (304,148) | - | - |
| Prepaid expenses | 127,719 | 3,935,502 | 4,063,221 | 3,970,477 |
| Total current assets | 214,426,195 | 114,880,466 | 329,306,661 | 414,203,214 |
| Non-current assets: | | | | |
| Cash, restricted for payment of escrows | - | 1,913,604 | 1,913,604 | 2,086,254 |
| Investments | 49,578,612 | 17,258,671 | 66,837,283 | 59,795,209 |
| Securitized mortgage loans | 4,307,802 | 21,582,036 | 25,889,838 | 30,231,284 |
| Mortgage loans receivable, net | 251,206,528 | 68,805,237 | 320,011,765 | 299,337,262 |
| Accrued interest & other receivables, net | 38,882,364 | 13,279,891 | 52,162,255 | 54,973,426 |
| State of Delaware OPEB asset | 900,233 | - | 900,233 | - |
| State of Delaware Pension asset | - | - | - | 156,020 |
| Internal balances | 4,155,365 | (4,155,365) | - | - |
| Capital assets: | | | | |
| Capital assets not being depreciated | 711,248 | 976,077 | 1,687,325 | 1,510,328 |
| Capital assets net of accumulated depreciation | 1,963,320 | 3,812,409 | 5,775,729 | 6,071,725 |
| Total non-current assets | 351,705,472 | 123,472,560 | 475,178,032 | 454,161,508 |
| TOTAL ASSETS | 566,131,667 | 238,353,026 | 804,484,693 | 868,364,722 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred amounts on State of DE Pension and OPEBs | 4,599,164 | - | 4,599,164 | 8,428,609 |
| Deferred amounts on bond refundings | - | - | - | - |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 4,599,164 | - | 4,599,164 | 8,428,609 |

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

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF NET POSITION - CONTINUED
JUNE 30, 2023
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2022)

| | GOVERNMENTAL ACTIVITIES | BUSINESS TYPE ACTIVITIES | TOTAL 2023 | TOTAL 2022 |
|---|----------------------------|-----------------------------|----------------|----------------|
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable and other current liabilities | 512,485 | 2,018,888 | 2,531,373 | 3,916,052 |
| Unearned revenue | 1,085,444 | 62,883,265 | 63,968,709 | 137,842,770 |
| Due to State of Delaware-pension costs | 1,127 | - | 1,127 | 1,711 |
| Lease payable | 39,080 | 83,044 | 122,124 | 112,368 |
| Subscription payable | - | 264,038 | 264,038 | - |
| Compensated absences payable | 94,171 | 35,877 | 130,048 | 57,694 |
| Total current liabilities | 1,732,307 | 65,285,112 | 67,017,419 | 141,930,595 |
| Non-current liabilities: | | | | |
| Compensated absences payable | 812,012 | 385,815 | 1,197,827 | 1,096,893 |
| State of Delaware net pension liability | 149,606 | - | 149,606 | - |
| Lease liability | 126,391 | 268,583 | 394,974 | 517,099 |
| OPEB liability | 898,292 | - | 898,292 | 7,437,194 |
| Escrow deposits | 50,060,783 | 9,787,277 | 59,848,060 | 57,391,988 |
| Notes payable | 2,000,000 | - | 2,000,000 | 1,000,000 |
| Revenue bonds payable | - | 21,275,568 | 21,275,568 | 23,388,176 |
| Total non-current liabilities | 54,047,084 | 31,717,243 | 85,764,327 | 90,831,350 |
| TOTAL LIABILITIES | 55,779,391 | 97,002,355 | 152,781,746 | 232,761,945 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred amounts on State of DE Pension and OPEBs | 9,748,469 | - | 9,748,469 | 8,377,674 |
| Deferred amounts on bond refundings | - | 1,575,795 | 1,575,795 | 1,680,851 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 9,748,469 | 1,575,795 | 11,324,264 | 10,058,525 |
| NET POSITION | | | | |
| Invested in capital assets | 2,509,097 | 4,172,821 | 6,681,918 | 6,952,586 |
| Restricted by federal and state regulations | 408,660,487 | 95,369,279 | 504,029,766 | 525,308,344 |
| Restricted by bond covenants | - | 42,400,490 | 42,400,490 | 38,874,797 |
| Restricted for Authority Loan Program | 27,629,801 | - | 27,629,801 | 24,177,750 |
| Unrestricted, for Authority's purposes | 66,403,586 | (2,167,714) | 64,235,872 | 38,659,384 |
| TOTAL NET POSITION | \$ 505,202,971 | \$ 139,774,876 | \$ 644,977,847 | \$ 633,972,861 |

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, 2023
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2022)

| FUNCTION | EXPENSES | PROGRAM REVENUE | | | NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION | | | |
|---|-----------------------|----------------------------|--|--|---|-----------------------------|-----------------------|-----------------------|
| | | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL 2023 | TOTAL 2022 |
| Governmental activities: | | | | | | | | |
| Administrative | \$ 7,197,811 | \$ 4,580,094 | \$ 17,000 | \$ - | \$ (2,600,717) | \$ - | \$ (2,600,717) | \$ 1,452,237 |
| Affordable rental housing | 12,055,658 | 4,367,709 | 19,035,750 | - | 11,347,801 | - | 11,347,801 | 10,030,820 |
| Community rehabilitation | 16,638,662 | - | 9,500,000 | - | (7,138,662) | - | (7,138,662) | 3,070,393 |
| Home ownership | 1,040,801 | 2,686,526 | - | - | 1,645,725 | - | 1,645,725 | 3,667,951 |
| Housing rehabilitation | 14,493 | 23,028 | 300,000 | - | 308,535 | - | 308,535 | 8,706 |
| Total governmental activities | <u>\$ 36,947,425</u> | <u>\$ 11,657,357</u> | <u>\$ 28,852,750</u> | <u>\$ -</u> | <u>\$ 3,562,682</u> | <u>\$ -</u> | <u>\$ 3,562,682</u> | <u>\$ 18,230,107</u> |
| Business-type activities: | | | | | | | | |
| Affordable rental housing | \$ 152,626,932 | \$ 1,901,319 | \$ 152,481,407 | \$ 692,453 | \$ - | \$ 2,448,247 | \$ 2,448,247 | \$ 2,708,804 |
| Community rehabilitation | 5,428,802 | - | 5,447,472 | - | - | 18,670 | 18,670 | (7,375) |
| Home ownership | 675,197 | 1,090,490 | - | - | - | 415,293 | 415,293 | 1,119,153 |
| Total business-type activities | <u>\$ 158,730,931</u> | <u>\$ 2,991,809</u> | <u>\$ 157,928,879</u> | <u>\$ 692,453</u> | <u>\$ -</u> | <u>\$ 2,882,210</u> | <u>\$ 2,882,210</u> | <u>\$ 3,820,582</u> |
| General revenues: | | | | | | | | |
| Investment income, gains/(losses) on investments, and miscellaneous earnings | | | | | \$ 1,973,127 | \$ 2,586,967 | \$ 4,560,094 | \$ 7,205,544 |
| Transfers | | | | | (380,867) | 380,867 | - | - |
| Total general revenues and transfers | | | | | <u>1,592,260</u> | <u>2,967,834</u> | <u>4,560,094</u> | <u>7,205,544</u> |
| Change in net position | | | | | 5,154,942 | 5,850,044 | 11,004,986 | 29,256,233 |
| Net position, beginning of year | | | | | 500,048,029 | 133,924,832 | 633,972,861 | 604,716,628 |
| Net position, end of year | | | | | <u>\$ 505,202,971</u> | <u>\$ 139,774,876</u> | <u>\$ 644,977,847</u> | <u>\$ 633,972,861</u> |

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



DELAWARE STATE HOUSING AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2022)

| | | HOUSING DEVELOPMENT FUND | DOWNTOWN DEVELOPMENT DISTRICTS GRANT FUND | STATE RENTAL ASSISTANCE PROGRAM | NONMAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS | |
|--|-----------------------|--------------------------------|--|--|-----------------------------------|-----------------------------|-----------------------|
| | GENERAL FUND | | | | | 2023 | 2022 |
| ASSETS | | | | | | | |
| Cash & cash equivalents | \$ 4,000,424 | \$ 7,686,749 | \$ 4,001,143 | \$ 2,335,278 | \$ 24,136,733 | \$ 42,160,327 | \$ 55,888,688 |
| Investments | 31,264,832 | 133,023,860 | 22,548,416 | 3,459,786 | 22,010,142 | 212,307,036 | 212,615,900 |
| Securitized mortgage loans | 4,307,802 | - | - | - | - | 4,307,802 | 5,537,504 |
| Interfund receivables | 4,667,055 | - | - | - | 64,118 | 4,731,173 | 5,205,762 |
| Loans receivable: | | | | | | | |
| Mortgages receivable, net | 60,101,211 | 170,602,606 | - | - | 21,671,616 | 252,375,433 | 235,141,723 |
| Accrued interest & other receivables | 10,087,852 | 29,194,100 | - | - | 7,537,066 | 46,819,018 | 46,852,885 |
| Prepaid items | 127,719 | - | - | - | - | 127,719 | 127,174 |
| TOTAL ASSETS | \$ 114,556,895 | \$ 340,507,315 | \$ 26,549,559 | \$ 5,795,064 | \$ 75,419,675 | \$ 562,828,508 | \$ 561,369,636 |
| LIABILITIES & FUND BALANCES | | | | | | | |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ 473,058 | \$ 28,062 | \$ - | \$ - | \$ 11,365 | \$ 512,485 | \$ 3,352,286 |
| Due to St of Delaware-pension costs | 1,127 | - | - | - | - | 1,127 | 1,185 |
| Interfund payables | 88,569 | 64,000 | - | - | 119,091 | 271,660 | 2,629,057 |
| Unearned revenue | 1,085,444 | - | - | - | - | 1,085,444 | 1,096,577 |
| Escrow deposits | 291,391 | 49,762,325 | - | - | 7,067 | 50,060,783 | 47,893,466 |
| TOTAL LIABILITIES | 1,939,589 | 49,854,387 | - | - | 137,523 | 51,931,499 | 54,972,571 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Deferred amounts on Developer Fee | 390,353 | - | - | - | - | 390,353 | 390,353 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 390,353 | - | - | - | - | 390,353 | 390,353 |
| FUND BALANCES | | | | | | | |
| Nonspendable | 74,196,724 | - | - | - | - | 74,196,724 | 63,890,205 |
| Restricted | - | 237,207,908 | 26,549,559 | 5,795,064 | 75,262,509 | 344,815,040 | 365,273,179 |
| Committed | 38,030,229 | 53,445,020 | - | - | - | 91,475,249 | 76,823,685 |
| Assigned | - | - | - | - | 19,643 | 19,643 | 19,643 |
| TOTAL FUND BALANCES | 112,226,953 | 290,652,928 | 26,549,559 | 5,795,064 | 75,282,152 | 510,506,656 | 506,006,712 |
| TOTAL LIABILITIES & FUND BALANCES | \$ 114,556,895 | \$ 340,507,315 | \$ 26,549,559 | \$ 5,795,064 | \$ 75,419,675 | \$ 562,828,508 | \$ 561,369,636 |

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, 2023

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

| | |
|---|------------------------------|
| TOTAL FUND BALANCES OF GOVERNMENTAL FUNDS (page 19) | \$ 510,506,656 |
| Pension and other post-employment benefits (OPEB) assets/(liabilities) are not financial resources and, therefore, are not reported in the funds. | (147,647) |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 2,674,568 |
| Deferred outflows of resources related to State of Delaware pensions and OPEBs | 4,599,164 |
| Long-term liabilities are not due and payable in the current period and, therefore not reported in the funds. | (3,071,654) |
| Deferred inflows of resources related to Developer Fee | 390,353 |
| Deferred inflows of resources related to State of Delaware pensions and OPEBs | <u>(9,748,469)</u> |
| NET POSITION OF GOVERNMENTAL ACTIVITIES (page 16) | <u><u>\$ 505,202,971</u></u> |

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

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2022)

| | GENERAL FUND | HOUSING DEVELOPMENT FUND | DOWNTOWN DEVELOPMENT DISTRICTS GRANT FUND | STATE RENTAL ASSISTANCE PROGRAM | NONMAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS | |
|---|----------------|--------------------------------|--|--|-----------------------------------|-----------------------------|----------------|
| | | | | | | 2023 | 2022 |
| REVENUES | | | | | | | |
| Interest income: | | | | | | | |
| Investments | \$ 645,888 | \$ 1,310,896 | \$ 334,948 | \$ 45,629 | \$ 240,662 | \$ 2,578,023 | \$ 738,249 |
| Loans | 2,253,247 | 2,986,206 | - | - | 820,137 | 6,059,590 | 7,539,822 |
| Total interest income | 2,899,135 | 4,297,102 | 334,948 | 45,629 | 1,060,799 | 8,637,613 | 8,278,071 |
| Grants | 17,000 | - | - | - | - | 17,000 | 14,374 |
| Payments from primary government | - | 10,000,000 | 5,500,000 | 9,035,750 | 4,000,000 | 28,535,750 | 26,790,000 |
| Gains/(losses) on investments | (273,830) | (331,066) | - | - | - | (604,896) | (3,640,528) |
| Fees | 2,198,652 | 1,132,815 | - | - | 60,475 | 3,391,942 | 3,895,295 |
| Other revenue | 128,195 | 242,956 | - | - | 2,134,674 | 2,505,825 | 4,727,521 |
| TOTAL REVENUES | 4,969,152 | 15,341,807 | 5,834,948 | 9,081,379 | 7,255,948 | 42,483,234 | 40,064,733 |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| Administrative | 8,669,326 | - | - | - | - | 8,669,326 | 9,514,243 |
| Affordable rental housing | 353,358 | 4,406,713 | - | 6,449,077 | 846,510 | 12,055,658 | 13,958,697 |
| Community rehabilitation | - | - | 11,438,681 | - | 5,199,981 | 16,638,662 | 6,446,717 |
| Home ownership | - | - | - | - | 1,040,801 | 1,040,801 | 434,482 |
| Housing rehabilitation | - | - | - | - | 14,493 | 14,493 | 15,224 |
| Capital Outlay | 138,479 | - | - | - | - | 138,479 | 290,382 |
| Debt Service | | | | | | | |
| Principal | 36,212 | - | - | - | - | 36,212 | 8,854 |
| Interest | 8,792 | - | - | - | - | 8,792 | 2,313 |
| TOTAL EXPENDITURES | 9,206,167 | 4,406,713 | 11,438,681 | 6,449,077 | 7,101,785 | 38,602,423 | 30,670,912 |
| EXCESS/(DEFICIT) REVENUE OVER EXPENDITURES | (4,237,015) | 10,935,094 | (5,603,733) | 2,632,302 | 154,163 | 3,880,811 | 9,393,821 |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Debt Proceeds | - | - | - | - | 1,000,000 | 1,000,000 | - |
| Lease Issued | - | - | - | - | - | - | 210,283 |
| Transfers in | 5,087,952 | - | - | - | 6,500,100 | 11,588,052 | 24,190,383 |
| Transfers out | (1,659,530) | (6,000,000) | - | - | (4,309,389) | (11,968,919) | (1,269,521) |
| TOTAL OTHER FINANCING SOURCES (USES) | 3,428,422 | (6,000,000) | - | - | 3,190,711 | 619,133 | 23,131,145 |
| NET CHANGE IN FUND BALANCES | (808,593) | 4,935,094 | (5,603,733) | 2,632,302 | 3,344,874 | 4,499,944 | 32,524,966 |
| FUND BALANCES, BEGINNING | 113,035,546 | 285,717,834 | 32,153,292 | 3,162,762 | 71,937,278 | 506,006,712 | 473,481,746 |
| FUND BALANCES, ENDING | \$ 112,226,953 | \$ 290,652,928 | \$ 26,549,559 | \$ 5,795,064 | \$ 75,282,152 | \$ 510,506,656 | \$ 506,006,712 |

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, 2023

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

| | | | |
|--|----|---------------|-------------------------|
| NET CHANGES IN FUND BALANCE-TOTAL GOVERNMENTAL FUNDS (page 21) | | \$ | 4,499,944 |
| 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. | | | 1,901,351 |
| 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/amortization expense. This amount is the net difference in the treatment of capital outlay. | | | (182,676) |
| 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. | | | (131,571) |
| Governmental funds report debt proceeds as a source of funds. However, this is not revenue on the statement of activities. | | | (1,000,000) |
| Governmental funds report debt repayments as a source of funds. However, this is not expense on the statement of activities. | | | 35,958 |
| 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. | | | - |
| 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 | \$ | 19,269 | |
| Cost of benefits earned net of employee contributions | | <u>12,667</u> | 31,936 |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (page 17) | | \$ | <u><u>5,154,942</u></u> |

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

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2023
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2022)

| | FEDERAL PROGRAMS ENTERPRISE FUND | SINGLE FAMILY PROGRAMS ENTERPRISE FUND | TOTAL ENTERPRISE FUNDS | |
|--|---|--|---------------------------|-----------------------|
| | | | 2023 | 2022 |
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash & cash equivalents | \$ 28,667,078 | \$ 6,545,631 | \$ 35,212,709 | \$ 68,023,830 |
| Investments | 48,584,157 | 26,338,599 | 74,922,756 | 110,944,016 |
| Accrued interest and other receivables | 691,256 | 154,394 | 845,650 | 262,722 |
| Grants receivable-US Dept of HUD | 267,997 | - | 267,997 | 321,893 |
| Interfund receivables | 58,505 | - | 58,505 | 2,094,534 |
| Prepaid expenses | 3,935,502 | - | 3,935,502 | 3,843,303 |
| Total current assets | 82,204,495 | 33,038,624 | 115,243,119 | 185,490,298 |
| Non-Current Assets: | | | | |
| Cash, restricted for payment of escrows | 1,913,604 | - | 1,913,604 | 2,086,254 |
| Investments | 7,740,916 | 9,517,755 | 17,258,671 | 15,163,046 |
| Securitized mortgage loans | - | 21,582,036 | 21,582,036 | 24,693,780 |
| Mortgage loans receivable, net | 68,805,237 | - | 68,805,237 | 65,616,322 |
| Accrued interest and other receivables, net | 13,209,564 | 70,327 | 13,279,891 | 13,507,609 |
| Interfund receivables | 29,946 | - | 29,946 | - |
| Capital assets not being depreciated | 976,077 | - | 976,077 | 937,559 |
| Capital assets net of accumulated depreciation | 3,812,409 | - | 3,812,409 | 3,787,250 |
| Total non-current assets | 96,487,753 | 31,170,118 | 127,657,871 | 125,791,820 |
| TOTAL ASSETS | 178,692,248 | 64,208,742 | 242,900,990 | 311,282,118 |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts payable | 2,013,819 | 5,069 | 2,018,888 | 563,766 |
| Unearned revenue | 62,883,265 | - | 62,883,265 | 136,746,193 |
| Due State of Delaware-pension costs | - | - | - | 526 |
| Interfund payables | 326,923 | 35,730 | 362,653 | 642,504 |
| Lease payables | 83,044 | - | 83,044 | 76,410 |
| Subscription payable | 264,038 | - | 264,038 | - |
| Compensated absences payable | 35,877 | - | 35,877 | 3,583 |
| Total current liabilities | 65,606,966 | 40,799 | 65,647,765 | 138,032,982 |
| Non-Current Liabilities: | | | | |
| Interfund payables | 4,185,311 | - | 4,185,311 | 4,028,735 |
| Lease liability | 268,583 | - | 268,583 | 351,628 |
| Subscription liability | - | - | - | - |
| Compensated absences payable | 385,815 | - | 385,815 | 376,392 |
| Escrow deposits | 9,787,277 | - | 9,787,277 | 9,498,522 |
| Revenue bonds payable | - | 21,275,568 | 21,275,568 | 23,388,176 |
| Total non-current liabilities | 14,626,986 | 21,275,568 | 35,902,554 | 37,643,453 |
| TOTAL LIABILITIES | 80,233,952 | 21,316,367 | 101,550,319 | 175,676,435 |
| DEFERRED INFLOW OF RESOURCES | | | | |
| Deferred amount on bond refunding | - | 1,575,795 | 1,575,795 | 1,680,851 |
| TOTAL DEFERRED INFLOW OF RESOURCES | - | 1,575,795 | 1,575,795 | 1,680,851 |
| NET POSITION | | | | |
| Invested in capital assets | 4,172,821 | - | 4,172,821 | 4,296,771 |
| Restricted by federal regulations | 95,369,279 | - | 95,369,279 | 91,806,333 |
| Restricted by bond covenants | - | 42,400,490 | 42,400,490 | 38,874,797 |
| Unrestricted | (1,083,804) | (1,083,910) | (2,167,714) | (1,053,069) |
| TOTAL NET POSITION | \$ 98,458,296 | \$ 41,316,580 | \$ 139,774,876 | \$ 133,924,832 |

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, 2023
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2022)

| | FEDERAL PROGRAMS ENTERPRISE FUND | SINGLE FAMILY PROGRAMS ENTERPRISE FUND | TOTAL ENTERPRISE FUNDS | |
|--|---|--|---------------------------|----------------|
| | | | 2023 | 2022 |
| OPERATING REVENUES | | | | |
| Interest income on loans | \$ 647,646 | \$ 874,805 | \$ 1,522,451 | \$ 2,166,179 |
| Federal housing program grants | 157,928,879 | - | 157,928,879 | 159,360,026 |
| Rental income | 619,457 | - | 619,457 | 510,864 |
| Amortization of deferred revenues | - | 105,056 | 105,056 | 653,359 |
| Miscellaneous | 634,216 | 110,629 | 744,845 | 865,712 |
| TOTAL OPERATING REVENUES | 159,830,198 | 1,090,490 | 160,920,688 | 163,556,140 |
| OPERATING EXPENSES | | | | |
| Interest expense on bonds | - | 652,385 | 652,385 | 769,407 |
| Administrative | 18,678,055 | 7,813 | 18,685,868 | 13,365,770 |
| Grants and housing assistance payments | 136,420,140 | - | 136,420,140 | 143,313,003 |
| Public housing maintenance & utilities | 1,882,394 | - | 1,882,394 | 1,845,789 |
| Amortization of deferred expenses | - | - | - | 39,894 |
| Depreciation & Amortization | 1,044,429 | - | 1,044,429 | 848,879 |
| Other expenses | - | 14,999 | 14,999 | 5,310 |
| TOTAL OPERATING EXPENSES | 158,025,018 | 675,197 | 158,700,215 | 160,188,052 |
| OPERATING INCOME | 1,805,180 | 415,293 | 2,220,473 | 3,368,088 |
| NON-OPERATING INCOME/(EXPENSES) | | | | |
| Investment income | 274,739 | 3,365,380 | 3,640,119 | 12,899,395 |
| Interest expense | (30,716) | - | (30,716) | - |
| Change in fair value of investments | - | (1,053,152) | (1,053,152) | (2,791,572) |
| TOTAL NON-OPERATING INCOME/(EXPENSES) | 244,023 | 2,312,228 | 2,556,251 | 10,107,823 |
| INCOME/(LOSS) BEFORE CAPITAL GRANTS AND OPERATING TRANSFERS | 2,049,203 | 2,727,521 | 4,776,724 | 13,475,911 |
| Capital grants | 692,453 | - | 692,453 | 452,494 |
| Transfers in | 500,000 | 959,430 | 1,459,430 | 768,937 |
| Transfers out | - | (1,078,563) | (1,078,563) | (23,689,799) |
| CHANGE IN NET POSITION | 3,241,656 | 2,608,388 | 5,850,044 | (8,992,457) |
| NET POSITION, BEGINNING | 95,216,640 | 38,708,192 | 133,924,832 | 142,917,289 |
| NET POSITION, ENDING | \$ 98,458,296 | \$ 41,316,580 | \$ 139,774,876 | \$ 133,924,832 |

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, 2023
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2022)

| | FEDERAL PROGRAMS ENTERPRISE FUND | SINGLE FAMILY PROGRAMS ENTERPRISE FUND | TOTAL ENTERPRISE FUNDS | |
|---|---|--|---------------------------|---------------|
| | | | 2023 | 2022 |
| OPERATING ACTIVITIES: | | | | |
| Securitized mortgage loans principal repayments received | \$ - | \$ 2,281,082 | \$ 2,281,082 | \$ 6,706,086 |
| Mortgage loans principal repayments received | 326,860 | - | 326,860 | 4,012,436 |
| Mortgage interest payments received | 319,725 | 789,787 | 1,109,512 | 1,147,736 |
| Grants received | 84,119,847 | - | 84,119,847 | 137,151,327 |
| Federal grants reverted | - | - | - | (73,983,611) |
| Rental and related rental income | 642,952 | - | 642,952 | 510,864 |
| Escrow receipts | 3,110,123 | - | 3,110,123 | 1,444,189 |
| Other receipts | 266,635 | 110,629 | 377,264 | 865,712 |
| New mortgages disbursed | (3,268,266) | - | (3,268,266) | (2,549,062) |
| Grants disbursed | (136,908,622) | - | (136,908,622) | (148,727,231) |
| Goods/Services expenses | (12,854,750) | (7,816) | (12,862,566) | (9,354,311) |
| Employee expenses | (3,958,848) | - | (3,958,848) | (3,624,626) |
| Maintenance and utility expenses | (2,112,912) | - | (2,112,912) | (1,845,789) |
| Trustee and servicing fees paid | - | (10,040) | (10,040) | (5,310) |
| Escrow disbursements | (1,999,645) | - | (1,999,645) | (1,085,302) |
| NET CASH USED BY OPERATING ACTIVITIES | (72,316,901) | 3,163,642 | (69,153,259) | (89,336,892) |
| NONCAPITAL FINANCING ACTIVITIES: | | | | |
| Interfund payments received | 2,466,869 | 4,587,162 | 7,054,031 | 768,937 |
| Repayments of principal on revenue bonds | - | (2,112,608) | (2,112,608) | (29,393,218) |
| Payments of interest on revenue bonds | - | (652,385) | (652,385) | (630,674) |
| Interfund payments made | - | (4,672,380) | (4,672,380) | (14,614,632) |
| NET CASH PROVIDED/ (USED) BY NONCAPITAL FINANCING ACTIVITIES | 2,466,869 | (2,850,211) | (383,342) | (43,869,587) |
| CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Capital grant funds from US Dept of HUD | 692,453 | - | 692,453 | 452,494 |
| Interest Expense | (18,896) | - | (18,896) | - |
| Subscription Based Information Technology Arrangement Liability | (375,000) | - | (375,000) | - |
| Payments on lease assets | (76,410) | - | (76,410) | (18,813) |
| Purchase of capital assets | (558,439) | - | (558,439) | (38,895) |
| NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES | (336,292) | - | (336,292) | 394,786 |
| INVESTING ACTIVITIES: | | | | |
| Proceeds from sales and maturities of investments | 89,935,833 | 18,450,542 | 108,386,375 | 220,063,119 |
| Interest income on investments | 274,739 | 761,005 | 1,035,744 | 83,315 |
| Purchase of investment securities | (53,679,618) | (18,680,728) | (72,360,346) | (62,584,431) |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | 36,530,954 | 530,819 | 37,061,773 | 157,562,003 |
| NET INCREASE (DECREASE) IN CASH/CASH EQUIVALENTS | (33,655,370) | 844,250 | (32,811,120) | 24,750,310 |
| CASH/CASH EQUIVALENTS, BEGINNING OF YEAR | 62,322,448 | 5,701,381 | 68,023,829 | 43,273,519 |
| CASH/CASH EQUIVALENTS, END OF YEAR | \$ 28,667,078 | \$ 6,545,631 | \$ 35,212,709 | \$ 68,023,829 |

Continued on next page.

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

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2022)

| | FEDERAL PROGRAMS ENTERPRISE FUND | SINGLE FAMILY PROGRAMS ENTERPRISE FUND | TOTAL ENTERPRISE FUNDS | |
|--|---|--|---------------------------|-----------------|
| | | | 2023 | 2022 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES | | | | |
| OPERATING INCOME/(LOSS) | \$ 1,805,180 | \$ 415,293 | \$ 2,220,473 | \$ 3,368,088 |
| Adjustments to reconcile operating income to net cash provided(used) by operating activities: | | | | |
| Amortization of deferred bond costs | - | - | - | 39,894 |
| Amortization of bond premium | - | (105,056) | (105,056) | (653,359) |
| Amortization of lease assets | - | - | - | 14,895 |
| Net gain on sale/disposal of capital assets | - | - | - | - |
| Depreciation expense | 1,133,799 | - | 1,133,799 | 848,879 |
| Interest expense on bonds | - | 652,385 | 652,385 | 769,407 |
| Decrease / (Increase) in fair value of securitized mortgage loans | - | (1,053,152) | (1,053,152) | (2,791,572) |
| Sale of securitized mortgage loans | - | - | - | - |
| Noncash transfers of mortgages and accrued interest | - | - | - | (11,444,407) |
| Changes in assets and liabilities: | | | | |
| (Increase) decrease in accrued interest and other receivables | (358,307) | (85,019) | (443,326) | 831,679 |
| (Increase) decrease in securitized mortgage loans | - | 3,334,234 | 3,334,234 | 10,692,253 |
| (Increase) decrease in mortgage loans receivable | (2,941,405) | - | (2,941,405) | 10,050,236 |
| (Increase) decrease in bond issuance costs | - | - | - | - |
| (Increase) decrease in other assets | (92,181) | - | (92,181) | 235,874 |
| Increase (decrease) in accounts payable and accrued expenses | 1,373,360 | 4,957 | 1,378,317 | (5,278,163) |
| Increase (decrease) in deferred revenue | (73,980,246) | - | (73,980,246) | (96,379,483) |
| Increase (decrease) in escrow deposits | 742,899 | - | 742,899 | 358,887 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | \$ (72,316,901) | \$ 3,163,642 | \$ (69,153,259) | \$ (89,336,892) |
| NONCASH NONCAPITAL FINANCING ACTIVITIES | | | | |
| Lease assets acquired | \$ - | \$ - | \$ - | \$ 446,851 |
| Subscription Based Information Technology Arrangement Right-Of-Use Asset | 639,038 | - | 639,038 | - |
| Liability | (639,038) | - | (639,038) | - |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | (11,444,407) |
| NET NONCASH TRANSFERS | \$ - | \$ - | \$ - | \$ (10,997,556) |
| NONCASH INVESTING ACTIVITIES | | | | |
| Increase (decrease) in fair value of escrow investments | \$ (44,635) | \$ - | \$ (44,635) | \$ (266,299) |

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

DELAWARE STATE HOUSING AUTHORITY
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2023 AND 2022

| | DSHA RETIREE MEDICAL TRUST | |
|------------------------------------|----------------------------|----------------------|
| | 2023 | 2022 |
| ASSETS | | |
| Cash and cash equivalents | \$ 1,311 | \$ - |
| Interest receivable on investments | 80,296 | 51,627 |
| Interest receivable on loans | 4,418 | 4,523 |
| Other receivables | 74,488 | - |
| Investments, at fair value: | | |
| Savings account | 13,173 | 62,738 |
| Corporate notes | 5,421,471 | 5,025,251 |
| Commercial paper | 95,759 | 193,276 |
| U.S. Treasury obligations | 3,682,983 | 3,864,103 |
| U.S. Government agencies | 4,741,196 | 4,132,263 |
| Loans receivable | 1,060,384 | 1,085,589 |
| Total assets | <u>15,175,479</u> | <u>14,419,370</u> |
| LIABILITIES | | |
| Accounts payable | <u>1,985</u> | <u>2,017</u> |
| Total liabilities | <u>1,985</u> | <u>2,017</u> |
| NET POSITION | | |
| Net Position Restricted for OPEB | <u>\$ 15,173,494</u> | <u>\$ 14,417,353</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, 2023 AND 2022

| | DSHA RETIREE MEDICAL TRUST | |
|---------------------------------------|----------------------------|---------------|
| | 2023 | 2022 |
| ADDITIONS | | |
| Contributions: | | |
| Employer contributions | \$ 911,537 | \$ 5,500,230 |
| Other contributions | - | 30 |
| Total contributions | 911,537 | 5,500,260 |
| Investment earnings: | | |
| Interest | 252,512 | 189,289 |
| Interest on loan | 53,602 | 54,834 |
| Net increase (decrease) in fair value | (219,175) | (922,778) |
| Total investment earnings | 86,939 | (678,655) |
| Less: Investment expense | (7,487) | (7,351) |
| Net investment earnings | 79,452 | (686,006) |
| Total additions | 990,989 | 4,814,254 |
| DEDUCTIONS | | |
| Benefits paid | 223,548 | 178,686 |
| Administrative expenses | 11,300 | 13,910 |
| Total deductions | 234,848 | 192,596 |
| Net Increase in net position | 756,141 | 4,621,658 |
| Net position - beginning | 14,417,353 | 9,795,695 |
| Net position - ending | \$ 15,173,494 | \$ 14,417,353 |

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, 2023**

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| | | |
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**DELAWARE STATE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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, 2022 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, bond proceeds, and premiums from the sale of mortgage backed securities on the TBA market 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 \$5,500,000 for DDD as part of its fiscal year 2023 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 \$9,035,750 from the State of Delaware to support 2022 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 July 2022, the grant agreement with Federal Home Loan Bank of Pittsburgh allocated \$775,000 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. COH approved a matching contribution of \$775,000 from the Housing Development Fund.
- **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.

- **Land Bank Loan Program** - The fund 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. During the Fiscal Year 2023, the COH approved a \$5,000,000 contribution to the program from the Housing Development Fund.
- **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. DSHA received \$4,000,000 from the State of Delaware to operate the program for the year ended June 30, 2023. 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 and 2023, 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.
- **Korey Thompson Student Emergency Housing Assistance Fund (SEHAF)** - The SEHAF was created by the State of Delaware General Assembly for the benefit of housing insecure undergraduate students at any college or university in Delaware. DSHA has developed the eligibility criteria, application process, appropriate limitations on assistance, and a method of distribution. DSHA received \$90,000 from the State of Delaware for the year ended June 30, 2022.

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, and 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)** - 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. 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, 2022 and 2021 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 | 3,179 |
| | <hr/> |
| Total HUD Allocated CARES Act Funding | <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. During the year ended June 30, 2022, the U.S. Treasury required DSHA to return \$73,983,611 of unexpended funding for reallocation.
 - 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 received \$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 2022, GASB issued Statement No. 100 *Accounting Changes and Error Corrections* - This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting - understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements. This Statement prescribes the accounting and financial reporting (including RSI and SI reporting) for (1) each type of accounting change and (2) error corrections. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

In 2022, GASB issued Statement No. 101 *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

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 \$49,915 has been established for tenant accounts receivable in the business-type activities and the Federal Programs Enterprise Fund as of June 30, 2022. 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, 2023 was \$6,325,855 in the Housing Development Fund, governmental activity and major governmental fund; and \$5,226,123 in the HOME Investment Partnership Program, a business-type activity and Federal Programs Enterprise Fund. The allowance amount is calculated based on 66% of accrued interest on loans with a 30% interest rate 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, 2023, 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, 2023 was \$1,509,431.

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 assets 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 Liability

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, HTF, 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.

As of June 30, 2023, the investments held in Escrow Deposits had a total cost of \$56,977,522 and a fair market value of \$57,472,601. Total Escrow Deposits due to borrowers totaled \$59,602,940.

In accordance with the terms of the related Escrow Deposit contracts, disbursement of funds are subject to DSHA's approval and full disbursement requires the payoff of the related loan(s). DSHA expects to hold all investments until maturity and has determined the risk of loss on the Escrow Deposit operations to be remote.

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. As of June 30, 2023, \$27,629,801 of investments were available for program investment.

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 Director of 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, 2023, is as follows:

| | General Fund | Housing Development Fund | Downtown Development Districts Grant Fund | State Rental Assistance Program | Nonmajor Governmental Funds | Total Governmental Funds |
|--------------------------------|----------------|--------------------------|---|---------------------------------|-----------------------------|--------------------------|
| Nonspendable: | | | | | | |
| General Fund | \$ 74,196,724 | \$ - | \$ - | \$ - | \$ - | \$ 74,196,724 |
| Total nonspendable | 74,196,724 | - | - | - | - | 74,196,724 |
| Restricted: | | | | | | |
| Housing Development | - | 237,207,908 | - | - | - | 237,207,908 |
| Downtown Development Districts | - | - | 26,549,559 | - | - | 26,549,559 |
| Rental Assistance | - | - | - | 5,795,064 | - | 5,795,064 |
| Foreclosure Prevention and | | | | | | |
| Housing Counseling | - | - | - | - | 24,881,340 | 24,881,340 |
| Housing Rehabilitation | - | - | - | - | 439,684 | 439,684 |
| Affordable Housing | - | - | - | - | 5,005,732 | 5,005,732 |
| Mortgage Assistance | - | - | - | - | 28,359,279 | 28,359,279 |
| Energy Conservation in | | | | | | |
| Affordable Multifamily | | | | | | |
| Housing Loan Fund | - | - | - | - | 2,000,000 | 2,000,000 |
| Neighborhood Revitalization | - | - | - | - | 14,544,639 | 14,544,639 |
| Other Purposes | - | - | - | - | 31,835 | 31,835 |
| Total restricted | - | 237,207,908 | 26,549,559 | 5,795,064 | 75,262,509 | 344,815,040 |
| Committed: | | | | | | |
| General Fund | 38,030,229 | - | - | - | - | 38,030,229 |
| Housing Development | - | 53,445,020 | - | - | - | 53,445,020 |
| Total committed | 38,030,229 | 53,445,020 | - | - | - | 91,475,249 |
| Assigned: | | | | | | |
| Other Purposes | - | - | - | - | 19,643 | 19,643 |
| Total assigned | - | - | - | - | 19,643 | 19,643 |
| Total Fund Balance | \$ 112,226,953 | \$ 290,652,928 | \$ 26,549,559 | \$ 5,795,064 | \$ 75,282,152 | \$ 510,506,656 |

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, 2022, 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 \$2,674,568 difference are as follows:

| | |
|---|---------------------|
| Capital assets | \$ 5,707,657 |
| Less: Accumulated depreciation & amortization | <u>(3,033,089)</u> |
| Net capital asset adjustment | <u>\$ 2,674,568</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 \$(3,071,654) difference are as follows:

| | |
|--------------------------------------|-----------------------|
| Compensated absences | \$ (906,183) |
| Lease liability | (165,471) |
| Sustainable Energy Utility Loan | <u>(2,000,000)</u> |
| Net long-term liabilities adjustment | <u>\$ (3,071,654)</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 \$182,676 difference are as follows:

| | |
|---|---------------------|
| Capital outlay | \$ 138,479 |
| Less: Depreciation & amortization expense | (321,155) |
| Net capital asset adjustment | <u>\$ (182,676)</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 Maturities (in Years) | | | | |
|--|----------------|----------------------------------|--------------|---------|----------|---------------|
| | Fair Value | Less | | | | |
| Investment type | 6/30/2023 | than 1 | 1 to 5 | 5 to 10 | 10 to 20 | 20 to 30 |
| Governmental activities: | | | | | | |
| U.S.Treasury Notes | \$ 17,678,304 | \$ 6,854,719 | \$10,823,585 | \$ - | \$ - | \$ - |
| U.S.Treasury Bills | 1,538,015 | 1,538,015 | - | - | - | - |
| U.S.Treasury Bonds | 20,418 | 20,418 | - | - | - | - |
| U.S.Treasury Strips | 422,845 | 422,845 | - | - | - | - |
| U.S. Agencies | 46,939,889 | 12,215,115 | 34,724,774 | - | - | - |
| Corporate Notes | 30,406,250 | 6,860,875 | 23,545,375 | - | - | - |
| Commercial Paper | 12,875,849 | 12,875,849 | - | - | - | - |
| Money Market Bank Accounts | 3,365,654 | 3,365,654 | - | - | - | - |
| Money Market Savings Accounts | 98,739,802 | 98,739,802 | - | - | - | - |
| State of Delaware Investment Pool | 315,834 | 315,834 | - | - | - | - |
| Uninvested Principal Cash | 4,176 | 4,176 | - | - | - | - |
| Securitized Mortgage Loans | 4,307,802 | - | - | - | - | 4,307,802 |
| Total Governmental Activities Investments | 216,614,838 | 143,213,302 | 69,093,734 | - | - | 4,307,802 |
| Business-type activities: | | | | | | |
| U.S.Treasury Notes | 4,210,047 | 1,757,759 | 2,452,288 | - | - | - |
| U.S.Treasury Bonds | - | - | - | - | - | - |
| U.S. Agencies | 9,295,126 | 1,751,962 | 7,543,164 | - | - | - |
| Corporate Notes | 5,901,293 | 1,136,108 | 4,765,185 | - | - | - |
| Commercial Paper | 2,606,518 | 2,606,518 | - | - | - | - |
| Money Market Bank Accounts | 165,880 | 165,880 | - | - | - | - |
| Money Market Savings Accounts | 70,001,861 | 70,001,861 | - | - | - | - |
| State of Delaware Investment Pool | 3 | 3 | - | - | - | - |
| Uninvested Principal Cash | 699 | 699 | - | - | - | - |
| Securitized Mortgage Loans | 21,582,036 | - | - | - | - | 21,582,036 |
| Total Business-type Activities Investments | 113,763,463 | 77,420,790 | 14,760,637 | - | - | 21,582,036 |
| Total Entity-wide Investments | \$ 330,378,301 | \$ 220,634,092 | \$83,854,371 | \$ - | \$ - | \$ 25,889,838 |
| Fiduciary Fund Investments: | | | | | | |
| U.S.Treasury Notes | \$ 3,682,983 | \$ 1,071,598 | \$ 2,611,385 | \$ - | \$ - | \$ - |
| U.S.Treasury Bills | 95,759 | 95,759 | - | - | - | - |
| U.S. Agencies | 4,741,196 | 1,259,349 | 3,481,847 | - | - | - |
| Corporate Notes | 5,421,471 | 151,344 | 5,270,127 | - | - | - |
| Money Market Savings Accounts | 13,173 | 13,173 | - | - | - | - |
| Mortgage Loan Receivable | 1,060,384 | - | - | - | - | 1,060,384 |
| Total Fiduciary Fund Investments | \$ 15,014,966 | \$ 2,591,223 | \$11,363,359 | \$ - | \$ - | \$ 1,060,384 |

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 \$1,060,384 which the Authority, in the event of loan default, has guaranteed. Additionally, the following investments held the Fiduciary Fund exceed 5% of total investments held:

| Issuer | Amount |
|---------------------------------------|--------------|
| Pricoa Global Funding Bonds | \$ 1,005,206 |
| Federal Home Loan Bank | 2,185,007 |
| Federal National Mortgage Association | 1,895,119 |

As of June 30, 2023, the Authority's investments were rated as follows:

| Investment Type | Ratings (S & P) | | | | | | | | U.S. government guaranteed |
|----------------------------------|-----------------|-----------|---------|---------|------------|-----------|------------|------|----------------------------------|
| | A1 | A1+ | A | A+ | AA- | AA | AA+ | AAA | |
| Governmental activities: | | | | | | | | | |
| U.S. Treasury Bills | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | 1,538,015 |
| U.S. Treasury Notes | - | - | - | - | - | - | - | - | 17,678,304 |
| U.S. Treasury Bonds | - | - | - | - | - | - | - | - | 20,418 |
| U.S. Treasury Strips | - | - | - | - | - | - | - | - | 422,845 |
| U.S. Agencies | - | - | - | - | - | - | 46,939,889 | - | - |
| Corporate Notes | - | - | 477,090 | 628,035 | 18,681,312 | 4,577,927 | 6,041,886 | - | - |
| Commercial Paper | 5,748,120 | 7,127,729 | - | - | - | - | - | - | - |
| Securitized Mortgage Loans | - | - | - | - | - | - | - | - | 4,307,802 |
| Business-type activities: | | | | | | | | | |
| U.S. Treasury Bills | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | - |
| U.S. Treasury Notes | - | - | - | - | - | - | - | - | 4,210,047 |
| U.S. Agencies | - | - | - | - | - | - | 9,295,126 | - | - |
| Corporate Notes | - | - | - | - | 3,491,226 | 645,956 | 1,764,111 | - | - |
| Commercial Paper | 1,133,087 | 1,473,431 | - | - | - | - | - | - | - |
| Securitized Mortgage Loans | - | - | - | - | - | - | - | - | 21,582,036 |
| Fiduciary Fund: | | | | | | | | | |
| U.S. Treasury Bills | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | 95,759 |
| U.S. Treasury Notes | - | - | - | - | - | - | - | - | 3,682,983 |
| U.S. Agencies | - | - | - | - | - | - | 4,741,196 | - | - |
| Corporate Notes | - | - | - | - | 3,349,481 | 326,731 | 1,745,259 | - | - |

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, 2023 of \$252,632,451 was collateralized at 106% or greater by securities pledged and identified as held in the Authority's name. Bank and saving money markets of \$10,554,633 were secured by an Irrevocable Standby Letter of Credit of \$11,500,000 through April 13, 2023, and \$12,500,000 through October 13, 2023, issued by the Federal Home Loan Bank of Pittsburgh. No deposits were uninsured or uncollateralized at June 30, 2023.

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.

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 \$304,488,463 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 Measurements Using | | | |
|--|-------------------------------|--|--|--|
| | Fair Value 6/30/2023 | Quoted Process in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Governmental activities: | | | | |
| U.S. Treasury Notes | \$ 17,678,304 | \$ 17,678,304 | \$ - | \$ - |
| U.S. Treasury Bills | 1,538,015 | 1,538,015 | - | - |
| U.S. Treasury Bonds | 20,418 | 20,418 | - | - |
| U.S. Treasury Strips | 422,845 | 422,845 | - | - |
| U.S. Agencies | 46,939,889 | 46,939,889 | - | - |
| Corporate Notes | 30,406,250 | 30,406,250 | - | - |
| Commercial Paper | 12,875,849 | 12,875,849 | - | - |
| Money Market Bank Accounts | 3,365,654 | 3,365,654 | - | - |
| Money Market Savings Accounts | 98,739,802 | 98,739,802 | - | - |
| State of Delaware Investment Pool | 315,834 | 315,834 | - | - |
| Uninvested Principal Cash | 4,176 | 4,176 | - | - |
| Securitized Mortgage Loans | 4,307,802 | 4,307,802 | - | - |
| Total Governmental Activities Investments | 216,614,838 | 216,614,838 | - | - |
| Business-type activities: | | | | |
| U.S. Treasury Notes | 4,210,047 | 4,210,047 | - | - |
| U.S. Agencies | 9,295,126 | 9,295,126 | - | - |
| Corporate Notes | 5,901,293 | 5,901,293 | - | - |
| Commercial Paper | 2,606,518 | 2,606,518 | - | - |
| Money Market Bank Accounts | 165,880 | 165,880 | - | - |
| Money Market Savings Accounts | 70,001,861 | 70,001,861 | - | - |
| State of Delaware Investment Pool | 3 | 3 | - | - |
| Uninvested Principal Cash | 699 | 699 | - | - |
| Securitized Mortgage Loans | 21,582,036 | 21,582,036 | - | - |
| Total Business-type Activities Investments | 113,763,463 | 113,763,463 | - | - |
| Total Entity-wide Investments | \$330,378,301 | \$ 330,378,301 | \$ - | \$ - |
| Fiduciary Fund Investments: | | | | |
| U.S. Treasury Notes | \$ 3,682,983 | \$ 3,682,983 | \$ - | \$ - |
| U.S. Treasury Bills | 95,759 | 95,759 | - | - |
| U.S. Agencies | 4,741,196 | 4,741,196 | - | - |
| Corporate Notes | 5,421,471 | 5,421,471 | - | - |
| Money Market Savings Accounts | 13,173 | 13,173 | - | - |
| Mortgage Loan Receivable | 1,060,384 | - | - | 1,060,384 |
| Total Fiduciary Fund Investments | \$ 15,014,966 | \$ 13,954,582 | \$ - | \$ 1,060,384 |

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, 2023.

B. Receivables

Total receivables as of June 30, 2023, are as follows:

| Receivables | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|----------------|
| Mortgage loans | \$ 271,837,373 | \$ 68,980,237 | \$ 340,817,610 |
| Accrued interest | 53,622,974 | 19,101,238 | 72,724,212 |
| Other receivables | 1,542,390 | 753,614 | 2,296,004 |
| Grants receivable | - | 267,997 | 267,997 |
| Total receivables | 327,002,737 | 89,103,086 | 416,105,823 |
| Allowance for doubtful accounts | (27,808,268) | (5,904,311) | (33,712,579) |
| Total receivables, net | \$ 299,194,469 | \$ 83,198,775 | \$ 382,393,244 |
| Amounts not scheduled for collection during the subsequent year | \$ 290,088,892 | \$ 82,085,128 | \$ 372,174,020 |

Mortgage loans receivable

A summary of mortgage loans receivable as of June 30, 2023, is shown below:

Governmental Activities:

| | |
|--|---------------|
| General Fund | \$ 63,896,226 |
| Housing Development Fund | 172,428,633 |
| Non-major governmental funds | 35,512,514 |
| Mortgage loans receivable, governmental activities | 271,837,373 |
| Less: Allowance for doubtful accounts | (19,461,940) |
| Net mortgage loan receivables, governmental activities | 252,375,433 |

Business-type Activities:

| | |
|---|------------|
| Federal Programs Fund | 68,980,237 |
| Mortgage loans receivable, business-type activities | 68,980,237 |
| Less: Allowance for doubtful accounts | (175,000) |
| Net mortgage loan receivables, business-type activities | 68,805,237 |

| | |
|---|-----------------------|
| Total mortgage loans receivable, net | \$ 321,180,670 |
|---|-----------------------|

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 0% to 8% 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, 2023, are as follows:

| | Governmental Activities | | | Business-type Activities | | |
|---------------------|-------------------------|--------------------------|-----------------------------|--------------------------|------------------------|---------------|
| | General Fund | Housing Development Fund | Nonmajor Governmental Funds | Federal Programs | Single Family Programs | Total |
| Loan interest | \$ 8,307,792 | \$ 28,711,937 | \$ 7,525,494 | \$ 13,640,825 | \$ 70,326 | \$ 58,256,374 |
| Investment interest | 146,349 | 482,163 | - | - | 153,150 | 781,662 |
| HDF projects | 1,012,590 | - | - | - | - | 1,012,590 |
| Other projects | 66,590 | - | - | - | - | 66,590 |
| Servicers | - | - | 8,665 | - | 1,245 | 9,910 |
| Tenants, net | - | - | - | 51,409 | - | 51,409 |
| Other | 554,549 | - | 2,907 | 208,586 | - | 766,042 |
| Total | \$ 10,087,870 | \$ 29,194,100 | \$ 7,537,066 | \$ 13,900,820 | \$ 224,721 | \$ 60,944,577 |

C. Accounts payable

Accounts payables as of June 30, 2023, are as follows:

| | Governmental Activities | | | Business-type Activities | | |
|-------------------|-------------------------|--------------------------|-----------------------------|--------------------------|------------------------|--------------|
| | General Fund | Housing Development Fund | Nonmajor Governmental Funds | Federal Programs | Single Family Programs | Total |
| Vendors | \$ 216,128 | \$ 28,062 | \$ - | \$ 225,109 | \$ 5,069 | \$ 474,368 |
| Salaries | 239,960 | - | - | 125,545 | - | 365,505 |
| Security deposits | - | - | - | 113,870 | - | 113,870 |
| Other | 16,970 | - | 11,365 | 1,549,295 | - | 1,577,630 |
| Total | \$ 473,058 | \$ 28,062 | \$ 11,365 | \$ 2,013,819 | \$ 5,069 | \$ 2,531,373 |

D. Capital assets

Capital asset activity for the year ended June 30, 2023, was as follows:

| | Beginning Balance June 30, 2022 | Increases | Decreases | Ending Balance June 30, 2023 |
|---|------------------------------------|--------------|-----------|---------------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 572,769 | \$ - | \$ - | \$ 572,769 |
| Construction in Progress | - | 138,479 | - | 138,479 |
| Total capital assets, not being depreciated | 572,769 | 138,479 | - | 711,248 |
| Capital assets, being depreciated: | | | | |
| Buildings | 3,536,878 | - | - | 3,536,878 |
| Land/Site Improvements | 211,928 | - | - | 211,928 |
| Computer Equipment | 585,914 | - | - | 585,914 |
| Equipment | 451,405 | - | - | 451,405 |
| Building Lease | 210,284 | - | - | 210,284 |
| Total capital assets being depreciated | 4,996,409 | - | - | 4,996,409 |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings | 1,642,015 | 92,761 | - | 1,734,776 |
| Land/Site Improvements | 211,928 | - | - | 211,928 |
| Computer Equipment | 585,914 | - | - | 585,914 |
| Equipment | 265,068 | 186,337 | - | 451,405 |
| Building Lease | 7,009 | 42,057 | - | 49,066 |
| Total accumulated depreciation/amortization | 2,711,934 | 321,155 | - | 3,033,089 |
| Total capital assets, being depreciated, net | 2,284,475 | (321,155) | - | 1,963,320 |
| Governmental activities capital assets, net | \$ 2,857,244 | \$ (182,676) | \$ - | \$ 2,674,568 |
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 937,559 | \$ - | \$ - | \$ 937,559 |
| Construction in Progress | - | 38,518 | - | 38,518 |
| Total capital assets, not being depreciated | 937,559 | 38,518 | - | 976,077 |
| Capital assets, being depreciated: | | | | |
| Buildings | 15,269,048 | - | - | 15,269,048 |
| Land/Site Improvements | 17,562,877 | 519,921 | - | 18,082,798 |
| Vehicles | 155,208 | - | - | 155,208 |
| Building Lease | 446,851 | - | - | 446,851 |
| Equipment | 1,464,509 | - | - | 1,464,509 |
| Right to Use Intangible Asset | - | 639,037 | - | 639,037 |
| Total capital assets being depreciated | 34,898,493 | 1,158,958 | - | 36,057,451 |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings | 14,424,312 | 179,568 | - | 14,603,880 |
| Land/Site Improvements | 15,572,102 | 352,806 | - | 15,924,908 |
| Vehicles | 154,715 | - | - | 154,715 |
| Building Lease | 14,895 | 89,370 | - | 104,265 |
| Equipment | 945,219 | 205,850 | - | 1,151,069 |
| Right to Use Intangible Asset | - | 306,205 | - | 306,205 |
| Total accumulated depreciation/amortization | 31,111,243 | 1,133,799 | - | 32,245,042 |
| Total capital assets, being depreciated, net | 3,787,250 | 25,159 | - | 3,812,409 |
| Business-type activities capital assets, net | \$ 4,724,809 | \$ 63,677 | \$ - | \$ 4,788,486 |

Depreciation and amortization expense of \$279,098 and \$42,057, respectively, was charged to the administrative function in the governmental activities. Depreciation and amortization expense of \$738,224 and \$395,575, respectively, 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.

E. Interfund transactions

The composition of interfund balances as of June 30, 2023, is as follows:

| Due to: | Governmental Activities | | | Business-type Activities | | | Total |
|--------------------------|-------------------------|--------------------------|-----------------------------|--------------------------|------------------------|----|-----------|
| | General Fund | Housing Development Fund | Nonmajor Governmental Funds | Federal Programs | Single Family Programs | | |
| Current: | | | | | | | |
| General Fund | \$ - | \$ - | \$ 118,691 | \$ 326,923 | \$ 35,730 | \$ | 481,344 |
| Housing Development Fund | - | - | - | - | - | - | - |
| Nonmajor Govt Funds | 118 | 64,000 | - | - | - | - | 64,118 |
| Federal Programs | 58,505 | - | - | - | - | - | 58,505 |
| Total | \$ 58,623 | \$ 64,000 | \$ 118,691 | \$ 326,923 | \$ 35,730 | \$ | 603,967 |
| Non-current: | | | | | | | |
| General Fund | \$ 29,946 | \$ - | \$ 400 | \$ 4,185,311 | \$ - | \$ | 4,215,657 |
| Total | \$ 29,946 | \$ - | \$ 400 | \$ 4,185,311 | \$ - | \$ | 4,215,657 |

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 as well as funds committed to Nonmajor Governmental Funds from the General Fund.

The non-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.

Interfund transfers for the year ended June 30, 2023, consisted of the following:

| Transfers in: | Governmental Activities | | | Business-type Activities | | | Total transfer in |
|-----------------------------|-------------------------|--------------------------|-----------------------------|--------------------------|------------------------|----|-------------------|
| | General Fund | Housing Development Fund | Nonmajor Governmental Funds | Federal Programs | Single Family Programs | | |
| Transfers out: | | | | | | | |
| General Fund | \$ - | \$ - | \$ 4,009,389 | \$ - | \$ 1,078,563 | \$ | 5,087,952 |
| Housing Development Fund | - | - | - | - | - | - | - |
| Nonmajor Governmental Funds | 500,100 | 6,000,000 | - | - | - | - | 6,500,100 |
| Federal Programs | 200,000 | - | 300,000 | - | - | - | 500,000 |
| Single Family Programs | 959,430 | - | - | - | - | - | 959,430 |
| Total transfer out | \$ 1,659,530 | \$ 6,000,000 | \$ 4,309,389 | \$ - | \$ 1,078,563 | \$ | 13,047,482 |

The governmental activities transfers consist of: (1) the Housing Development Fund, a major governmental fund, transferred \$1,000,000 to the Home 4 Good Program, a governmental activity and nonmajor governmental fund, in support of the program's objective to provide affordable housing; (2) the Housing Development Fund, a major governmental fund, transferred \$5,000,000 to the Land Bank Program, a governmental activity and nonmajor governmental fund, in support of the program's objective to return vacant, dilapidated, abandoned, and delinquent properties back to productive use; (3) the General Fund, a major governmental fund, transferred \$200,000 to ERA/DEHAP, a major business-type fund, for ERA/DEHAP payments; (4) DSHA SMAL, a governmental activity and non-major governmental fund, transferred \$3,492,157 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; (5) The DHIF fund, a governmental activity and non-major governmental fund, transferred \$300,000 to ERA/DEHAP, a major business-type fund, to provide DEHAP remediation funds.

F. Short-term and long-term debt

Short-term and long-term debt activity for the year ended June 30, 2023, was as follows:

| | Beginning Balance June 30, 2022 | Increases | Decreases | Ending Balance June 30, 2023 | Due Within One Year |
|---|------------------------------------|---------------------|---------------------|---------------------------------|------------------------|
| Governmental activities: | | | | | |
| Leases Liability, related to the General Fund | \$ 201,429 | \$ - | \$ 35,958 | \$ 165,471 | \$ 39,080 |
| Sustainable Energy Utility Loan Fund (non-major fund) | 1,000,000 | 1,000,000 | - | 2,000,000 | - |
| Compensated absences, relating to the General Fund | 774,612 | 596,215 | 464,644 | 906,183 | 94,171 |
| State of Delaware Pension | (156,020) | 305,626 | - | 149,606 | - |
| State of Delaware OPEB | 1,247,256 | - | 2,147,489 | (900,233) | - |
| DSHA OPEB | 6,189,937 | - | 5,291,645 | 898,292 | - |
| Governmental activity long-term liabilities | <u>\$ 9,257,214</u> | <u>\$ 1,901,841</u> | <u>\$ 7,939,736</u> | <u>\$ 3,219,319</u> | <u>\$ 133,251</u> |
| Business-type activities: | | | | | |
| Capital Leases, related to the Federal Programs Fund | \$ 428,038 | \$ - | \$ 76,411 | \$ 351,627 | \$ 83,044 |
| Subscription Payable, Related to the Federal Programs Fund | - | 639,038 | 375,000 | 264,038 | 264,038 |
| Compensated absences, relating to the Federal Programs Fund | 376,392 | 359,893 | 314,593 | 421,692 | 35,877 |
| Revenue bonds payable, Single Family Programs Fund | 23,388,176 | - | 2,112,608 | 21,275,568 | - |
| Business-type activity long-term liabilities | <u>\$ 24,192,606</u> | <u>\$ 998,931</u> | <u>\$ 2,878,612</u> | <u>\$ 22,312,925</u> | <u>\$ 382,959</u> |

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 2.60% to 3.48% with maturities of such bonds up through June 30, 2052.

Federal Home Loan Bank (FHLB) Line of Credit

DSHA has a collateralized line of credit with the FHLB of Pittsburgh. For fiscal year 2023, 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 years ended June 30, 2023 and 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, 2023, eight issues with debt of \$65,293,213 are outstanding.

Interest Expense on Long-Term Debt

Interest expense of \$652,385 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 \$652,385 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 |
|-------------|---------------|---------------|---------------|
| 2024 | \$ - | \$ 624,865 | \$ 624,865 |
| 2025 | - | 623,134 | 623,134 |
| 2026 | - | 623,134 | 623,134 |
| 2027 | - | 623,134 | 623,134 |
| 2028 | - | 623,134 | 623,134 |
| 2029-2033 | - | 3,115,669 | 3,115,669 |
| 2034-2038 | - | 3,115,669 | 3,115,669 |
| 2039-2043 | 13,324,545 | 3,115,669 | 16,440,214 |
| 2044-2048 | 7,951,023 | 1,383,478 | 9,334,501 |
| Totals | \$ 21,275,568 | \$ 13,847,886 | \$ 35,123,454 |

Capital Leases

On May 1, 2022, the Authority entered into a lease agreement for the rental of office space located in Dover, Delaware. The agreement expires in 60 full months and contains a renewal option for another 60 months. As of June 30, 2023, the Authority does not plan to exercise this option. The total amount payable at the date of commencement was \$657,134. No interest rate was specified in the lease agreement. For financial statement purposes the Authority has used the current prime rate as of the date of measurement of 4.75%.

The lease is allocated between the governmental activities and business-type activities based on the ratio of employees utilizing the leased space.

Annual principal and interest lease liability service requirements for governmental activities are as follows:

Governmental Activities:

| Fiscal Year | Principal | Interest | Total |
|-------------|-------------------|------------------|-------------------|
| 2024 | \$ 39,080 | \$ 7,159 | \$ 46,239 |
| 2025 | 42,394 | 5,232 | 47,626 |
| 2026 | 45,913 | 3,142 | 49,055 |
| 2027 | 38,084 | 898 | 38,982 |
| Totals | <u>\$ 165,471</u> | <u>\$ 16,431</u> | <u>\$ 181,902</u> |

Annual principal and interest lease liability service requirements for business-type activities are as follows:

Business Type Activities:

| Fiscal Year | Principal | Interest | Total |
|-------------|-------------------|------------------|-------------------|
| 2024 | \$ 83,044 | \$ 15,214 | \$ 98,258 |
| 2025 | 90,088 | 11,117 | 101,205 |
| 2026 | 97,565 | 6,677 | 104,242 |
| 2027 | 80,930 | 1,908 | 82,838 |
| Totals | <u>\$ 351,627</u> | <u>\$ 34,916</u> | <u>\$ 386,543</u> |

Subscription-based Information Technology Arrangements

The Authority implemented the provisions of GASBS No. 96 *Subscription-Based Information Technology Arrangements* (SBITA) effective July 1, 2022. The Authority recognized and measured its SBITAs using the facts and circumstances that existed as of July 1, 2022.

On July 21, 2021, the Authority entered an agreement with Yardi Systems, Inc. for Yardi Mortgage Relief Software and Rent Relief Software. This Yardi software processes and manages client assistance paid by the Emergency Rental Assistance and Homeowner Assistance Fund programs. The agreement requires the payment of the greater of the minimum payments summarized below or 2% of client assistance processed using the software. The calculation of the SBITA liability is based upon the minimum payments. The total cost of the Emergency Rental Assistance and Homeowner Assistance Fund was \$692,315 and \$653,779, respectively. Future minimum payments required for the software are as follows:

| Fiscal Year | Principal | Interest |
|----------------|-------------------|-----------------|
| 2024 | <u>\$ 264,038</u> | <u>\$ 8,204</u> |

For financial statement purposes the Authority has used the prime rate in effect as of the initial measurement date of 4.75%.

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 2013 Series A and 2018 Series A. The fund also accounts for the DSHA Mortgage Backed Securities Purchase Program.

CONDENSED STATEMENT OF NET POSITION - SINGLE FAMILY PROGRAMS FUND SEGMENTS
JUNE 30, 2023

| | SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2007D-2018A | DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM | TOTAL SINGLE FAMILY PROGRAMS |
|-------------------------------------|---|---|------------------------------------|
| Assets | | | |
| Current assets | \$ 120,090 | \$ 32,918,534 | \$ 33,038,624 |
| Non-current assets | 21,652,363 | 9,517,755 | 31,170,118 |
| Total assets | 21,772,453 | 42,436,289 | 64,208,742 |
| Deferred outflow of resources | | | |
| Deferred amount on bond refunding | - | - | - |
| Total deferred outflow of resources | - | - | - |
| Liabilities | | | |
| Current liabilities | 5,000 | 69 | 5,069 |
| Current interfund payables | - | 35,730 | 35,730 |
| Non-current payables | 21,275,568 | - | 21,275,568 |
| Total liabilities | 21,280,568 | 35,799 | 21,316,367 |
| Deferred inflow of resources | | | |
| Deferred amount on bond refunding | 1,575,795 | - | 1,575,795 |
| Total deferred inflow of resources | 1,575,795 | - | 1,575,795 |
| Net position, restricted | - | 42,400,490 | 42,400,490 |
| Net position, unrestricted | (1,083,910) | - | (1,083,910) |
| Total Net position | \$ (1,083,910) | \$ 42,400,490 | \$ 41,316,580 |

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - SINGLE
FAMILY PROGRAMS FUND SEGMENTS
FOR THE YEAR ENDED JUNE 30, 2023

| | SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2007D-2018A | DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM | TOTAL SINGLE FAMILY PROGRAMS |
|-------------------------------------|---|---|------------------------------------|
| Operating revenues* | \$ 979,861 | \$ 110,629 | \$ 1,090,490 |
| Operating expenses: | | | |
| Interest expense on bonds | 652,385 | - | 652,385 |
| Other | 14,999 | 7,813 | 22,812 |
| Operating income/(loss) | 312,477 | 102,816 | 415,293 |
| Non-operating revenue/(expenses): | | | |
| Investment income | 1,545 | 3,363,835 | 3,365,380 |
| Change in Fair Value of Investments | (830,663) | (222,489) | (1,053,152) |
| Transfers in/(out) | (400,664) | 281,531 | (119,133) |
| Change in net position | (917,305) | 3,525,693 | 2,608,388 |
| Beginning net position | (166,605) | 38,874,797 | 38,708,192 |
| Ending net position | \$ (1,083,910) | \$ 42,400,490 | \$ 41,316,580 |

*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, 2023

| | SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2007D-2018A | DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM | TOTAL SINGLE FAMILY PROGRAMS |
|-------------------------------------|---|---|------------------------------------|
| Net cash provided (used) by: | | | |
| Operating activities | \$ 3,060,828 | \$ 102,814 | \$ 3,163,642 |
| Noncapital financing activities | (3,166,124) | 315,913 | (2,850,211) |
| Investing activities | 105,296 | 425,523 | 530,819 |
| Net increase/(decrease) | - | 844,250 | 844,250 |
| Beginning cash and cash equivalents | 12,367 | 5,689,014 | 5,701,381 |
| Ending cash and cash equivalents | \$ 12,367 | \$ 6,533,264 | \$ 6,545,631 |

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's annual insurance premiums have ranged between \$223,705 and \$305,424. 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, 2023, HCHC, LCPLP, and MPHLP are under agreements with the Authority for the management of their operations. For the Year Ended June 30, 2023, HCHC paid management fees to the Authority totaling \$34,068 and labor charges totaling \$193,638. LCPLP paid management fees to the Authority totaling \$70,094 and labor charges, totaling \$294,576. MPHLP paid management fees to the Authority totaling \$143,495 and labor charges totaling \$315,251.

As of June 30, 2023, HCHC, WVHC, and LCPLP were indebted to the Authority for Housing Development Fund loans (including accrued interest) in the amounts of \$2,536,407, \$1,917,165, and \$1,549,150, respectively. WVHC, LCPLP and MPHLP were also indebted to the Authority for HOME loans in the amount of \$1,645,216, \$2,172,350, and \$610,049, respectively. WVHC was indebted to the General Fund for a construction loan in the amount of \$130,404. LCPLP and MPHLP were indebted to the General Fund for permanent loans in the amount of \$4,827,215 and \$9,199,657, respectively.

For the year ended June 30, 2023, Section 8 Contract Administration housing assistance payments totaling \$374,786 from the HUD passed through the Authority to HCHC and the Authority's Moving to Work Program passed RAD housing assistance payments totaling \$704,978 and \$1,077,199, respectively, through to LCPLP and MPHLP.

For the year end June 30, 2023 the Authority made other contributions to LCPLP and MPH totaling \$7,663 and \$8,865, respectively.

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, 2023, the Authority's business-type activities received 42.3% percent of their revenue from the U.S. Department of Housing and Urban Development and 55.9% from the U.S. Department of the Treasury.

D. Post-retirement health care benefits

Other postemployment benefit expense for the year ended June 30, 2023 was \$(1,031,551).

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, 2021. 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.

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, 2023, the State provided health insurance options through several providers.
6. Retiree Contributions - If hired prior to July 1, 1991, no contributions are required. If hired on or after July 1, 1991 (except disability pension), contributions depend on years of service, as shown on the table below:

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

7. Funding Policy - The State of Delaware funds the OPEB for current retirees on a pay-as-you-go basis along with funding for future benefits at a rate that is approved in the annual budget, but not actuarially determined, typically from the General Fund. Additional funding has also been provided on an ad hoc basis. By State Statute Chapter 52, Title 29 of the Delaware Code, contribution requirements of plan members and the government are established and may be amended by the State Legislature. Funds are recorded in the OPEB Trust for the payment of retiree healthcare claims, administrative and investment expenses. Administrative costs are financed through investment earnings. State appropriations, other employer contributions, and retiree contributions for healthcare are recorded in the OPEB Trust. The funds available are invested under the management of the DPERS Board of Pension Trustees, which acts as the Board of Trustees for the OPEB Trust and is responsible for the financial management of the OPEB Trust. OPEB contributions are generally funded by the General Fund.
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 2023, the Authority's contribution was 9.57% of covered payroll and totaled \$21,970.

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, 2023, the Authority reported a liability of \$898,292 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2021 to June 30, 2022. 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, 2022, measurement, the Authority's proportion was 0.0105%.

For the year ended June 30, 2023, the Authority recognized OPEB income of \$403,758. As of June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to the OPEB as follows:

| | Deferred Outflow | Deferred Inflow |
|---|---------------------|--------------------|
| Differences between expected and actual experience | \$ 22,720 | \$ 110,064 |
| Changes in assumptions | 138,665 | 206,468 |
| Changes in proportion | - | 616,697 |
| Differences between expected and actual net investment income | 2,099 | - |
| Total | <u>\$ 163,484</u> | <u>\$ 933,229</u> |

The Authority's share of net deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows for the year ending June 30:

| | |
|------------|---------------------|
| 2023 | \$ (127,007) |
| 2024 | (119,900) |
| 2025 | (108,932) |
| 2026 | (143,120) |
| 2027 | (135,395) |
| Thereafter | <u>(135,391)</u> |
| | <u>\$ (769,745)</u> |

10. Actuarial Assumptions - The collective total OPEB liability as of June 30, 2022, measurement date was determined by an actuarial valuation as of June 30, 2021, with update procedures used to roll forward the total OPEB liability to June 30, 2022. 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 - 2.16% at the beginning of the period and 3.54% at the end of the period.

Projected Salary Increases - 3.25% plus merit.

Healthcare Cost Trend Rate - 5.17%

Mortality rates were based on the sex-distinct employee, healthy annuitant, and disabled annuitant mortality tables derived from the Pub-2010 General Benefits Weighted Annuitant 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 2021 and covering the period July 1, 2015 through June 30, 2020. 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, 2022 are summarized in the following table:

| Asset Class | Long-term Expected Real Rate of Return | Asset Allocation |
|-------------------------|---|---------------------|
| Domestic Equity | 5.7% | 33.9% |
| International Equity | 5.7% | 12.9% |
| Fixed Income | 2.0% | 25.5% |
| Alternative Investments | 7.8% | 22.1% |
| Cash and Equivalents | - | 5.6% |

The discount rate and investment rate of return used to measure the total OPEB liability was 2.16 percent at the beginning of the current measurement period and 3.54 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, 2022 measurement date is equal to the applicable rate of the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

11. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability of the OPEB Trust, as well as what the OPEB Trust's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54 percent) and 1-percentage-point higher (4.54 percent) than the current discount rate:

| 1% Decrease | Current Discount Rate | 1% Increase |
|----------------|-----------------------------|----------------|
| 2.54% | 3.54% | 4.54% |
| \$ 1,059,116 | \$ 898,292 | \$ 770,261 |

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 (5.17 percent decreasing to 4.17 percent) and 1-percentage higher (5.17 increasing to 6.17 percent) than the current healthcare trend rates:

| 1% Decrease 4.17% | Current Trend Rate 5.17% | 1% Increase 6.17% |
|-------------------------|--------------------------------|-------------------------|
| \$ 771,496 | \$ 898,292 | \$ 1,049,041 |

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, 2022 plan measurement date and the June 30, 2023 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, 2022, there were 80 active plan members, 35 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 \$911,537 for the year ended June 30, 2023. The Authority's OPEB expense for this plan for the year ended June 30, 2023 was \$(627,793). The funds are invested according to the Authority's investment policy described in Note IV. A. OPEB contributions are generally funded by the General Fund.
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, 2023 was 0.54%.
4. Funded Status and Funding Progress - As of June 30, 2022 measurement (June 30, 2023 employer reporting), the total OPEB liability was \$13,517,120. The plan's fiduciary net position was \$14,417,353, resulting in a net OPEB asset of \$900,233. The plan's fiduciary net position as a percentage of the total OPEB liability calculates to 101%.

5. The following schedule summarizes the change in the net pension liability for the measurement period ended June 30, 2022 (employer reporting as of June 30, 2023):

| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
|--|-------------------------|-----------------------------------|-----------------------|
| June 30, 2021 measurement date and June 30, 2022 reporting date | \$ 15,985,632 | \$ 9,795,695 | \$ 6,189,937 |
| Changes for the year | | | |
| Service cost | 659,808 | - | 659,808 |
| Interest | 357,623 | - | 357,623 |
| Differences between expected and actual experience | 671,450 | - | 671,450 |
| Changes in assumptions | (3,978,707) | - | (3,978,707) |
| Benefit payments | (178,686) | (178,686) | - |
| Employer contributions | - | 5,500,260 | (5,500,260) |
| Net investment income | - | (686,006) | 686,006 |
| Administrative expense | - | (13,910) | 13,910 |
| June 30, 2022 measurement date and June 30, 2023 reporting date | <u>\$ 13,517,120</u> | <u>\$ 14,417,353</u> | <u>\$ (900,233)</u> |

As of June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to the DSHA OPEB as follows:

| | Deferred Outflow | Deferred Inflow |
|--|---------------------|---------------------|
| Differences between expected and actual experience | \$ 574,279 | \$ 2,595,644 |
| Changes in assumptions | 2,084,416 | 6,148,865 |
| Differences between expected and actual net investment income | 788,759 | - |
| Contributions made after measurement date | 911,537 | - |
| Total | <u>\$ 4,358,991</u> | <u>\$ 8,744,509</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:

| | |
|------------|-----------------------|
| 2024 | \$ (1,386,928) |
| 2025 | (1,167,800) |
| 2026 | (795,572) |
| 2027 | (495,439) |
| 2028 | (784,511) |
| Thereafter | <u>(666,805)</u> |
| | <u>\$ (5,297,055)</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 | June 30, 2021 |
| Measurement date | June 30, 2022 |
| Actuarial cost method | Entry age normal |
| Asset valuation method | Market value |
| Actuarial assumptions: | |
| Investment rate of return | 3.54% |
| Discount rate | 3.54% |
| 20-Year municipal bond rate | 3.54% |
| Municipal bond rate basis | Bond buyers' general obligation 20 year Municipal bond index |
| Salary Increases | 2.00% |
| Inflation rate | 2.00% |
| Ultimate rate of medical inflation | Pre-65 trend 7.25% in 2023 decreasing to 4.50% in 2034 Post-65 trend 8.00% in 2023 decreasing to 4.50% in 2034 PUB 2010 "General" Classification projected generationally with Scale MP-2020 |
| Mortality rate | Fair market value |
| Asset method | |

The following assumptions were updated for the June 30, 2022 measurement:

| | June 30, 2022 Measurement | June 30, 2021 Measurement |
|------------------------------------|--|--|
| Discount Rate | 3.54% | 2.16% |
| 20-Year municipal bond rate | 3.54% | 2.16% |
| Ultimate rate of medical inflation | | |
| Pre-65 trend | 7.25% in 2021 decreasing to 4.50% in 2034 | 7.00% in 2021 decreasing to 4.50% in 2034 |
| Post-65 trend | 8.00% in 2021 decreasing to 4.50% in 2034 | 7.00% in 2021 decreasing to 4.50% in 2034 |
| Mortality Rate Scale | MP 2021 | MP 2020 |

The following table illustrates the impact of healthcare cost trend sensitivity on the Net OPEB Liability as of the June 30, 2022 measurement (June 30, 2023 reporting):

| | 1% Decrease | Trend Rate | 1% Increase |
|-----------------------------|----------------|---------------|---------------|
| Total OPEB Liability | \$ 11,221,029 | \$ 13,517,120 | \$ 16,514,019 |
| Plan Fiduciary Net Position | 14,417,353 | 14,417,353 | 14,417,353 |
| Net OPEB Liability | \$ (3,196,324) | \$ (900,233) | \$ 2,096,666 |

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 June 30, 2022 | Percent of Portfolio | Long-Term Expected Real Rate of Return |
|----------------------|-----------------------------|-------------------------|---|
| Corporate Notes | \$ 5,025,251 | 34.9% | 1.7% |
| U.S. Agencies | 4,132,263 | 28.7% | 1.7% |
| U.S. Treasury Notes | 3,864,103 | 26.8% | 1.6% |
| Money Market Savings | 118,887 | 0.8% | 0.0% |
| Commercial Paper | 193,276 | 1.3% | 1.6% |
| Loans Receivable | 1,085,589 | 7.5% | 5.0% |

The following table illustrates the impact of interest rate sensitivity on the Net OPEB Liability as of the June 30, 2022 measurement (June 30, 2023 reporting):

| | 1% Decrease 2.54% | Trend Rate 3.54% | 1% Increase 4.54% |
|-----------------------------|----------------------|---------------------|----------------------|
| Total OPEB Liability | \$ 16,340,807 | \$ 13,517,120 | \$11,329,970 |
| Plan Fiduciary Net Position | 14,417,353 | 14,417,353 | 14,417,353 |
| Net OPEB Liability | \$ 1,923,454 | \$ (900,233) | \$ (3,087,383) |

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, 2023, the Authority was required to contribute 12.03% of covered payroll to the plan. The Authority's contribution to the State PERS for the year ended June 30, 2023 was \$16,354, equal to the required contribution for the year. The Authority's contributions to the State PERS for the years ended June 30, 2022 and June 30, 2021, were \$31,402 and \$34,501, respectively, equal to the required contribution for

each year. Pension contributions are generally funded by the General Fund.

3. Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - At June 30, 2023, the Authority reported a net pension asset of \$149,606 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2022. As of the June 30, 2022 measurement date, the Authority's proportion was 0.0109 percent and 0.0133 percent. The Authority's proportionate share of the Net Pension Asset, 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, 2023, the Authority reported deferred inflows and outflows of resources related to pensions from the following sources:

| | Deferred Outflows | Deferred Inflows |
|---|----------------------|---------------------|
| Net difference between projected and actual earnings experience | \$ 15,449 | \$ - |
| Net difference to change in proportion | - | 70,731 |
| Net difference between projected and actual earnings on plan investments | 28,710 | - |
| Changes of assumptions | 16,176 | - |
| Contributions made after the measurement date | 16,354 | - |
| Total | <u>\$ 76,689</u> | <u>\$ 70,731</u> |

The \$31,402 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, 2023.

4. Actuarial Assumptions - The collective total pension liability for the June 30, 2022 measurement date was determined by actuarial valuation as of June 30, 2021 and rolled forward to June 30, 2022. 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 | Ad hoc |

*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-2010 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2020 mortality improvement scale on a fully generational basis.

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

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

Best estimates of geometric real rates of return for each major asset class included in the System's current and expected asset allocation is summarized in the following table:

| Asset Class | Long-Term Expected Real Rate of Return | Asset Allocation |
|-------------------------|--|---------------------|
| Domestic equity | 5.7% | 31.8% |
| International equity | 5.7% | 15.0% |
| Fixed income | 2.0% | 23.6% |
| Alternative investments | 7.8% | 21.5% |
| Cash and equivalents | - | 8.1% |

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 (asset) 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 |
|----|-------------|---------------|-------------|
| \$ | 312,400 | \$ 149,606 | \$ 24,463 |

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. 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 amortization of the employer specific proportion deferred outflows (inflows) is amortized over six years.

The cumulative amounts of collective net deferred outflows (inflows) of resources reported as of June 30, 2022 will be recognized in pension expense during the years ended June 30, as follows:

| | | |
|------------|----|-----------------|
| 2024 | \$ | (9,818) |
| 2025 | | (15,404) |
| 2026 | | (11,859) |
| 2027 | | 49,994 |
| 2028 | | (11,523) |
| Thereafter | | (11,786) |
| | \$ | <u>(10,396)</u> |

6. Pension Expense - For the year ended June 30, 2023, the Authority recognized pension income of \$12,648.

7. The components of the pension expense for the year ending June 30, 2023, are as follows:

| | |
|---|--------------------|
| Service Costs | \$ 24,874 |
| Interest on Total Pension Liability | 89,038 |
| Member Contributions | (9,342) |
| Administrative Expenses | 663 |
| Changes in benefit terms | 25,250 |
| Projected Earnings on Plan Investments | (97,047) |
| Differences between projected and actual earnings on plan investments | (14,257) |
| Differences between projected and actual experiences with regard to or other inputs in the measurement of total pension liability | 6,349 |
| Change in Assumption with regard to factors or other inputs in the measurement of total pension liability | 7,903 |
| Net Amortization of deferred amounts from Changes in Proportion | (46,079) |
| Pension Income | <u>\$ (12,648)</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 Mercer. 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 10.85% of covered payroll for the year ended June 30, 2023. The Authority's contribution to the Housing Renewal and Local Agency Retirement Plan for the year ended June 30, 2023, was \$716,504 equal to the required contribution for the year. The Authority's contributions to the plan for the years ended June 30, 2021 and June 30, 2020, were \$634,930 and \$610,620, 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.

Certain conditions may exist as of the date the financial statements are issued which may result in loss to DSHA, but which only will be resolved when one or more future events occur or fail to occur. DSHA's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against DSHA or unasserted claims that may result in such proceedings, DSHA's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims. DSHA did not accrue loss contingencies with respect to litigation as of June 30, 2023.

G. Subsequent events

The Authority has evaluated subsequent events through the date of issuance of the financial statements and has determined that there have been no events that have occurred that would require adjustment to the disclosures in these financial statements.

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, 2023

| Actuarial Valuation Date | Proportion of Collective Net Pension Liability | Proportion of Total Pension (Asset)/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% |
| 6/30/2021 | 0.013% | \$ (156,020) | \$ 256,895 | -60.7% | -110.5% |
| 6/30/2022 | 0.011% | \$ 149,606 | \$ 231,749 | 64.6% | -88.8% |

* 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, 2023

| Employer Reporting Date | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 |
|---|--|---------------|---------------|---|---------------|---------------|---------------|--|
| Actuarial Valuation Date | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| Measurement Date | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
| Investment Rate of return/discount rate* | 7.0% | 7.0% | 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 | 2.5% + Merit | 2.5% + Merit | 3.5% to 11.5% |
| Cost-of-living adjustments | 0% | 0% | 0% | 0% | 0% | 0% | 0% | Ad hoc |
| Mortality rates | Pub-2010 mortality tables with gender adjustments for employees, healthy annuitants, and disabled retirees as well as an adjusted version on MP-2020 mortality improvement scale on a fully generational basis. | | | 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, 2023

| Date | Required Employer Contribution | Contributions Recognized in Relation to the Required Employer Contribution | Contribution Deficiency/(Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|-----------|--------------------------------------|---|-------------------------------------|--------------------|--|
| 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% |
| 6/30/2022 | \$ 31,402 | \$ 31,402 | \$ - | \$ 231,749 | 13.55% |
| 6/30/2023 | \$ 16,354 | \$ 16,354 | \$ - | \$ 135,327 | 12.08% |

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, 2023

| Measurement Date Reporting Date | June 30, 2022 June 30, 2023 | June 30, 2021 June 30, 2022 | June 30, 2020 June 30, 2021 | June 30, 2019 June 30, 2020 | June 30, 2018 June 30, 2019 | June 30, 2017 June 30, 2018 |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Beginning OPEB Liability Balance | \$ 15,985,632 | \$ 18,614,876 | \$ 14,195,231 | \$ 15,280,574 | \$ 16,445,290 | \$ 17,911,837 |
| Service Cost | 659,808 | 1,017,904 | 673,326 | 677,546 | 776,605 | 937,606 |
| Interest Cost | 357,623 | 432,031 | 519,593 | 615,235 | 614,727 | 535,772 |
| Difference Between Expected and Actual Experience | 671,450 | (2,013,082) | (118,539) | (1,413,621) | (1,186,338) | (39,636) |
| Change in assumptions | (3,978,707) | (1,897,429) | 3,477,124 | (842,173) | (1,267,300) | (2,798,750) |
| Benefit payments | (178,686) | (168,668) | (131,859) | (122,330) | (102,410) | (101,539) |
| Ending OPEB Liability Balance | \$ 13,517,120 | \$ 15,985,632 | \$ 18,614,876 | \$ 14,195,231 | \$ 15,280,574 | \$ 16,445,290 |
| Beginning Plan Fiduciary Net Position | \$ 9,795,695 | \$ 9,123,931 | \$ 8,088,704 | \$ 7,096,300 | \$ 6,446,869 | \$ 5,767,009 |
| Benefit payments | (178,686) | (168,668) | (131,859) | (122,330) | (102,410) | (101,539) |
| Employer contributions | 5,500,260 | 778,725 | 784,124 | 748,852 | 713,293 | 732,138 |
| Net Investment Income | (686,006) | 71,607 | 392,662 | 375,182 | 50,598 | 58,061 |
| Administrative expense | (13,910) | (9,900) | (9,700) | (9,300) | (12,050) | (8,800) |
| Ending Plan Fiduciary Net Position | 14,417,353 | 9,795,695 | 9,123,931 | 8,088,704 | 7,096,300 | 6,446,869 |
| Net OPEB (Asset) / Liability | \$ (900,233) | \$ 6,189,937 | \$ 9,490,945 | \$ 6,106,527 | \$ 8,184,274 | \$ 9,998,421 |
| Cover-Employee Payroll | \$ 4,783,109 | \$ 3,957,131 | \$ 5,009,664 | \$ 4,759,353 | \$ 4,612,790 | \$ 4,350,000 |
| Net OPEB (Asset) / Liability as a Percentage of Payroll | -18.82% | 156.42% | 189.45% | 128.31% | 177.43% | 229.85% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 106.66% | 61.28% | 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, 2023

| Valuation date | July 1, 2022 | July 1, 2021 | July 1, 2020 | July 1, 2019 | July 1, 2018 | July 1, 2016 |
|------------------------------------|---|---|---|---|--|---|
| Measurement date | June 30, 2022 | June 30, 2021 | 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 | Entry Age Normal | Entry Age Normal |
| Asset Valuation Method | Market Value | Market Value | Market Value | Market Value | Market Value | Market Value |
| Actuarial Assumptions: | | | | | | |
| Investment Rate of Return | 3.54% | 2.16% | 2.21% | 3.51% | 3.87% | 3.00% |
| Discount Rate | 3.54% | 2.16% | 2.21% | 3.51% | 3.87% | 2.85% |
| 20 Year Municipal Bond Rate | 3.54% | 2.16% | 2.21% | 3.51% | 3.87% | 2.85% |
| Municipal Bond Rate Basis | Bond Buyers General Obligation 20 Year Municipal Bond Index | | | | | |
| Inflation Rate | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Ultimate Rate of Medical Inflation | | | | | | |
| Pre-65 Trend | 7.25% in 2022 decreasing to 4.50% in 2035 | 7.00% in 2021 decreasing to 4.50% in 2034 | 6.00% in 2020 decreasing to 4.75% in 2028 | 6.75% in 2019 decreasing to 4.75% in 2028 | 7.50% in 2016 decreasing to 4.50% in 2028 | 6.00% in 2016 decreasing to 4.50% in 2027 |
| Post-65 Trend | 8.00% in 2022 decreasing to 4.50% in 2035 | 6.75% in 2021 decreasing to 4.50% in 2034 | 5.75% in 2020 decreasing to 4.75% in 2028 | 6.00% in 2019 decreasing to 4.75% in 2028 | 8.25% in 2016 decreasing to 4.50% in 2028 | 5.00% in 2016 decreasing to 4.50% in 2027 |
| Mortality Rate | PUB-2011, "General" Classification projected generationally with Scale MP-2021 | PUB-2010, "General" Classification projected generationally with Scale MP-2020 | PUB-2010, "General" Classification projected generationally with Scale MP-2019 | PUB-2010, "General" Classification projected generationally with Scale MP-2018 | RP-2014 Mortality Table projected generationally with scale MP-2015 from the central year. | |
| Asset Method | Fair Market Value | Fair Market Value | 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, 2023

| Fiscal Year End Date | Actuarially Determined Contribution | Contributions Recognized by Plan | Contribution Deficiency (Excess) | Covered Employee Payroll | Contribution as a Percentage of Payroll | Rate of Return |
|----------------------------|---|--|--|--------------------------------|---|-------------------|
| 6/30/2023 | \$ 534,285 | \$ 911,537 | \$ (377,252) | \$ 4,783,109 | 19.06% | 3.54% |
| 6/30/2022 | 956,558 | 5,500,260 | (4,543,702) | 3,957,131 | 139.00% | 2.16% |
| 6/30/2021 | 1,476,504 | 778,725 | 697,779 | 5,009,664 | 15.54% | 2.21% |
| 6/30/2020 | 1,029,396 | 784,124 | 245,272 | 4,759,353 | 16.48% | 3.51% |
| 6/30/2019 | 1,169,622 | 748,852 | 420,770 | 4,612,790 | 16.23% | 3.87% |
| 6/30/2018 | 1,169,622 | 713,293 | 456,329 | 4,350,000 | 16.40% | 3.00% |
| 6/30/2017 | 1,471,550 | 732,138 | 739,412 | 4,350,000 | 16.83% | 3.00% |

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: | |
| Effective July 1, 2022 | Entry Age Normal with 30-year open amortization period for the initial unfunded and subsequent actuarial gains /loses. |
| Through June 30, 2022 | Entry Age Normal with 30-year open amortization period for the unfunded liability |
| Asset Valuation Method: | Market Value |
| Investment Rate of Return: | Net of OPEB plan investment expense, including inflation - detailed by year above. |
| Retirement Age: | Varies |
| Mortality: | PUB-2011, "General" Classification, projected generationally with Scale MP-2021 <i>Refer to Schedule of Changes in Net OPEB Liability for prior years.</i> |

* 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, 2023

| Fiscal Year End Date | Annual Money-Weighted Rate of Return on Investments |
|----------------------------|--|
| 6/30/2023 | 0.54% |
| 6/30/2022 | -4.81% |
| 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, 2023

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, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 |
|--|-------------------------|-------------------------|-----------------------|----------------------------|----------------------------|----------------------------|
| <u>Schedule of Net OPEB Liability</u> | | | | | | |
| Measurement Date | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 |
| Percentage Proportion | 0.0105% | 0.0124% | 0.0129% | 0.0167% | 0.0221% | 0.0276% |
| Net OPEB Liability Share | \$ 898,292 | \$ 1,247,256 | \$ 1,347,483 | \$ 1,331,941 | \$ 1,812,358 | \$ 2,282,581 |
| Employer Covered Payroll | 231,749 | 256,895 | 279,587 | 357,909 | 459,368 | 493,985 |
| OPEB Liability as a Percentage of Covered | 387.61% | 485.51% | 481.95% | 372.15% | 394.53% | 349.06% |
| Plan's Fiduciary Net Position as a Percentage | | | | | | |
| of Total OPEB Liability | 6.43% | 6.06% | 4.27% | 4.89% | 4.44% | 4.13% |
| <u>Schedule of Contributions</u> | | | | | | |
| Required Contribution | \$ 21,970 | \$ 28,957 | \$ 33,025 | \$ 35,762 | \$ 42,004 | \$ 49,585 |
| Actual Contribution | 21,970 | 28,957 | 33,025 | 35,762 | 42,004 | 49,585 |
| Contribution Deficiency/(Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Employer Covered Payroll | \$ 135,327 | \$ 231,749 | \$ 256,895 | \$ 279,587 | \$ 357,909 | \$ 459,468 |
| Actual contribution as a percentage of covered payroll | 16.23% | 12.49% | 12.86% | 12.79% | 11.74% | 10.79% |
| <u>Notes to Required Supplementary Information</u> | | | | | | |
| Actuarial Valuation Date | June 30, 2021 | June 30, 2020 | 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 | entry age normal | entry age normal |
| Discount Rate | 3.54% | 2.16% | 2.21% | 3.50% | 3.87% | 3.58% |
| Healthcare Trend Rate | 5.17% | 5.50% | 5.60% | 6.60% | 6.80% | 7.00% |
| Mortality Rate | Pub-2010 General | Pub-2010 General | RP-2014 Total Dataset | RP-2014 Total Dataset | RP-2014 Total Dataset | RP-2014 Total Dataset |
| | Benefits Weighted | Benefits Weighted | Employee Mortality | Health Annuitant Mortality | Health Annuitant Mortality | Health Annuitant Mortality |
| | Annuity Mortality Table | Annuity Mortality Table | Table | Table | Table | Table |
| <u>Investment Allocation</u> | | | | | | |
| Domestic Equity | N/A | N/A | N/A | N/A | 20% - 80% | 36.70% |
| International Equity | N/A | N/A | N/A | N/A | 20% - 80% | 19.20% |
| Equity | 20% - 80% | 20% - 80% | 20% - 80% | 20% - 80% | N/A | N/A |
| Fixed Income | 20% - 80% | 20% - 80% | 20% - 80% | 20% - 80% | 20% - 80% | 38.10% |
| Cash and Equivalents * | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 6.00% |
| Alternative Investments | | | | | | |
| Illiquid Investments | 0% - 30% | 0% - 30% | 0% - 30% | 0% - 30% | N/A | N/A |
| Other Diversification Investments | 0% - 20% | 0% - 20% | 0% - 20% | 0% - 20% | N/A | N/A |
| <u>Investment Rate of Return</u> | | | | | | |
| Domestic Equity | 5.70% | 5.70% | 5.70% | 5.70% | 5.70% | 3.75% |
| International Equity | 5.70% | 5.70% | 5.70% | 5.70% | 5.70% | 3.75% |
| Fixed Income | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 3.75% |
| Cash and Equivalents | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Alternative Investments | 7.80% | 7.80% | 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, 2023

| | |
|---|------------------------------|
| EXPENSES | \$ 195,678,356 |
| PROGRAM REVENUE | |
| Charges for services | 14,649,166 |
| Operating grants and contributions | 186,781,629 |
| Capital grants and contributions | <u>692,453</u> |
| NET OPERATING REVENUE | <u>6,444,892</u> |
| GENERAL REVENUE | |
| Investment gains/(losses) and miscellaneous earnings | <u>4,560,094</u> |
| TOTAL GENERAL REVENUE | <u>4,560,094</u> |
| CHANGE IN NET POSITION | 11,004,986 |
| NET POSITION, BEGINNING | <u>633,972,861</u> |
| NET POSITION, ENDING | <u><u>\$ 644,977,847</u></u> |



DELAWARE STATE HOUSING AUTHORITY
BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

| | DELAWARE EMERGENCY MORTGAGE ASSISTANCE PROGRAM | DELAWARE HOUSING INSURANCE FUND | DELAWARE MORTGAGE MEDIATION PROGRAM | DSHA SECOND MORTGAGE ASSISTANCE LOAN PROGRAM | DELAWARE DEPARTMENT OF JUSTICE MORTGAGE SETTLEMENT FUND | HOUSING REHABILITATION LOAN PROGRAM | STRONG NEIGHBORHOODS HOUSING FUND |
|--------------------------------------|--|--|--|--|--|--|--|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 6,685,528 | \$ 31,885 | \$ - | \$ 7,385,068 | \$ 284,972 | | \$ 3,305,982 |
| Investments | 10,744,273 | - | 26,962 | - | - | - | 11,238,657 |
| Interfund receivables | 64,000 | - | - | 118 | - | - | - |
| Loans receivable: | | | | | | | |
| Mortgages receivable, net | 4,724,497 | - | - | 14,007,101 | - | 353,806 | - |
| Accrued interest & other receivables | 476,946 | - | - | 6,968,510 | - | 85,878 | - |
| TOTAL ASSETS | <u>\$ 22,695,244</u> | <u>\$ 31,885</u> | <u>\$ 26,962</u> | <u>\$ 28,360,797</u> | <u>\$ 284,972</u> | <u>\$ 439,684</u> | <u>\$ 14,544,639</u> |
| LIABILITIES & FUND BALANCES | | | | | | | |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Deferred credit | - | - | - | - | - | - | - |
| Interfund payables | 173 | 50 | - | 1,518 | - | - | - |
| Escrow deposits | 7,067 | - | - | - | - | - | - |
| TOTAL LIABILITIES | <u>7,240</u> | <u>50</u> | <u>-</u> | <u>1,518</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | | | | |
| Restricted | 22,688,004 | 31,835 | 26,962 | 28,359,279 | 284,972 | 439,684 | 14,544,639 |
| Assigned | - | - | - | - | - | - | - |
| TOTAL FUND BALANCES | <u>22,688,004</u> | <u>31,835</u> | <u>26,962</u> | <u>28,359,279</u> | <u>284,972</u> | <u>439,684</u> | <u>14,544,639</u> |
| TOTAL LIABILITIES & FUND BALANCES | <u>\$ 22,695,244</u> | <u>\$ 31,885</u> | <u>\$ 26,962</u> | <u>\$ 28,360,797</u> | <u>\$ 284,972</u> | <u>\$ 439,684</u> | <u>\$ 14,544,639</u> |

| HOME 4 GOOD PROGRAM | PRE DEVELOPMENT LOAN PROGRAM | NEIGHBOR- WORKS PROJECT REINVEST | WILMINGTON SENIOR TAX ASSISTANCE PROGRAM | STUDENT EMERGENCY ASSISTANCE | SUSTAINABLE ENERGY UTILITY LOAN FUND | DOWN PAYMENT ASSISTANCE PROGRAM | STATE SUPPLEMENTAL FUND | DSHA LAND BANK PROGRAM | TOTAL NONMAJOR GOVERNMENTAL FUNDS |
|------------------------------|---------------------------------------|---|--|------------------------------------|---|--|-------------------------------|---------------------------------|--|
| \$ 1,372,662 | \$ 475,302 | \$ 12,240 | \$ 19,643 | \$ 50 | \$ 709,728 | \$ - | \$ - | \$ 3,853,673 | \$ 24,136,733 |
| - | - | - | - | - | - | - | 200 | 50 | 22,010,142 |
| - | - | - | - | - | - | - | - | - | 64,118 |
| - | 21,198 | - | - | - | 1,301,637 | 117,000 | - | 1,146,377 | 21,671,616 |
| - | - | - | - | - | - | - | - | 5,732 | 7,537,066 |
| \$ 1,372,662 | \$ 496,500 | \$ 12,240 | \$ 19,643 | \$ 50 | \$ 2,011,365 | \$ 117,000 | \$ 200 | \$ 5,005,832 | \$ 75,419,675 |
| \$ - | \$ - | \$ - | \$ - | \$ - | 11,365 | \$ - | \$ - | \$ - | 11,365 |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | 50 | - | 117,000 | 200 | 100 | 119,091 |
| - | - | - | - | - | - | - | - | - | 7,067 |
| - | - | - | - | 50 | 11,365 | 117,000 | 200 | 100 | 137,523 |
| 1,372,662 | 496,500 | 12,240 | - | - | 2,000,000 | - | - | 5,005,732 | 75,262,509 |
| - | - | - | 19,643 | - | - | - | - | - | 19,643 |
| 1,372,662 | 496,500 | 12,240 | 19,643 | - | 2,000,000 | - | - | 5,005,732 | 75,282,152 |
| \$ 1,372,662 | \$ 496,500 | \$ 12,240 | \$ 19,643 | \$ 50 | \$ 2,011,365 | \$ 117,000 | \$ 200 | \$ 5,005,832 | \$ 75,419,675 |

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

| | DELAWARE EMERGENCY MORTGAGE ASSISTANCE PROGRAM | DELAWARE HOUSING INSURANCE FUND | DELAWARE MORTGAGE MEDIATION PROGRAM | DSHA SECOND MORTGAGE ASSISTANCE LOAN PROGRAM | DELAWARE DEPARTMENT OF JUSTICE MORTGAGE SETTLEMENT FUND | HOUSING REHABILITATION LOAN PROGRAM | STRONG NEIGHBORHOODS HOUSING FUND |
|---|--|--|--|--|--|--|--|
| REVENUES | | | | | | | |
| Interest income: | | | | | | | |
| Investments | \$ 60,045 | \$ - | \$ 359 | \$ - | \$ - | \$ - | \$ 180,258 |
| Loans | 93,882 | - | - | 703,548 | - | 16,975 | - |
| Total interest income | 153,927 | - | 359 | 703,548 | - | 16,975 | 180,258 |
| Payments from primary government | - | - | - | - | - | - | 4,000,000 |
| Gains/(losses) on investments | - | - | - | - | - | - | - |
| Fees | - | - | 59,100 | 1,375 | - | - | - |
| Other revenue | 1,828,621 | - | - | - | - | 6,053 | - |
| TOTAL REVENUES | 1,982,548 | - | 59,459 | 704,923 | - | 23,028 | 4,180,258 |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| Affordable rental housing | - | - | - | - | - | - | - |
| Community rehabilitation | - | - | - | - | - | - | 5,109,981 |
| Home ownership | 226,127 | - | 47,700 | 699,024 | 67,950 | - | - |
| Housing rehabilitation | - | - | - | - | - | 14,493 | - |
| TOTAL EXPENDITURES | 226,127 | - | 47,700 | 699,024 | 67,950 | 14,493 | 5,109,981 |
| EXCESS/(DEFICIT) REVENUE OVER EXPENDITURES | 1,756,421 | - | 11,759 | 5,899 | (67,950) | 8,535 | (929,723) |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Debt Proceeds | - | - | - | - | - | - | - |
| Transfers in | - | - | - | 80,350 | - | - | - |
| Transfers out | - | (309,770) | (7,362) | (3,492,257) | - | (80,250) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | (309,770) | (7,362) | (3,411,907) | - | (80,250) | - |
| NET CHANGE IN FUND BALANCES | 1,756,421 | (309,770) | 4,397 | (3,406,008) | (67,950) | (71,715) | (929,723) |
| FUND BALANCES, BEGINNING | 20,931,583 | 341,605 | 22,565 | 31,765,287 | 352,922 | 511,399 | 15,474,362 |
| FUND BALANCES, ENDING | \$ 22,688,004 | \$ 31,835 | \$ 26,962 | \$ 28,359,279 | \$ 284,972 | \$ 439,684 | \$ 14,544,639 |

| HOME 4 GOOD PROGRAM | PRE DEVELOPMENT LOAN PROGRAM | NEIGHBOR- WORKS PROJECT REINVEST | WILMINGTON SENIOR TAX ASSISTANCE PROGRAM | STUDENT EMERGENCY ASSISTANCE | SUSTAINABLE ENERGY UTILITY LOAN FUND | DOWN PAYMENT ASSISTANCE PROGRAM | STATE SUPPLEMENTAL FUND | DSHA LAND BANK PROGRAM | TOTAL NONMAJOR GOVERNMENTAL FUNDS |
|------------------------------|---------------------------------------|---|--|------------------------------------|---|--|-------------------------------|---------------------------------|--|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | 240,662 |
| - | - | - | - | - | - | - | - | 5,732 | 820,137 |
| - | - | - | - | - | - | - | - | 5,732 | 1,060,799 |
| - | - | - | - | - | - | - | - | - | 4,000,000 |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | 60,475 |
| 300,000 | - | - | - | - | - | - | - | - | 2,134,674 |
| 300,000 | - | - | - | - | - | - | - | 5,732 | 7,255,948 |
| 846,510 | - | - | - | - | - | - | - | - | 846,510 |
| - | - | - | - | 90,000 | - | - | - | - | 5,199,981 |
| - | - | - | - | - | - | - | - | - | 1,040,801 |
| - | - | - | - | - | - | - | - | - | 14,493 |
| 846,510 | - | - | - | 90,000 | - | - | - | - | 7,101,785 |
| (546,510) | - | - | - | (90,000) | - | - | - | 5,732 | 154,163 |
| - | - | - | - | - | 1,000,000 | - | - | - | 1,000,000 |
| 1,500,000 | - | - | - | - | - | - | - | 5,000,000 | 6,500,100 |
| (500,000) | - | - | - | - | - | - | - | - | (4,309,389) |
| 1,000,000 | - | - | - | - | 1,000,000 | - | - | 5,000,000 | 3,190,711 |
| 453,490 | - | - | - | (90,000) | 1,000,000 | - | - | 5,005,732 | 3,344,874 |
| 919,172 | 496,500 | 12,240 | 19,643 | 90,000 | 1,000,000 | - | - | - | 71,937,278 |
| \$ 1,372,662 | \$ 496,500 | \$ 12,240 | \$ 19,643 | \$ - | \$ 2,000,000 | \$ - | \$ - | \$ 5,005,732 | \$ 75,282,152 |

* Net of \$80,250 of transfers between non-major funds

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF NET POSITION - PROPRIETARY FUND - SUBFUNDS OF THE FEDERAL PROGRAMS ENTERPRISE FUND
JUNE 30, 2023

| | COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAMS | FAMILY UNIFICATION PROGRAM | HOME INVESTMENT PARTNERSHIP PROGRAM | HOUSING TRUST FUND | EMERGENCY RENTAL ASSISTANCE PROGRAM | MOVING TO WORK DEMONSTRATION PROGRAM | HOMEOWNER ASSISTANCE FUND |
|---|---|----------------------------------|--|--------------------------|--|---|---------------------------------|
| ASSETS | | | | | | | |
| Current Assets: | | | | | | | |
| Cash and cash equivalents | \$ 107,114 | \$ 106,408 | \$ 4,324 | \$ 84,041 | \$ 8,453,942 | \$ 5,767,525 | \$ 3,955,223 |
| Investments | - | - | 6,813,343 | - | 25,641,736 | 408,791 | 15,589,791 |
| Accrued interest and other receivables | 151 | - | - | 140,778 | 105,503 | 153,948 | 290,809 |
| Grants receivable-U.S. Dept of HUD | 1,935 | - | 9,961 | 3,556 | - | 2,800 | - |
| Interfund receivables | - | - | - | - | - | 58,505 | - |
| Prepaid expenses | - | 24,102 | - | - | - | 406,407 | - |
| Total current assets | 109,200 | 130,510 | 6,827,628 | 228,375 | 34,201,181 | 6,797,976 | 19,835,823 |
| Non-Current Assets: | | | | | | | |
| Cash, restricted for payment of escrows | - | 101,225 | - | - | - | 1,812,379 | - |
| Investments | - | - | 7,708,281 | 32,635 | - | - | - |
| Mortgages receivable, net | - | - | 59,252,442 | 9,552,795 | - | - | - |
| Accrued interest and other receivables, net | - | - | 13,209,564 | - | - | - | - |
| Interfund receivables | 29,946 | - | - | - | - | - | - |
| Capital assets not being depreciated | - | - | - | - | - | 976,077 | - |
| Capital assets net of accumulated depreciation | - | - | - | - | 215,850 | 3,479,577 | 116,982 |
| Total non-current assets | 29,946 | 101,225 | 80,170,287 | 9,585,430 | 215,850 | 6,268,033 | 116,982 |
| TOTAL ASSETS | 139,146 | 231,735 | 86,997,915 | 9,813,805 | 34,417,031 | 13,066,009 | 19,952,805 |
| LIABILITIES | | | | | | | |
| Current Liabilities: | | | | | | | |
| Accounts payable | 10,048 | - | 20,278 | 5,164 | 477,210 | 509,925 | 947,966 |
| Unearned Revenue | - | - | - | - | 34,774,584 | - | 18,886,463 |
| Due St of Delaware-pension costs | - | - | - | - | - | - | - |
| Interfund payables | 16,300 | - | 3,600 | 4,200 | - | 33,269 | 18,856 |
| Lease payable | - | - | - | - | - | 83,044 | - |
| Subscription Payable | - | - | - | - | 164,432 | - | 99,606 |
| Compensated absences payable | 2,973 | - | 2,917 | 1,431 | - | 20,249 | 4,153 |
| Total current liabilities | 29,321 | - | 26,795 | 10,795 | 35,416,226 | 646,487 | 19,957,044 |
| Non-Current Liabilities: | | | | | | | |
| Interfund payables | - | 30,000 | 128,617 | 105,894 | - | 505,050 | - |
| Lease payable | - | - | - | - | - | 268,583 | - |
| Subscription Payable | - | - | - | - | - | - | - |
| Compensated absences payable | 30,900 | - | 19,577 | 7,118 | 7,135 | 225,739 | - |
| Escrow deposits | 75,000 | 101,225 | 7,708,281 | 32,635 | - | 1,870,136 | - |
| Total non-current liabilities | 105,900 | 131,225 | 7,856,475 | 145,647 | 7,135 | 2,869,508 | - |
| TOTAL LIABILITIES | 135,221 | 131,225 | 7,883,270 | 156,442 | 35,423,361 | 3,515,995 | 19,957,044 |
| NET POSITION | | | | | | | |
| Invested in capital assets | - | - | - | - | 51,418 | 4,104,027 | 17,376 |
| Restricted by federal regulations | 3,925 | 100,510 | 79,114,645 | 9,657,363 | - | 5,445,987 | - |
| Unrestricted | - | - | - | - | (1,057,748) | - | (21,615) |
| TOTAL NET POSITION | \$ 3,925 | \$ 100,510 | \$ 79,114,645 | \$ 9,657,363 | \$ (1,006,330) | \$ 9,550,014 | \$ (4,239) |

| EMERGENCY 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 | COMMUNITY REINVESTMENT FUND | AMERICAN RESCUE PLAN ACT | TOTAL FEDERAL PROGRAMS |
|--|--|--|--|---|-----------------------------------|-----------------------------------|------------------------------|
| \$ 85,254 | \$ 3,088 | \$ 999,409 | \$ 49,997 | \$ 21,979 | \$ 50 | \$ 9,028,724 | \$ 28,667,078 |
| - | - | - | - | - | 62 | 130,434 | 48,584,157 |
| - | - | - | 67 | - | - | - | 691,256 |
| - | - | 247,884 | - | 1,861 | - | - | 267,997 |
| - | - | - | - | - | - | - | 58,505 |
| 9,188 | - | 3,380,724 | 48,821 | 66,260 | - | - | 3,935,502 |
| 94,442 | 3,088 | 4,628,017 | 98,885 | 90,100 | 112 | 9,159,158 | 82,204,495 |
| - | - | - | - | - | - | - | 1,913,604 |
| - | - | - | - | - | - | - | 7,740,916 |
| - | - | - | - | - | - | - | 68,805,237 |
| - | - | - | - | - | - | - | 13,209,564 |
| - | - | - | - | - | - | - | 29,946 |
| - | - | - | - | - | - | - | 976,077 |
| - | - | - | - | - | - | - | 3,812,409 |
| - | - | - | - | - | - | - | 96,487,753 |
| 94,442 | 3,088 | 4,628,017 | 98,885 | 90,100 | 112 | 9,159,158 | 178,692,248 |
| - | - | 39,952 | 3,276 | - | - | - | 2,013,819 |
| 69,442 | - | - | - | - | - | 9,152,776 | 62,883,265 |
| - | - | - | - | - | - | - | - |
| - | - | 250,000 | - | - | - | 698 | 326,923 |
| - | - | - | - | - | - | - | 83,044 |
| - | - | - | - | - | - | - | 264,038 |
| - | - | 4,154 | - | - | - | - | 35,877 |
| 69,442 | - | 294,106 | 3,276 | - | - | 9,153,474 | 65,606,966 |
| 25,000 | 50 | 3,200,000 | 100,050 | 90,100 | 50 | 500 | 4,185,311 |
| - | - | - | - | - | - | - | 268,583 |
| - | - | - | - | - | - | - | - |
| - | - | 95,346 | - | - | - | - | 385,815 |
| - | - | - | - | - | - | - | 9,787,277 |
| 25,000 | 50 | 3,295,346 | 100,050 | 90,100 | 50 | 500 | 14,626,986 |
| 94,442 | 50 | 3,589,452 | 103,326 | 90,100 | 50 | 9,153,974 | 80,233,952 |
| - | - | - | - | - | - | - | 4,172,821 |
| - | 3,038 | 1,038,565 | - | - | 62 | 5,184 | 95,369,279 |
| - | - | - | (4,441) | - | - | - | (1,083,804) |
| \$ - | \$ 3,038 | \$ 1,038,565 | \$ (4,441) | \$ - | \$ 62 | \$ 5,184 | \$ 98,458,296 |

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, 2023

| | COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAMS | FAMILY UNIFICATION PROGRAM | HOME INVESTMENT PARTNERSHIP PROGRAM | HOUSING TRUST FUND | EMERGENCY RENTAL ASSISTANCE PROGRAM | MOVING TO WORK DEMONSTRATION PROGRAM | HOMEOWNER ASSISTANCE FUND |
|--|---|----------------------------------|--|--------------------------|--|---|---------------------------------|
| OPERATING REVENUES | | | | | | | |
| Interest income on loans | \$ - | \$ - | \$ 540,756 | \$ 106,890 | \$ - | \$ - | \$ - |
| Federal housing program grants | 5,814,753 | 342,600 | 1,272,841 | 3,290,595 | 58,726,876 | 11,359,573 | 30,765,327 |
| Rental income | - | - | - | - | - | 619,457 | - |
| Miscellaneous | (6,044) | - | 13,126 | - | - | 625,886 | - |
| TOTAL OPERATING REVENUES | 5,808,709 | 342,600 | 1,826,723 | 3,397,485 | 58,726,876 | 12,604,916 | 30,765,327 |
| OPERATING EXPENSES | | | | | | | |
| Administrative | 475,372 | - | 596,328 | 407,494 | 7,865,260 | 3,230,361 | 4,493,995 |
| Grants and housing assistance payments | 5,328,479 | 329,753 | 1,074,647 | - | 51,479,610 | 7,234,443 | 26,146,562 |
| Public housing maintenance & utilities | - | - | - | - | - | 1,882,394 | - |
| Depreciation & Amortization | - | - | - | - | 198,582 | 738,223 | 107,624 |
| TOTAL OPERATING EXPENSES | 5,803,851 | 329,753 | 1,670,975 | 407,494 | 59,543,452 | 13,085,421 | 30,748,181 |
| OPERATING INCOME/(LOSS) | 4,858 | 12,847 | 155,748 | 2,989,991 | (816,576) | (480,505) | 17,146 |
| NON-OPERATING INCOME/(EXPENSES) | | | | | | | |
| Investment income | - | - | 80,245 | - | 183,950 | 4,860 | 500 |
| Interest Expense | - | - | - | - | (7,361) | (18,896) | (4,459) |
| Gain/(Loss) on Disposal of Property | - | - | - | - | - | - | - |
| TOTAL NON-OPERATING INCOME/EXPENSES) | - | - | 80,245 | - | 176,589 | (14,036) | (3,959) |
| INCOME/(LOSS) BEFORE CAPITAL GRANTS AND OPERATING TRANSFERS | 4,858 | 12,847 | 235,993 | 2,989,991 | (639,987) | (494,541) | 13,187 |
| Capital grants and contributions | - | - | - | - | - | 692,453 | - |
| Transfers in | - | - | - | - | 517,940 | - | - |
| Transfers out | - | - | - | - | - | - | (17,940) |
| CHANGE IN NET POSITION | 4,858 | 12,847 | 235,993 | 2,989,991 | (122,047) | 197,912 | (4,753) |
| NET POSITION, BEGINNING | (933) | 87,663 | 78,878,652 | 6,667,372 | (884,283) | 9,352,102 | 514 |
| NET POSITION, ENDING | \$ 3,925 | \$ 100,510 | \$ 79,114,645 | \$ 9,657,363 | \$ (1,006,330) | \$ 9,550,014 | \$ (4,239) |

| 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 | COMMUNITY REINVESTMENT FUND | AMERICAN RESCUE PLAN ACT | TOTAL FEDERAL PROGRAMS |
|--|--|---|--|---|-----------------------------------|--------------------------------|------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 647,646 |
| 104,558 | - | 43,704,290 | 552,137 | 803,105 | - | 1,192,224 | 157,928,879 |
| - | - | - | - | - | - | - | 619,457 |
| - | - | - | - | 1,248 | - | - | 634,216 |
| 104,558 | - | 43,704,290 | 552,137 | 804,353 | - | 1,192,224 | 159,830,198 |
| - | - | 1,540,826 | 68,419 | - | - | - | 18,678,055 |
| 104,558 | - | 42,206,207 | 520,552 | 803,105 | - | 1,192,224 | 136,420,140 |
| - | - | - | - | - | - | - | 1,882,394 |
| - | - | - | - | - | - | - | 1,044,429 |
| 104,558 | - | 43,747,033 | 588,971 | 803,105 | - | 1,192,224 | 158,025,018 |
| - | - | (42,743) | (36,834) | 1,248 | - | - | 1,805,180 |
| - | - | - | - | - | - | 5,184 | 274,739 |
| - | - | - | - | - | - | - | (30,716) |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 5,184 | 244,023 |
| - | - | (42,743) | (36,834) | 1,248 | - | 5,184 | 2,049,203 |
| - | - | - | - | - | - | - | 692,453 |
| - | - | - | - | - | - | - | 500,000 |
| - | - | - | - | - | - | - | - |
| - | - | (42,743) | (36,834) | 1,248 | - | 5,184 | 3,241,656 |
| - | 3,038 | 1,081,308 | 32,393 | (1,248) | 62 | - | 95,216,640 |
| \$ - | \$ 3,038 | \$ 1,038,565 | \$ (4,441) | \$ - | \$ 62 | \$ 5,184 | \$ 98,458,296 |

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF NET POSITION - PROPRIETARY FUND - SUBFUNDS OF THE SINGLE FAMILY
PROGRAM ENTERPRISE FUND
JUNE 30, 2023

| | SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2007D-2018A | DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM | TOTAL SINGLE FAMILY PROGRAMS |
|---|---|---|------------------------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 12,368 | \$ 6,533,263 | \$ 6,545,631 |
| Investments | 106,477 | 26,232,122 | 26,338,599 |
| Accrued interest and other receivables | 1,245 | 153,149 | 154,394 |
| Total current assets | 120,090 | 32,918,534 | 33,038,624 |
| Non-Current Assets: | | | |
| Investments | - | 9,517,755 | 9,517,755 |
| Securitized mortgage loans, net | 21,582,036 | - | 21,582,036 |
| Mortgage loan receivable, net | - | - | - |
| Accrued interest and other receivables | 70,327 | - | 70,327 |
| Total non-current assets | 21,652,363 | 9,517,755 | 31,170,118 |
| TOTAL ASSETS | 21,772,453 | 42,436,289 | 64,208,742 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable | 5,000 | 69 | 5,069 |
| Interfund payables | - | 35,730 | 35,730 |
| Total current liabilities | 5,000 | 35,799 | 40,799 |
| Non-Current Liabilities: | | | |
| Revenue bonds payable | 21,275,568 | - | 21,275,568 |
| Total non-current liabilities | 21,275,568 | - | 21,275,568 |
| TOTAL LIABILITIES | 21,280,568 | 35,799 | 21,316,367 |
| DEFERRED INFLOW OF RESOURCES | | | |
| Deferred amount on bond refunding | 1,575,795 | - | 1,575,795 |
| TOTAL DEFERRED INFLOW OF RESOURCES | 1,575,795 | - | 1,575,795 |
| NET POSITION | | | |
| Restricted by bond covenants | | 42,400,490 | 42,400,490 |
| Unrestricted | (1,083,910) | - | (1,083,910) |
| TOTAL NET POSITION | \$ (1,083,910) | \$ 42,400,490 | \$ 41,316,580 |

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, 2023

| | SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2007D-2018A | DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM | TOTAL SINGLE FAMILY PROGRAMS |
|--|---|---|------------------------------------|
| OPERATING REVENUES | | | |
| Interest income on loans | \$ 874,805 | \$ - | \$ 874,805 |
| Amortization of deferred revenues | 105,056 | - | 105,056 |
| Miscellaneous | - | 110,629 | 110,629 |
| TOTAL OPERATING REVENUES | 979,861 | 110,629 | 1,090,490 |
| OPERATING EXPENSES | | | |
| Interest expense on bonds | 652,385 | - | 652,385 |
| Administrative | - | 7,813 | 7,813 |
| Loan servicing fees | - | - | - |
| Amortization of deferred expenses | - | - | - |
| Other expenses | 14,999 | - | 14,999 |
| TOTAL OPERATING EXPENSES | 667,384 | 7,813 | 675,197 |
| OPERATING INCOME/(LOSS) | 312,477 | 102,816 | 415,293 |
| NON-OPERATING INCOME/(EXPENSES) | | | |
| Investment income | 1,544 | 3,363,836 | 3,365,380 |
| Change in fair value of investments | (830,663) | (222,489) | (1,053,152) |
| TOTAL NON-OPERATING INCOME/(EXPENSES) | (829,119) | 3,141,347 | 2,312,228 |
| INCOME/(LOSS) BEFORE OPERATING TRANSFERS | (516,642) | 3,244,163 | 2,727,521 |
| Transfers in | - | 959,430 | 959,430 |
| Transfers out | (400,664) | (677,899) | (1,078,563) |
| CHANGE IN NET POSITION | (917,306) | 3,525,694 | 2,608,388 |
| NET POSITION, BEGINNING | (166,604) | 38,874,796 | 38,708,192 |
| NET POSITION, ENDING | \$ (1,083,910) | \$ 42,400,490 | \$ 41,316,580 |

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE
FOR THE YEAR ENDED JUNE 30, 2023

The details of and changes in the Authority's mortgage revenue bonds during the Year Ended June 30, 2023 are as follows:

| Bond Issue | Interest Rate | Final Maturity Date | Bonds Outstanding June 30, 2022 | Called | Bonds Outstanding June 30, 2023 |
|--|---------------|---------------------|---------------------------------|----------------|---------------------------------|
| Single Family Mortgage Revenue Bonds 2013 Series A | 2.60% | 2043 | \$ 14,699,086 | \$ (1,229,056) | \$ 13,470,030 |
| Single Family Mortgage Revenue Bonds 2018 Series A | 3.48% | 2048 | 8,917,726 | (937,125) | 7,980,601 |
| TOTAL | | | \$ 23,616,812 | \$ (2,166,181) | \$ 21,450,631 |

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, 2023

ANNUAL CONTRIBUTIONS CONTRACT P-4520

| | PROJECT NUMBER | | | TOTAL |
|---------------------------------------|----------------------|----------------------|----------------------|--------------|
| | DE26-P004- 501.20 | DE26-P004- 501.21 | DE26-P004- 501.22 | |
| Funds advanced | \$ 1,043,413 | \$ 213,341 | \$ 71,954 | \$ 1,328,708 |
| Management improvements | 404,795 | - | - | 404,795 |
| Site improvements | 498,574 | 89,268 | - | 587,842 |
| Dwelling structures | - | - | - | - |
| Dwelling equipment - nonexpendable | - | - | - | - |
| Nondwelling structures/equipment | - | - | - | - |
| Administration | 140,044 | 124,073 | 71,954 | 336,071 |
| Fees and costs | - | - | - | - |
| Funds expended | 1,043,413 | 213,341 | 71,954 | 1,328,708 |
| 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 supplemental 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





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

To the Delaware State Housing Authority
Dover, Delaware

We have audited, in accordance with the 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, 2023, and the related notes to the financial statements, which collectively comprise DSHA's basic financial statements, and have issued our report thereon dated December 28, 2023.

Report on 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 second paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as Findings 2023-001 and 2023-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether DSHA's financial statements are free from 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 items 2023-03.

DSHA's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on DSHA's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. DSHA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

December 28, 2023
Wilmington, Delaware

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

FINANCIAL STATEMENT FINDINGS

Reference Number: 2023-001

Type of Finding: Significant Deficiency

Department of Finance - Financial Reporting Close Process

Condition: We found seven misstatements of the financial statement balances requiring material adjusting journal entries. Adjustments were made to the Housing Development Fund and Federal Programs Enterprise Fund. These adjustments should have been made during DSHA's year-end financial close process, but were required as a result of our audit procedures. The six material adjusting journal entries are decreased assets \$44,302,022, decreased liabilities \$43,424,899, decreased revenue \$1,075,266, and decreased expenses \$198,143. These entries were to remove unearned receivables and the related unearned revenue, to correct errors that arose from implementing a new loan service module, to establish loan loss allowances, to adjust interest forgiveness due to loan modifications, and to adjust Federal Programs Enterprise Fund revenue and related unearned revenue to actual and to correctly report federal revenue and deferred revenue.

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 DSHA's financial statements.

Cause: While DSHA's financial closing procedures captured most of the necessary closing journal entries, the procedures did not detect certain unusual balances.

During the year ended June 30, 2023, DSHA's ERP system loan servicing module was updated. This update unexpectedly changed certain functionality and, as a result, DSHA encountered additional unexpectedly complex reconciliations of loan related activity and balances.

During the year ended June 30, 2023, certain projects financed by DHSA experienced unexpected deterioration resulting in foreclosure that was not timely communicated internally.

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, DSHA 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,

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
JUNE 30, 2023

FINANCIAL STATEMENT FINDINGS - CONTINUED

Reference Number: 2023-001 - Continued

Recommendation - Continued: 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.

Reference Number: 2023-002

Type of Finding: Significant Deficiency

Department of Finance - Financial Reporting - Federal Data Submission

Condition: During the performance of agreed-upon procedures on DSHA's Financial Data Submission to the U.S. Department of Housing and Urban Development Real Estate Assessment Center (REAC) for the year ended June 30, 2022, we found material adjustments needed to the financial data schedule to present it without material misstatement in relation to the audited basic financial statements taken as a whole.

Criteria: DSHA's Financial Data Submission should be reconciled to the audited basic financial statements in all material respects.

Cause: DSHA has experienced turnover in the Financial Analysis and Reporting Section which resulted in delays updating DSHA's financial reporting module to support the timely and accurate preparation of the federal data submission.

Effect: Material adjustments, discovered by the auditors during the course of fieldwork, were required to be made to the financial data schedule.

Recommendation: We recommend DSHA review its processes to ensure that its financial reporting module is updated timely and accurately.

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, 2023

Reference Number: 2023-003

Type of Finding: Significant Deficiency

Internal Control Over Compliance - United States Emergency Rental Assistance Program

Condition: During audit testing of the ERA program, we found two assistance processing errors resulting in overpayments of \$7,090 in a sample of 40 assistance applications totaling \$198,909. We found two applicants that received assistance in excess of the maximum allowed by the ERA federal regulations.

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

Cause: Weaknesses in the design, implementation, and operation of internal controls over compliance allowed application processing errors to occur and not be detected.

Effect: DSHA's control weaknesses in the ERA Program resulted in application processing errors which caused overpayment of rental assistance during the year ended June 30, 2023. DSHA's internal controls were insufficient to allow management or employees to identify noncompliance with the provisions of laws, regulations, contracts, and grant agreements relating to the ERA Program in a timely manner.

Recommendation: We recommend DSHA review the design and implementation of internal controls 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, 2023

Financial Statement Finding 2023-001 - 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 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 2024 Fiscal Year and will remain in effect going forward.

Responsible Official: Annette Miller, Director of Financial Management

Financial Statement Finding 2023-002 - Financial Reporting - Federal Data Submission
Corrective Action Plan:

We have engaged an outside accounting firm that specializes in HUD reporting to assist with the FY23 Audited submission. Additionally, DSHA is continually updating and maintaining its report structures to properly prepare the report. Lastly, the outside accounting firm will also explain the reporting process to the staff member that handles the FDS reporting to HUD REAC.

Responsible Official: Annette Miller, Director of Financial Management.

Financial Statement Finding 2023-03 - Internal Control Over Compliance - United States Emergency Rental Assistance
Corrective Action Plan:

Under ERA statute, qualifying households can receive up to 15 months of rental and utilities assistance through the first iteration of the program (ERA 1), and up to 18 months of rental and utilities assistance through the second iteration of the program (ERA 2). UST requires local entities that administer the ERA Program to perform due diligence to identify households that may have received more than the maximum allowable 18 months of assistance, and to attempt to recoup excess funds disbursed when this is determined to be the case.

DELAWARE STATE HOUSING AUTHORITY
RESPONSE TO SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CORRECTIVE ACTION PLAN - CONTINUED
JUNE 30, 2023

DSHA ERA Program staff began working with a third party contractor in December 2022 to develop and execute a recoupment plan that might satisfy UST's expectations with regard to due diligence. This analysis focused on the following subsets of cases:

- Cases that were processed in the previous application environment (Allita 360) and paid through MITAS, but migrated into the new application environment introduced in August 2021 (Delaware Rent Relief) showing \$0 paid on the initial cases.
- Households that recertified for additional ERA assistance more than four (4) times, suggesting they may have received an overage.
- Households who received more than the maximum allowable amount of \$36,000 in a single assistance case.
- Households who received more than \$10,000 in assistance on the second or third case submitted, suggesting they may have received an overage.
- Households who received assistance from ERA where the landlord also received assistance as a borrower through HAF.
- Households who were assigned a higher risk level (4, 5, or 6) through DSHA's fraud detection processes, but ultimately went on to receive ERA assistance.
- Households who do not reside in Delaware.
- Households identified as requiring more intensive review on a case-by-case basis (e.g. landlord received a 1099- MISC form in error).

Where the analysis concluded that households indeed received more than the maximum allowable amount of 18 months of assistance, or that applications had been approved but did not meet all ERA program eligibility requirements, third party contractor staff conducted three rounds of outreach to payees, each consisting of a phone call, an email, and a letter sent via postal mail. Payees were notified that they had received payments that were not eligible under ERA and were directed to return funds to DSHA. Outreach attempts began in May 2023, and concluded in August 2023. These efforts resulted in \$220,543.44 being returned to DSHA as of January 1, 2024. Cases that were investigated and determined to suggest evidence of waste, fraud, or abuse of the ERA Program are being referred to local law enforcement for further investigation and resolution.

Responsible Official: Devon Manning, Director of Policy and Planning.

DELAWARE STATE HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2023

FINANCIAL STATEMENT FINDINGS

Reference Number: 2022-001

Type of Finding: Significant Deficiency

Department of Finance - Financial Reporting Close Process

Condition: We found four misstatements of the financial statement balances requiring material adjusting journal entries to the Downtown Development Districts Fund, the Federal Programs Enterprise Fund, and the Nonmajor Governmental Funds. These adjustments should have been made during DSHA's year-end financial close process, but were required as a result of our audit procedures. The four material adjusting journal entries increased assets \$3,264,870, decreased liabilities \$5,605,041, increased revenue \$8,869,911, and resulted in the recording of an internal transfer of \$500,000. These entries were to adjust HOME interest receivable allowance, remove a payable recorded twice, to record an internal transfer, and correctly record revenue.

We found four additional misstatements requiring material adjusting journal entries to the Federal Programs Enterprise Fund. The four adjusting journal entries increased assets \$431,956, increased liabilities \$1,332,378, decreased revenue \$745,528, and increased expense \$154,894. These entries were to record a lease, as required by GASBS No. 87, *Leases*, to correct revenue and deferred revenue, and to correct administrative fees charged to a federal program.

The financial reporting module of DSHA's accounting software was not timely updated to support the preparation of the audited financial statements

Recommendation: We recommend DSHA enhance its financial closing procedures. As part of the process, DSHA 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.

We recommend DSHA review their processes to ensure DSHA's financial reporting module is updated timely and accurately.

Current Status: A similar condition was noted during the June 30, 2023 audit. See finding 2023-001.

DELAWARE STATE HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED
JUNE 30, 2023

FINANCIAL STATEMENT FINDINGS - CONTINUED

Reference Number: 2022-002

Type of Finding: Significant Deficiency

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 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 totaling approximately \$904,000 that occurred during the period of May 1, 2021 through September 30, 2021.

DSHA's design 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 significant deficiency:

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

Recommendation: We recommend DSHA complete its analysis of identifying payment errors that occurred in the ERA program and remediating the errors as required by the U.S. Treasury.

Current Status: No instances noted during the June 30, 2023 audit.

DELAWARE STATE HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED
JUNE 30, 2023

FINANCIAL STATEMENT FINDINGS - CONTINUED

Reference Number: 2022-003

Type of Finding: Significant Deficiency

Department of Finance - Financial Reporting - Federal Data Submission

Condition: During the performance of agreed-upon procedures on DSHA's Financial Data Submission to the U.S. Department of Housing and Urban Development Real Estate Assessment Center (REAC), we found material adjustments needed to the financial data schedule to present it without material misstatement in relation to the audited basic financial statements taken as a whole.

Recommendation: We recommend DSHA review its processes to ensure that its financial reporting module is updated timely and accurately.

Current Status: A similar condition was noted during the June 30, 2023 audit. See finding 2023-002.

Reference Number: 2022-004

Type of Finding: Significant Deficiency

Internal Control Over Compliance - United States Emergency Rental Assistance Program

Condition: During audit testing of the ERA program for the period from October 1, 2021 through June 30, 2022, we found three assistance processing errors resulting in overpayments of \$9,125 in a sample of 40 assistance applications totaling \$243,184. We found two applicants that received assistance in excess of the maximum allowed by the ERA federal regulations and one applicant whose security deposit was in excess of one month's rent which was also a violation of the ERA federal regulations.

Recommendation: We recommend DSHA review the design and implementation of internal controls to address the identified weaknesses in internal control.

Current Status: A similar condition was noted during the June 30, 2023 audit. See finding 2023-003.