

**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, 2011**

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

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INDEPENDENT AUDITOR'S REPORT

September 28, 2011

To the Delaware State Housing Authority
Dover, Delaware

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Delaware State Housing Authority (the Authority), a component unit of the State of Delaware, as of and for the Year Ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Authority's 2010 financial statements and, in our report dated September 28, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Delaware State Housing Authority, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report on pages 79 and 80 dated September 28, 2011 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and schedule of funding progress on pages 3 through 10 and page 53 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The other supplementary information listed in the table of contents and the Supplemental Statement of Public Housing Actual Modernization Capital Fund Grant Costs are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations," and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Management's Discussion and Analysis

The Delaware State Housing Authority (the Authority), a component unit of the State of Delaware, is a public corporation whose Director is appointed by and reports directly to the Governor of the State. The Authority's functions are to provide home ownership, affordable rental housing, and both housing and community rehabilitation assistance. Funding for the home ownership program is derived from the issuance of single family mortgage revenue bonds. The affordable rental housing programs are supported through our multi-family revenue bond issuance, Federal grant funds from the U.S. Department of Housing and Urban Development (US Dept of HUD), and the State Housing Development Fund. Housing rehabilitation is also funded through the State sponsored Housing Development Fund. Community rehabilitation is provided through grants from US Dept of HUD.

As management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the Fiscal Year Ended June 30, 2011. The Authority's Management's Discussion and Analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual fund issues or concerns.

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

Financial Highlights

- The Authority's assets exceeded liabilities at the close of the fiscal year by \$339,656,332 (net assets).
- Unrestricted net assets totaled \$29,362,535. This amount is dedicated to the Authority's operations, pursuant to Title 31, Chapter 40 of the Delaware Code and the Authority's bond resolutions. A General Fund cash and investment balance of \$20,905,810 contributes to this unrestricted net asset total.
- The Authority's total net assets increased by \$12,379,396. Governmental activities increased by \$10,619,566, while business-type activities increased by \$1,759,830. The two most significant factors contributing to the increase were the appropriation from the State of Delaware to the Housing Development Fund in the amount of \$8,570,000 for the purpose of making loans and grants to meet affordable housing needs and the receipt of \$1,012,073 in federal grant funds for capital asset improvements.
- At the close of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$229,975,332, an increase of \$9,848,870 in comparison with the prior year. Approximately 3.0 percent of this total amount, \$6,780,939, is available for spending at the Authority's discretion (General Fund unassigned fund balance).
- The Authority's total debt, excluding compensated absences, decreased by \$65,560,405 (6.8 percent) during the Fiscal Year 2011. The General Fund's debt decreased by \$851,914 with the payment of a note payable to the Federal Home Loan Bank of Pittsburgh. The Single Family Programs issued new revenue bond debt of \$85,000,000 during the fiscal year. This amount was offset by scheduled maturities of \$5,485,000, bond calls of \$213,787,682, primarily the result of mortgage prepayments experienced by the Single Family and Multi-Family Programs, and \$(94,915) representing the net of accretion on capital appreciation bonds, deferred amounts on refunding, and bond forgiveness. The Single Family Program's debt also increased by a note payable to the Federal Home Loan Bank of Pittsburgh in the amount of \$69,719,671. The Multi-Family Program's debt also decreased by \$250,395 with the payment of a note to the State of Delaware.
- The American Recovery and Reinvestment Act of 2009 (ARRA), created to help the economy and increase employment, provided the Authority with \$18.9 million during Fiscal Year 2010 and an additional \$12.3 million during Fiscal Year 2011. This increased funding was used to make capital improvements to public housing sites, provide additional resources to the Community Development Block Grant Program, and fund a new program for homeless prevention. ARRA also created the Housing Tax Credit Assistance Program which, along with additional funding for exchanging unused low income housing tax credits for cash through the IRS, was used in the financing of low income housing development projects.

Overview of the Financial Statements

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

Entity-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

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

Notes to the Financial Statements

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

Other Information

This report contains certain individual fund, program, and bond financial schedules on pages 57-75. Also contained in this report is the Authority's Single Audit Supplement, pages 79-87 in compliance with U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Nonprofit Organizations.

Entity-wide Financial Analysis

Delaware Housing Authority's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Noncapital assets	\$ 254,420,234	\$ 241,789,149	\$ 1,000,769,499	\$ 1,063,351,410	\$ 1,255,189,733	\$ 1,305,140,559
Capital assets	1,805,992	1,874,037	17,772,410	18,331,922	19,578,402	20,205,959
Total assets	<u>256,226,226</u>	<u>243,663,186</u>	<u>1,018,541,909</u>	<u>1,081,683,332</u>	<u>1,274,768,135</u>	<u>1,325,346,518</u>
Long-term liabilities outstanding	24,659,105	21,787,320	721,403,381	805,381,214	746,062,486	827,168,534
Other liabilities	372,172	1,300,483	188,677,145	169,600,565	189,049,317	170,901,048
Total liabilities	<u>25,031,277</u>	<u>23,087,803</u>	<u>910,080,526</u>	<u>974,981,779</u>	<u>935,111,803</u>	<u>998,069,582</u>
Net assets:						
Invested in capital assets	1,805,992	1,874,037	17,772,410	18,331,922	19,578,402	20,205,959
Restricted	200,026,422	190,663,275	90,688,973	88,369,631	290,715,395	279,032,906
Unrestricted	29,362,535	28,038,071	-	-	29,362,535	28,038,071
Total net assets	<u>\$ 231,194,949</u>	<u>\$ 220,575,383</u>	<u>\$ 108,461,383</u>	<u>\$ 106,701,553</u>	<u>\$ 339,656,332</u>	<u>\$ 327,276,936</u>

Delaware State Housing Authority's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 7,472,610	\$ 6,832,212	\$ 45,018,553	\$ 54,597,823	\$ 52,491,163	\$ 61,430,035
Operating grants & contributions	9,070,000	6,895,000	70,131,428	76,725,673	79,201,428	83,620,673
Capital grants & contributions	-	-	1,012,073	1,370,562	1,012,073	1,370,562
General revenues, principally						
Investment income	1,337,216	1,014,151	3,210,813	5,086,994	4,548,029	6,101,145
Total revenues	17,879,826	14,741,363	119,372,867	137,781,052	137,252,693	152,522,415
Expenses:						
Administrative	6,107,771	5,606,080	-	-	6,107,771	5,606,080
Home ownership	746,360	425,890	43,253,331	53,560,371	43,999,691	53,986,261
Affordable rental housing	3,846,334	2,658,675	62,545,462	60,043,053	66,391,796	62,701,728
Housing rehabilitation	56,966	66,632	-	-	56,966	66,632
Community rehabilitation	-	-	8,317,073	12,870,460	8,317,073	12,870,460
Total expenses	10,757,431	8,757,277	114,115,866	126,473,884	124,873,297	135,231,161
Change in net assets before transfers	7,122,395	5,984,086	5,257,001	11,307,168	12,379,396	17,291,254
Transfers	3,497,171	1,445,837	(3,497,171)	(1,445,837)	-	-
Changes in net assets	10,619,566	7,429,923	1,759,830	9,861,331	12,379,396	17,291,254
Net assets, beginning	220,575,383	213,145,460	106,701,553	96,840,222	327,276,936	309,985,682
Net assets, ending	\$ 231,194,949	\$ 220,575,383	\$ 108,461,383	\$ 106,701,553	\$ 339,656,332	\$ 327,276,936

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Authority's assets exceeded its liabilities by \$339,656,332 at the close of the fiscal year.

Of the Authority's total assets, 71.1 percent represent mortgage loans outstanding. Cash and investments comprise 23.0 percent of the total assets, while other noncapital assets make up 4.4 percent of total assets. Investment in capital assets accounts for 1.5 percent of total assets. Of the Authority's total liabilities, 88.7 percent consists of revenue bonds payable. Notes payable represent 7.5 percent and escrow deposits represent 3.4 percent of total liabilities, with miscellaneous liabilities comprising 0.4 percent of total liabilities.

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

Most (85.6 percent) of the Authority's net assets are restricted by bond covenants and federal and state grantors. Another 5.8 percent of net assets reflect the Authority's investment in capital assets (e.g. land, buildings, improvements, and equipment). The remaining 8.6 percent of net assets are unrestricted. Net assets for the previous fiscal year had a similar composition.

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

The Authority's net assets increased by \$12,379,396 for the Fiscal Year Ending June 30, 2011. Of this amount, governmental activities net assets increased by \$10,619,566 and business-type net assets increased by \$1,759,830.

Of the Authority's total revenues, 58.0 percent are derived from operating grants and contributions, mostly from US Dept of HUD. Another 38.0 percent comes from charges for services which are mostly comprised of mortgage interest. Investment income represents 3.3 percent of total revenues, while capital grants make up the remaining 0.7 percent.

More than half of the Authority's total expenses, 53.2 percent are for affordable rental housing. Another 35.2 percent of total expenses are for homeownership. Community and housing rehabilitation account for 6.7 and 0.1 percent, respectively, leaving only 4.8 percent of total costs attributable to Authority administration.

During the fiscal year, net transfers of \$3,497,171 were made from business-type activities to the governmental activities. The Authority's General Fund operations are supported by transfers of surplus funds and administrative fees from the Single and Multi-Family Programs. Net cash transfers from these programs to the General Fund were \$1,826,901. The Authority's governmental funds received a \$1,672,492 non-cash transfer from the Multi-Family Programs, a business-type activity, in the form of a mortgage loan released from bond indenture requirements as a result of refunding the bonds originally associated with it. Additional information on the Authority's interfund transactions can be found in note IV. E. on page 42 of this report.

Governmental Activities

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

Function	Fiscal Year 2011 Program			Fiscal Year 2010
	Expenses	Revenues	Net (Exp)/Rev	Net (Exp)/Rev
Administration	\$ 6,107,771	\$ 1,888,538	\$ (4,219,233)	\$ (4,328,971)
Home ownership	746,360	2,082,895	1,336,535	1,226,306
Affordable rental housing	3,846,334	12,478,499	8,632,165	8,063,542
Housing rehabilitation	56,966	92,678	35,712	9,058
Total	\$ 10,757,431	\$ 16,542,610	\$ 5,785,179	\$ 4,969,935

**Governmental Activities
Revenues by Source**

Source	Fiscal Year 2011		Fiscal Year 2010	
	Revenue	Percent	Revenue	Percent
Charges for services	\$ 7,472,610	35%	\$ 6,832,212	42%
Operating grants and contributions	9,070,000	42%	6,895,000	43%
Other general revenues	1,337,216	7%	1,014,151	6%
Transfers	3,497,171	16%	1,445,837	9%
Total	\$ 21,376,997	100%	\$ 16,187,200	100%

Governmental activities increased the Authority's net assets by \$10,619,566. The key element of this increase was the appropriation from the State of Delaware to the Housing Development Fund (HDF) of \$8,570,000 to address affordable housing needs in the form of loans or grants.

Business-type Activities

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

Function	Fiscal Year 2011 Program			Fiscal Year 2010
	Expenses	Revenues	Net (Exp)/Rev	Net (Exp)/Rev
Home ownership	\$ 43,253,331	\$ 42,105,232	\$ (1,148,099)	\$ (112,203)
Affordable rental housing	62,545,462	65,739,749	3,194,287	6,332,377
Community rehabilitation	8,317,073	8,317,073	-	-
Total	\$ 114,115,866	\$ 116,162,054	\$ 2,046,188	\$ 6,220,174

**Business-type Activities
Revenues by Source**

Source	Fiscal Year 2011		Fiscal Year 2010	
	Revenue	Percent	Revenue	Percent
Charges for services	\$ 45,018,553	37%	\$ 54,597,823	40%
Operating grants and contributions	70,131,428	59%	76,725,673	55%
Capital grants and contributions	1,012,073	1%	1,370,562	1%
Other general revenues	3,210,813	3%	5,086,994	4%
Total	\$ 119,372,867	100%	\$ 137,781,052	100%

Business-type activities increased the Authority's net assets by \$1,759,830. The key elements of this increase were the receipt of over \$6.5 million in federal grants, \$5.5 million in the HOME Investment Partnership Program and \$1.0 million in the Public Housing Capital Fund Program, for the purpose of making loans and capital asset improvements offset by over \$3.5 million in net cash and noncash transfers to the governmental activities, as discussed above.

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 \$229,975,332, an increase of \$9,848,870 in comparison with the prior year. Approximately 3.0 percent of this total amount, \$6,780,939, comprises the unassigned fund balance, which is available for spending at the Authority's discretion, including conservatively investing in program activities which further the Authority's mission. The remainder of 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 \$29,948,910, an increase of \$485,723 in comparison with the prior year. The key factor in this increase was the cash transfers in from proprietary funds, representing surplus funds and administrative fees. Of the total General Fund fund balance, \$6,780,939 is classified as unassigned, as noted above, the remainder is classified as either nonspendable, in the form of receivables and other prepaid items, or committed by the Authority to support operations for the coming year.

The Housing Development Fund (HDF) has a total fund balance of \$170,622,039, of which \$141,580,927 is designated as nonspendable. Additionally, \$13,284,687 is designated as restricted, to be used for the specific purposes of HDF activities per enabling legislation and \$15,756,425 is designated as committed, authorized for specific purposes but not yet disbursed at the statement date. The net increase in the fund balance during the current year in the HDF was \$9,625,375. The increase is the result of grants in the amount of \$8,570,000 from the State of Delaware used to generate mortgages and grants, \$3,120,277 in interest income, \$940,159 in fee revenue, \$22,460 in other revenue, and a \$25,000 transfer in from another program offset by administrative and grant expenditures of \$1,665,806 and \$1,386,715, respectively.

The DSHA Second Mortgage Assistance Loan Program (DSHA SMAL) has a total fund balance of \$14,176,033, of which \$13,116,794 is reported as nonspendable and \$1,059,239 is reported as assigned. The net increase in the fund balance during the fiscal year was \$449,228. The increase is the result of interest income received and accrued in the amount of \$678,515 and other revenue of \$7,934 offset by program expenses of \$237,221.

Proprietary Funds

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

Restricted net assets of the Federal Programs Fund at the end of the year amounted to \$74,409,229, and those of Single Family and Multi-Family Programs Funds amounted to \$17,554,289 and \$16,497,865, respectively. The total change in net assets for the Federal Programs Fund was \$4,350,375, primarily due to the receipt of \$5,489,886 in HOME Investment Partnership Program grant funds for affordable rental housing mortgage loans and \$1,012,073 in grant funds for capital asset improvements. The total change in net assets for the Single Family Program Funds was \$2,083,992, primarily due to interest income on loans and investments of \$41,105,939 offset by interest expense on bonds of \$39,808,811. The total change in net assets for the Multi-Family Programs Funds was \$(4,674,537), primarily due to a cash transfer out to the General Fund Governmental Fund of surplus funds and a non-cash transfer out of a mortgage payable to the Authority Loan Program Governmental Fund due to the refunding of the Multi-Family Mortgage Revenue Bond 1992 Series C at the end of the previous fiscal year.

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, 2011, amounts to \$19,578,402 (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 3.1 percent (a 3.6 percent decrease for governmental activities and a 3.1 percent decrease for business-type activities). Major capital asset events during the fiscal year included the following:

- Solar panel installation at two public housing community center sites.
- Security camera installation at one public housing site.
- Bathroom renovations at two public housing sites.
- Window and door replacement at one public housing site.

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 797,960	\$ 797,960	\$ 2,336,842	\$ 2,336,842	\$ 3,134,802	\$ 3,134,802
Buildings held for resale	-	-	330,911	330,911	330,911	330,911
Construction in progress	-	-	1,066,087	1,100,943	1,066,087	1,100,943
Buildings	972,753	1,031,138	6,043,933	6,634,524	7,016,686	7,665,662
Land/site improvements	35,279	39,429	7,785,076	7,629,498	7,820,355	7,668,927
Computer equipment	-	5,510	-	-	-	5,510
Vehicles	-	-	7,393	17,596	7,393	17,596
Other equipment	-	-	202,168	281,608	202,168	281,608
Total	\$ 1,805,992	\$ 1,874,037	\$ 17,772,410	\$ 18,331,922	\$ 19,578,402	\$ 20,205,959

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

Long-term Debt

At the end of the current fiscal year, Delaware State Housing Authority had total notes and bonded debt outstanding of \$899,812,459. The Authority's debt represents notes payable and bonds secured solely by specified revenue sources (i.e. revenue bonds).

Delaware State Housing Authority's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Notes payable	\$ -	\$ 851,914	\$ 69,719,671	\$ 250,395	\$ 69,719,671	\$ 1,102,309
Revenue bonds payable	-	-	830,092,788	964,270,555	830,092,788	964,270,555
Total	\$ -	\$ 851,914	\$ 899,812,459	\$ 964,520,950	\$ 899,812,459	\$ 965,372,864

The Authority's total debt, excluding compensated absences, decreased by \$65,560,405 (6.8 percent) during the current year. Key factors in this decrease were the note payable of \$69,719,671, in the DSHA Mortgage Backed

Securities Purchase Program and new bond issuances of \$85,000,000 in the Single Family Programs Enterprise Fund netted by total Authority bond calls of \$213,787,682, scheduled maturities of \$5,485,000, bond accretion of \$94,915, and note payable decreases of \$851,914 in the General Fund/Governmental Fund and \$250,395 in the Multi-Family Programs Enterprise Fund.

The bond calls of \$209,352,682 in the Single Family programs were primarily the result of numerous mortgage prepayments in all the programs. The bond calls of \$4,435,000 in the Multi-Family Program Enterprise Fund were primarily the result of mortgage payoffs.

The Authority maintains a range of "A1" to "Aaa" ratings from Moody's for revenue bonds. The Authority is authorized to issue bonds and notes in order to exercise its authorized powers. The Authority must abide by federal private activity caps. Authority bonds and notes issued are not the debt of the State of Delaware and the State is not liable for repayment of such debt.

Additional information on the Authority's long-term debt can be found in note IV., F. on pages 43-44 of this report.

Requests for Information

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

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2011
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2010)

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL 2011	TOTAL 2010
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 14,931	\$ 5,430,763	\$ 5,445,694	\$ 182,738
Investments	22,081,125	184,490,238	206,571,363	198,468,235
Mortgages receivable	-	14,412,902	14,412,902	15,857,001
Accrued interest & other receivables	28,972,666	6,891,752	35,864,418	32,178,371
Grants receivable-US Dept of HUD	-	515,405	515,405	304,464
Internal balances	3,587,363	(3,587,363)	-	-
Other post employment benefits (OPEB) asset	2,554	-	2,554	2,480
Prepaid expenses	65,500	3,368,346	3,433,846	3,390,308
Deferred bond issuance costs	-	534,583	534,583	763,673
Total current assets	54,724,139	212,056,626	266,780,765	251,147,270
Non-current assets:				
Investments	58,329,875	23,228,886	81,558,761	106,930,286
Mortgages receivable, net	141,366,220	749,918,940	891,285,160	931,040,373
Accrued interest & other receivables, net	-	7,588,971	7,588,971	7,432,405
Deferred bond issuance costs	-	7,976,076	7,976,076	8,590,225
Capital assets:				
Capital assets not being depreciated	797,960	3,733,840	4,531,800	4,566,656
Capital assets net of accumulated depreciation	1,008,032	14,038,570	15,046,602	15,639,303
Total non-current assets	201,502,087	806,485,283	1,007,987,370	1,074,199,248
TOTAL ASSETS	\$ 256,226,226	\$ 1,018,541,909	\$ 1,274,768,135	\$ 1,325,346,518
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	\$ 350,126	\$ 1,047,171	\$ 1,397,297	\$ 1,047,827
Due to St of Delaware-pension costs	5,477	1,752	7,229	7,026
Accrued arbitrage rebate payable	-	149,151	149,151	233,643
Compensated absences payable	16,569	13,424	29,993	25,490
Accrued interest payable	-	239,876	239,876	88,060
Nonrefundable deferred commitment fees	-	56,764	56,764	67,519
Notes payable	-	69,719,671	69,719,671	974,750
Revenue bonds payable	-	117,449,336	117,449,336	168,456,733
Total current liabilities	372,172	188,677,145	189,049,317	170,901,048
Non-current liabilities:				
Accrued arbitrage rebate payable	-	159,735	159,735	241,243
Compensated absences payable	572,360	374,618	946,978	950,991
Escrow deposits	24,086,745	7,662,353	31,749,098	29,322,921
Nonrefundable deferred commitment fees	-	563,223	563,223	711,998
Notes payable	-	-	-	127,559
Revenue bonds payable	-	712,643,452	712,643,452	795,813,822
Total non-current liabilities	24,659,105	721,403,381	746,062,486	827,168,534
TOTAL LIABILITIES	25,031,277	910,080,526	935,111,803	998,069,582
NET ASSETS				
Invested in capital assets	1,805,992	17,772,410	19,578,402	20,205,959
Restricted by federal and state regulations	197,101,550	56,636,819	253,738,369	238,924,621
Restricted by bond covenants	-	34,052,154	34,052,154	36,642,699
Restricted for Authority Loan Program	2,924,872	-	2,924,872	3,465,586
Unrestricted, for Authority's purposes	29,362,535	-	29,362,535	28,038,071
TOTAL NET ASSETS	231,194,949	108,461,383	339,656,332	327,276,936
TOTAL LIABILITIES AND NET ASSETS	\$ 256,226,226	\$ 1,018,541,909	\$ 1,274,768,135	\$ 1,325,346,518

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

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DELAWARE STATE HOUSING AUTHORITY
 STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011
 (WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2010)

FUNCTION	PROGRAM REVENUE			NET(EXPENSES) REVENUE AND CHANGES IN NET ASSETS			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental activities:							
Administrative	\$ 6,107,771	\$ 1,638,538	\$ 250,000	-	\$ (4,219,233)	\$ -	\$ (4,328,971)
Home ownership	746,360	1,832,895	250,000	-	1,336,535	-	1,226,306
Affordable rental housing	3,846,334	3,908,499	8,570,000	-	8,632,165	-	8,063,542
Housing rehabilitation	56,966	92,678	-	-	35,712	-	9,058
Total governmental activities	\$ 10,757,431	\$ 7,472,610	\$ 9,070,000	\$ -	\$ 5,785,179	\$ -	\$ 4,969,935
Business-type activities:							
Home ownership	\$ 43,253,331	\$ 41,881,855	\$ 223,377	\$ -	\$ (1,148,099)	\$ (1,148,099)	\$ (112,203)
Affordable rental housing	62,545,462	3,136,698	61,590,978	1,012,073	-	3,194,287	6,332,377
Community rehabilitation	8,317,073	-	8,317,073	-	-	-	-
Total business-type activities	\$ 114,115,866	\$ 45,018,553	\$ 70,131,428	\$ 1,012,073	\$ 2,046,188	\$ 2,046,188	\$ 6,220,174
General revenues:							
Investment income, gains/(losses) on investments, and miscellaneous earnings					1,337,216	3,210,813	4,548,029
Transfers					3,497,171	(3,497,171)	-
Total general revenues and transfers					4,834,387	(286,358)	4,548,029
Change in net assets					10,619,566	1,759,830	12,379,396
Net assets, beginning of year, as restated (see Note V., H.)					220,575,383	108,701,553	327,276,936
Net assets, end of year, restated					\$ 231,194,949	\$ 108,461,383	\$ 339,656,332

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

DELAWARE STATE HOUSING AUTHORITY
 BALANCE SHEET-GOVERNMENTAL FUNDS
 JUNE 30, 2011
 (WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2010)

	GENERAL FUND	HOUSING DEVELOPMENT FUND	DSHA SECOND MORTGAGE ASSISTANCE LOAN PROGRAM		NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
			2011	2010		2011	2010
ASSETS							
Cash & cash equivalents	14,931	-	-	-	-	14,931	19,234
Investments	20,890,879	53,128,288	1,059,349	-	5,332,484	80,411,000	75,048,766
Interfund receivables	8,678,349	311	-	-	16	8,678,676	7,650,883
Loans receivable:							
Mortgages receivable, net	-	117,624,595	9,780,327	-	13,961,298	141,366,220	135,491,753
Interfund	-	254,522	-	-	-	254,522	255,472
Accrued interest & other receivables	997,122	23,701,499	3,336,467	-	937,578	28,972,666	26,408,508
Prepaid items	65,500	-	-	-	-	65,500	63,000
TOTAL ASSETS	\$ 30,646,781	\$ 194,709,215	\$ 14,176,143	\$ 14,176,143	\$ 20,231,376	\$ 259,763,515	\$ 244,937,616
LIABILITIES & FUND BALANCES							
LIABILITIES							
Accounts payable	349,744	-	-	-	382	350,126	430,358
Due to St of Delaware-pension costs	5,477	-	-	-	-	5,477	5,511
Interfund payables	88,128	431	110	-	5,002,644	5,091,313	225,475
Accrued interest payable	-	-	-	-	-	-	254
Escrow deposits	-	24,086,745	-	-	-	24,086,745	21,224,084
Interfund loans payable	254,522	-	-	-	-	254,522	2,925,472
TOTAL LIABILITIES	697,871	24,087,176	110	110	5,003,026	29,788,183	24,811,154
FUND BALANCES							
Nonspendable	9,740,971	141,580,927	13,116,794	-	9,937,047	174,375,739	169,869,616
Restricted	-	13,284,687	-	-	1,716,106	15,000,793	9,394,598
Committed	13,427,000	15,756,425	-	-	-	29,183,425	26,307,910
Assigned	-	-	1,059,239	-	3,575,197	4,634,436	5,709,498
Unassigned	6,780,939	-	-	-	-	6,780,939	8,844,840
TOTAL FUND BALANCES	29,948,910	170,622,039	14,176,033	14,176,033	15,228,350	229,975,332	220,126,462
TOTAL LIABILITIES & FUND BALANCES	\$ 30,646,781	\$ 194,709,215	\$ 14,176,143	\$ 14,176,143	\$ 20,231,376	\$ 259,763,515	\$ 244,937,616

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

DELAWARE STATE HOUSING AUTHORITY
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
 THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

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

TOTAL FUND BALANCES OF GOVERNMENTAL FUNDS (page 14)	\$ 229,975,332
Other post-employment benefits (OPEB) assets are not financial resources and, therefore, are not reported in the funds.	2,554
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,805,992
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(588,929)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES (page 11)	<u>\$ 231,194,949</u>

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

DELAWARE STATE HOUSING AUTHORITY
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011
 (WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2010)

	GENERAL FUND	HOUSING DEVELOPMENT FUND	DSHA SECOND MORTGAGE ASSISTANCE LOAN PROGRAM	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
					2011	2010
REVENUES						
Interest income:						
Investments	\$ 1,180,544	\$ 168,363	\$ 3,462	\$ 19,825	\$ 1,372,194	\$ 743,014
Loans	-	2,945,880	675,053	650,583	4,271,516	4,101,774
Total interest income	1,180,544	3,114,243	678,515	670,408	5,643,710	4,844,788
Grants	250,000	-	-	-	250,000	75,000
Payments from primary government	-	8,570,000	-	250,000	8,820,000	6,820,000
Gains/(losses) on investments	(42,297)	6,034	-	1,285	(34,978)	271,137
Fees	1,501,279	940,159	-	100	2,441,538	1,792,686
Other revenue	137,259	22,460	7,934	591,903	759,556	937,752
TOTAL REVENUES	3,026,785	12,652,896	686,449	1,513,696	17,879,826	14,741,363
EXPENDITURES						
Current:						
Administrative	6,026,553	-	-	-	6,026,553	5,468,378
Home ownership	-	-	237,221	509,139	746,360	425,890
Affordable rental housing	-	3,052,521	-	793,813	3,846,334	2,658,675
Housing rehabilitation	-	-	-	56,966	56,966	66,632
Debt service	111,899,954	-	-	-	111,899,954	-
TOTAL EXPENDITURES	117,926,507	3,052,521	237,221	1,359,918	122,576,167	8,619,575
EXCESS/(DEFICIT) REVENUE OVER EXPENDITURES	(114,899,722)	9,600,375	449,228	153,778	(104,696,341)	6,121,788
OTHER FINANCING SOURCES (USES)						
Transfers in	8,960,316	25,000	-	1,712,617	10,697,933	8,541,213
Transfers out	(4,622,911)	-	-	(2,577,851)	(7,200,762)	(7,095,376)
Proceeds from issuance of debt	111,048,040	-	-	-	111,048,040	851,914
TOTAL OTHER FINANCING SOURCES (USES)	115,385,445	25,000	-	(865,234)	114,545,211	2,297,751
NET CHANGE IN FUND BALANCES	485,723	9,625,375	449,228	(711,456)	9,848,870	8,419,539
FUND BALANCES, BEGINNING	29,463,187	160,996,664	13,726,805	15,939,806	220,126,462	211,706,923
FUND BALANCES, ENDING	\$ 29,948,910	\$ 170,622,039	\$ 14,176,033	\$ 15,228,350	\$ 229,975,332	\$ 220,126,462

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, 2011

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

NET CHANGES IN FUND BALANCE-TOTAL GOVERNMENTAL FUNDS (page 16) \$ 9,848,870

Governmental funds report other post-employment benefit (OPEB) expenditures equal to the amount contributed to the plan or expected to be liquidated with expendable available financial resources. However, in the statement of activities, OPEB expense for the year is reported in relation to the annual required contribution (ARC) equal to the annual OPEB cost. This amount is the net effect of this difference in the treatment of OPEB expenditures/expense. 74

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This amount is the net effect of the difference in the treatment of capital outlay. (68,045)

Governmental funds report the proceeds from issuance of long-term debt when first issued, whereas this amount is deferred and amortized in the statement of activities. This amount is the net effect of this difference in the treatment of long-term debt. 851,914

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. (13,247)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (page 13) \$ 10,619,566

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

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2011
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2010)

	FEDERAL	SINGLE	MULTI-	TOTAL ENTERPRISE	
	PROGRAMS	FAMILY	FAMILY	FUNDS	
	ENTERPRISE	ENTERPRISE	ENTERPRISE	2011	2010
	FUND	FUND	FUND		
ASSETS					
Current Assets:					
Cash & cash equivalents	\$ 1,004	\$ 5,429,759	\$ -	\$ 5,430,763	\$ 163,504
Investments	4,989,473	178,863,266	637,499	184,490,238	164,378,292
Mortgages receivable, net	-	12,910,664	1,502,238	14,412,902	15,857,001
Accrued interest and other receivables	212,033	6,425,463	254,256	6,891,752	5,769,863
Grants receivable-US Dept of HUD	515,405	-	-	515,405	304,464
Interfund receivables	29,241	60,480	-	89,721	224,556
Prepaid expenses	3,368,346	-	-	3,368,346	3,327,308
Deferred bond issuance costs	-	526,043	8,540	534,583	763,673
Total current assets	9,115,502	204,215,675	2,402,533	215,733,710	190,788,661
Non-Current Assets:					
Investments	2,920,770	4,753,040	15,555,076	23,228,886	65,971,463
Mortgages receivable, net	45,429,135	697,746,073	6,743,732	749,918,940	795,548,620
Accrued interest and other receivables, net	7,588,971	-	-	7,588,971	7,432,405
Deferred bond issuance costs	-	7,957,179	18,897	7,976,076	8,590,225
Capital assets not being depreciated	3,733,840	-	-	3,733,840	3,768,696
Capital assets net of accumulated depreciation	14,038,570	-	-	14,038,570	14,563,226
Total non-current assets	73,711,286	710,456,292	22,317,705	806,485,283	895,874,635
TOTAL ASSETS	\$ 82,826,788	\$ 914,671,967	\$ 24,720,238	\$ 1,022,218,993	\$ 1,086,663,296
LIABILITIES AND NET ASSETS					
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 1,016,531	\$ 30,500	\$ 140	\$ 1,047,171	\$ 617,469
Due St of Delaware-pension costs	1,752	-	-	1,752	1,515
Interfund payables	3,378,959	1,222	296,903	3,677,084	4,979,964
Accrued arbitrage rebate payable	-	-	149,151	149,151	233,643
Compensated absences payable	13,424	-	-	13,424	13,044
Accrued interest payable	-	239,876	-	239,876	87,806
Nonrefundable deferred commitment fees	-	56,764	-	56,764	67,519
Notes payable	-	69,719,671	-	69,719,671	122,836
Revenue bonds payable	-	116,149,965	1,299,371	117,449,336	168,456,733
Total current liabilities	4,410,666	186,197,998	1,745,565	192,354,229	174,580,529
Non-Current Liabilities:					
Accrued arbitrage rebate payable	-	159,735	-	159,735	241,243
Compensated absences payable	374,618	-	-	374,618	387,755
Escrow deposits	3,632,275	-	4,030,078	7,662,353	8,098,837
Nonrefundable deferred commitment fees	-	563,223	-	563,223	711,998
Notes payable	-	-	-	-	127,559
Revenue bonds payable	-	710,196,722	2,446,730	712,643,452	795,813,822
Total non-current liabilities	4,006,893	710,919,680	6,476,808	721,403,381	805,381,214
TOTAL LIABILITIES	8,417,559	897,117,678	8,222,373	913,757,610	979,961,743
NET ASSETS					
Invested in capital assets	17,772,410	-	-	17,772,410	18,331,922
Restricted by federal regulations	56,636,819	-	-	56,636,819	51,726,932
Restricted by bond covenants	-	17,554,289	16,497,865	34,052,154	36,642,699
TOTAL NET ASSETS	74,409,229	17,554,289	16,497,865	108,461,383	106,701,553
TOTAL LIABILITIES AND NET ASSETS	\$ 82,826,788	\$ 914,671,967	\$ 24,720,238	1,022,218,993	1,086,663,296

Adjustment to reflect the consolidation of interfund activities related to enterprise funds (3,677,084)

Total liabilities and net assets of business-type activities \$1,018,541,909

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

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2010)

	FEDERAL	SINGLE	MULTI-	TOTAL ENTERPRISE	
	PROGRAMS	FAMILY	FAMILY	FUNDS	
	ENTERPRISE	ENTERPRISE	ENTERPRISE	2011	2010
	FUND	FUND	FUND		
OPERATING REVENUES					
Interest income on loans	\$ 1,115,131	\$ 38,583,887	\$ 938,373	\$ 40,637,391	\$ 49,503,644
Federal housing program grants	70,131,428	-	-	70,131,428	76,725,673
Rental income	574,557	-	-	574,557	578,673
Amortization of deferred revenues	-	3,133,453	-	3,133,453	3,006,348
Miscellaneous	289,754	164,515	218,883	673,152	1,509,158
TOTAL OPERATING REVENUES	72,110,870	41,881,855	1,157,256	115,149,981	131,323,496
OPERATING EXPENSES					
Interest expense on bonds	-	39,808,811	696,033	40,504,844	50,129,846
Administrative	4,979,763	-	-	4,979,763	5,417,425
Grants and housing assistance payments	60,435,690	-	296,902	60,732,592	65,361,855
Public housing maintenance & utilities	1,660,652	-	-	1,660,652	1,473,961
Amortization of deferred bond issuance costs	-	1,391,182	109,991	1,501,173	1,549,488
Depreciation	1,567,771	-	-	1,567,771	1,627,114
Loan servicing fees	-	111,662	4,383	116,045	140,199
Other expenses	-	387,130	15,350	402,480	435,917
TOTAL OPERATING EXPENSES	68,643,876	41,698,785	1,122,659	111,465,320	126,135,805
OPERATING INCOME	3,466,994	183,070	34,597	3,684,661	5,187,691
NON-OPERATING INCOME/(EXPENSES)					
Interest income on investments	8,215	2,522,052	863,155	3,393,422	5,114,401
Net decrease in fair value of investments	-	(10,121)	(172,488)	(182,609)	(33,642)
US Dept of HUD financing adjustment factor payments	-	-	(1,021,910)	(1,021,910)	(31,353)
Rebate expense	-	(26,762)	(20,495)	(47,257)	(18,262)
Excess yield expense	-	-	(1,361,195)	(1,361,195)	(288,464)
Miscellaneous revenue/(expense)	(136,907)	(83,277)	-	(220,184)	6,235
TOTAL NON-OPERATING INCOME/(EXPENSES)	(128,692)	2,401,892	(1,712,933)	560,267	4,748,915
INCOME/(LOSS) BEFORE CAPITAL GRANTS AND OPERATING TRANSFERS					
	3,338,302	2,584,962	(1,678,336)	4,244,928	9,936,606
Capital grants	1,012,073	-	-	1,012,073	1,370,562
Transfers in	2,700,000	1,888,270	70	4,588,340	4,906,340
Transfers out	(2,700,000)	(2,389,240)	(2,996,271)	(8,085,511)	(6,352,177)
CHANGE IN NET ASSETS	4,350,375	2,083,992	(4,674,537)	1,759,830	9,861,331
NET ASSETS, BEGINNING, as restated (see Note V., H.)	70,058,854	15,470,297	21,172,402	106,701,553	96,840,222
NET ASSETS, ENDING	\$ 74,409,229	\$ 17,554,289	\$ 16,497,865	\$ 108,461,383	\$ 106,701,553

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, 2011
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2010)

	FEDERAL	SINGLE	MULTI-	TOTAL ENTERPRISE	
	PROGRAMS	FAMILY	FAMILY	FUNDS	
	ENTERPRISE	ENTERPRISE	ENTERPRISE	2011	2010
	FUND	FUND	FUND		
OPERATING ACTIVITIES:					
Mortgage principal repayments received	\$ 16,833	\$ 127,935,959	\$ 3,672,753	\$ 131,625,545	\$ 236,597,861
Mortgage interest payments received	82,302	39,421,403	1,179,334	40,683,039	49,919,421
Grants received	69,901,488	-	-	69,901,488	76,709,348
Rental and related rental income	612,737	-	-	612,737	615,661
Insurance claims received	-	335,694	-	335,694	4,469
Servicing fees received	-	-	29,727	29,727	29,726
Escrow receipts	1,218,383	-	3,658,702	4,877,085	3,933,828
Other receipts	616,176	7,347	-	623,523	1,410,761
New mortgages disbursed	(5,054,879)	(82,761,433)	-	(87,816,312)	(85,988,459)
Grants disbursed	(60,312,608)	-	-	(60,312,608)	(64,394,565)
Administrative expenses	(4,783,445)	-	-	(4,783,445)	(4,610,811)
Maintenance and utility expenses	(1,660,652)	-	-	(1,660,652)	(1,473,961)
Trustee and servicing fees paid	-	(273,519)	(19,593)	(293,112)	(310,858)
Bond insurance premiums	-	(64,442)	-	(64,442)	(84,705)
Mortgage pool insurance premiums paid	-	(7,697)	-	(7,697)	(8,570)
Foreclosure disbursements	-	(5,914)	-	(5,914)	(44,978)
Escrow disbursements	(1,476,844)	-	(3,836,725)	(5,313,569)	(3,570,200)
Other disbursements	-	-	-	-	(192,360)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(840,509)	84,587,398	4,684,198	88,431,087	208,541,608
NONCAPITAL FINANCING ACTIVITIES:					
Proceeds from revenue bonds	-	87,329,000	-	87,329,000	190,581,594
Note proceeds	-	69,719,671	-	69,719,671	-
Interfund payments received	2,700,000	79,126,373	2,674,999	84,501,372	11,907,609
Repayments of principal on revenue bonds	-	(214,242,467)	(4,915,000)	(219,157,467)	(217,745,997)
Payments of interest on revenue bonds	-	(39,185,533)	(698,947)	(39,884,480)	(49,506,747)
Payments of interest on notes payable	-	(39,740)	-	(39,740)	-
Bond issuance costs	-	(449,999)	-	(449,999)	(888,500)
US Dept of HUD financing adjustment factor expense	-	-	(1,028,421)	(1,028,421)	(621,400)
Excess yield payments	-	-	(1,361,195)	(1,361,195)	(288,464)
Repayments of notes payable	-	-	(250,395)	(250,395)	(71,431)
Interfund payments made	(2,700,000)	(81,271,086)	(3,998,708)	(87,969,794)	(13,843,204)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	-	(99,013,781)	(9,577,667)	(108,591,448)	(80,476,540)
CAPITAL FINANCING ACTIVITIES:					
Capital grant funds from US Dept of HUD	1,012,073	-	-	1,012,073	1,370,562
Purchase of capital assets	(1,008,259)	-	-	(1,008,259)	(1,182,450)
NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES	3,814	-	-	3,814	188,112
INVESTING ACTIVITIES:					
Proceeds from sales and maturities of investments	97,482,919	1,008,243,954	35,895,196	1,141,622,069	780,256,732
Interest income on investments	8,215	2,324,048	994,955	3,327,218	5,145,345
Purchase of investment securities	(96,654,035)	(990,660,214)	(31,997,976)	(1,119,312,225)	(913,323,272)
Rebate of excess investment interest	-	(213,256)	-	(213,256)	(168,481)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	837,099	19,694,532	4,892,175	25,423,806	(128,089,676)
NET INCREASE (DECREASE) IN CASH/CASH EQUIVALENTS					
	404	5,268,149	(1,294)	5,267,259	163,504
CASH/CASH EQUIVALENTS, BEGINNING OF YEAR	600	161,610	1,294	163,504	-
CASH/CASH EQUIVALENTS, END OF YEAR	\$ 1,004	\$ 5,429,759	\$ -	\$ 5,430,763	\$ 163,504

Continued on next page.

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2010)

	FEDERAL	SINGLE	MULTI-	TOTAL ENTERPRISE	
	PROGRAMS	FAMILY	FAMILY	FUNDS	
	ENTERPRISE	ENTERPRISE	ENTERPRISE	2011	2010
	FUND	FUND	FUND		
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES					
OPERATING INCOME	\$ 3,466,994	\$ 183,070	\$ 34,597	\$ 3,684,661	\$ 5,187,691
Adjustments to reconcile operating income to net cash provided(used) by operating activities:					
Amortization of deferred bond issuance costs	-	1,391,182	109,991	1,501,173	1,549,488
Amortization of deferred revenues	-	(3,133,453)	-	(3,133,453)	(3,006,348)
Depreciation expense	1,567,771	-	-	1,567,771	1,627,114
Interest expense on bonds	-	39,808,811	696,033	40,504,844	50,129,846
Noncash contributions	-	776	(1,672,492)	(1,671,716)	33,315
Changes in assets and liabilities:					
(Increase) decrease in accrued interest and other receivables	(1,141,811)	(139,859)	51,875	(1,229,795)	(399,226)
(Increase) decrease in mortgage loans receivable	(4,903,873)	46,660,233	5,345,244	47,101,604	152,558,837
Increase in other assets	(41,038)	-	-	(41,038)	(429,102)
Increase (decrease) in accounts payable and accrued expenses	469,909	(62,361)	296,973	704,521	937,479
Decrease in bonds payable	-	(121,001)	-	(121,001)	(11,114)
Increase (decrease) in escrow deposits	(258,461)	-	(178,023)	(436,484)	363,628
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (840,509)	\$ 84,587,398	\$ 4,684,198	\$ 88,431,087	\$ 208,541,608
NONCASH NONCAPITAL FINANCING ACTIVITIES					
Transfers in	\$ -	\$ 121,777	\$ -	\$ 121,777	\$ 1,025,243
Transfers out	-	-	(1,672,492)	(1,672,492)	(991,928)
NET NONCASH TRANSFERS	\$ -	\$ 121,777	\$ (1,672,492)	\$ (1,550,715)	\$ 33,315
NONCASH INVESTING ACTIVITIES					
Increase (decrease) in fair value of investments	\$ -	\$ (10,121)	\$ (172,488)	\$ (182,609)	\$ (33,642)

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

DELAWARE STATE HOUSING AUTHORITY
 STATEMENT OF FUND NET ASSETS - FIDUCIARY FUND
 JUNE 30, 2011

	DSHA RETIREE MEDICAL TRUST
ASSETS	
Interest receivable	\$ 8,771
Other receivables	829
Investments, at fair value:	
Savings account	9,389
U.S. Treasury Notes	1,270,366
U.S. Agencies	1,236,936
Total assets	<u>2,526,291</u>
LIABILITIES	
Accounts payable	275
Total liabilities	<u>275</u>
NET ASSETS	
Assets held in trust for retiree health benefits and other purposes	<u>\$ 2,526,016</u>

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

DELAWARE STATE HOUSING AUTHORITY
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2011

	DSHA RETIREE MEDICAL TRUST
ADDITIONS	
Employer contributions	\$ 764,784
Investment earnings:	
Interest	31,604
Net increase/(decrease) in fair value	<u>(8,853)</u>
Total investment earnings	22,751
Less investment expense	<u>(2,553)</u>
Net investment earnings	20,198
Total additions	<u>784,982</u>
DEDUCTIONS	
Benefits paid	<u>71,090</u>
Total deductions	<u>71,090</u>
CHANGE IN NET ASSETS	713,892
Net assets - beginning	<u>1,812,124</u>
Net assets - ending	<u>\$ 2,526,016</u>

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

**DELAWARE STATE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

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**DELAWARE STATE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

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

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

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

B. Entity-wide and fund financial statements

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

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

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

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

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

The Authority's funds are as follows:

Governmental Fund Types

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund. The 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.

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.
- DSHA Second Mortgage Assistance Loan Program (DSHA SMAL) – This program accounts for a program originally financed by the Housing Development Fund that provided second mortgage assistance loans to qualified first time home buyers who had inadequate savings to cover up-front costs associated with a home purchase. DSHA discontinued this program in February 2007, with no new loans being made after that date. Additionally, in August of 2008, the Delaware Housing Partnership granted a loan portfolio of over \$9 million to this program for the purpose of securing additional funding for second mortgage assistance. To date over \$2 million of this program's loan portfolio has been granted to DSHA's Single Family program to be used as collateral for bond issues that included over \$4 million of bond proceeds to be made available for second mortgage assistance loans.
- Authority Loan Program (AL) – This program accounts for certain single family, multi-family, and second mortgage assistance loans released from bond indenture requirements as a result of refunding the bonds they were originally associated with.
- 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 \$15,000 for

reinstating delinquent mortgages and keeping the mortgage up to date for a period of up to 12 months from the date of delinquency. DSHA's Housing Finance Office originates, underwrites, approves, and services these loans. There is a mortgage recorded against the subject property, in second or third lien position.

- Delaware Housing Insurance Fund (DHIF) – This program accounts for the activity related to DSHA's administration of State funds which provide loan insurance for certain housing development loans. Additionally, the DHIF is used to pay debt service to SMAL bondholders for loans that foreclosed but were not forgiven by the bondholders.
- Foreclosure Prevention Program (FPP) – DSHA received \$250,000 from the State of Delaware in Fiscal Year 2011 for the purpose of funding foreclosure prevention services throughout the state.
- Housing Finance Operations Second Mortgage Assistance Loan Program (HFO SMAL) – The HFO SMAL program is funded through a loan from Housing Finance Operations. Beginning in April of 2010, HFO began funding Second Mortgage Assistance Loans to qualified borrowers who utilize DSHA's Single Family Mortgage Revenue Bond Program loans for their first mortgages. Accrued interest, interest payments and principal repayments are accounted for in this program. Repayment to Housing Finance Operations will be made from the proceeds of future single family mortgage revenue bond sales.
- Housing Rehabilitation Loan Program (HRLP) - The HRLP is funded through the Housing Development Fund. The purpose of the program is to encourage the preservation of existing housing stock already occupied by low and moderate income people. This program provides an interest rate of 3% on housing rehabilitation loans to qualified owner-occupants and to landlords who rent their units to low-income persons. Owner occupants and investors may borrow 100% of rehabilitation costs. The limit on such rehabilitation costs is \$35,000 for owner-occupied and \$25,000 for investor owned. Loans carry up to a 15 year term. These loans are originated by one of four Local Administering Agencies (LAA), New Castle County, Kent County, Sussex County, and City of Wilmington. DSHA underwrites and approves the loans. Artisans Bank services these loans.
- Live Near Your Work Program (LNYW) – A grant program financed by the Housing Development Fund which provides matching grants up to \$1,000 per eligible family to assist with down payment/settlement costs. The program is in cooperation with the Delaware Development Office, the Delaware Chamber of Commerce, certain businesses and local jurisdictions to provide financial assistance for employees to purchase homes near the workplace.
- Neighborhood Revitalization Fund (NRF) - NRF was a fund established under the 21st Century Fund of the State of Delaware to support revitalization of communities and preserve the affordable housing stock for low and moderate-income families by rehabilitating substandard houses in selected communities throughout the State of Delaware. This program provides grants with a lien on the property for 3, 6, or 10 years dependent on the amount of funding. Grants will be provided up to a maximum of \$35,000 per home for owner occupant. DSHA loans under this program are deferred. New NRF funding is currently unavailable.
- Northeast Initiative (NE) – This program accounts for the remaining loans in a program financed by the Housing Development Fund that provided interest-free deferrable loans to renovate owner occupied housing and low-interest deferrable loans to investors. The program was terminated on August 30, 2002.
- State Voucher for the Homeless Program (SV) – The State Voucher for the Homeless Program, the "Step-Up Program", is a grant program funded by the Housing Development Fund. This pilot program offers three-year rental assistance to emancipated youth exiting the foster care system who are at risk of homelessness and individuals with mental health and/or substance abuse conditions who are chronically homeless or at risk for chronic homelessness.

Proprietary Fund Type

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

Federal Programs Fund

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

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

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

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

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

- Community Development Block Grant (CDBG) - This grant program provides funding for rehabilitation, demolition, and Housing Code enforcement to maintain and improve existing housing, and provide the infrastructure to support this housing for low and moderate income persons. Eligible local governments implement this program by adopting a local Community Housing and Development Plan and submitting an application to DSHA for approval. A review panel evaluates applications based upon the extent of low-income individuals affected. Currently, only Kent and Sussex Counties, and municipalities within those two counties are eligible to apply under this program.
- Emergency Shelter Grant Program (ESGP) - This grant program provides existing emergency housing providers with assistance to expend and renovate homeless shelters and provides supportive housing service assistance to homeless persons and families in Kent and Sussex Counties.
- Housing Opportunities for People With AIDS (HOPWA) - This grant program provides funding for payment of project-based and/or tenant-based rental assistance, including shared housing, rent, mortgage, and/or utility payments to prevent homelessness for the tenant or mortgagor, in Kent and Sussex Counties. Funds may also be used for supportive services. The funds are awarded to the Delaware HIV Consortium.

- Neighborhood Stabilization Program (NSP1, NSP3) - 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

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

The American Reinvestment and Recovery Act of 2009 Programs

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

- Community Development Block Grant (CDBG) Formula Grant – DSHA awarded CDBG funds to sub grantees Kent and Sussex Counties to complete a total of 25 energy-efficient housing rehabilitation projects from a total US Dept of HUD grant of \$537,718. This grant is reported in the Community Development Block Grant Program subfund of the Federal Programs. As of June 30, 2011, the total grant amount was spent.
- Homeless Prevention and Rapid Re-housing Program (HPRP) Direct Grant - DSHA awarded HPRP funds to five sub grantees for homeless prevention and rapid re-housing and one sub grantee for data collection and reporting. Of the \$934,980 total US Dept of HUD grant, \$611,039 was awarded for financial assistance, \$227,912 was awarded for housing relocation and stabilization services, \$17,129 was awarded for administration and \$50,850 was awarded for data collection and reporting. In addition, DSHA will retain \$28,050 for administration. This grant is reported in the Community Development Block Grant Program subfund of the Federal Programs. As of June 30, 2011, \$812,007 of the grant was spent.
- Emergency Contingency fund for Temporary Assistance for Needy Families (TANF) State Programs Indirect Grant - The Delaware Division of Social Services (DSS) partnered with DSHA to provide emergency assistance to low and moderate income households. Under the provisions of this grant, DSS allocated \$3,263,093 received from a US Dept of Health and Human Services ARRA grant to DSHA for the purpose of expanding the resources available to low income families experiencing or facing homelessness. DSHA is disbursing a portion of the funds to qualifying homeless shelters and is disbursing grants to qualifying homeowners facing foreclosure through its Homeowner Grant Assistance

Program (HGAP). This grant is reported as a subfund of the Federal Programs. As of June 30, 2011, the total grant amount was spent.

- Neighborhood Stabilization Program (NSP2) Competitive Grant - DSHA's NSP2 targets the census tracts identified by HUD as those most at risk of being destabilized because of foreclosures. The NSP2 funds of over \$10 million will be used for two activities to stabilize those neighborhoods, (1) financing and (2) purchase/rehabilitation. Financing may include down payment assistance, below interest mortgages or second mortgages where the principle due is reduced during the tenure of the homeowner. Purchase/Rehabilitation allows local governments and nonprofits to acquire foreclosed and abandon properties to restore to code and upgrade with energy efficient appliances and other green technologies. These homes will be sold using finance mechanisms listed above. DSHA has allocated funds to four Jurisdictions who will act as our sub-recipients and work with the venders. The Jurisdictions are as follows: New Castle County, City of Wilmington, Kent County, and Sussex County. These sub recipients will carry out the NSP activities in their targeted census tracts. As of June 30, 2011, no funds have been expended in this program.
- Public Housing Capital Fund Competitive Grant – This grant program provides US Dept of HUD funding of \$369,626 to install electric producing solar panels at two DSHA public housing community sites to produce electricity for the community buildings, daycare centers, and offices. This grant is reported in the Public Housing Program subfund of the Federal Programs. As of June 30, 2011, the total grant amount was spent.
- Public Housing Capital Fund Formula Grant – This program provides US Dept of HUD funding of \$1,027,870 for capital improvements and projects at ten DSHA public housing communities in Delaware owned and managed by DSHA. Capital projects include: removing and replacing shingles at the McLane Gardens and Peach Circle apartment communities; re-paving parking lots at Clark's Corner, Mifflin Meadows, Liberty Court I and Liberty Court II apartment communities; HVAC replacement at the Hickory Tree apartment community, bathroom renovations at the McLane Gardens Annex apartment community; replacing smoke detectors at the Burton Village apartment community; removal and replacement of playground equipment, and storm water management work at the Liberty Court I and Liberty Court II apartment communities; and the Holly Square apartment community will have several porch pads replaced. Projects were selected that would have a significant impact on the community, and would be capital improvements that would last in excess of 15 years. This grant is reported in the Public Housing Program subfund of the Federal Programs. As of June 30, 2011, the total grant amount was spent.
- Tax Credit Assistance Program (TCAP) - provides US Dept of HUD funding of over \$6.6 million in assistance to eligible Low-Income Housing Tax Credit projects. The program is intended primarily to supplement affordable housing developments that have been unable to secure adequate equity commitments in the current market. This grant is reported in the HOME Investment Partnership Program subfund of the Federal Programs. As of June 30, 2011, \$6,239,212 of the grant was spent.
- Low Income Housing Tax Credit Exchange Program – provides US Treasury funding of over \$22,000,000 for DSHA to “exchange” a portion of its 2009 housing credit ceiling for cash, which can be used to make “subawards” to finance the construction or acquisition and rehabilitation of qualified low-income buildings. This grant is reported as a subfund of the Federal Programs. As of June 30, 2011, \$18,993,257 of the grant was spent.
- Sustainable Energy Utility/Delaware Energy Office Program (SEU/DEO) – DSHA partnered with the Delaware Energy Office (DEO) and Sustainable Energy Utility, Inc. (SEU) to provide SEU loans through DSHA's Housing Development Fund (HDF) to borrowers who are also receiving Low Income Housing Tax Credits. Under provisions of this agreement, DEO allocated funds received from a US Dept of Energy ARRA grant to SEU. SEU will provide up to \$1.4 million of these funds to be used in conjunction with HDF funds to provide multi-family financing opportunities. The SEU loans are intended to encourage borrowers to increase energy efficiency in the renovation and construction of affordable housing developments throughout the State of Delaware.

Single Family Programs Fund

- Single Family Bond Program - This program accounts for the proceeds of the single family mortgage revenue bonds that are used to purchase long-term mortgage loans on owner occupied single family homes. Beginning in fiscal 2009, the Authority included provisions for some bond proceeds to be used to purchase second mortgage assistance loans for qualifying home buyers. Private financial institutions act as agents for the Authority and process, disburse and service individual loans. Separate accounts are maintained for each series of bonds in accordance with the applicable bond resolution and indenture; however, for financial statement presentation, these accounts have been combined. Any excess of revenues over expenses in these accounts, as defined by the resolution and indenture, is not available for the general and lawful use of the Authority until all of the restrictive covenants of the applicable bond resolutions and indentures have been met.
- DSHA Mortgage Backed Securities Purchase Program – This program accounts for the purchasing of mortgaged backed securities to be held as investments prior to the issuance of revenue bonds under the 2009 New Issue Bond Program (NIBP) indenture. The mortgaged backed securities are purchased with funds provided by a note payable to the Federal Home Loan Bank (FHLB) Pittsburgh. Proceeds from the next bond issue will be used to pay the note and the mortgaged backed securities will become assets of the bond issue.
- Second Mortgage Assistance Loan (SMAL) Bond Program - This program accounts for the proceeds of the Senior SMAL Mortgage Revenue Bonds, which provided second mortgages for qualifying home buyers.

Multi-Family Programs Fund

- Multi-Family Bond Program - This program accounts for the proceeds of Housing Development Revenue Bonds used to provide both construction and long-term permanent financing for newly constructed multi-family housing projects; the proceeds of Multi-Family Mortgage Revenue Bonds used to provide permanent financing for multi-family housing projects; and the proceeds of the Multi-Family Mortgage Revenue Refunding Bonds used to refund other multi-family bond issues. Separate accounts are maintained for each bond issue in accordance with the bond resolutions and indentures; however, for financial statement purposes, these accounts have been combined. Any excess of revenues over expenses in these accounts as defined by the respective resolutions and indentures is not available for the general and lawful use of the Authority until all restrictive covenants of the bond resolutions and indentures have been met.
- Financing Adjustment Factor (FAF) Reserve Program - The FAF Reserve accounts for the proceeds of the General Obligation bonds issued on behalf of the Authority by the State of Delaware to enable the Authority to obtain immediate benefit of the FAF savings as required by US Dept of HUD to permit US Dept of HUD to obtain the benefit of lower financing interest rates.

Fiduciary Fund Type

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

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

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

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

enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

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

D. Assets, liabilities, and net assets or equity

Cash and Cash Equivalents

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

Investments

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

Accrued Interest and Other Receivables

An allowance for doubtful accounts in the amount of \$35,326 has been established for tenant accounts receivable in the business-type activities and the Federal Programs Enterprise Fund as of June 30, 2011. The allowance is based upon an aging of the tenant accounts receivable and is adjusted annually. All tenant account receivable balances with no payment activity within 120 days are considered doubtful accounts.

Mortgage Loans Receivable

Mortgage loans are recorded at their unpaid principal balances net of allowances for doubtful accounts (see

Note IV., B.). Allowances are estimated as a percentage of total outstanding balances within each loan program at June 30. These percentages are reviewed and revised by the Authority on an annual basis.

Capital Assets

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

All land and buildings are capitalized, regardless of cost. Buildings and land/site improvements are capitalized when the cost of the project equals \$100,000 or more. Software purchases are capitalized when the cost equals or exceeds \$50,000. Equipment and vehicles are capitalized when the cost of individual items is \$25,000 or more, with the exception of items purchased with federal funds, which are capitalized when the cost exceeds \$5,000 in accordance with OMB Circular A-87.

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

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

Deferred Bond Issuance Costs

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

Accrued Arbitrage Rebate Payable

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

Compensated Absences Payable

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

The current portion of compensated absences for both the entity-wide and fund proprietary financial statements includes all annual leave amounts that exceed a 318 hour maximum allowable carryover per employee, as these amounts will have to be used within the next year or be forfeited. The Authority believes that those balances will be used and not forfeited. Additionally, current compensated absences include annual leave balances payable to employees at fiscal yearend based on the Authority's knowledge of pending retirements or resignations. The balance of annual leave accrual is considered noncurrent. The Authority considers all sick leave accruals noncurrent.

Escrow Deposits

In the Multi-Family Programs Enterprise Fund, escrow deposits represent amounts withheld from housing assistance contributions received from US Dept of HUD for the payment of property insurance, property taxes and property replacement requirements for the Multi-Family Program. Additionally, the Multi-Family Program project and development cost escrows which represent amounts withheld from the disbursement of mortgage loans for the payment of capital, start-up, and operating costs of the projects to the extent that income from the projects may be insufficient. Each project's share of the project cost escrow is refundable to the borrower upon repayment in full of its mortgage and other loans.

In the Federal Programs Fund, escrow deposits are held for the HOME and MTW programs. The HOME

escrow deposits represent funds received from project owners for the payment of property insurance, property taxes, and property replacement requirements. MTW escrow deposits represent amounts set aside from rental income for the Moving To Work Rental Housing Program.

In the Special Revenue Funds, escrow deposits represent funds received from project owners for the payment of property insurance, property taxes, and property replacement requirements for the Housing Development Fund.

Interest earnings from the investment of such escrows are distributed to the escrow accounts.

Nonrefundable Deferred Commitment Fees

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

Restricted Resources

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

Net Assets/Fund Equity

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

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

General Fund

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

Committed: Amount to be designated annually by General Order based upon the greater of the Authority's current administrative budget or the projected general fund amount over a ten year period needed to support operations as identified in the most recent Resource Allocation Plan.

Unassigned: Amount in excess of nonspendable and committed fund balances which may be conservatively invested in program activities to further the Authority's mission.

Housing Development Fund

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

Restricted: Amount in excess of nonspendable and committed fund balances to be used for the specific purpose of Housing Development Fund activities per enabling legislation.

Committed: Amount authorized for specific purposes (i.e., Council on Housing approved loans and grants), but not yet disbursed at statement date.

Other Governmental Funds

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

Restricted: Amount in excess of nonspendable fund balances to be used for the specific program activities per enabling legislation.

Assigned: Amount in excess of nonspendable fund balances which the Authority intends to use for a specific purpose.

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

Beginning fund balances for the Authority's governmental funds have been restated to reflect the above classifications.

Comparative Data

Comparative total data for the prior year is presented in the basic financial statements to provide an understanding of changes in the Authority's financial position and operations. That comparative data is not at the level of detail required for a presentation in conformity with generally accepted accounting principles and has been restated and reclassified, as needed, from the presentation in the Authority's June 30, 2010, financial statements to be comparative with the current-year presentation.

Statement of Cash Flows

For purposes of reporting cash flows of Proprietary Funds, cash balances consist of checking deposits, demand deposits, and uninvested principal cash. GASB Statement No. 9 requires reporting both purchases and sales of investments under Investing Activities. As permitted under Statement No. 9, however, certain investment transactions have been reported as a net change in the statement of cash flows because the turnover rate of such investments is high and their maturities are short.

Budgetary Comparisons

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

II. RECONCILIATION OF ENTITY-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the entity-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and therefore, are not reported in the funds. The details of this \$1,805,992 difference are as follows:

Capital assets	\$3,422,184
Less: Accumulated depreciation	<u>(1,616,192)</u>
Net capital asset adjustment	<u>\$1,805,992</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 \$588,929 difference are as follows:

Compensated absences	\$ 588,929
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B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the entity-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the entity-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$(68,045) difference are as follows:

Capital outlay	\$ -
Less: Depreciation expense	<u>(68,045)</u>
Net capital asset adjustment	<u>\$ (68,045)</u>

Another element of that reconciliation states that the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of the governmental funds. Neither transactions, however, has any effect on net assets. The details of this \$851,914 difference are as follows:

Debt issued or incurred	\$(111,048,040)
Principal repayments	<u>111,899,954</u>
Net debt adjustment	<u>\$ 851,914</u>

III. COMPLIANCE AND ACCOUNTABILITY

The following individual programs within the Single Family Program fund have accumulated deficit equity as of June 30, 2011:

Single Family Mortgage Revenue Bond Series 2009-2010A NIBP Program	\$(955,219)
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The Single Family Revenue Bond Series 2009-2010A NIBP Program deficit represents negative arbitrage between bond interest rates and combined mortgage backed security and investment interest rates.

Second Mortgage Assistance Loan (SMAL) Bond Program	\$(61,424)
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The SMAL Bond Program deficit represents the cumulative effect of amortization of deferred bond issuance costs.

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:

- a. Obligations of or explicitly guaranteed by the U.S. or Delaware state governments.
- b. Obligations of U.S. government-sponsored enterprises and U.S. government agencies and

- instrumentalities.
- c. Obligations of depositories and other financial institutions.
- d. Bankers' acceptances.
- e. Commercial paper
- f. Money market mutual funds
- g. Corporate debt obligations
- h. The State of Delaware investment pool with the State Treasurer's Office.
- i. Other investment arrangements made pursuant to an investment agreement authorized by a resolution of the Authority.

Certain federal funds administered by the Authority are subject to additional limitations within the qualified investments listed above.

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

Investments

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

Investment type	Fair Value	Investment Maturities (in Years)				
		Less than 1	1 to 5	5 to 10	10 to 20	20 to 30
Governmental activities:						
U.S. Treasury Notes	\$ 23,059,905	\$ 19,274,400	\$ 3,638,160	\$ -	\$ -	\$ -
U.S. Treasury Strips	73,439	-	-	-	133,000	-
U.S. Treasury Bills	4,788,303	4,794,400	-	-	-	-
U.S. Agencies	18,395,905	3,197,200	14,970,000	-	-	-
Corporate Notes	851,843	250,000	567,000	-	-	-
Commercial Paper	140,846	140,846	-	-	-	-
Bank Money Market Accounts	25,869,485	25,869,485	-	-	-	-
State of Delaware Investment Pool	7,231,274	7,231,274	-	-	-	-
Total Governmental Activities Investments	80,411,000	60,757,605	19,175,160	-	133,000	-
Business-type activities:						
U.S. Treasury Notes	3,375,697	2,448,600	714,840	-	334,000	-
U.S. Treasury Bonds	24,023	-	-	-	-	19,000
U.S. Treasury Strips	1,123,687	301,000	831,000	-	-	-
U.S. Treasury Bills	105,567	105,600	-	-	-	-
U.S. Agencies	71,813,005	70,011,648	1,795,000	-	-	-
Certificates of Deposit	38,996	-	38,996	-	-	-
Investment Agreements	116,660,905	101,198,307	10,983,144	-	1,146,954	3,332,500
Money Market Savings Accounts	7,596,733	7,596,733	-	-	-	-
Bank Money Market Accounts	6,980,496	6,980,496	-	-	-	-
State of Delaware Investment Pool	15	15	-	-	-	-
Total Business-type Activities Investments	207,719,124	188,642,399	14,362,980	-	1,480,954	3,351,500
Total Entity-wide Investments	\$ 288,130,124	\$ 249,400,004	\$ 33,538,140	\$ -	\$ 1,613,954	\$ 3,351,500
Fiduciary Fund Investments:						
U.S. Treasury Notes	\$ 1,270,366	\$ 350,000	\$ 906,000	\$ -	\$ -	\$ -
U.S. Agencies	1,236,936	263,000	430,000	545,000	-	-
Bank Money Market Accounts	9,389	9,389	-	-	-	-
Total Fiduciary Fund Investments	\$ 2,516,691	\$ 622,389	\$ 1,336,000	\$ 545,000	\$ -	\$ -

Interest Rate Risk

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

- a. Single Family & Multi-Family Program Funds: Investment contracts for bond program funds should have a maturity that matches the final bond maturity to minimize reinvestment risk. Individual investments of bond program funds should match anticipated cash requirements or provide sufficient liquidity to allow funds to be accessed to meet bond resolution requirements without incurring material principal losses.
- b. 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.
- c. 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.
- d. 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.
- e. Authority investments (other than deposit accounts, money market fund shares, or deposits with the State Treasurer's Office) should have a fixed maturity date by which principal and accrued interest will be fully repaid. The Authority is not permitted to enter into investments that have an expected maturity date that can be extended depending upon market conditions.

Credit Risk

The Authority's general investment policy is to make investments with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as, the probable income to be derived. The Authority's investment policy limits its investment choices as mentioned above under Investments. For the Authority's Single and Multi-Family Programs, the investment rating must be equal to or exceed the bond rating. The Authority's Operating Reserve Account has a specific credit quality requirement. Corporate debt obligations and shares of money market mutual funds shall have a long-term rating of AA and/or Aa, respectively by Standard & Poor's (S&P) and Moody's at the time of purchase. The State of Delaware Investment Pool and money market accounts are not rated by any of the nationally recognized statistical rating organizations. As of June 30, 2011, the Authority's investments were rated as follows:

Investment Type	Ratings (S & P)					
	AAA	AA+	AA-	A+	A	NR
Governmental activities:						
U.S. Agencies	\$ 18,395,905					
Corporate Notes		\$ 441,221	\$ -	\$ 410,622	\$ -	
Commercial Paper						\$ 140,846
Business-type activities:						
U.S. Agencies	71,813,006					
Fiduciary Fund:						
U.S. Agencies	1,236,936					

Custodial Credit Risk

For deposits (i.e., cash and cash equivalents) custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. All of the Authority's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2011, the carrying value and the bank balances of the

Authority's deposits were \$5,445,694 and \$6,538,124 respectively.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Authority's \$288,130,124 investment balance, \$116,660,905 represents deposits held by various Guaranteed Investment Contract (GIC) providers under investment agreements. These accounts are uninsured and uncollateralized. The funds are specifically identified for the Authority, but the custodial credit risk cannot be categorized for these funds. Credit risk for such investments depends on the financial stability of the GIC provider whose rating must equal or exceed that of the bond rating. The bank and savings money markets must be collateralized at 102% or greater by securities pledged and identified as held in the Authority's name. Although the State Investment Pool is not collateralized, the State's Cash Management Policy board requires that investments meet certain ratings, investment types and maturity criteria. The Authority's investment policy does not limit the amount of securities that can be held by the counterparties.

B. Receivables

Total receivables as of June 30, 2011 are as follows:

Receivables	Governmental Activities	Business-type Activities	Total
Mortgage loans	\$ 141,855,836	\$ 764,795,147	\$ 906,650,983
Accrued interest	28,173,195	14,106,507	42,279,702
Other receivables	901,160	460,149	1,361,309
Grants receivable	-	515,405	515,405
Total receivables	170,930,191	779,877,208	950,807,399
Allowance for doubtful accounts	591,305	549,238	1,140,543
Total receivables, net	\$ 170,338,886	\$ 779,327,970	\$ 949,666,856
Amounts not scheduled for collection during the subsequent year	\$ 141,366,220	\$ 757,507,911	\$ 898,874,131

Mortgage loans receivable

A summary of mortgage loans receivable as of June 30, 2011 is shown below:

Governmental activities:

Housing Development Fund	\$ 117,624,595
DSHA Second Mortgage Assistance Loan Program	9,979,925
Non-major governmental funds	14,251,316
Mortgage loans receivable, governmental activities	141,855,836
Less: Allowance for doubtful accounts	(489,616)
Net mortgage loan receivables, governmental activities	141,366,220

Business-type activities:

Federal Programs Fund	45,429,135
Single Family Programs Fund	711,120,043
Multi-family Programs Fund	8,245,970
Mortgage loans receivable, business-type activities	764,795,148
Less: Allowance for doubtful accounts	(463,306)
Net mortgage loan receivables, business-type activities	764,331,842

Total mortgage loans receivable, net \$ 905,698,062

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

Consistent with program purposes (see Note I., B.), certain loans from the Housing Development Fund are subject to forgiveness contingent upon a number of conditions. As of June 30, 2011, loans of \$566,293 have specific forgiveness provisions, which currently have not been met.

Mortgage loans receivable in the Single Family Programs Fund, which include certain mortgage loans receivable that have been securitized by Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA), and Federal Home Loan Mortgage Corp (FHLMC) are secured by first liens on real property. Loans purchased in the Single Family Programs Fund that have a loan to value ratio in excess of 72% (80% for loans purchased after 1986) are insured or guaranteed by either the Federal Housing Administration ("FHA"), the Farmers Home Administration ("FmHA"), the Department of Veterans' Affairs ("VA"), or by a private primary mortgage insurance policy. All loans purchased under this Program, exclusive of FHA and VA loans, are also insured by a mortgage pool insurance policy. Interest rates on the loans range from 3.99% to 10.85% with maturities of such loans ranging from 15 to 40 years.

Mortgage loans outstanding in the Multi-Family Programs Fund are insured by the FHA or secured by pledged Section 8 housing assistance payments payable under the projects' Housing Assistance Payments Contract with HUD. Some of these loans have been securitized by FNMA. Interest is charged at rates ranging from 7.75% to 12.425%. Interest charges during the construction phases of the projects are capitalized as part of loans outstanding. Maturity dates of these loans range from 1 to 9 years.

Accrued interest and other receivables

Accrued interest and other receivables as of June 30, 2011 are as follows:

	Governmental Activities			Business-type Activities			Total	
	General Fund	Housing Development Fund	DSHA Second Mortgage Assistance Loan Program	Nonmajor Governmental Funds	Federal Programs	Single Family Programs		Multi-Family Programs
Loan interest	\$ -	\$ 23,677,277	\$ 3,336,467	\$ 933,161	\$ 7,588,971	\$ 6,011,182	\$ 61,900	\$ 41,608,958
Investment interest	97,246	24,222	-	3,134	-	201,492	192,356	518,450
HDF projects	34,486	-	-	-	-	-	-	34,486
Other projects	398,930	-	-	-	-	-	-	398,930
Servicers	-	-	-	-	-	207,074	-	207,074
Other	466,460	-	-	1,283	212,033	5,715	-	685,491
Total	\$ 997,122	\$ 23,701,499	\$ 3,336,467	\$ 937,578	\$ 7,801,004	\$ 6,425,463	\$ 254,256	\$ 43,453,389

C. Accounts payable

Accounts payables as of June 30, 2011 are as follows:

	Governmental Activities		Business-type Activities			Total
	General Fund	Nonmajor Governmental Funds	Federal Programs	Single Family Programs	Multi-Family Programs	
Vendors	\$ 176,215	\$ -	\$ 375,625	\$ -	\$ -	\$ 551,840
Salaries	157,937	-	89,658	-	-	247,595
US Dept of HUD	-	-	-	-	-	-
Security deposits	-	-	159,990	-	-	159,990
Other	15,592	382	391,258	30,500	140	437,872
Total	\$ 349,744	\$ 382	\$ 1,016,531	\$ 30,500	\$ 140	\$ 1,397,297

D. Capital assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance June 30, 2010	Increases	Decreases	Ending Balance June 30, 2011
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 797,960	\$ -	\$ -	\$ 797,960
Total capital assets, not being depreciated	797,960	-	-	797,960
Capital assets, being depreciated:				
Buildings	1,934,902	-	-	1,934,902
Land/Site Improvements	211,929	-	-	211,929
Computer Equipment	415,167	-	-	415,167
Equipment	25,479	-	-	25,479
Telecommunications Equipment	36,747	-	-	36,747
Total capital assets being depreciated	2,624,224	-	-	2,624,224
Less accumulated depreciation for:				
Buildings	903,764	58,385	-	962,149
Land/Site Improvements	172,500	4,150	-	176,650
Computer Equipment	409,657	5,510	-	415,167
Equipment	25,479	-	-	25,479
Telecommunications Equipment	36,747	-	-	36,747
Total accumulated depreciation	1,548,147	68,045	-	1,616,192
Total capital assets, being depreciated, net	1,076,077	(68,045)	-	1,008,032
Governmental activities capital assets, net	\$ 1,874,037	\$ (68,045)	\$ -	\$ 1,805,992
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,336,842	\$ -	\$ -	\$ 2,336,842
Buildings held for resale	330,911	-	-	330,911
Construction in Progress	1,100,943	888,805	923,661	1,066,087
Total capital assets, not being depreciated	3,768,696	888,805	923,661	3,733,840
Capital assets, being depreciated:				
Buildings	22,600,570	-	-	22,600,570
Land/Site Improvements	16,357,858	1,043,115	-	17,400,973
Vehicles	41,908	-	-	41,908
Equipment	493,741	-	-	493,741
Total capital assets being depreciated	39,494,077	1,043,115	-	40,537,192
Less accumulated depreciation for:				
Buildings	15,966,046	590,591	-	16,556,637
Land/Site Improvements	8,728,360	887,537	-	9,615,897
Vehicles	24,312	10,203	-	34,515
Equipment	212,133	79,440	-	291,573
Total accumulated depreciation	24,930,851	1,567,771	-	26,498,622
Total capital assets, being depreciated, net	14,563,226	(524,656)	-	14,038,570
Business-type activities capital assets, net	\$ 18,331,922	\$ 364,149	\$ 923,661	\$ 17,772,410

Depreciation expense of \$68,045 was charged to the administrative function in the Governmental activities. Depreciation expense of \$1,567,771 was charged to the affordable rental housing function in the business-type activities.

Construction commitments

The Authority has active capital projects as of June 30, 2011. The projects include renovations at the various public housing developments. At year end, the Authority had commitments with contractors of \$19,123, relating to business-type activities and the Federal Programs Enterprise Fund.

E. Interfund transactions

The composition of interfund balances as of June 30, 2011, is as follows:

Due to/from other funds:

Current:	Governmental Activities					Business-type Activities			Total
	General Fund	Housing Development Fund	DSHA Second Mortgage Assistance Loan Program	Nonmajor Governmental Funds	Federal Programs	Single Family Programs	Multi-Family Programs		
Due to:									
General Fund	\$ -	\$ 43	\$ 110	\$ 5,001,112	\$ 3,378,959	\$ 1,222	\$ 296,903	\$ 8,678,349	
Housing Development Fund	-	-	-	311	-	-	-	311	
Nonmajor Governmental Funds	16	-	-	-	-	-	-	16	
Federal Programs	28,853	388	-	-	-	-	-	29,241	
Single Family Programs	59,259	-	-	1,221	-	-	-	60,480	
Total	\$ 88,128	\$ 431	\$ 110	\$ 5,002,644	\$ 3,378,959	\$ 1,222	\$ 296,903	\$ 8,766,397	

Non-current:	General Fund	Total
Due to:		
Housing Development Fund	\$ 254,522	\$ 254,522
Total	\$ 254,522	\$ 254,522

The current balances resulted from the time lag between the dates payments between funds are made. The non-current balance of \$254,522 represents a loan made from the Housing Development Fund to the general fund for the purpose of the Lewes land acquisition.

Interfund transfers for the year ended June 30, 2011 consisted of the following:

Transfers out:	Governmental Activities			Business-type Activities		Total
	General Fund	Nonmajor Governmental Funds	Federal Programs	Single Family Programs	Multi-Family Programs	
Transfers in:						
General Fund	\$ -	\$ 2,548,963	\$ 2,700,000	\$ 2,387,574	\$ 1,323,779	\$ 8,960,316
Housing Development Fund	-	25,000	-	-	-	25,000
Nonmajor Governmental Funds	38,459	-	-	1,666	1,672,492	1,712,617
Federal Programs	2,700,000	-	-	-	-	2,700,000
Single Family Programs	1,884,382	3,888	-	-	-	1,888,270
Multi-family Programs	70	-	-	-	-	70
Total transfer out	\$ 4,622,911	\$ 2,577,851	\$ 2,700,000	\$ 2,389,240	\$ 2,996,271	\$ 15,286,273

Transfers from the Authority Loan Program (a non-major governmental fund), the Single Family and Multi-Family programs to the General Fund support general fund operations. These transfers are surplus funds, administrative fees, and early repayment of bonds.

The Multi-Family programs reports a non-cash transfer of \$1,672,492 to the Authority Loan Program (a non-major governmental fund). This transfer represents a mortgage loan released from bond indenture requirements as a result of refunding the bonds originally associated with it.

The General Fund reports a cash transfer to and from the Federal programs in the amount of \$2,700,000. This transaction was due to a need within the Contract Administration Program (a Federal program) for funds prior to the receipt of the funds from US HUD, upon receipt the funds were reimbursed to the General Fund.

The General Fund reports cash transfers of \$1,884,382 to the Single Family Programs. These transfers represent cash used in the programs for cost of issuance for the Single Family Mortgage Revenue Bond 2008

Series B and 2009 Series A bond issues.

F. Short-term and long-term debt

1. Short-term and long-term debt activity for the year ended June 30, 2011, was as follows:

	Beginning Balance June 30, 2010	Increases	Decreases	Ending Balance June 30, 2011	Due Within One Year
Governmental activities:					
Note payable, General Fund	\$ 851,914	\$ 111,048,040	\$ 111,899,954	\$ -	\$ -
Compensated absences, relating to the General Fund	575,682	319,637	306,390	588,929	16,569
Governmental activity long-term liabilities	\$ 1,427,596	\$ 111,367,677	\$ 112,206,344	\$ 588,929	\$ 16,569
Business-type activities:					
Compensated absences, relating to the Federal Programs Fund	\$ 400,799	\$ 177,256	\$ 190,013	\$ 388,042	\$ 13,424
Notes Payable, Single Family Programs Fund	-	69,719,671	-	69,719,671	69,719,671
Notes Payable, Multi-family Programs Fund	250,395	-	250,395	-	-
Revenue bonds payable, Single Family Programs Fund	955,679,135	87,765,145	217,097,593	826,346,687	116,149,965
Revenue bonds payable, Multi-family Programs Fund	8,591,420	69,681	4,915,000	3,746,101	1,299,371
Business-type activity long-term liabilities	\$ 964,921,749	\$ 157,731,753	\$ 222,453,001	\$ 900,200,501	\$ 187,182,431

2. Description of short-term and long-term debt

Compensated Absences

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

Notes Payable

Notes payable in the Governmental Activities, relating to the General Fund represented an obligation to the Federal Home Loan Bank (FHLB) Pittsburgh. The Authority borrowed based on an existing agreement with FHLB Pittsburgh dated May 29, 2002 to provide funds to warehouse mortgage backed securities prior to the issuance of bonds. The loan had a maturity date of December 27, 2010, an interest rate of 0.58% due at maturity, and was paid in full during fiscal 2011.

Notes payable in the Business-type Activities, relating to the DSHA Mortgage Backed Securities Purchase Program (a Single Family program) represent an obligation to the Federal Home Loan Bank (FHLB) Pittsburgh. The Authority borrows based on an existing agreement with FHLB Pittsburgh dated May 29, 2002 to provide funds to purchase mortgage backed securities prior to the issuance of bonds under the 2009 New Issue Bond Program (NIBP) indenture. The loan has a maturity date of July 18, 2011 and an interest rate range of 0.17% to 0.68%, depending on date of borrowing, due at maturity.

Notes payable in the Business-type Activities, relating to the Multi-Family programs represented obligations to the State. The State issued General Obligation bonds on behalf of the Authority to provide funding for low-income housing loans. Proceeds from these bonds enabled the Authority to receive the savings from the Financing Adjustment Factor ("FAF") issues in advance. This note was paid in full during fiscal 2011.

Revenue Bonds Payable

The revenue bonds outstanding have been issued to provide financing for mortgage loans. The bonds are secured by the mortgage loans made or purchased under the applicable resolutions, the revenues,

prepayments and foreclosures proceeds received related to the mortgage loans, and certain funds and accounts established pursuant to the applicable bond resolutions. All bonds are callable subject to certain restrictions. Interest rates on bonds outstanding range from 1.80% to 7.75% with maturities of such bonds up through January 1, 2049.

On October 27, 2010, the Authority issued \$85,000,000 of Single Family Mortgage Revenue Bonds 2010 Series A pursuant to the New Issue Bond Program (NIBP) established jointly by Fannie Mae, Freddie Mac, the Federal Housing Finance Agency, and the U.S. Department of the Treasury (US Treasury) under which the US Treasury provides funding for bond issuance. The proceeds from the sale were used to provide low rate mortgages to first-time homebuyers.

Interest Expense on Long-Term Debt

Interest expense of \$40,504,844 on long-term debt has been included in the direct expenses of individual functions on the entity-wide statement of activities. Authorization for general long-term debt is essential for the creation and continuing existence of the Single and Multi-Family mortgage programs; thus an objective connection can be made to these programs. All interest on long-term debt is reported as a direct expense of the program for which borrowing is related. Interest expense of \$39,808,811 was charged to the home ownership function and \$696,033 was charged to the affordable rental housing function in the business-type activities.

3. Annual Requirements - Principal and Interest on Long-Term Debt

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

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

	Principal	Interest	Total
2012	\$ 117,449,336	\$ 34,941,021	\$ 152,390,357
2013	15,790,000	34,138,274	49,928,274
2014	16,080,000	33,385,198	49,465,198
2015	16,040,000	32,604,210	48,644,210
2016	16,471,000	31,819,531	48,290,531
2017-2021	90,795,000	146,176,711	236,971,711
2022-2026	112,328,122	120,807,837	233,135,959
2027-2031	129,310,586	90,920,746	220,231,332
2032-2036	160,370,622	55,594,970	215,965,592
2037-2041	113,406,131	15,499,105	128,905,236
2042-2046	21,145,000	5,373,150	26,518,150
2047-2049	20,906,991	581,526	21,488,517
Totals	\$ 830,092,788	\$ 601,842,279	\$ 1,431,935,067

G. Segment information

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

The Single Family Programs Fund accounts for the Authority's single family mortgage program, which includes the Single Family Mortgage Revenue Bonds 1997 Series B, 1999 Series A, 2000 Series A, 2001 Series A, 2002 Series A and B, 2003 Series A and B, 2004 Series A, 2005 Series A, and 2006 Series A, B, C, and D, 2007 Series A, B, C, and D, 2008 Series A and B, 2009 Series A, and 2009 and 2010 Series A of the New Issue Bond Program (NIBP). The fund also accounts for the DSHA Mortgage Backed Securities Purchase Program and for the Authority's second mortgage program, which includes the Senior SMAL Revenue bonds, 1996 Series A, 1997 Series A, 1998 Series A and B, and 2001 Series A.

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

CONDENSED STATEMENT OF NET ASSETS - SINGLE FAMILY PROGRAMS FUND SEGMENTS
JUNE 30, 2011

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 1997B-2009A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2009-2010A NIBP	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM	SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND SERIES 1996A-2001A	TOTAL SINGLE FAMILY PROGRAMS
Assets					
Current assets other than interfund receivables	\$ 23,678,081	\$ 108,830,208	\$ 70,159,317	\$ 1,487,589	\$ 204,155,195
Current interfund receivables	-	59,259	-	1,221	60,480
Non-current assets	630,643,815	77,949,606	-	1,862,871	710,456,292
Total assets	654,321,896	186,839,073	70,159,317	3,351,681	914,671,967
Liabilities					
Current liabilities other than interfund payables	13,843,908	102,591,629	69,761,239	-	186,196,776
Current interfund payables	-	-	-	1,222	1,222
Non-current liabilities	622,305,134	85,202,663	-	3,411,883	710,919,680
Total liabilities	636,149,042	187,794,292	69,761,239	3,413,105	897,117,678
Net assets (deficit), restricted	\$ 18,172,854	\$ (955,219)	\$ 398,078	\$ (61,424)	\$ 17,554,289

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - SINGLE FAMILY PROGRAMS
FUND SEGMENTS
FOR THE YEAR ENDED JUNE 30, 2011

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 1997B-2009A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2009-2010A NIBP	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM	SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND SERIES 1996A-2001A	TOTAL SINGLE FAMILY PROGRAMS
Operating revenues*	\$ 39,966,619	\$ 1,724,796	\$ -	\$ 190,440	\$ 41,881,855
Operating expenses					
Interest expense on bonds	37,565,395	2,061,311	-	182,105	39,808,811
Other	1,652,824	215,500	-	21,650	1,889,974
Operating income/(loss)	748,400	(552,015)	-	(13,315)	183,070
Non-operating revenue/(expenses):					
Interest income on investments	1,758,176	197,538	556,771	9,567	2,522,052
Other non-operating revenue/(expenses)	(27,793)	-	(83,277)	(9,090)	(120,160)
Transfers in/(out)	357,224	(795,000)	(75,416)	12,222	(500,970)
Change in net assets	2,836,007	(1,149,477)	398,078	(616)	2,083,992
Beginning net assets (deficit)	15,336,847	194,258	-	(60,808)	15,470,297
Ending net assets (deficit)	\$ 18,172,854	\$ (955,219)	\$ 398,078	\$ (61,424)	\$ 17,554,289

*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, 2011

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 1997B-2009A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2009-2010A NIBP	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM	SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND SERIES 1996A-2001A	TOTAL SINGLE FAMILY PROGRAMS
Net cash provided (used) by:					
Operating activities	\$ 161,834,657	\$ (77,408,227)	\$ -	\$ 160,968	\$ 84,587,398
Noncapital financing activities	(251,936,562)	83,479,750	69,604,515	(161,484)	(99,013,781)
Investing activities	89,940,295	(641,764)	(69,604,515)	516	19,694,532
Net increase/(decrease)	(161,610)	5,429,759	-	-	5,268,149
Beginning cash and cash equivalents	161,610	-	-	-	161,610
Ending cash and cash equivalents	\$ -	\$ 5,429,759	\$ -	\$ -	\$ 5,429,759

CONDENSED STATEMENT OF NET ASSETS - MULTI-FAMILY PROGRAMS FUND SEGMENTS
JUNE 30, 2011

	MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1992C	MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1992D & E	MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 2001A	FAF RESERVES	TOTAL MULTI-FAMILY PROGRAMS
Assets					
Current assets	\$ -	\$ 1,309,063	\$ 1,037,584	\$ 55,886	\$ 2,402,533
Non-current assets	-	5,822,391	16,495,314	-	22,317,705
Total assets	-	7,131,454	17,532,898	55,886	24,720,238
Liabilities					
Current liabilities	-	825,140	920,425	-	1,745,565
Non-current liabilities	-	1,573,333	4,903,475	-	6,476,808
Total liabilities	-	2,398,473	5,823,900	-	8,222,373
Net assets, restricted	\$ -	\$ 4,732,981	\$ 11,708,998	\$ 55,886	\$ 16,497,865

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - MULTI-FAMILY PROGRAMS
FUND SEGMENTS
FOR THE YEAR ENDED JUNE 30, 2011

	MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1992C	MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1992D & E	MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 2001A	FAF RESERVES	TOTAL MULTI-FAMILY PROGRAMS
Operating revenues*	\$ -	\$ 96,784	\$ 1,060,472	\$ -	\$ 1,157,256
Operating expenses					
Interest expense on bonds	-	220,372	239,711	235,950	696,033
Other	-	18,691	407,935	-	426,626
Operating income (loss)	-	(142,279)	412,826	(235,950)	34,597
Non-operating revenue/(expenses):					
Interest income on investments	224	415,241	447,604	86	863,155
Other non-operating revenue/(expenses)	-	(172,488)	(2,403,600)	-	(2,576,088)
Transfers in/(out)	(2,991,898)	-	(485,763)	481,460	(2,996,201)
Change in net assets	(2,991,674)	100,474	(2,028,933)	245,596	(4,674,537)
Beginning net assets (deficit)	2,991,674	4,632,507	13,737,931	(189,710)	21,172,402
Ending net assets	\$ -	\$ 4,732,981	\$ 11,708,998	\$ 55,886	\$ 16,497,865

*Operating revenues consist primarily of interest income on loans.

CONDENSED STATEMENT OF CASH FLOWS - MULTI-FAMILY PROGRAMS FUND SEGMENTS
FOR THE YEAR ENDED JUNE 30, 2011

	MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1992C	MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1992D & E	MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 2001A	FAF RESERVES	TOTAL MULTI-FAMILY PROGRAMS
Net cash provided (used) by:					
Operating activities	\$ (124,261)	\$ 54,869	\$ 4,753,590	\$ -	\$ 4,684,198
Noncapital financing activities	(1,319,406)	(1,865,373)	(6,385,090)	(7,798)	(9,577,667)
Investing activities	1,443,667	1,809,210	1,631,500	7,798	4,892,175
Net decrease	-	(1,294)	-	-	(1,294)
Beginning cash and cash equivalents	-	1,294	-	-	1,294
Ending cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -

V. OTHER INFORMATION

A. Risk management

The Authority is exposed to various risks of loss related to workers' compensation, non-state employee health care and accident, automobile, and property and casualty claims. The latter discussion of post-retirement health care benefits defines state and non-state employees. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

For its State employee health care and accident insurance coverage, the Authority is a participant in the State of Delaware's risk management program which covers all claim settlements and judgments out of its General Fund. The Authority pays a semi-monthly premium to the State for this health and accident insurance coverage. The State's General Fund is considered a self-sustaining risk pool that will provide coverage for its members with an unlimited lifetime benefit per individual for all covered health care benefits received under a plan offered by the State.

B. Related organizations and related party transactions

Organizations for which the Authority appoints all or some of the governing boards, but for which it is not financially accountable, are considered to be related organizations. Delaware Housing Partnership Corporation (DHP), Huling Cove Housing Corporation (HCHC), and Wexford Village Housing Corporation (WVHC) are related organizations of the Authority. Accordingly, financial information for these three entities is excluded from the Authority's financial statements.

During the Year Ended June 30, 2011, DHP and HCHC were under agreement with the Authority for the management of their operations. For the Year Ended June 30, 2011, DHP and HCHC paid management fees to the Authority totaling \$60,000 and \$33,767, respectively.

As of June 30, 2011, HCHC and WVHC were indebted to the Authority for Housing Development Fund loans in the amounts of \$3,651,587 and \$2,035,979, respectively.

For the Year Ended June 30, 2011, Section 8 Contract Administration housing assistance payments totaling \$322,977 from the US Dept. of HUD passed through the Authority to HCHC.

C. Economic dependency

During the Year Ended June 30, 2011, the Authority's business-type activities received 52.2 percent of its revenue from the U.S. Department of Housing and Urban Development (HUD).

D. Post-retirement health care benefits

State Employees

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

The Authority's contribution to the State of Delaware Employees' Pension Plan, a cost-sharing, multiple-employer defined benefit public employees retirement system (the "State PERS"), for post-retirement health care benefits for the Year Ended June 30, 2011 was \$90,219, equal to the required contribution for the year. The Authority's contributions to the State PERS for post-retirement health care benefits for the Years Ended June 30, 2010 and June 30, 2009 were \$86,308 and \$95,859, respectively, equal to the required contribution for each year.

Non-State Employees

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

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

2. **Funding Policy** - Contributions to the plan are made by the Authority to the DSHA Retiree Medical Trust as established by the Authority on March 1, 2008. The Authority contributes to the Trust periodically the amounts it determines necessary or appropriate. The Authority contributed \$764,784 for the Fiscal Year Ended June 30, 2011.

3. **Annual OPEB Cost and Net OPEB Obligation** - The Authority recognizes the cost of postemployment healthcare in the year when employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Authority's future cash flows. Because the Authority adopted the requirements of GASB Statement No. 45 prospectively, recognition of the liability accumulated from prior years is being phased in over 30 years, commencing with the 2008 liability. The Authority's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount contributed to the plan, and changes in the net OPEB obligation:

Annual Required contribution (ARC)	\$764,672
Adjustment to annual required contribution:	
Interest on net OPEB Obligation (NOO)	(124)
Amortization of Net OPEB Obligation (NOO)	162
Annual OPEB cost (expense) (AOC)	<u>764,710</u>
Contributions made	<u>(764,784)</u>
Increase (decrease) in net OPEB obligation	(74)
Net OPEB obligation, beginning of year	<u>(2,480)</u>
Net OPEB obligation, end of year	<u><u>\$(2,554)</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributions to the plan, and the net OPEB obligation for Fiscal Year 2011 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2009	\$675,296	90.2%	\$(746)
06/30/2010	\$616,094	100.28%	\$(2,480)
06/30/2011	\$764,710	100.01%	\$(2,554)

4. **Funded Status and Funding Progress** - As of July 1, 2010, the plan was 30% funded. The actuarial accrued liability (AAL) for benefits was \$5,917,119 and the actuarial value of assets was \$1,773,758, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,143,361. The covered payroll (annual payroll of active non-state employees covered by the plan) was \$4,260,000, and the ratio of the UAAL to the covered payroll was 97.3%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding

progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2010 actuarial valuation the projected unit credit cost method was used. The actuarial assumptions included a 5.0% investment rate of return and an annual healthcare cost trend assumption beginning at 9.0% and decreasing to a 5.0% long-term trend rate after seven years. The level dollar open amortization method is being used to amortize the UAAL over 30 years.

E. Pension plans

State Employees

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

1. Plan Description - All State employees of the Authority (20) are covered by the State of Delaware Employees' Pension Plan which is a cost-sharing, multiple-employer defined benefit public employees retirement system (the "State PERS"). The State of Delaware General Assembly is responsible for setting benefits and amending plan provisions. The State Board of Pension Trustees determines the contributions required. All eligible State employees are required to contribute to the pension plan according to Chapter 55, Title 29 of the Delaware Code.

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

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

2. Funding Policy - Employees of the Authority are required to contribute 3% of earnings in excess of \$6,000. Additionally, for the Year Ended June 30, 2011, the Authority was required to contribute 17.20% of covered payroll to the plan. The Authority's contribution to the State PERS for the Year Ended June 30, 2011 was \$93,845, equal to the required contribution for the year. The Authority's contributions to the State PERS for the Years Ended June 30, 2010 and June 30, 2009 were \$97,756 and \$144,028, respectively, equal to the required contribution for each year.

Non-State Employees

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

1. Plan Description - Full-time non-state employees (113) are covered by the Housing-Renewal and Local Agency Retirement Plan. The Administrator of the plan is William M. Mercer, Incorporated. The Authority establishes and amends contributions through a General Order which is approved by the Authority's Director. The Plan shall be construed, regulated, and administered according to the laws of the State of Tennessee, where the plan is incorporated, except those areas preempted by the laws of the United States of America. The Housing-Renewal and Local Agency Retirement Plan provides pension, disability, and death benefits. In general, employees are eligible for pension benefits if they retire at age 65 with at least five years of credited service, or the date on which the employee completes ten (10) years of combined participation in this Plan and their prior plan, if any. The employee is entitled to the full value of their account as of the date of retirement.

2. Funding Policy - This defined contribution plan is funded by contributions from both the covered employees and the Authority. Non-state employees of the Authority are required to contribute 3.5% of their basic salary. The Authority's contribution rate was 9.59% of covered payroll for the Fiscal Year Ended June 30, 2011. The Authority's contribution to the Housing Renewal and Local Agency Retirement Plan for the Year Ended June 30, 2011 was \$411,562 equal to the required contribution for the year. The Authority's contributions to the plan for the Years Ended June 30, 2010 and June 30, 2009 were \$408,371 and \$376,453, respectively, equal to the required contributions for each year.

F. Contingent liabilities

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

G. Subsequent events

On July 18, 2011, the Authority issued \$99,600,000 of Single Family Mortgage Revenue Bonds 2011 Series A pursuant to the New Issue Bond Program (NIBP) established jointly by Fannie Mae, Freddie Mac, the Federal Housing Finance Agency, and the U.S. Department of the Treasury (US Treasury) under which the US Treasury provides funding for bond issuance. Some proceeds from the sale were used to purchase the mortgage backed securities held in the DSHA Mortgage Backed Security Purchase Program and the DSHA Mortgage Backed Security Purchase program then repaid the FHLB Pittsburgh under the agreement disclosed on page 43 of this report. The remaining proceeds from the bond issue were used to provide low rate mortgages to first-time homebuyers.

The Authority has evaluated all subsequent events through September 28, 2011, the date the financial statements were available to be issued.

H. Restatement of prior year net assets

The beginning net assets as of July 1, 2010 have been restated for the following prior period adjustment:

	Federal Programs Enterprise Fund	Business Type Activities	Total Entity-wide Statement of Net Assets
Beginning net assets, July 1, 2010	\$65,582,198	\$102,224,897	\$322,800,280
HOME TCAP Program correction of loans receivable recorded as grant expense in fiscal 2010	4,476,656	4,476,656	4,476,656
Beginning net assets, July 1, 2010, restated	\$70,058,854	\$106,701,553	\$327,276,936

In the prior year, HOME Tax Credit Assistance Program (TCAP) funds disbursed by the Authority were incorrectly accounted for as grants to low income housing projects instead of as loans. Under this program, the Authority had the option of making grants or loans to eligible projects. This error was caught by management during Fiscal Year 2011 and was the result of the tight timeline given by the federal government to obligate and spend these funds.

DELAWARE STATE HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION

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DELAWARE STATE HOUSING AUTHORITY
 SCHEDULE OF FUNDING PROGRESS FOR DELAWARE STATE HOUSING AUTHORITY
 RETIREE MEDICAL PLAN
 AS OF JUNE 30, 2011

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (Estimated) (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
07/01/2008	\$ 611,719	\$ 4,327,108	\$ 3,715,389	14%	\$ 3,891,000	95.5%
07/01/2009	1,187,694	4,526,854	3,339,160	26%	4,166,000	80.2%
07/01/2010	1,773,758	5,917,119	4,143,361	30%	4,260,000	97.3%

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DELAWARE STATE HOUSING AUTHORITY
OTHER SUPPLEMENTARY INFORMATION

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DELAWARE STATE HOUSING AUTHORITY
 SCHEDULE OF ACTIVITIES - ENTITY-WIDE
 FOR THE YEAR ENDED JUNE, 30, 2011

EXPENSES	\$ 124,873,297
PROGRAM REVENUE	
Charges for services	52,491,163
Operating grants and contributions	79,201,428
Capital grants and contributions	<u>1,012,073</u>
NET OPERATING REVENUE	7,831,367
GENERAL REVENUE	
Investment earnings	<u>4,548,029</u>
TOTAL GENERAL REVENUE	<u>4,548,029</u>
CHANGE IN NET ASSETS	12,379,396
NET ASSETS, BEGINNING, as restated	<u>327,276,936</u>
NET ASSETS, ENDING	<u>\$ 339,656,332</u>

DELAWARE STATE HOUSING AUTHORITY
BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	AUTHORITY LOAN PROGRAM	DELAWARE EMERGENCY MORTGAGE ASSISTANCE PROGRAM	DELAWARE HOUSING INSURANCE FUND	FORECLOSURE PREVENTION PROGRAM
ASSETS				
Investments	\$ -	\$ 1,076,397	\$ 595,311	\$ 45,674
Interfund receivables	-	-	-	-
Loans receivable:				
Mortgages receivable, net	2,393,029	2,389,275	-	-
Accrued interest & other receivables	531,843	138,756	-	-
TOTAL ASSETS	\$ 2,924,872	\$ 3,604,428	\$ 595,311	\$ 45,674
LIABILITIES & FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Interfund payables	-	55	1,221	-
TOTAL LIABILITIES	-	55	1,221	-
FUND BALANCES				
Nonspendable	2,924,872	2,528,031	-	-
Restricted	-	1,076,342	594,090	45,674
Assigned	-	-	-	-
TOTAL FUND BALANCES	2,924,872	3,604,373	594,090	45,674
TOTAL LIABILITIES & FUND BALANCES	\$ 2,924,872	\$ 3,604,428	\$ 595,311	\$ 45,674

HFO SECOND MORTGAGE ASSISTANCE LOAN PROGRAM	HOUSING REHABILITATION LOAN PROGRAM	LIVE NEAR YOUR WORK PROGRAM	NEIGHBORHOOD REVITALIZATION FUND	NORTHEAST INITIATIVE	STATE VOUCHER FOR THE HOMELESS PROGRAM	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ 39,212	\$ 2,622,985	\$ 22,504	\$ -	\$ -	\$ 930,401	\$ 5,332,484
-	16	-	-	-	-	16
4,847,980	2,350,973	-	37,719	1,942,322	-	13,961,298
242,617	18,104	-	6,258	-	-	937,578
<u>\$ 5,129,809</u>	<u>\$ 4,992,078</u>	<u>\$ 22,504</u>	<u>\$ 43,977</u>	<u>\$ 1,942,322</u>	<u>\$ 930,401</u>	<u>\$ 20,231,376</u>
\$ -	\$ 382	\$ -	\$ -	\$ -	\$ -	\$ 382
5,001,057	-	4	-	-	307	5,002,644
<u>5,001,057</u>	<u>382</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>307</u>	<u>5,003,026</u>
128,752	2,369,093	-	43,977	1,942,322	-	9,937,047
-	-	-	-	-	-	1,716,106
-	2,622,603	22,500	-	-	930,094	3,575,197
128,752	4,991,696	22,500	43,977	1,942,322	930,094	15,228,350
<u>\$ 5,129,809</u>	<u>\$ 4,992,078</u>	<u>\$ 22,504</u>	<u>\$ 43,977</u>	<u>\$ 1,942,322</u>	<u>\$ 930,401</u>	<u>\$ 20,231,376</u>

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	AUTHORITY LOAN PROGRAM	DELAWARE EMERGENCY MORTGAGE ASSISTANCE PROGRAM	DELAWARE HOUSING INSURANCE FUND	FORECLOSURE PREVENTION PROGRAM
REVENUES				
Interest income:				
Investments	\$ -	\$ 3,805	\$ -	\$ 674
Loans	247,276	69,298	-	-
Total interest income	247,276	73,103	-	674
Grants & government appropriations	-	-	-	250,000
Gains on investments	-	-	-	-
Fees	-	-	-	-
Other revenue	119,315	460,380	-	-
TOTAL REVENUES	366,591	533,483	-	250,674
EXPENDITURES				
Current:				
Home ownership	56,360	101,279	-	205,000
Affordable rental housing	-	-	-	-
Housing rehabilitation	-	-	-	-
TOTAL EXPEDITURES	56,360	101,279	-	205,000
EXCESS/(DEFICIT) REVENUE OVER EXPENDITURES	310,231	432,204	-	45,674
OTHER FINANCING SOURCES (USES)				
Transfers in	1,698,030	-	1,666	-
Transfers out	(2,548,975)	-	(3,888)	-
TOTAL OTHER FINANCING SOURCES (USES)	(850,945)	-	(2,222)	-
NET CHANGE IN FUND BALANCES	(540,714)	432,204	(2,222)	45,674
FUND BALANCES, BEGINNING	3,465,586	3,172,169	596,312	-
FUND BALANCES, ENDING	\$ 2,924,872	\$ 3,604,373	\$ 594,090	\$ 45,674

*The transfers in and out have been reduced by \$56,735 for transfers between non-major governmental funds.

HFO SECOND MORTGAGE ASSISTANCE LOAN PROGRAM	HOUSING REHABILITATION LOAN PROGRAM	LIVE NEAR YOUR WORK PROGRAM	NEIGHBORHOOD REVITALIZATION FUND	NORTHEAST INITIATIVE	STATE VOUCHER FOR THE HOMELESS PROGRAM	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ 780	\$ 14,510	\$ -	\$ 56	\$ -	\$ -	\$ 19,825
253,539	79,315	-	1,155	-	-	650,583
254,319	93,825	-	1,211	-	-	670,408
-	-	-	-	-	-	250,000
-	1,285	-	-	-	-	1,285
-	-	100	-	-	-	100
-	-	-	11,708	500	-	591,903
254,319	95,110	100	12,919	500	-	1,513,696
138,500	-	8,000	-	-	-	509,139
-	-	-	-	-	793,813	793,813
-	56,949	-	17	-	-	56,966
138,500	56,949	8,000	17	-	793,813	1,359,918
115,819	38,161	(7,900)	12,902	500	(793,813)	153,778
12,933	56,613	-	110	-	-	1,712,617 *
-	(165)	-	(56,558)	(25,000)	-	(2,577,851) *
12,933	56,448	-	(56,448)	(25,000)	-	(865,234)
128,752	94,609	(7,900)	(43,546)	(24,500)	(793,813)	(711,456)
-	4,897,087	30,400	87,523	1,966,822	1,723,907	15,939,806
\$ 128,752	\$ 4,991,696	\$ 22,500	\$ 43,977	\$ 1,942,322	\$ 930,094	\$ 15,228,350

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF NET ASSETS - PROPRIETARY FUND - SUBFUNDS OF THE FEDERAL PROGRAMS ENTERPRISE FUND
JUNE 30, 2011

	PUBLIC HOUSING PROGRAM	HOUSING CHOICE VOUCHERS PROGRAM	COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM	HOME INVESTMENT PARTNERSHIP PROGRAM
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Investments	1,632,142	2,337,792	4,015	41,952
Accrued interest and other receivables	11,170	89,438	-	-
Grants receivable-U.S. Dept of HUD	480	-	53,601	-
Interfund receivables	4,977	-	23,775	388
Prepaid expenses	3,181	509,606	-	-
Total current assets	1,651,950	2,936,836	81,391	42,340
Non-Current Assets:				
Investments	-	-	-	2,845,140
Mortgages receivable, net	-	-	-	45,429,135
Accrued interest and other receivables, net	-	-	-	7,588,971
Capital assets: not being depreciated	3,478,707	255,133	-	-
Capital assets: net of accumulated depreciation	10,913,111	3,125,459	-	-
Total non-current assets	14,391,818	3,380,592	-	55,863,246
TOTAL ASSETS	\$ 16,043,768	\$ 6,317,428	\$ 81,391	\$ 55,905,586
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 363,783	\$ 134,488	\$ 55,850	\$ 11,786
Due St of Delaware-pension costs	-	580	359	445
Interfund payables	1,000	1	4,015	1,000
Compensated absences payable	6,193	1,484	1,896	3,332
Total current liabilities	370,976	136,553	62,120	16,563
Non-Current Liabilities:				
Compensated absences payable	172,179	109,685	19,271	23,870
Escrow deposits	435,384	276,121	-	2,845,140
Total non-current liabilities	607,563	385,806	19,271	2,869,010
TOTAL LIABILITIES	978,539	522,359	81,391	2,885,573
NET ASSETS				
Invested in capital assets	14,391,818	3,380,592	-	-
Restricted by federal regulations	673,411	2,414,477	-	53,020,013
TOTAL NET ASSETS	15,065,229	5,795,069	-	53,020,013
TOTAL LIABILITIES AND NET ASSETS	\$ 16,043,768	\$ 6,317,428	\$ 81,391	\$ 55,905,586

SECTION 8 CONTRACT ADMINISTRATION	NATIONAL FORECLOSURE MITIGATION COUNSELING PROGRAM	LOW INCOME HOUSING TAX CREDIT EXCHANGE PROGRAM	TANF/HOME OWNERSHIP GRANT ASSISTANCE PROGRAM	DEMAP 2011/ EMERGENCY HOMEOWNERS LOAN PROGRAM	SUSTAINABLE ENERGY UTILITY/ DELAWARE ENERGY OFFICE PROGRAM	TOTAL FEDERAL PROGRAMS
\$ -	\$ -	\$ -	\$ -	\$ 1,004	\$ -	\$ 1,004
509,500	6,365	-	-	24,481	433,226	4,989,473
111,425	-	-	-	-	-	212,033
316,821	-	-	-	144,503	-	515,405
101	-	-	-	-	-	29,241
2,855,559	-	-	-	-	-	3,368,346
3,793,406	6,365	-	-	169,988	433,226	9,115,502
75,630	-	-	-	-	-	2,920,770
-	-	-	-	-	-	45,429,135
-	-	-	-	-	-	7,588,971
-	-	-	-	-	-	3,733,840
-	-	-	-	-	-	14,038,570
75,630	-	-	-	-	-	73,711,286
\$ 3,869,036	\$ 6,365	\$ -	\$ -	\$ 169,988	\$ 433,226	\$ 82,826,788
\$ 17,398	\$ -	\$ -	\$ -	\$ -	\$ 433,226	\$ 1,016,531
368	-	-	-	-	-	1,752
3,201,954	1,001	-	-	169,988	-	3,378,959
519	-	-	-	-	-	13,424
3,220,239	1,001	-	-	169,988	433,226	4,410,666
49,613	-	-	-	-	-	374,618
75,630	-	-	-	-	-	3,632,275
125,243	-	-	-	-	-	4,006,893
3,345,482	1,001	-	-	169,988	433,226	8,417,559
-	-	-	-	-	-	17,772,410
523,554	5,364	-	-	-	-	56,636,819
523,554	5,364	-	-	-	-	74,409,229
\$ 3,869,036	\$ 6,365	\$ -	\$ -	\$ 169,988	\$ 433,226	\$ 82,826,788

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND -
SUBFUNDS OF THE FEDERAL PROGRAMS ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2011

	PUBLIC HOUSING PROGRAM	HOUSING CHOICE VOUCHERS PROGRAM	COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM	HOME INVESTMENT PARTNERSHIP PROGRAM
OPERATING REVENUES				
Interest income on loans	\$ -	\$ -	\$ -	\$ 1,115,131
Federal housing program grants	2,687,925	7,446,657	8,317,073	5,489,886
Rental income	574,557	-	-	-
Miscellaneous	177,655	111,727	-	372
TOTAL OPERATING REVENUES	3,440,137	7,558,384	8,317,073	6,605,389
OPERATING EXPENSES				
Administrative	2,036,384	1,133,763	409,149	299,391
Grants and housing assistance payments	-	6,113,776	7,907,924	352,007
Public housing maintenance & utilities	1,660,652	-	-	-
Depreciation	1,199,339	368,432	-	-
TOTAL OPERATING EXPENSES	4,896,375	7,615,971	8,317,073	651,398
OPERATING INCOME/(LOSS)	(1,456,238)	(57,587)	-	5,953,991
NON-OPERATING INCOME/(EXPENSES)				
Interest income on investments	1,568	5,527	-	273
Miscellaneous expense	-	-	-	-
TOTAL NON-OPERATING INCOME/EXPENSES)	1,568	5,527	-	273
INCOME/(LOSS) BEFORE CAPITAL GRANTS AND OPERATING TRANSFERS				
	(1,454,670)	(52,060)	-	5,954,264
Capital grants and contributions	1,012,073	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
CHANGE IN NET ASSETS	(442,597)	(52,060)	-	5,954,264
NET ASSETS, BEGINNING, as restated (see Note V., H.)	15,507,826	5,847,129	-	47,065,749
NET ASSETS, ENDING	\$ 15,065,229	\$ 5,795,069	\$ -	\$ 53,020,013

SECTION 8 CONTRACT ADMINISTRATION	NATIONAL FORECLOSURE MITIGATION COUNSELING PROGRAM	LOW INCOME HOUSING TAX CREDIT EXCHANGE PROGRAM	TANF/HOME OWNERSHIP GRANT ASSISTANCE PROGRAM	DEMAP 2011/ EMERGENCY HOMEOWNERS LOAN PROGRAM	TOTAL FEDERAL PROGRAMS
\$ -	\$ -	\$ -	\$ -	\$ -	1,115,131
37,204,100	50,840	8,762,410	-	172,537	70,131,428
-	-	-	-	-	574,557
-	-	-	-	-	289,754
37,204,100	50,840	8,762,410	-	172,537	72,110,870
1,003,768	58,944	-	-	38,364	4,979,763
36,089,281	-	8,762,410	1,076,119	134,173	60,435,690
-	-	-	-	-	1,660,652
-	-	-	-	-	1,567,771
37,093,049	58,944	8,762,410	1,076,119	172,537	68,643,876
111,051	(8,104)	-	(1,076,119)	-	3,466,994
847	-	-	-	-	8,215
-	-	-	(136,907)	-	(136,907)
847	-	-	(136,907)	-	(128,692)
111,898	(8,104)	-	(1,213,026)	-	3,338,302
-	-	-	-	-	1,012,073
2,700,000	-	-	-	-	2,700,000
(2,700,000)	-	-	-	-	(2,700,000)
111,898	(8,104)	-	(1,213,026)	-	4,350,375
411,656	13,468	-	1,213,026	-	70,058,854
\$ 523,554	\$ 5,364	\$ -	\$ -	\$ -	\$ 74,409,229

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF NET ASSETS - PROPRIETARY FUND - SUBFUNDS OF THE SINGLE FAMILY PROGRAMS
ENTERPRISE FUND
JUNE 30, 2011

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 1997B-2009A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2009-2010A NIBP	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ -	\$ 5,429,759	\$ -
Investments	6,967,695	101,866,298	69,958,848
Mortgages receivable, net	11,660,560	1,250,104	-
Accrued interest and other receivables	4,550,930	260,220	200,469
Interfund receivables	-	59,259	-
Deferred bond issuance costs	498,896	23,827	-
Total current assets	23,678,081	108,889,467	70,159,317
Non-Current Assets:			
Investments	4,593,491	-	-
Mortgages receivable, net	618,543,782	77,539,474	-
Deferred bond issuance costs	7,506,542	410,132	-
Total non-current assets	630,643,815	77,949,606	-
TOTAL ASSETS	\$ 654,321,896	\$ 186,839,073	\$ 70,159,317
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 30,500	\$ -	\$ -
Interfund payables	-	-	-
Accrued interest payable	-	198,308	41,568
Nonrefundable deferred commitment fees	56,764	-	-
Notes payable	-	-	69,719,671
Revenue bonds payable	13,756,644	102,393,321	-
Total current liabilities	13,843,908	102,591,629	69,761,239
Non-Current Liabilities:			
Accrued arbitrage rebate payable	159,735	-	-
Nonrefundable deferred commitment fees	563,223	-	-
Revenue bonds payable	621,582,176	85,202,663	-
Total non-current liabilities	622,305,134	85,202,663	-
TOTAL LIABILITIES	636,149,042	187,794,292	69,761,239
NET ASSETS			
Restricted by bond covenants	18,172,854	(955,219)	398,078
TOTAL NET ASSETS (DEFICIT)	18,172,854	(955,219)	398,078
TOTAL LIABILITIES AND NET ASSETS	\$ 654,321,896	\$ 186,839,073	\$ 70,159,317

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

\$	-	\$	5,429,759
	70,425		178,863,266
	-		12,910,664
	1,413,844		6,425,463
	1,221		60,480
	3,320		526,043
	<u>1,488,810</u>		<u>204,215,675</u>
	159,549		4,753,040
	1,662,817		697,746,073
	40,505		7,957,179
	<u>1,862,871</u>		<u>710,456,292</u>
\$	<u>3,351,681</u>	\$	<u>914,671,967</u>

\$	-	\$	30,500
	1,222		1,222
	-		239,876
	-		56,764
	-		69,719,671
	-		116,149,965
	<u>1,222</u>		<u>186,197,998</u>
	-		159,735
	-		563,223
	<u>3,411,883</u>		<u>710,196,722</u>
	<u>3,411,883</u>		<u>710,919,680</u>
	<u>3,413,105</u>		<u>897,117,678</u>

	(61,424)		17,554,289
	<u>(61,424)</u>		<u>17,554,289</u>
\$	<u>3,351,681</u>	\$	<u>914,671,967</u>

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND -
SUBFUNDS OF THE SINGLE FAMILY PROGRAMS ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2011

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 1997B-2009A	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 2009-2010A NIBP	DSHA MORTGAGE BACKED SECURITIES PURCHASE PROGRAM
OPERATING REVENUES			
Interest income on loans	\$ 36,763,705	\$ 1,641,780	\$ -
Amortization of deferred revenues	3,050,437	83,016	-
Miscellaneous	152,477	-	-
TOTAL OPERATING REVENUES	39,966,619	1,724,796	-
OPERATING EXPENSES			
Interest expense on bonds	37,565,395	2,061,311	-
Amortization of deferred bond issuance costs	1,177,155	210,290	-
Loan servicing fees	111,662	-	-
Other expenses	364,007	5,210	-
TOTAL OPERATING EXPENSES	39,218,219	2,276,811	-
OPERATING INCOME/(LOSS)	748,400	(552,015)	-
NON-OPERATING INCOME/(EXPENSES)			
Interest income on investments	1,758,176	197,538	556,771
Net increase/(decrease) in fair value of investments	(1,031)	-	-
Rebate expense	(26,762)	-	-
Miscellaneous revenue/(expense)	-	-	(83,277)
TOTAL NON-OPERATING INCOME/(EXPENSES)	1,730,383	197,538	473,494
INCOME/(LOSS) BEFORE CAPITAL GRANTS AND OPERATING TRANSFERS	2,478,783	(354,477)	473,494
Transfers in	5,131,084	64,263	-
Transfers out	(4,773,860)	(859,263)	(75,416)
CHANGE IN NET ASSETS	2,836,007	(1,149,477)	398,078
NET ASSETS (DEFICIT), BEGINNING	15,336,847	194,258	-
NET ASSETS (DEFICIT), ENDING	\$ 18,172,854	\$ (955,219)	\$ 398,078

*Transfers in and out have been reduced by \$3,320,965 for transfers between subfunds in the Single Family Program Fund.

SECOND MORTGAGE ASSISTANCE		TOTAL SINGLE FAMILY PROGRAMS	
LOAN REVENUE	BOND SERIES		
	1996A-2001A		
\$	178,402	\$	38,583,887
	-		3,133,453
	12,038		164,515
	<u>190,440</u>		<u>41,881,855</u>
	182,105		39,808,811
	3,737		1,391,182
	-		111,662
	17,913		387,130
	<u>203,755</u>		<u>41,698,785</u>
	<u>(13,315)</u>		<u>183,070</u>
	9,567		2,522,052
	(9,090)		(10,121)
	-		(26,762)
	-		(83,277)
	<u>477</u>		<u>2,401,892</u>
	(12,838)		2,584,962
	13,888		1,888,270 *
	<u>(1,666)</u>		<u>(2,389,240) *</u>
	(616)		2,083,992
	<u>(60,808)</u>		<u>15,470,297</u>
\$	<u>(61,424)</u>	\$	<u>17,554,289</u>

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF NET ASSETS - PROPRIETARY FUND - SUBFUNDS OF THE MULTI-FAMILY PROGRAMS
ENTERPRISE FUND
JUNE 30, 2011

	MULTI-FAMILY MORTGAGE REVENUE REFUNDING SERIES 1992C	MULTI-FAMILY MORTGAGE REVENUE REFUNDING SERIES 1992D&E	MULTI-FAMILY MORTGAGE REVENUE REFUNDING SERIES 2001A
ASSETS			
Current Assets:			
Investments	\$ -	\$ 581,319	\$ 294
Mortgages receivable, net	-	526,842	975,396
Accrued interest and other receivables	-	197,515	56,741
Deferred bond issuance costs	-	3,387	5,153
Total current assets	-	1,309,063	1,037,584
Non-Current Assets:			
Investments	-	5,819,623	9,735,453
Mortgages receivable, net	-	-	6,743,732
Deferred bond issuance costs	-	2,768	16,129
Total non-current assets	-	5,822,391	16,495,314
TOTAL ASSETS	\$ -	\$ 7,131,454	\$ 17,532,898
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ -	\$ 140	\$ -
Interfund payables	-	-	296,903
Accrued arbitrage rebate payable	-	-	149,151
Accrued interest payable	-	-	-
Revenue bonds payable	-	825,000	474,371
Total current liabilities	-	825,140	920,425
Non-Current Liabilities:			
Escrow deposits	-	848,333	3,181,745
Revenue bonds payable	-	725,000	1,721,730
Total non-current liabilities	-	1,573,333	4,903,475
TOTAL LIABILITIES	-	2,398,473	5,823,900
NET ASSETS			
Restricted by bond covenants	-	4,732,981	11,708,998
TOTAL NET ASSETS	-	4,732,981	11,708,998
TOTAL LIABILITIES AND NET ASSETS	\$ -	\$ 7,131,454	\$ 17,532,898

FAF RESERVES PROGRAM	TOTAL MULTI-FAMILY REFUNDING LOAN PROGRAMS
\$ 55,886	\$ 637,499
-	1,502,238
-	254,256
-	8,540
<u>55,886</u>	<u>2,402,533</u>
-	15,555,076
-	6,743,732
-	18,897
-	<u>22,317,705</u>
<u>\$ 55,886</u>	<u>\$ 24,720,238</u>

\$ -	\$ 140
-	296,903
-	149,151
-	-
-	1,299,371
-	<u>1,745,565</u>
-	4,030,078
-	<u>2,446,730</u>
-	6,476,808
-	<u>8,222,373</u>

55,886	16,497,865
<u>55,886</u>	<u>16,497,865</u>
<u>\$ 55,886</u>	<u>\$ 24,720,238</u>

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND - SUBFUNDS OF THE MULTI-FAMILY PROGRAMS ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2011

	MULTI-FAMILY MORTGAGE REVENUE REFUNDING SERIES 1992C	MULTI-FAMILY MORTGAGE REVENUE REFUNDING SERIES 1992D&E	MULTI-FAMILY MORTGAGE REVENUE REFUNDING SERIES 2001A
OPERATING REVENUES			
Interest income on loans	\$ -	\$ 96,784	\$ 841,589
Miscellaneous	-	-	218,883
TOTAL OPERATING REVENUES	-	96,784	1,060,472
OPERATING EXPENSES			
Interest expense on bonds	-	220,372	239,711
Grant payments	-	-	296,902
Amortization of deferred bond issuance costs	-	6,528	103,463
Loan servicing fees	-	4,383	-
Other expenses	-	7,780	7,570
TOTAL OPERATING EXPENSES	-	239,063	647,646
OPERATING INCOME/(LOSS)	-	(142,279)	412,826
NON-OPERATING INCOME/(EXPENSES)			
Interest income on investments	224	415,241	447,604
Net increase/(decrease) in fair value of investments	-	(172,488)	-
US Dept of HUD financing adjustment factor payments	-	-	(1,021,910)
Rebate expense	-	-	(20,495)
Excess yield expense	-	-	(1,361,195)
TOTAL NON-OPERATING INCOME/(EXPENSES)	224	242,753	(1,955,996)
INCOME/(LOSS) BEFORE CAPITAL GRANTS AND OPERATING TRANSFERS			
	224	100,474	(1,543,170)
Transfers in	55,085	83,689	2,050,462
Transfers out	(3,046,983)	(83,689)	(2,536,225)
CHANGE IN NET ASSETS	(2,991,674)	100,474	(2,028,933)
NET ASSETS (DEFICIT), BEGINNING	2,991,674	4,632,507	13,737,931
NET ASSETS, ENDING	\$ -	\$ 4,732,981	\$ 11,708,998

*The transfers in and out have been reduced by \$2,674,929 for transfers between subfunds in the Multi-Family Program Fund.

FAF RESERVES PROGRAM	TOTAL MULTIFAMILY REFUNDING LOAN PROGRAMS
\$ -	\$ 938,373
-	218,883
-	1,157,256
235,950	696,033
-	296,902
-	109,991
-	4,383
-	15,350
235,950	1,122,659
(235,950)	34,597
86	863,155
-	(172,488)
-	(1,021,910)
-	(20,495)
-	(1,361,195)
86	(1,712,933)
(235,864)	(1,678,336)
485,763	70 *
(4,303)	(2,996,271) *
245,596	(4,674,537)
(189,710)	21,172,402
\$ 55,886	\$ 16,497,865

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE
FOR THE YEAR ENDED JUNE 30, 2011

The details of and changes in the Authority's mortgage revenue bonds during the Year Ended June 30, 2011 are as follows:

Bond Issue	Interest Rate	Final Maturity Date	Bonds Outstanding June 30, 2010	Issued	Matured	Called	Other	Bonds Outstanding June 30, 2011
Single Family Mortgage Revenue Bonds 1997 Series B	5.01%	2029	5,880,129	-	-	900,000	31,207	5,011,336
Single Family Mortgage Revenue Bonds 1999 Series A	5.17% - 5.65%	2031	6,588,236	-	-	2,045,867	24,870	4,567,239
Single Family Mortgage Revenue Bonds 2000 Series A	4.69% - 6.00%	2032	10,619,635	-	170,000	1,670,000	19,879	8,799,514
Single Family Mortgage Revenue Bonds 2001 Series A	3.95% - 4.73%	2033	7,303,349	-	60,000	730,000	10,876	6,524,225
Single Family Mortgage Revenue Bonds 2002 Series A	4.18% - 5.40%	2034	5,014,282	-	115,000	700,000	(20,407)	4,178,875
Single Family Mortgage Revenue Bonds 2002 Series B	4.65% - 6.63%	2033	3,796,226	-	5,000	470,000	(27,687)	3,293,539
Single Family Mortgage Revenue Bonds 2003 Series A	4.65% - 6.00%	2035	6,953,227	-	-	827,036	(40,823)	6,085,368
Single Family Mortgage Revenue Bonds 2003 Series B	4.00% - 5.20%	2025	8,067,126	-	-	1,895,000	(29,487)	6,142,639
Single Family Mortgage Revenue Bonds 2004 Series A	4.60% - 5.75%	2036	23,538,916	-	-	4,147,607	(127,005)	19,264,304
Single Family Mortgage Revenue Bonds 2005 Series A	4.20% - 5.80%	2036	34,238,146	-	400,000	5,940,000	(157,698)	27,740,448
Single Family Mortgage Revenue Bonds 2006 Series A	3.95% - 5.75%	2037	42,281,579	-	440,000	7,365,000	(226,942)	34,249,637
Single Family Mortgage Revenue Bonds 2006 Series B	4.25% - 6.20%	2037	51,578,897	-	440,000	11,610,000	(346,792)	39,182,105
Single Family Mortgage Revenue Bonds 2006 Series C	4.30% - 6.25%	2037	35,366,332	-	270,000	6,005,000	(187,489)	28,903,843
Single Family Mortgage Revenue Bonds 2006 Series D	4.00% - 5.875%	2048	65,383,965	-	450,000	15,150,000	(289,885)	49,494,080
Single Family Mortgage Revenue Bonds 2007 Series A	4.05% - 5.90%	2048	77,704,973	-	530,000	15,935,000	(308,940)	60,931,033
Single Family Mortgage Revenue Bonds 2007 Series B	4.05% - 5.60%	2048	80,262,239	-	-	17,550,000	(305,380)	62,406,859
Single Family Mortgage Revenue Bonds 2007 Series C	4.90% - 5.55%	2049	71,527,782	-	-	15,265,000	(236,999)	56,025,783
Single Family Mortgage Revenue Bonds 2007 Series D	4.625% - 5.80%	2049	93,694,050	-	165,000	22,380,000	(311,110)	70,837,940
Single Family Mortgage Revenue Bonds 2008 Series A	4.27% - 6.65%	2039	45,187,002	-	-	6,960,000	(123,267)	38,103,735
Single Family Mortgage Revenue Bonds 2008 Series B	3.15% - 6.50%	2040	87,326,428	-	1,405,000	17,743,093	124,298	68,302,633
Single Family Mortgage Revenue Bonds 2009 Series A	1.80% - 7.75%	2040	39,958,124	-	555,000	4,241,149	131,710	35,293,685
Single Family Mortgage Revenue Bonds 2009 (NIBP)	varies	2041	150,000,000	-	-	49,000,000	-	101,000,000
Single Family Mortgage Revenue Bonds 2010A (NIBP)	3.01% - 4.55%	2041	-	85,000,000	-	650,000	2,245,984	86,595,984

Continued on next page.

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE
FOR THE YEAR ENDED JUNE 30, 2011

The details of and changes in the Authority's mortgage revenue bonds during the Year Ended June 30, 2011 are as follows:

Bond Issue	Interest Rate	Final Maturity Date	Bonds Outstanding June 30, 2010	Issued	Matured	Called	Other	Bonds Outstanding June 30, 2011
Multi-Family Mortgage Revenue Refunding Bonds 1992D Series	6.85%	2012	1,680,000	-	-	1,110,000	-	570,000
Multi-Family Mortgage Revenue Refunding Bonds 1992E Series	6.95%	2014	1,515,000	-	-	535,000	-	980,000
Multi-Family Mortgage Revenue Refunding Bonds 2001A Series	5.15% - 5.40%	2024	5,396,420	-	480,000	2,790,000	69,681	2,196,101
SMAL Mortgage Revenue Bonds 1996 Series B	5.7%	2028	437,419	-	-	22,859	22,614	437,174
SMAL Mortgage Revenue Bonds 1997 Series A	5.3%	2029	436,700	-	-	9,868	23,149	449,981
SMAL Mortgage Revenue Bonds 1998 Series A	5.3%	2030	366,660	-	-	31,532	19,105	354,233
SMAL Mortgage Revenue Bonds 1998 Series B	5.25%	2030	934,388	-	-	56,171	48,496	926,713
SMAL Mortgage Revenue Bonds 2001 Series A	5.67%	2033	1,233,325	-	-	52,500	62,957	1,243,782
TOTAL			\$ 964,270,555	\$ 85,000,000	\$ 5,485,000	\$ 213,787,682	\$ 94,915	\$ 830,092,788

The "Other " category totaling \$94,915 represents accretion on capital appreciation bonds, netted by deferred amounts on refunding and bond forgiveness.

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

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

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DELAWARE STATE HOUSING AUTHORITY
SINGLE AUDIT SUPPLEMENT

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

September 28, 2011

To the Delaware State Housing Authority
Dover, Delaware

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Delaware State Housing Authority (the "Authority"), a component unit of the State of Delaware, as of and for the Year Ended June 30, 2011, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

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

Compliance and Other Matters

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

Delaware State Housing Authority
Dover, Delaware

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

September 28, 2011

To the Delaware State Housing Authority
Dover, Delaware

Compliance

We have audited the compliance of the Delaware State Housing Authority (the "Authority") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Authority's major federal programs for the Year Ended June 30, 2011. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

Delaware State Housing Authority
Dover, Delaware

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

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

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

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

DELAWARE STATE HOUSING AUTHORITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

PART A - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

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

Unqualified

Internal control over financial reporting:

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

FEDERAL AWARDS

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

Unqualified

Internal control over major programs:

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

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

 Yes X No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u> </u> 14.182	<u> </u> New Construction Program and Contract Administration
<u> </u> 14.239	<u> </u> HOME Investment Partnership Program
<u> </u> 14.258	<u> </u> HOME Tax Credit Assistance Program (ARRA)
<u> </u> 14.881	<u> </u> MTW Demonstration Program
<u> </u> 21.000	<u> </u> Low Income Housing Tax Credit Exchange Program
<u> </u> 21.000	<u> </u> National Foreclosure Mitigation Counseling

Dollar threshold used to distinguish between Type A and Type B programs: \$2,206,650

Auditee qualified as low-risk auditee? X Yes No

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

PART C - FINDINGS RELATED TO FEDERAL AWARDS

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/PROGRAM TITLE	CFDA NUMBER	CONTRACT NUMBER	EXPENDITURES
DIRECT GRANTS:			
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Federal Housing Administration (FHA) - Insurance Proceeds (1)	14.117	N/A	\$ 211,043
Section 8 Contract Administration/New Construction and Substantial Rehabilitation	14.182	Various	37,204,100
Community Development Block Grant (CDBG) States' Program	14.228 *	B-10-DC-10-0001 B-11-DC-10-0001 B-08-DN-10-0001	\$ 1,062,910 1,410,664 5,216,890
Neighborhood Stabilization Program			
Total CDBG States' Programs			7,690,464
Emergency Shelter Grants	14.231	S10-DC-10-0001 S10-DC-10-0001	6,601 80,997
Total Emergency Shelter Grants			87,598
HOME Programs	14.239 *	M-07-SG-10-0100 M-08-SG-10-0100 M-09-SG-10-0100 M-10-SG-10-0100	820,248 2,192,662 361,171 353,249
Total HOME Programs			3,727,330
Housing Opportunities for People with AIDS (HOPWA)	14.241	DE26-H09-FY999 DE26-H10-FY999	32,478 162,217
Total Housing Opportunities for People with AIDS (HOPWA)			194,695
Emergency Homeownership Loan Program	14.323	EHLP11002	172,537
MTW Demonstration Program:	14.881 *		
Public and Indian Housing Program		P-4520	2,687,443
Public Housing Capital Fund		Various	628,511
Lower Income Housing Assistance Program (Section 8):			
Moving To Work Vouchers		DE901VOW048-053	7,221,697
Housing Conversion Vouchers		DE901VO0051-0056	4,854
Special Fees		DE901AF0031-0040	23,234
Family Unification Program		2009-FUP-DE901-8010	196,872
Total MTW Demonstration Program			10,762,611
McKinney Savings	14.000	N/A	1,021,910
Total U. S. Department of Housing and Urban Development			61,072,288
VETERANS BENEFITS ADMINISTRATION			
Veterans Administration - VA Guaranteed Proceeds (1)	64.114	N/A	83,238
Total Veterans Benefits Administration			83,238
TOTAL DIRECT GRANTS			61,155,526
INDIRECT GRANTS:			
U. S. TREASURY			
Neighborworks			
National Foreclosure Mitigation Counseling (2)	21.000 *	PL110-161:95X1350	58,944
TOTAL INDIRECT GRANTS			58,944

Continued on next page

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/PROGRAM TITLE	CFDA NUMBER	CONTRACT NUMBER	EXPENDITURES
AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) GRANTS			
ARRA DIRECT GRANTS:			
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Community Development Block Grant (CDBG) - ARRA Formula	14.255	B-09-DY-10-0001	148,280
Homeless Prevention and Rapid Re-Housing Program - ARRA	14.257	S-09-DY-10-0001	207,604
HOME Tax Credit Assistance Program - ARRA	14.258 *	M-09-ES-10-0100	1,762,556
Public Housing Capital Fund - ARRA Competitive (3)	14.884	S9-06-15-06, S9-06-15-99	369,626
Public Housing Capital Fund - ARRA Formula (3)	14.885	DE26-S004-50109	13,936
Total U. S. Department of Housing and Urban Development			<u>2,502,002</u>
U. S. TREASURY			
Low Income Housing Tax Credit Exchange Program - ARRA (2)	21.000 *	S9032715	<u>8,762,410</u>
TOTAL ARRA DIRECT GRANTS			<u>11,264,412</u>
ARRA INDIRECT GRANTS:			
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Delaware Division of Social Services			
Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs - ARRA	93.714	N/A	<u>1,076,119</u>
TOTAL ARRA INDIRECT GRANTS			<u>1,076,119</u>
TOTAL ARRA GRANTS			<u>12,340,531</u>
TOTAL FEDERAL AWARDS			<u>\$ 73,555,001</u>

N/A - Not Available.

* Denotes a major federal program.

(1) As of June 30, 2011, the amount of outstanding single family mortgages purchased by the Authority and covered by either FHA insurance, FMHA insurance, or a VA guarantee was \$20,938,108, \$221,775, and \$3,882,615 respectively.

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

National Foreclosure Mitigation Counseling	21.000	\$ 58,944
Low Income Housing Tax Credit Exchange Program - ARRA	21.000	8,762,410
		<u>\$ 8,821,354</u>

(3) Total Capital Fund Program Cluster Expenditures

Public Housing Capital Fund - ARRA Competitive	14.884	\$ 369,626
Public Housing Capital Fund - ARRA Formula	14.885	13,936
		<u>\$ 383,562</u>

See notes to supplemental schedule of expenditures of federal awards.

DELAWARE STATE HOUSING AUTHORITY
 SUPPLEMENTAL STATEMENT OF PUBLIC HOUSING ACTUAL MODERNIZATION CAPITAL FUND GRANT COSTS
 AS OF JUNE 30, 2011

ANNUAL CONTRIBUTIONS CONTRACT P-4520

	PROJECT NUMBER						TOTAL
	DE26-P004- 50108	DE26-P004- 50109	DE26-S004- 50109	DE26-S004- 50110	DE0040000 0309R	DE0040000 1309R	
Funds advanced	\$ 297,740	\$ 249,351	\$ 13,936	\$ 81,420	\$ 184,813	\$ 184,813	\$ 1,012,073
Management improvements	130	65,614	-	-	-	-	65,744
Site improvements	297,610	183,737	6,029	-	184,813	184,813	857,002
Dwelling structures	-	-	7,907	-	-	-	7,907
Dwelling equipment - nonexpendable	-	-	-	-	-	-	-
Nondwelling structures/equipment	-	-	-	-	-	-	-
Administration	-	-	-	81,420	-	-	81,420
Fees and costs	-	-	-	-	-	-	-
Funds expended	297,740	249,351	13,936	81,420	184,813	184,813	1,012,073
Excess (deficiency) of funds advanced	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

DELAWARE STATE HOUSING AUTHORITY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

HUD regulations prescribe the accounting principles and financial reporting requirements to be followed by the Authority in the preparation of supplemental schedules prepared under the annual contributions contracts. The following is a summary of the significant accounting and reporting policies followed by the Authority.

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

