

**DELAWARE MANUFACTURED HOME
RELOCATION AUTHORITY**

FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

DELAWARE MANUFACTURED HOME RELOCATION AUTHORITY

CONTENTS

JUNE 30, 2013 AND 2012

Independent Auditor's Report 1

Financial Statements

Statements of Net Assets 3

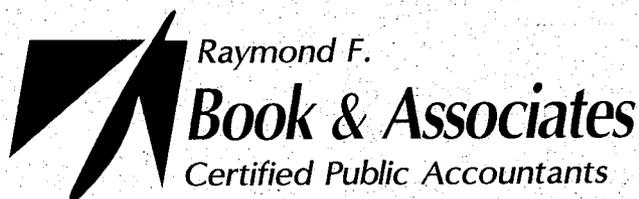
Statements of Revenues, Expenses, and Changes in Net Assets 4

Statements of Cash Flows 5

Notes to Financial Statements 6

Supplementary Information

Schedule of Support Services 10



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Delaware Manufactured Home
Relocation Authority

We have audited the accompanying statements of the Delaware Manufactured Home Relocation Authority, which comprise the statements of net assets as of June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion

Based on the inherent complexity of determining the completeness of the Authority's accounts receivable and assessment revenue, we were unable to form an opinion regarding the amounts of accounts receivable as of June 30, 2013 and 2012 in the statements of net assets (stated at \$182,802 and \$186,201) and assessment revenue in the accompanying statements of revenues, expenses, and changes in net assets (stated at \$791,044 and \$728,401). Consequently, we were unable to determine whether any adjustments to those amounts were necessary.

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had accounts receivable and revenue referred to in the preceding paragraph been susceptible to satisfactory audit tests, the financial statements referred to in the first paragraph present fairly, in all material respects, the net assets of the Delaware Manufactured Home Relocation Authority as of June 30 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Support Services on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Raymond F. Book & Associates, P.A.

RAYMOND F. BOOK & ASSOCIATES, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Dover, DE

February 3, 2014

Delaware Manufactured Home Relocation Authority
Statements of Net Assets
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
<i><u>Current Assets</u></i>		
Cash	\$ 5,784,763	\$ 5,042,540
Accounts Receivable	182,802	186,201
Interest Receivable	1,273	2,249
<i><u>Total Current Assets</u></i>	5,968,838	5,230,990
 <u>Total Assets</u>	\$ 5,968,838	\$ 5,230,990
 LIABILITIES AND NET ASSETS		
<i><u>Current Liabilities</u></i>		
Accounts Payable	\$ 3,504	\$ 5,778
<i><u>Total Current Liabilities</u></i>	3,504	5,778
<i><u>Net Assets - Restricted</u></i>	5,965,334	5,225,212
 <u>Total Liabilities & Net Assets</u>	\$ 5,968,838	\$ 5,230,990

The accompanying notes are an integral part of these financial statements
SEE INDEPENDENT AUDITOR'S REPORT

Delaware Manufactured Home Relocation Authority
Statements of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>Operating Revenues</u>		
Assessments	\$ 791,044	\$ 728,401
<u>Operating Expenses</u>		
Support Services	<u>76,681</u>	<u>95,929</u>
<u>Operating Income(Loss)</u>	714,363	632,472
<u>Nonoperating Revenue</u>		
Interest Income	<u>25,759</u>	<u>25,221</u>
<u>Change in Net Assets</u>	740,122	657,693
<u>Net Assets - Restricted - Beginning of Year</u>	<u>5,225,212</u>	<u>4,567,519</u>
<u>Net Assets - Restricted - End of Year</u>	<u><u>\$ 5,965,334</u></u>	<u><u>\$ 5,225,212</u></u>

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Delaware Manufactured Home Relocation Authority
Statements of Cash Flows
For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>Cash Flows from Operating Activities</u>		
Cash received from communities	\$ 794,443	\$ 725,013
Cash payments to vendors for goods and services	<u>(78,954)</u>	<u>(91,718)</u>
Net cash provided by operating activities	715,489	633,295
<u>Cash Flows from Investing Activities</u>		
Interest on cash and cash equivalents	<u>26,734</u>	<u>24,818</u>
Net cash provided by investing activity	26,734	24,818
<u>Cash Flows from Financing Activities</u>		
	<u>-</u>	<u>-</u>
<u>Net Increase in Cash</u>	742,223	658,113
 <u>Cash - Beginning of Year</u>	 <u>5,042,540</u>	 <u>4,384,427</u>
 <u>Cash - End of Year</u>	 <u><u>\$ 5,784,763</u></u>	 <u><u>\$ 5,042,540</u></u>

The accompanying notes are an integral part of these financial statements
SEE INDEPENDENT AUDITOR'S REPORT

DELAWARE MANUFACTURED HOME RELOCATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

1. Summary of Significant Accounting Policies

Basis of Accounting

The Delaware Manufactured Home Relocation Authority (the Authority) operates as an enterprise fund. The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time they are incurred, regardless of the timing of the related cash flows.

The Authority has elected not to apply all Financial Accounting Standards Board statements and interpretations issued after November 30, 1989, in accordance with Government Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*.

Nature of Activities

The Authority was established in 2003 pursuant to Title 25 of the Delaware Code, Section 7011 for the purpose of the administration and operation of the Delaware Manufactured Home Relocation Trust Fund (the Trust Fund).

The Authority is comprised of a non-compensated Board of Directors appointed by the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate, and the Attorney General. The Trust Fund is funded by quarterly assessments collected by the property owner and funded 50% from the property owners/landlords and 50% from the tenants. The sole purpose of the Trust Fund is to assist community owners and tenants when a change in the use of the land that is occupied by the tenant requires termination of the existing rental agreement. The Authority has set payment limits for relocatable abandoned homes. The cap on the Trust Fund is \$15 million. The Trust Fund terminates on July 1, 2019 unless terminated sooner or extended by the General Assembly.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reporting Entity

The Authority is a related organization of the State of Delaware (the State). The Authority has no component units for which it is considered to be financially accountable. The Authority's activities are financed and operated as an enterprise fund as costs and expenses of providing services are recovered primarily through user charges.

DELAWARE MANUFACTURED HOME RELOCATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

Summary of Significant Accounting Policies (continued)

Reporting Entity (continued)

The Authority is not presented in the State's Comprehensive Annual Financial Report because it is a related organization and has not met the criteria to be considered a component unit of the State.

Cash and Cash Equivalents

The Authority defines cash and cash equivalents to be all unrestricted highly liquid investments with an initial maturity of three months or less. The cash and cash equivalents within the Authority's Trust Fund are controlled by the State Treasurer's Office in Dover, Delaware. The Authority controls the operating account.

Receivables

All receivables are considered fully collectible by management. No allowance for bad debts is deemed necessary.

Operating Revenues and Expenses

Operating revenues consist of quarterly assessments from property owners on behalf of the landlord and tenant of each rented lot. Operating expenses include both program and support services. Program services include payments to manufactured home owners/tenants for reimbursements for moving costs and non-relocatable homes, and payments to manufactured home community owners for removal and/or disposal of non-relocatable or abandoned homes when there is a change in land use. Support services include all other operating expenses.

Interest earned from the investment or deposit of monies in the Trust Fund is deposited into the Trust Fund periodically by the personnel of the State of Delaware, Department of Finance, Division of Revenue.

Designation of Net Assets

The statements of net assets reports \$5,965,334 and \$5,225,212 of net assets restricted by enabling legislation as of June 30, 2013 and 2012, respectively.

Subsequent Events

Management has evaluated subsequent events through February 3, 2014, which was the date that the financial statements were available to be issued.

DELAWARE MANUFACTURED HOME RELOCATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

2. Restricted Cash

At June 30, 2013 and 2012, the Authority had cash and cash equivalents of \$5,784,763 and \$5,042,540, respectively. Of those amounts, \$5,780,367 and \$5,029,190, respectively, were part of an investment pool controlled by the personnel of the State Treasurer's Office in Dover, Delaware. All investment decisions are made by the State Treasurer's Office. These funds are considered to be highly liquid and available for immediate use, and they are recorded as cash equivalents in the financial statements.

The funds held by the State of Delaware investment pool, and internal investment pool, are specifically identified for the Authority, but the credit risk cannot be categorized. Credit risk for such investments depends on the financial stability of the State. The State reports that its investment securities with a remaining maturity at time of purchase of one year or less are stated at cost or amortized cost.

The operating account is in the custody of the Authority's officials. The book and bank balance of these funds at June 30, 2013 and 2012 were \$3,896 and \$12,862, respectively. The bank balance of cash deposits is insured by the Federal Deposit Insurance Corporation; therefore, there is no custodial credit risk for these cash deposits.

3. Commitments and Contingencies

The Organization is defending a class action lawsuit filed by certain manufactured home community owners and residents against DEMHRA and the State of Delaware. This lawsuit alleges that the defendants have been improperly collecting a \$3 monthly assessment from community owners and residents since January 31, 2006. The plaintiffs are seeking a judgment declaring that the monthly assessments collected after January 31, 2006 are unlawful, and enjoining any further collection of the fee. Plaintiffs also seek reimbursement of all fees collected since January 31, 2006. The Organization believes it has affirmative defenses and intends to vigorously contest any such claims.

4. Accounts Receivable

Accounts Receivable at June 30, 2013 and 2012 was \$182,802 and \$186,201, respectively. While management considers these amounts reasonable, accounts receivable may be underreported. The Authority is unable to determine if all manufactured home communities are remitting assessments in accordance with enacted legislation. Any manufactured home community that has not paid the past assessments will have to pay all retroactive assessments since the date of initial assessment, April 1, 2004.

DELAWARE MANUFACTURED HOME RELOCATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

5. Related Party Transactions

As stated in Note 1, certain members of the Authority's Board of Directors are manufactured home community owners or manage manufactured home communities. These members have paid quarterly assessments of \$41,430 and \$47,208 into the Trust Fund during the years ended June 30, 2013 and 2012, respectively. At June 30, 2013 and 2012, accounts receivable due from related parties was \$10,377 and \$11,708, respectively.

6. Operating Leases

The Authority leases office space under an operating lease that renews annually on December 1st. The lease payments for the remaining periods are as follows:

June 30, 2014	\$3,390
June 30, 2015	1,800

7. Cash Flow Information

The following reconciles the increase in net assets with cash provided by operating activities:

	<u>2013</u>	<u>2012</u>
Operating Revenue	\$ 714,363	\$ 632,472
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) Decrease in operating assets		
Accounts Receivable	3,399	(3,387)
Prepaid Expenses	-	-
Increase (Decrease) in operating liabilities		
Accounts Payable	(2,273)	4,210
Deferred Revenue	-	-
Cash provided by Operating Activities	<u>\$ 715,489</u>	<u>\$ 633,295</u>

SUPPLEMENTARY INFORMATION

Delaware Manufactured Home Relocation Authority
Schedules of Support Services
For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>Personnel</u>		
Salaries and wages	\$ 21,228	\$ 21,845
Payroll taxes	1,717	1,783
	<u>22,945</u>	<u>23,628</u>
 <u>Occupancy</u>		
Rent	3,005	2,735
Utilities	1,751	2,119
	<u>4,756</u>	<u>4,854</u>
 <u>Professional Fees</u>		
Accounting fees	22,648	26,976
Collection fees	270	-
Bookkeeping and payroll processing	6,393	6,294
Legal fees	14,206	29,580
	<u>43,517</u>	<u>62,850</u>
 <u>Other General and Administrative</u>		
Computer expenses	134	-
Copying	-	(8)
Office and supplies expense	789	1,375
Postage	1,417	625
Travel expenses	3,123	2,605
	<u>5,463</u>	<u>4,597</u>
 <u>Total Support Services</u>	 <u>\$ 76,681</u>	 <u>\$ 95,929</u>

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