

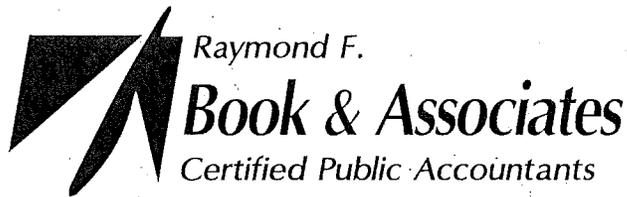
**DELAWARE MANUFACTURED HOME
RELOCATION AUTHORITY**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2014 AND 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
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, 2014 and 2013, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2014 and 2013 in the statements of net assets (stated at \$168,792 and \$182,802) and assessment revenue in the accompanying statements of revenues, expenses, and changes in net assets (stated at \$725,225 and \$791,044). 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 2014 and 2013, 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. Cook & Associates, P.A.
RAYMOND F. BOOK & ASSOCIATES, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Dover, Delaware
November 25, 2014

DELAWARE MANUFACTURED HOME RELOCATION AUTHORITY
STATEMENTS OF NET ASSETS
JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 6,433,013	\$ 5,784,763
Accounts Receivable	168,792	182,802
Interest Receivable	1,988	1,273
Total Current Assets	6,603,793	5,968,838
 Total Assets	\$ 6,603,793	\$ 5,968,838
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 3,763	\$ 3,504
Total Current Liabilities	3,763	3,504
Net Assets - Restricted	6,600,030	5,965,334
 Total Liabilities and Net Assets	\$ 6,603,793	\$ 5,968,838

See accompanying notes and independent auditor's report

**DELAWARE MANUFACTURED HOME RELOCATION AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Assessments	\$ 725,225	\$ 791,044
OPERATING EXPENSES		
Support Services	<u>112,961</u>	<u>76,681</u>
Operating Income	612,264	714,363
NONOPERATING REVENUE		
Interest Income	<u>22,432</u>	<u>25,759</u>
Change in Net Assets	634,696	740,122
Net Assets - Restricted - Beginning of Year	<u>5,965,334</u>	<u>5,225,212</u>
Net Assets - Restricted - End of Year	<u>\$ 6,600,030</u>	<u>\$ 5,965,334</u>

See accompanying notes and independent auditor's report.

DELAWARE MANUFACTURED HOME RELOCATION AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from communities	\$ 739,235	\$ 794,443
Interest income received	21,717	26,734
Cash payments to vendors for goods and services	(112,702)	(78,954)
Net cash provided by operating activities	648,250	742,223
 CASH FLOWS FROM INVESTING ACTIVITIES	 -	 -
 CASH FLOWS FROM FINANCING ACTIVITIES	 -	 -
 NET INCREASE IN CASH	 648,250	 742,223
 CASH - BEGINNING OF YEAR	 5,784,763	 5,042,540
 CASH - END OF YEAR	 \$ 6,433,013	 \$ 5,784,763

See accompanying notes and independent auditor's report.

DELAWARE MANUFACTURED HOME RELOCATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 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.

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 reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. 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.

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.

DELAWARE MANUFACTURED HOME RELOCATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$6,600,030 and \$5,965,334 of net assets restricted by enabling legislation as of June 30, 2014 and 2013, respectively.

Subsequent Events

Management has evaluated subsequent events through November 25, 2014, which was the date that the financial statements were available to be issued.

NOTE 2 – RESTRICTED CASH

At June 30, 2014 and 2013, the Authority had cash and cash equivalents of \$6,433,013 and \$5,784,763, respectively. Of those amounts, \$6,406,319 and \$5,780,367, 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.

DELAWARE MANUFACTURED HOME RELOCATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 2 – RESTRICTED CASH (CONTINUED)

The funds held by the State of Delaware investment pool, an 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 bank balance of these funds at June 30, 2014 and 2013 were \$30,822 and \$3,966, respectively. The bank balance of cash deposits is insured up to \$250,000 by the Federal Deposit Insurance Corporation; therefore, there is no custodial credit risk for these cash deposits. Petty cash on hand at June 30, 2014 and 2013 totaled \$151 and \$500, respectively.

NOTE 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.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts Receivable at June 30, 2014 and 2013 was \$168,792 and \$182,802, 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.

NOTE 5 – RELATED PARTY TRANSACTIONS

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 \$41,535 and \$41,430 into the Trust Fund during the years ended June 30, 2014 and 2013, respectively. At June 30, 2014 and 2013, accounts receivable due from related parties was \$10,455 and \$10,377, respectively.

DELAWARE MANUFACTURED HOME RELOCATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 6 – OPERATING LEASES

The Authority leases office space under an operating lease that was renewed on December 1, 2013, and ends on November 30, 2014. Subsequent to the date of the financial statements, but before the issue date of our report, the Authority signed a lease for a new location. The new lease is effective December 1, 2014 for two years, with monthly rent of \$570 plus utilities. Future minimum payments required under the lease are as follows:

June 30, 2015	\$ 5,490
June 30, 2016	6,480
June 30, 2017	<u>2,850</u>
Total minimum lease payments	<u>\$ 14,820</u>

NOTE 7 – CASH FLOW INFORMATION

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

	<u>2014</u>	<u>2013</u>
Change in net assets	\$ 634,696	\$ 740,122
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in operating assets		
Accounts Receivable	14,010	3,399
Interest Receivable	(715)	975
Increase (decrease) in operating liabilities		
Accounts Payable	<u>259</u>	<u>(2,273)</u>
Cash provided by operating activities	<u>\$ 648,250</u>	<u>\$ 742,223</u>

SUPPLEMENTARY INFORMATION

DELAWARE MANUFACTURED HOME RELOCATION AUTHORITY
SCHEDULES OF SUPPORT SERVICES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
PERSONNEL		
Salaries and wages	\$ 31,838	\$ 21,228
Payroll taxes	<u>2,579</u>	<u>1,717</u>
	34,417	22,945
OCCUPANCY		
Rent	3,425	3,005
Utilities	<u>1,446</u>	<u>1,751</u>
	4,871	4,756
PROFESSIONAL FEES		
Accounting fees	19,572	22,648
Collection fees	435	270
Bookkeeping and payroll processing	6,384	6,393
Legal fees	21,993	14,206
Arbitration Costs	<u>19,043</u>	<u>-</u>
	67,427	43,517
OTHER GENERAL AND ADMINISTRATIVE		
Computer expenses	198	134
Workers Compensation Insurance	317	-
Office and supplies expense	1,650	789
Postage	1,502	1,417
Travel expenses	<u>2,579</u>	<u>3,123</u>
	<u>6,246</u>	<u>5,463</u>
TOTAL SUPPORT SERVICES	<u><u>\$ 112,961</u></u>	<u><u>\$ 76,681</u></u>

See accompanying notes and independent auditor's report.