

TOWN OF OCEAN VIEW
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2009

**TOWN OF OCEAN VIEW
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FOR THE YEAR ENDED APRIL 30, 2009**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Council Members
Town of Ocean View
Ocean View, Delaware

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Ocean View as of and for the year ended April 30, 2009, which collectively comprise the Town's basic financial statements as listed in the index. These financial statements are the responsibility of the Town of Ocean View's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, and each major fund of the Town of Ocean View as of April 30, 2009, and the respective changes in financial position and cash flows, where applicable thereof, and the budgetary comparison for the general fund 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 dated November 10, 2009, on our consideration of the Town of Ocean View's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 on pages 3 through 10 is not a required part of the basic financial statements, but is 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 Town of Ocean View's basic financial statements. The supplementary information, listed in the index is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary 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.

Jefferson, Urian, Doane & Sterner, P.A.

Georgetown, Delaware
November 10, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

**TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2009**

As management of the Town, we have provided the readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended April 30, 2009. Please read the information presented here in conjunction with the audited financial statements, which immediately follow this section, to enhance understanding of the Town's financial performance.

Financial Highlights

- As of April 30, 2009, governmental activity assets exceeded liabilities by \$10,866,764. Of this amount, \$1,427,018 or 13 percent was unrestricted and may be used for ongoing obligations to citizens and creditors.
- The Town's net assets decreased by \$88,717 during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Ocean View's basic financial statements. The Town of Ocean View's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements and, (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Ocean View's finances, in a manner similar to a private sector business. The government-wide statements include two statements: (1) the Statement of Net Assets and (2) the Statement of Activities.

The Statement of Net Assets presents information on all of the Town'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 an indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the government'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 not impact cash flows until future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town of Ocean View that are governmental activities (those principally supported by taxes and revenues from other governments) and functions of the Town that are business-type activities (those that are intended to recover all or a significant portion of their costs through user fees and charges.) The governmental activities of the Town include general government, public safety and public works. The business-type activities of the Town include the water distribution system. The government-wide financial statements can be found on pages 11 - 12 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 Town of Ocean View, 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 Town of Ocean View can be divided into three categories: governmental fund, proprietary fund, and fiduciary fund.

Governmental Fund - The governmental fund is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflow 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 government's near-term financing requirements.

Because the focus of the governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental fund with similar information presented for governmental activities in the government-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 statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental fund and government-wide activities.

The Town of Ocean View adopts an annual appropriated budget for the General Fund. To demonstrate compliance, a budgetary comparison statement is presented for the General Fund. The basic governmental fund financial statements can be found on pages 13 - 16 of this report.

Proprietary Funds - The Town of Ocean View maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Ocean View uses an enterprise fund to account for its water distribution system.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information on the Town's water distribution system and can be found on pages 17 - 19 of this report.

Fiduciary Funds - The Town of Ocean View has only one fiduciary fund, the Pension Trust Fund. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town of Ocean View's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 20 - 21 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 government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 - 35 of this report.

Other Information

Other information includes Supplementary Information comparing general fund budgeted expenditures to actual expenditures by activity (pages 36 - 38 of this report).

Government-Wide Financial Analysis

As previously noted, net assets may serve as a useful indicator of the government-wide financial position. In the case of the Town of Ocean View, assets exceeded liabilities by \$12,360,089 as of April 30, 2009.

The following table is a summary of the government-wide statement of net assets for the years ended April 30, 2009 and 2008:

Statement of Net Assets

	Governmental Activities		Business-type Activities		Total Government	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 4,846,423	\$ 4,997,074	\$ (49,759)	\$ (90,806)	\$ 4,796,664	\$ 4,906,268
Capital assets	7,352,438	7,427,723	6,134,406	6,292,373	13,486,844	13,720,096
Total assets	12,198,861	12,424,797	6,084,647	6,201,567	18,283,508	18,626,364
Current and other liabilities	150,632	275,730	96,420	346,167	247,052	621,897
Long-term liabilities	1,181,465	1,193,586	4,494,902	4,542,540	5,676,367	5,736,126
Total liabilities	1,332,097	1,469,316	4,591,322	4,888,707	5,923,419	6,358,023
Net assets:						
Invested in capital assets, net of related debt	6,178,957	6,237,686	1,591,870	1,704,160	7,770,827	7,941,846
Restricted	3,260,789	3,142,146	-	-	3,260,789	3,142,146
Unrestricted	1,427,018	1,575,649	(98,545)	(391,300)	1,328,473	1,184,349
Total net assets	\$ 10,866,764	\$ 10,955,481	\$ 1,493,325	\$ 1,312,860	\$ 12,360,089	\$ 12,268,341

A significant portion of the Town's net assets of \$12,360,089 (63 percent or \$7,770,827) are not available for future spending as this represent amounts invested in capital assets (e.g., land, buildings, infrastructure, machinery and equipment). This investment is net of any related debt that was used to acquire those assets that is still outstanding. It should be noted that the resources needed to repay outstanding debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Of the remaining \$4,589,262 in net assets, \$1,601,471 represents realty transfer taxes, which are restricted for specific use. Realty transfer tax funds must be used for public safety, debt reduction, capital projects and infrastructure projects. Additionally, \$1,440,407 of the net assets is held in three trust funds established by ordinance and the use of these funds is restricted to cases of emergency, for capital asset

replacement, and for street repair and maintenance as described in the ordinances. The unrestricted funds of \$1,328,473 may be used to meet the Town's ongoing obligations to citizens and creditors.

The following schedule shows the breakdown of changes in net assets for total governmental and business-type activities for the years ended April 30, 2009 and 2008:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues						
Charges for services	\$ 584,955	\$ 566,984	\$ 371,977	\$ 56,124	\$ 956,932	\$ 623,108
Operating grants and contributions	201,274	282,176	-	-	201,274	282,176
Capital grants and contributions	-	88,363	296,107	1,377,590	296,107	1,465,953
General revenue						
Property taxes	903,740	890,122	-	-	903,740	890,122
Realty transfer taxes	521,470	584,664	-	-	521,470	584,664
Investment income	39,910	76,011	951	9,455	40,861	85,466
Total revenues	2,251,349	2,488,320	669,035	1,443,169	2,920,384	3,931,489
Expenses:						
General government	859,225	701,520	-	-	859,225	701,520
Public safety	1,006,315	940,170	-	-	1,006,315	940,170
Public works	410,892	399,563	-	-	410,892	399,563
Interest on long-term debt	63,634	61,345	-	-	63,634	61,345
Water system	-	-	488,570	130,309	488,570	130,309
Total expenses	2,340,066	2,102,598	488,570	130,309	2,828,636	2,232,907
Increase (decrease) in net assets	(88,717)	385,722	180,465	1,312,860	91,748	1,698,582
Net assets - Beginning	10,955,481	10,569,759	1,312,860	-	12,268,341	10,569,759
Net assets - Ending	\$ 10,866,764	\$ 10,955,481	\$ 1,493,325	\$ 1,312,860	\$ 12,360,089	\$ 12,268,341

Government Activities

Total government net assets increased by \$91,748 during fiscal year 2009.

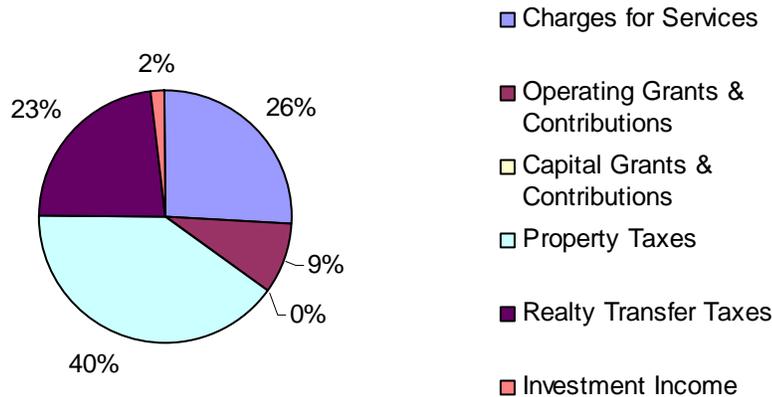
Property taxes and realty transfer taxes received during fiscal year 2009 totaled \$903,740 and \$521,470, respectively.

2009 Revenues - Governmental Activities

- Realty transfer tax decreased by \$63,194 or 11 percent from the prior fiscal year. This decrease is a result of the decrease in the number of new homes constructed and the continuing depression in the real estate market.
- Property taxes increased by 2 percent as a result of new homes and improvements being assessed and added to the tax base. The property tax rate for fiscal year 2009 remained at \$0.0981 per \$100 of assessed value.

The following chart shows real estate property taxes as the largest source of governmental revenue comprising 40 percent of the total revenue, followed by charges for services of 26 percent, realty transfer taxes of 23 percent, and the remaining 11 percent from other sources including grants, contributions, and investment income.

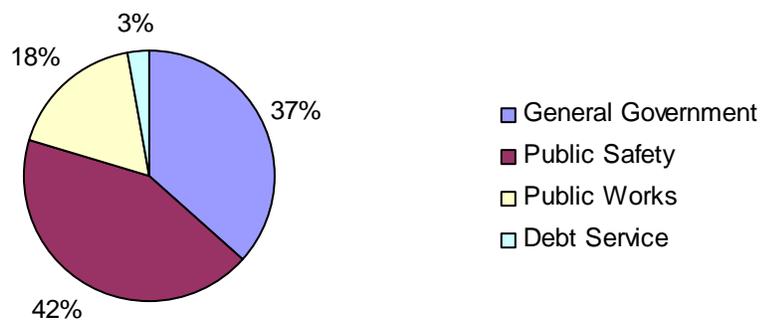
Revenues by Source



2009 Expenses - Governmental Activities

During the fiscal year, the Town continued to provide 24 hour, 7 days a week coverage for police service. The Town also continued to provide street maintenance for the Town owned streets and street lighting for Town owned streets and for streets owned by the State of Delaware. The following chart shows the governmental expenses by type. Payroll and related personnel costs such as payroll taxes, employee retirement contributions, health insurance, and workers compensation premiums total \$1,212,186, or approximately 61 percent of the total departmental expenses of \$1,978,105. Approximately 21 percent of the remaining \$1,065,921 of total governmental expenditures relates to capital outlay for various projects and equipment.

Expenses by Type



Financial Analysis of the Town's Funds

As noted earlier, the Town of Ocean View uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Fund

Governmental fund accounting provides information on available or spendable resources. This information is useful in assessing the Town's financing requirements for operations. The unreserved fund balance may serve as a useful measure of the Town's net resources available for spending and for future needs. The unrestricted fund balance provides a reserve for emergencies and working capital to pay the Town's bills.

During fiscal year 2009, the Town's governmental fund balance decreased \$30,080 to \$4,723,831. The unreserved fund balance component of the General Fund decreased \$148,723 to \$1,463,042.

The governmental fund consists of the General Fund. The General Fund includes Town administration, public safety, and public works including capital expense funding for the nonproprietary fund (non-water projects), such improvements to Town buildings, equipment, and vehicles, public works equipment and projects, and John West Park improvements.

Proprietary Fund

The Town of Ocean View's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Construction of the Town's water distribution system began in early 2007 and was completed and put in service on March 1, 2008. The Town secured financing for this project from the United States Department of Agriculture, Rural Utilities Service, in the amount \$6,300,000 which consisted of \$4,600,000 in loans and \$1,700,000 in grants.

General Fund Budgetary Highlights

Revenue and Appropriation Budget

The difference between the revenue originally budgeted and the final revenue budget for the General Fund was a decrease of \$252,700, primarily due to a reduction in the collections anticipated from realty transfer taxes. The difference between appropriations originally budgeted and the final appropriation budget was a decrease in expenditures of \$35,700.

Budget to Actual - Revenues

General Fund revenues exceeded the budget by \$307,727.

Budget to Actual - Expenditures

Expenditures were under the final budget by \$780,993, primarily because of the deferral of the construction of a proposed public works building and work relating to certain drainage and street repair projects.

Capital Assets and Debt Administration

The Town’s capital assets for governmental and business-type activities at April 30, 2009, net of \$1,713,299 accumulated depreciation were \$13,486,844. Capital assets include land, land improvements, buildings and improvements, infrastructure, machinery and equipment, and the water distribution system.

There were no major capital asset projects during fiscal year 2009.

Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total Government	
	2009	2008	2009	2008	2009	2008
Land	\$ 1,490,621	\$1,490,621	\$ -	\$ -	\$ 1,490,621	\$ 1,490,621
Construction in progress	-	-	-	-	-	-
Buildings and improvements	3,345,689	3,324,385	-	-	3,345,689	3,324,385
Vehicles and equipment	413,828	544,504	-	-	413,828	544,504
Infrastructure	2,102,300	2,068,213	-	-	2,102,300	2,068,213
Water distribution system	-	-	6,134,406	6,292,373	6,134,406	6,292,373
Total	\$ 7,352,438	\$7,427,723	\$ 6,134,406	\$ 6,292,373	\$ 13,486,844	\$ 13,720,096

Long-term Debt

The Town’s long-term debt at April 30, 2009, consists of the following:

- \$1,173,481 remaining principal balance on a general obligation note at Delaware National Bank used to finance a portion of the administration and public safety building at 201 Central Avenue. Interest is charged on this note at the rate of 5.48% per annum and the initial principal payment was made on April 14, 2008. The monthly payment on this note is \$6,856 and the final payment is due March 19, 2027. This note was paid in full on May 6, 2009.
- \$4,542,536 remaining principal balance on general obligation bonds used to finance a portion of the water distribution system. The following bonds were issued by the United States Department of Agriculture, Rural Utilities Service:
 - Series 2007 RUS-A, payments of \$49,514 due quarterly at an interest rate of 4.25%; final payment is due December 21, 2047.
 - Series 2007 RUS-B; payments of \$10,232 due quarterly at an interest rate of 4.125%; final payment is due December 21, 2047.

Economic Factors and Next Year’s Budget and Rates

Budgeted revenue for fiscal year 2010 compared to fiscal 2009 increased by \$66,100 due to the net impact of (1) an anticipated continuing decline in realty transfer taxes and (2) increased property taxes. The property tax rate for fiscal year 2010 was increased by 8 percent - from \$0.0981 to \$.1059 per \$100 of assessed value.

The Town appropriated \$1,306,400 from its reserves for anticipated spending in fiscal 2010.

Request for Information

This Financial Report is intended to provide an overview of the Town of Ocean View's finances. Questions concerning this report, or requests for additional information, should be addressed to:

Dr. Conway Gregory
Town Manager

Town of Ocean View
201 Central Avenue
Ocean View, DE 19970

Telephone: (302) 539-9797
Email: townmgrtov@verizon.net

BASIC FINANCIAL STATEMENTS

**TOWN OF OCEAN VIEW
STATEMENT OF NET ASSETS
APRIL 30, 2009**

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	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,298,921	\$ 59,599	\$ 1,358,520
Receivables:			
Taxes	11,968	-	11,968
Other	56,675	79,470	136,145
Prepaid items	725	-	725
Internal balances	188,828	(188,828)	-
Investment - DELGIP	10,971	-	10,971
Restricted assets:			
Cash and cash equivalents	2,319,893	-	2,319,893
Receivables - other	9,300	-	9,300
Investment - DELGIP	949,142	-	949,142
Capital assets:			
Land, improvements, and construction in progress	1,490,621	-	1,490,621
Other capital assets, net of depreciation	5,861,817	6,134,406	11,996,223
TOTAL ASSETS	12,198,861	6,084,647	18,283,508
LIABILITIES			
Accounts payable and other current liabilities	68,433	28,260	96,693
Accrued liabilities	43,510	20,526	64,036
Long-term liabilities:			
Due within one year	38,689	47,634	86,323
Due in more than one year	1,181,465	4,494,902	5,676,367
TOTAL LIABILITIES	1,332,097	4,591,322	5,923,419
NET ASSETS			
Invested in capital assets, net of related debt	6,178,957	1,591,870	7,770,827
Restricted for:			
Realty transfer tax	1,601,471	-	1,601,471
Capital replacement	499,339	-	499,339
Emergency reserve	446,983	-	446,983
Street repair and replacement	494,085	-	494,085
SALLE	16,820	-	16,820
Municipal street aid	202,091	-	202,091
Unrestricted	1,427,018	(98,545)	1,328,473
TOTAL NET ASSETS	\$ 10,866,764	\$ 1,493,325	\$ 12,360,089

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

TOWN OF OCEAN VIEW
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2009

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Function/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General government	\$ 859,225	\$ 552,678	\$ 2,000	\$ -	\$ (304,547)	\$ -	\$ (304,547)
Public safety	1,006,315	30,488	75,175	-	(900,652)	-	(900,652)
Public works	410,892	1,789	124,099	-	(285,004)	-	(285,004)
Interest on long-term debt	63,634	-	-	-	(63,634)	-	(63,634)
TOTAL GOVERNMENTAL ACTIVITIES	2,340,066	584,955	201,274	-	(1,553,837)	-	(1,553,837)
BUSINESS-TYPE ACTIVITIES							
Water distribution system	488,570	371,977	-	296,107	-	179,514	179,514
TOTAL PRIMARY GOVERNMENT	\$ 2,828,636	\$ 956,932	\$ 201,274	\$ 296,107	(1,553,837)	179,514	(1,374,323)
GENERAL REVENUES							
Taxes: Property					903,740	-	903,740
Realty transfer					521,470	-	521,470
Unrestricted investment earnings					39,910	951	40,861
TOTAL GENERAL REVENUES					1,465,120	951	1,466,071
CHANGE IN NET ASSETS					(88,717)	180,465	91,748
NET ASSETS - BEGINNING					10,955,481	1,312,860	12,268,341
NET ASSETS - ENDING					\$ 10,866,764	\$ 1,493,325	\$ 12,360,089

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

**TOWN OF OCEAN VIEW
BALANCE SHEET - GOVERNMENTAL FUND
APRIL 30, 2009**

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	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,298,921
Taxes receivable	11,968
Receivable - other	56,675
Prepaid items	725
Investment - DELGIP	10,971
Due from other funds	188,828
Restricted assets:	
Cash and cash equivalents	2,319,893
Receivable - other	9,300
Investment - DELGIP	949,142
	<u>4,846,423</u>
TOTAL ASSETS	\$ 4,846,423
LIABILITIES	
Accounts payable	\$ 68,433
Accrued liabilities	43,510
Deferred revenue:	
Taxes	10,649
	<u>122,592</u>
TOTAL LIABILITIES	122,592
FUND BALANCES	
Reserved for:	
Realty transfer tax	1,601,471
Capital replacement	499,339
Emergency reserve	446,983
Street repair and replacement	494,085
SALLE	16,820
Municipal street aid	202,091
Unreserved	1,463,042
	<u>4,723,831</u>
TOTAL FUND BALANCES	4,723,831
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	7,352,438
Other assets are not available to pay for current period expenditures and therefore are deferred in the funds.	10,649
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(1,220,154)
	<u>(1,220,154)</u>
Net Assets of Governmental Activities	\$ 10,866,764

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

TOWN OF OCEAN VIEW
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
FOR THE YEAR ENDED APRIL 30, 2009

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	<u>General Fund</u>
REVENUES	
Taxes	\$ 1,421,888
Intergovernmental	201,274
Charges for services	410,977
Fines and forfeits	27,268
Interest	62,654
Miscellaneous	123,966
	<hr/>
TOTAL REVENUES	2,248,027
	<hr/>
EXPENDITURES	
Current:	
General government	814,938
Public safety	838,385
Public works	324,782
Debt service	80,190
Capital outlay	219,812
	<hr/>
TOTAL EXPENDITURES	2,278,107
	<hr/>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(30,080)
	<hr/>
FUND BALANCE - BEGINNING	4,753,911
	<hr/>
FUND BALANCE - ENDING	\$ 4,723,831
	<hr/> <hr/>

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

TOWN OF OCEAN VIEW
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2009

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NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND	\$ (30,080)
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. This is the amount by which capital outlays (\$ 219,812) exceeded depreciation (\$ 295,097) in the current period.	(75,285)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, as follows:	
Taxes	3,321
Note payable reported as expenditures in governmental funds, but as a reduction of a liability on governmental activities.	16,556
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The difference is as follows:	
Compensated absences	<u>(3,229)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (88,717)</u></u>

TOWN OF OCEAN VIEW
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2009

- 16 -

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Building/sign permits	\$ 81,900	\$ 81,900	\$ 105,989	\$ 24,089
Business/rental licenses	45,000	45,000	66,343	21,343
CATV	55,000	55,000	53,576	(1,424)
Donations	100	100	1,118	1,018
Impact fees	-	-	74,145	74,145
Interest	112,900	90,900	62,654	(28,246)
Municipal street aid	105,000	114,600	114,579	(21)
Other grants	-	-	11,520	11,520
Police pension fund	-	-	34,243	34,243
Property taxes	908,800	908,800	900,418	(8,382)
Public safety fines	55,000	55,000	25,050	(29,950)
Public safety grants	25,000	25,000	40,932	15,932
Reimbursed expenses	12,000	12,000	101,336	89,336
Realty transfer taxes	720,300	480,000	521,470	41,470
Rental gross receipts	65,000	65,000	96,999	31,999
Tax penalties	-	-	2,218	2,218
Zoning fees	5,000	5,000	13,925	8,925
Miscellaneous	2,000	2,000	21,512	19,512
TOTAL REVENUES	2,193,000	1,940,300	2,248,027	307,727
EXPENDITURES				
Current:				
General government	710,900	710,500	814,938	104,438
Public safety	883,300	866,300	838,385	(27,915)
Public works	403,300	360,400	324,782	(35,618)
Capital outlay	1,015,000	1,039,600	219,812	(819,788)
Debt service	82,300	82,300	80,190	(2,110)
TOTAL EXPENDITURES	3,094,800	3,059,100	2,278,107	(780,993)
EXCESS OF EXPENDITURES OVER REVENUES	(901,800)	(1,118,800)	(30,080)	1,088,720
FUND BALANCE - BEGINNING	4,753,911	4,753,911	4,753,911	-
FUND BALANCE - ENDING	\$ 3,852,111	\$ 3,635,111	\$ 4,723,831	\$ 1,088,720

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

**TOWN OF OCEAN VIEW
STATEMENT OF NET ASSETS - PROPRIETARY FUND
APRIL 30, 2009**

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	Water Enterprise Fund
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 59,599
Accounts receivable	<u>79,470</u>
TOTAL CURRENT ASSETS	139,069
NONCURRENT ASSETS	
Capital assets, net of depreciation	<u>6,134,406</u>
TOTAL ASSETS	<u>6,273,475</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable and other current liabilities	28,260
Accrued interest payable	20,526
Due to general fund	188,828
Current portion of long-term liabilities	<u>47,634</u>
TOTAL CURRENT LIABILITIES	285,248
LONG-TERM LIABILITIES, LESS CURRENT PORTION	<u>4,494,902</u>
TOTAL LIABILITIES	<u>4,780,150</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,591,870
Unrestricted	<u>(98,545)</u>
TOTAL NET ASSETS	<u>\$ 1,493,325</u>

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

**TOWN OF OCEAN VIEW
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUND
FOR THE YEAR ENDED APRIL 30, 2009**

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	Water Enterprise Fund
OPERATING REVENUES	
Charges for services	\$ 332,895
OPERATING EXPENSES	
Depreciation	157,968
Hookup charges	7,604
Meter reading charges	25,177
Miss Utility charges	12,322
Professional services	23,687
Salaries	9,997
Service calls	2,484
Water charges	34,199
Water service agreement	21,520
TOTAL OPERATING EXPENSES	<u>294,958</u>
OPERATING INCOME	<u>37,937</u>
NON-OPERATING REVENUES (EXPENSES)	
Connection and inspection fees	39,082
Investment earnings	951
Interest expense	(192,041)
Miscellaneous expense	(1,571)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(153,579)</u>
LOSS BEFORE CONTRIBUTIONS	(115,642)
CAPITAL CONTRIBUTIONS	<u>296,107</u>
CHANGE IN NET ASSETS	180,465
TOTAL NET ASSETS - BEGINNING	<u>1,312,860</u>
TOTAL NET ASSETS - ENDING	<u>\$ 1,493,325</u>

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

**TOWN OF OCEAN VIEW
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED APRIL 30, 2009**

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	Water Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 253,424
Payments to suppliers	(275,384)
Payments to employees	(9,997)
	<hr/>
NET CASH FLOWS FROM OPERATING ACTIVITIES	(31,957)
	<hr/>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Advances to other funds	(44,000)
Retirement of bonds	(45,675)
Capital contributions	296,107
Interest paid	(171,515)
	<hr/>
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	34,917
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	951
	<hr/>
NET INCREASE IN CASH	3,911
	<hr/>
CASH AND CASH EQUIVALENTS - BEGINNING	55,688
	<hr/>
CASH AND CASH EQUIVALENTS - ENDING	\$ 59,599
	<hr/> <hr/>
RECONCILIATION OF INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 37,937
Adjustments to reconcile operating loss to net cash provided:	
Depreciation	157,968
Changes in assets and liabilities:	
Accounts receivable	30,746
Accrued liabilities	(7,656)
Accounts payable	(250,952)
	<hr/>
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	\$ (31,957)
	<hr/> <hr/>

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

**TOWN OF OCEAN VIEW
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUND
APRIL 30, 2009**

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	Pension Trust Fund
ASSETS	
Cash and cash equivalents	<u>\$ 27,886</u>
 NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	 <u><u>\$ 27,886</u></u>

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

**TOWN OF OCEAN VIEW
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUND
FOR THE YEAR ENDED APRIL 30, 2009**

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	<u>Pension Trust Fund</u>
ADDITIONS	
Investment:	
Investment income	\$ <u>869</u>
NET INCREASE IN PLAN NET ASSETS	869
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - BEGINNING	<u>27,017</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - ENDING	<u><u>\$ 27,886</u></u>

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies of the Town are discussed below.

1. Reporting Entity

The accompanying financial statements include general administrative services, public safety and public works that are legally controlled by or dependent on the Town Council (the primary government). As defined by GASBS No. 14, the Town's financial reporting entity is required to consist of all organizations for which the Town is financially accountable or for which there is a significant relationship. The Town has no component units in its reporting entity.

2. Basic Financial Statements - Government-wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's governmental activities consist of general government, public safety and public works. The Town's water service is classified as a business-type activity.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town utilizes restricted resources to finance qualifying activities, to the extent permitted by laws, regulations, contracts and grants.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. Direct expenses are those that are clearly identifiable with a specific function.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basic Financial Statements - Government-wide Statements - Continued

The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

3. Basic Financial Statements - Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

General fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of changes in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:

Enterprise funds are used to account for the provision of water services to customers in the Town's Water District. Activities of the enterprise funds include administration, operations and maintenance of the water distribution system and collection activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for providing services. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting the above criteria are reported as non-operating revenues and expenses.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basic Financial Statements - Fund Financial Statements - Continued

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support the Town's programs. The reporting focus is on net assets and changes in net assets, reported using accounting principles similar to proprietary funds. The Pension Trust Fund is used to account for the assets of the non-qualified deferred compensation plan for full-time police personnel.

The Town's fiduciary fund is presented in the fiduciary fund financial statements by type (pension). Since by definition these assets are being held for the benefit of a third party (full-time police personnel) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Major and Nonmajor Funds

The funds of the financial reporting entity are further classified as major or nonmajor. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Town does not have a nonmajor fund.

4. Measurement Focus and Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Government-wide financial statements measure and report all assets (both financial and capital), liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting, as do the proprietary and fiduciary fund statements. Revenues are recognized when earned and expenses are recognized when incurred.

All governmental funds are accounted for using a current financial resources measurement focus and are reported on the modified accrual basis of accounting. Revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period that, for the Town's purposes, is considered to be within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Cash and Cash Equivalents and Investments

The Town has defined cash and cash equivalents to include cash on hand, demand deposits and all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased. In addition, all certificates of deposits are considered highly liquid investments, regardless of maturity date.

Restricted cash mainly consists of amounts held by the Town for the proceeds from grant programs and realty transfer tax. Investments are carried at fair value. Fair value is based on quoted market price.

6. Capital Assets

Capital assets purchased or acquired with an original cost of \$ 1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure consists of streets and drainage projects. The Town has elected to not capitalize infrastructure acquired prior to May 1, 2004. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	5 - 40 years
Equipment	5 - 20 years
Vehicles	10 years
Infrastructure	40 years

7. Deferred Revenue

Deferred income represents monies held by the Town either to be recognized as revenue in future periods or to be remitted to others.

8. Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Equity Classifications - Continued

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Reserved is further split between amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Proprietary fund equity is classified the same as in the government-wide statements. Equity reservations and restrictions for grant funds and realty transfer tax are enforced by outside source enabling legislation. All other equity reservations and restrictions are enforced by Town ordinance or code.

9. Accounts Receivable

Accounts receivable are reported at their gross value. All receivables are considered fully collectible.

10. Revenues

Those revenues susceptible to accrual are property taxes, interest revenue, intergovernmental, and miscellaneous. All other revenue items are considered to be measurable and available only when cash is received by the Town. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASBS No. 33. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

Program revenues include: charges to customers for goods, services or privileges provided, operating grants and contributions, and capital grants and contributions. General revenues include all taxes.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Expenditures

Expenditures are recognized when the related fund liability is incurred.

12. Compensated Absences

Employees are granted vacation and sick leave in varying amounts. In the event of termination or retirement, an employee may be reimbursed for accumulated vacation days up to a maximum of 160 hours for general and administrative employees and 192 hours for public safety employees. The Town accrues accumulated unpaid vacation leave when earned (or estimated to be earned) by the employee. Compensated absences for governmental funds are a reconciling item between the fund and government-wide presentations.

13. Interfund Activity

Interfund activity is reported as either loans or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

14. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

15. Budgets and Budgetary Accounting

Prior to April 30, the Town Manager and Finance Director, in conjunction with the Council, establishes a budget. The budget must identify the specific level of service provision and describe how priorities have been established and incorporated into the budget. The recommended annual operating budget is presented to Council for approval.

The Council reviews the budget internally. Subsequently, the budget is adopted through legislation in Council prior to May 1. The operating budget ordinance and related revenue ordinances are officially adopted when approved by the Town Council. The Town legally adopts an annual budget for the general fund.

The budget for the Town's general fund has been prepared on a basis materially consistent with generally accepted accounting principles (GAAP). Original and final budgeted amounts are as presented.

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS

All deposits are carried at cost. Transactions are made directly with the banks; services of brokers or securities dealers are not used. At April 30, 2009, the carrying amount of the Town's deposits was \$ 3,678,413 and the bank balance was \$ 3,810,953, of which \$ 48,768 was uninsured and uncollateralized. Cash at April 30, 2009 consisted of the following:

UNRESTRICTED CASH

General Fund		
Operating - checking	\$	142,986
Operating - money market		9,845
Health reimbursement		3,142
Operating - certificate of deposit		1,142,748
Petty cash		200
Water Fund		
Water distribution system - money market		<u>59,599</u>
TOTAL UNRESTRICTED CASH	\$	1,358,520

RESTRICTED CASH

General Fund		
SALLE - checking		16,820
Municipal street aid - money market		202,091
Realty transfer tax - money market		862,290
Bear Trap easement - certificate of deposit		17,546
Realty transfer tax - certificate of deposit		727,061
Street repair and replacement - certificate of deposit		492,090
Street repair and replacement - money market		1,995
Fiduciary Fund		
MetLife pension benefits		<u>27,886</u>
TOTAL RESTRICTED CASH		<u>2,347,779</u>
TOTAL CASH	\$	<u><u>3,706,299</u></u>

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS - CONTINUED

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Town will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. In regards to investments, custodial credit risk is in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Town's investment policy requires collateralization by each financial institution with direct obligation of the U.S. government and requires collateral to be maintained at a third party.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Town's investment.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town does not have any investments that are credit quality rated.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town's sole investment in an external investment pool is not subject to concentration of credit risk disclosure.

The Town Council has authorized the following investments:

1. Certificates of deposit and other evidences of deposit of financial institutions;
2. United States government securities;
3. Commercial paper that is rated A-1 by Standard & Poor's and/or P-1 by Moody's Investor Services; and
4. Local government investment pools administered by the State of Delaware.

The Town invests in the Delaware Local Government Investment Pool (DELGIP). DELGIP operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. DELGIP was created by the State of Delaware, and funds are under the control of the State Treasurer or other administrative bodies as determined by Delaware's Cash Management Policy Board. Funds may be combined with funds of the State of Delaware while invested in the pool. The investment's fair value is \$ 960,113 at April 30, 2009, based on the pool's share price, which DELGIP is required to maintain at \$ 1 per share. The maturity of this investment is less than one year. Information is not available concerning the indirect use of derivatives through the investment pool.

NOTE C - PROPERTY TAXES

The Town's property tax year runs from May 1 to April 30. Property taxes are recorded and attached as an enforceable lien on property on May 1, the date levied. Taxes are payable under the following terms: May 1 through August 31, face amount; after August 31, a 1.5% penalty per month is charged on the unpaid balance due. Property taxes are recognized as revenue in the budget year (beginning May 1 after the levy date) for which they are levied. The Town bills and collects its own taxes. The property tax rate for the year ended April 30, 2009, based on assessments, was \$.0981 per \$ 100 of assessed valuation. The total assessed value of all real property and improvements at May 1, 2008 was \$ 922,982,600. The Town does not have an allowance for delinquent taxes because all taxes are considered collectible.

NOTE D - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2009, was as follows:

	Balance at April 30, 2008	Increases	Decreases	Balance at April 30, 2009
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,490,621	\$ -	\$ -	\$ 1,490,621
Other capital assets:				
Buildings and improvements	3,725,090	100,806	-	3,825,896
Equipment	788,166	35,563	-	823,729
Vehicles	509,313	-	-	509,313
Infrastructure	2,148,440	83,443	-	2,231,883
Total other capital assets	<u>7,171,009</u>	<u>219,812</u>	<u>-</u>	<u>7,390,821</u>
Less accumulated depreciation for:				
Buildings and improvements	400,706	79,501	-	480,207
Equipment	384,280	112,423	-	496,703
Vehicles	368,694	53,817	-	422,511
Infrastructure	80,227	49,356	-	129,583
Total accumulated depreciation	<u>1,233,907</u>	<u>295,097</u>	<u>-</u>	<u>1,529,004</u>
Other capital assets, net	<u>5,937,102</u>	<u>(75,285)</u>	<u>-</u>	<u>5,861,817</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 7,427,723</u>	<u>\$ (75,285)</u>	<u>\$ -</u>	<u>\$ 7,352,438</u>

NOTE D - CAPITAL ASSETS - CONTINUED

	<u>Balance at April 30, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at April 30, 2009</u>
Business-type Activities:				
Capital assets:				
Water distribution system	\$ 6,318,701	\$ -	\$ -	\$ 6,318,701
Less accumulated depreciation				
for:				
Water distribution system	<u>26,327</u>	<u>157,968</u>	<u>-</u>	<u>184,295</u>
 Business-type Activities				
Capital Assets, Net	<u>\$ 6,292,374</u>	<u>\$ (157,968)</u>	<u>\$ -</u>	<u>\$ 6,134,406</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 39,222
Public safety	167,860
Public works	<u>88,015</u>
Total governmental activities depreciation expense	<u>\$ 295,097</u>
 Business-type activities:	
Water	<u>\$ 157,968</u>

NOTE E - TOWN EMPLOYEE PENSION PLAN

The Town of Ocean View has a Section 457(b) Deferred Compensation Plan, which was available to employees over the age of 21 with 1,000 hours of annual service. Under the plan provisions, employees were immediately vested in the plan and could contribute a percentage of their salaries and the Town was contributing an equal amount of each employee's contribution up to a maximum of 3% of the employee's base salary. The Town has no administrative duties in regards to the plan and it is not presented in the financial statements. Metropolitan Life Insurance Company is the agent on the plan. The Town suspended contributions to the Plan at April 30, 2003.

The Town has a non-qualified deferred compensation plan for full-time police personnel. Police employees, over age 21, attain a 100% vested interest upon completion of five consecutive years of participation under the plan. All monies received by the Town under Title 18 of the Delaware Code, § 707 to § 710 were contributed to the plan. The funds were used to purchase annuities and/or life insurance policies issued by the Metropolitan Life Insurance Company. The plan does not provide for contributions by the participants. Because the policies are owned by the Town, they are presented in a pension trust fund. The assets are presented at the value provided by Metropolitan Life Insurance Company, which at April 30, 2009 had a fair value of \$ 27,886. The Town suspended contributions to the Plan at April 30, 2003.

On May 1, 2003, the Town became a participant in the State of Delaware County and Municipal Police Pension Plan (DCMPPP), a cost-sharing multiple-employer defined benefit plan administered by the State of Delaware Board of Pension Trustees. All full-time police employees are eligible to participate. DCMPPP provides retirement, disability and survivor benefits to plan members and beneficiaries. The State of Delaware General Assembly is responsible for setting benefits and contributions, and amending plan provisions. Plan members are required to contribute 7% of base earnings to the DCMPPP. The Town is expected to make annual contributions as required by State statutes. The current rate is 13.60% of annual covered payroll. Pension contributions for the fiscal years ended April 30, 2009, 2008 and 2007 were \$ 52,960, \$ 43,760 and \$ 45,892, respectively.

On May 1, 2003, the Town became a participant in the State of Delaware County and Municipal Pension Plan (DCMPP), a cost-sharing multiple-employer defined benefit plan administered by the State of Delaware Board of Pension Trustees. All full-time or regular part-time employees and elected or appointed officials are eligible to participate. DCMPP provides retirement, disability and survivor benefits to plan members and beneficiaries. The State of Delaware General Assembly is responsible for setting benefits and contributions, and amending plan provisions. Plan members are required to contribute 3% of compensation that exceeds \$ 6,000 per annum to the DCMPP. The Town is expected to make annual contributions as required by State statutes. The current rate is 6.20% of annual covered payroll. Pension contributions for the fiscal years ended April 30, 2009, 2008 and 2007 were \$ 25,513, \$ 25,308 and \$ 17,032, respectively.

The Board of Pension Trustees issues a publicly available financial report that includes financial statements and required supplementary information for DCMPP and DCMPPP. That report may be obtained by writing to the State of Delaware, Office of Pensions, McArdle Building, 860 Silver Lake Boulevard, Suite #1, Dover, Delaware 19904 or by calling 1-800-722-7300.

NOTE F - LONG-TERM LIABILITIES

Long-term liability activity for the year ended April 30, 2009, was as follows:

	<u>April 30, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>April 30, 2009</u>	<u>Due Within One Year</u>
Governmental Activities:					
Compensated absences	\$ 43,444	\$ 10,429	\$ 7,200	\$ 46,673	\$ 21,189
General obligation note	<u>1,190,037</u>	<u>-</u>	<u>16,556</u>	<u>1,173,481</u>	<u>17,500</u>
Total Governmental Activities	<u>\$ 1,233,481</u>	<u>\$ 10,429</u>	<u>\$ 23,756</u>	<u>\$ 1,220,154</u>	<u>\$ 38,689</u>
Business-type Activities					
General obligation bonds	<u>\$ 4,588,211</u>	<u>\$ -</u>	<u>\$ 45,675</u>	<u>\$ 4,542,536</u>	<u>\$ 47,634</u>

For the governmental activities, compensated absences are primarily liquidated by the General Fund.

Description of General Obligation Note

At April 30, 2009, the governmental-type general obligation note is as follows:

	<u>Governmental</u>
General obligation note, Series 2007, 12 monthly interest only payments, beginning April 19, 2007 through March 19, 2008, monthly payments of \$ 6,856 principal and interest beginning April 19, 2008 through March 19, 2017; 5.48% stated interest rate; thereafter variable interest at 60% of Delaware National Bank index rate; final payment due March 19, 2027.	<u>\$ 1,173,481</u>

<u>Year ending April 30,</u>	<u>Governmental Activities - General Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 17,500	\$ 64,769	\$ 82,269
2011	19,456	62,813	82,269
2012	20,549	61,720	82,269
2013	21,704	60,565	82,269
2014	22,924	59,345	82,269
2015 - 2019	135,452	275,894	411,346
2020 - 2024	178,038	233,308	411,346
2025 - 2027	<u>757,858</u>	<u>110,346</u>	<u>868,204</u>
TOTAL	<u>\$ 1,173,481</u>	<u>\$ 928,760</u>	<u>\$ 2,102,241</u>

NOTE F - LONG-TERM LIABILITIES - CONTINUED

Description of General Obligation Bond

At April 30, 2009, the business-type general obligation bonds are follows:

	<u>Business-type</u>
General obligation bond series 2007 RUS-A, payments of \$ 49,514 due quarterly at 4.25% interest rate; final payment of balance due December 21, 2047.	\$ 3,752,766
General obligation bond series 2007 RUS-B, payments of \$ 10,232 due quarterly at 4.125% interest rate; final payment of balance due December 21, 2047.	<u>789,770</u>
TOTAL GENERAL OBLIGATION BONDS	<u>\$ 4,542,536</u>

<u>Year ending April 30,</u>	<u>Business-type Activities - General Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 47,634	\$ 191,350	\$ 238,984
2011	49,710	189,274	238,984
2012	51,845	187,139	238,984
2013	54,072	184,912	238,984
2014	56,394	182,590	238,984
2015 - 2019	320,456	874,464	1,194,920
2020 - 2024	395,454	799,466	1,194,920
2025 - 2029	488,007	706,913	1,194,920
2030 - 2034	602,224	592,696	1,194,920
2035 - 2039	743,178	451,742	1,194,920
2040 - 2044	917,127	277,793	1,194,920
2045 - 2048	<u>816,435</u>	<u>70,006</u>	<u>886,441</u>
TOTAL	<u>\$ 4,542,536</u>	<u>\$ 4,708,345</u>	<u>\$ 9,250,881</u>

NOTE G - INTERFUND BALANCES

Interfund balances at April 30, 2009, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Total Amount</u>	<u>Long-term Amount</u>
General fund	Water fund	<u>\$ 188,828</u>	<u>\$ 188,828</u>

Balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE H - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; omissions; injuries to employees; and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE I - SUBSEQUENT EVENTS

In May 2009, the Town paid off the general obligation note (see Note F) on the administration and public safety building.

SUPPLEMENTARY INFORMATION

**TOWN OF OCEAN VIEW
SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED APRIL 30, 2009**

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	Final Budget	Actual	Variance with Final Budget - Over (Under)
GENERAL GOVERNMENT			
Advertising	\$ 6,500	\$ 6,451	\$ (49)
Communications	6,000	6,602	602
Comprehensive plan	8,000	-	(8,000)
Computer programming	9,500	9,438	(62)
Donations	3,000	45,000	42,000
Dues and subscriptions	3,400	2,570	(830)
Education	3,500	505	(2,995)
Employee retirement	19,900	20,794	894
Gas and oil	2,100	1,691	(409)
Historical committee	3,000	-	(3,000)
Insurance - hospitalization	73,600	68,260	(5,340)
Insurance - workers comp	2,100	2,860	760
Insurance - other	11,000	9,267	(1,733)
Maintenance and repairs - building	10,000	20,197	10,197
Mileage	1,200	1,927	727
Miscellaneous	5,000	491	(4,509)
Non-capital equipment	5,000	4,346	(654)
Park expense	-	3,075	3,075
Payroll wages	309,700	314,080	4,380
Payroll wages - overtime	7,800	10,936	3,136
Payroll - council	7,800	6,010	(1,790)
Payroll taxes - state	1,000	1,784	784
Payroll taxes - federal	26,400	25,084	(1,316)
Postage	7,000	7,641	641
Printing	2,400	1,246	(1,154)
Professional fees	110,000	196,993	86,993
Property assessment	28,500	20,651	(7,849)
Public relations	8,000	7,639	(361)
Repairs and maintenance - vehicles and equipment	2,000	689	(1,311)
Supplies	9,600	8,954	(646)
Realty transfer tax bank charges	7,000	3,568	(3,432)
Uniforms	500	-	(500)
Utilities	10,000	6,189	(3,811)
TOTAL GENERAL GOVERNMENT	710,500	814,938	104,438

TOWN OF OCEAN VIEW
SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED APRIL 30, 2009

- 37 -

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Over (Under)</u>
PUBLIC SAFETY			
Advertising	\$ 2,100	\$ -	\$ (2,100)
Canine expense	100	-	(100)
Citizen auxiliary	3,000	1,159	(1,841)
Communications	16,500	14,559	(1,941)
Computer programming	5,400	3,468	(1,932)
Dues and subscriptions	2,000	1,312	(688)
Education	11,400	11,111	(289)
Employee retirement	56,800	52,960	(3,840)
Gas and oil	24,500	15,484	(9,016)
Insurance - hospitalization	110,800	90,502	(20,298)
Insurance - workers comp	25,000	26,817	1,817
Insurance - other	36,300	20,916	(15,384)
Maintenance and repairs - building	10,000	10,404	404
Mileage	200	146	(54)
Miscellaneous	2,100	472	(1,628)
Non-capital equipment	6,200	2,465	(3,735)
Payroll wages	411,100	427,329	16,229
Payroll wages - overtime	25,400	35,543	10,143
Payroll taxes - state	1,500	2,803	1,303
Payroll taxes - federal	35,600	34,813	(787)
Postage	1,500	628	(872)
Printing	1,000	524	(476)
Professional fees	8,300	4,363	(3,937)
Public relations	1,700	545	(1,155)
Repairs and maintenance - vehicles and equipment	14,600	17,212	2,612
Supplies	11,900	32,991	21,091
Trash collection	1,300	1,176	(124)
Uniforms	5,000	7,821	2,821
Utilities	35,000	20,862	(14,138)
	<u>866,300</u>	<u>838,385</u>	<u>(27,915)</u>
TOTAL PUBLIC SAFETY			

TOWN OF OCEAN VIEW
SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED APRIL 30, 2009

- 38 -

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Over (Under)</u>
PUBLIC WORKS			
Advertising	\$ 600	\$ -	\$ (600)
Communications	1,000	295	(705)
Drainage	14,000	5,879	(8,121)
Dues and subscriptions	-	25	25
Education	1,500	50	(1,450)
Employee retirement	4,900	4,253	(647)
Gas and oil	4,800	4,231	(569)
Insurance - hospitalization	32,700	26,747	(5,953)
Insurance - workers comp	5,200	4,130	(1,070)
Insurance - other	10,600	9,889	(711)
Maintenance and repairs - building	6,000	2,804	(3,196)
Miscellaneous	200	65	(135)
Non-capital equipment	5,500	1,263	(4,237)
Park expense	10,500	15,273	4,773
Payroll wages	87,300	56,181	(31,119)
Payroll wages - overtime	6,500	782	(5,718)
Payroll taxes - state	500	500	-
Payroll taxes - federal	8,100	5,028	(3,072)
Printing	-	21	21
Professional fees	54,000	98,481	44,481
Public relations	900	280	(620)
Repairs and maintenance - vehicles and equipment	5,500	2,265	(3,235)
State grants	-	1,040	1,040
Street lighting	66,800	62,282	(4,518)
Street maintenance	11,000	2,940	(8,060)
Street signs	4,000	3,221	(779)
Supplies	10,000	8,770	(1,230)
Trash collection	3,400	2,509	(891)
Uniforms	2,200	135	(2,065)
Utilities	2,700	5,443	2,743
	<u>360,400</u>	<u>324,782</u>	<u>(35,618)</u>
TOTAL PUBLIC WORKS			
CAPITAL OUTLAY	<u>1,039,600</u>	<u>219,812</u>	<u>(819,788)</u>
DEBT SERVICE	<u>82,300</u>	<u>80,190</u>	<u>(2,110)</u>
TOTAL EXPENDITURES	<u>\$ 3,059,100</u>	<u>\$ 2,278,107</u>	<u>\$ (780,993)</u>

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RETIRED

ANITA Y. SMITH, MEd, DIRECTOR

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

To the Honorable Mayor and Council Members
Town of Ocean View
Ocean View, Delaware

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Ocean View as of and for the year ended April 30, 2009, which collectively comprise the Town of Ocean View's basic financial statements and have issued our report thereon dated November 10, 2009. 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 Town of Ocean View's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Ocean View's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Ocean View's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Ocean View's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Ocean View's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting as detailed in Finding 2007-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Ocean View's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Ocean View'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*.

We noted certain matters that we reported to management of the Town of Ocean View in a separate letter dated November 10, 2009.

The Town of Ocean View's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Ocean View's response and accordingly we express no opinion on it.

This report is intended solely for the information and use of management, the Town Council and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Georgetown, Delaware
November 10, 2009

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Prior Year:

2007-1 FINDING - Segregation of Accounting Functions

Significant Deficiency: Due to staffing limitations, there is a lack of proper segregation of duties. A good system of internal control provides for proper segregation of the accounting functions. No one person should have access to both physical assets and the related accounting records or to all phases of a transaction.

Criteria: Division of duties among several individuals helps prevent intentional or unintentional errors or irregularities that may occur when only one person has access to financial records.

Recommendation: The Town should make every effort to strengthen internal controls as opportunities arise. Segregation of duties could be improved if Town Manager and Council members were to perform certain duties currently performed by the Accounting Assistant and Finance Director.

Auditee Response: *“The Town will try to strengthen internal controls as opportunities arise.”*

Current Year: None