

TOWN OF OCEAN VIEW
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2013

**TOWN OF OCEAN VIEW
INDEX
FOR THE YEAR ENDED APRIL 30, 2013**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the index.

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 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 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 of the financial statements.

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

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter - Change in Accounting Principles

As described in Note A to the financial statements, the Town adopted the provision of GASBS No. 61, *The Financial Reporting Entity: Omnibus and Amendment* of GASBS No. 14 and No. 34, GASBS No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASBS No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASBS No. 65, *Items Previously Reported as Assets and Liabilities*. The opinion is not modified with the implementation of these GASB Statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Ocean View's internal control over financial reporting and compliance.

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

Georgetown, Delaware
October 8, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

**TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2013**

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, 2013. 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, 2013, governmental activity assets exceeded liabilities by \$13,357,896. Of this amount, \$2,459,878 or 18 percent was unrestricted and may be used for ongoing obligations to citizens and creditors.
- The Town's net position for governmental and business activities increased by \$1,296,212 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 Position and (2) the Statement of Activities.

The Statement of Net Position presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the Town is improving or deteriorating. With the implementation of GASB 63, the Statement of Net Assets has been changed to be the Statement of Net Position. GASB 63 allows for the concept of deferred outflows and inflows to be distinguished from assets and liabilities.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. For example, uncollected property taxes are reported as assets, despite the fact that the Town has not received the actual cash from those levies.

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 are provided 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 the 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 are provided on pages 13 - 17 of this report.

Proprietary Fund - 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 are provided on pages 18 - 20 of this report.

Fiduciary Fund - 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 are provided on pages 21 - 22 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 are provided on pages 23 - 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

For the year ended April 30, 2013, the Town of Ocean View implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement reclassified some items as deferred outflows or inflows of resources that were previously reported as assets and liabilities. The Town also implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. With the implementation of these two GASB statement, the Statement of Net Position has replaced the Statement of Net Assets in the Basic Financial Statements section. As previously noted, net position may serve as a useful indicator of the government-wide financial position. In the case of the Town of Ocean View, the net position as of April 30, 2013, is \$14,783,980.

The following table is a summary of the government-wide statement of net position for the years ended April 30, 2013 and 2012:

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 4,463,852	\$ 4,085,174	\$ 275,134	\$ 163,141	\$ 4,738,986	\$ 4,248,315
Capital assets	9,020,809	8,124,371	5,519,152	5,683,432	14,539,961	13,807,803
Total assets	13,484,661	12,209,545	5,794,286	5,846,573	19,278,947	18,056,118
Current and other liabilities	76,135	100,992	28,934	29,113	105,069	130,105
Long-term liabilities	50,630	44,906	4,339,268	4,393,339	4,389,898	4,438,245
Total liabilities	126,765	145,898	4,368,202	4,422,452	4,494,967	4,568,350
Net position:						
Invested in capital assets, net of related debt	9,020,809	8,124,371	1,179,884	1,290,093	10,200,693	9,414,464
Restricted	1,877,209	1,689,697	-	-	1,877,209	1,689,697
Unrestricted	2,459,878	2,249,579	246,200	134,028	2,706,078	2,383,607
Total net position	\$ 13,357,896	\$ 12,063,647	\$ 1,426,084	\$ 1,424,121	\$ 14,783,980	\$ 13,487,768

A significant portion of the Town’s net position of \$14,783,980 (69 percent or \$10,200,693) are not available for future spending as this represents 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 is important to note 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 \$4,583,287 in net position, \$285,168 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, \$1,453,971 of the net position 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 \$2,706,078 may be used to meet the Town’s ongoing obligations to citizens and creditors.

The following schedule shows the breakdown of changes in net position for total governmental and business-type activities for the years ended April 30, 2013 and 2012:

	<u>Changes in Net Position</u>					
	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues						
Charges for services	\$ 472,423	\$ 520,766	\$ 515,086	\$ 470,877	\$ 987,509	\$ 991,643
Operating grants and contributions	248,812	211,317	-	-	248,812	211,317
Capital grants and contributions	973,730	537,127	-	-	973,730	537,127
General revenue						
Property taxes	1,222,033	1,220,514	-	-	1,222,033	1,220,514
Realty transfer taxes	529,466	586,957	-	-	529,466	586,957
Rental gross receipts taxes	218,615	197,418	-	-	218,615	197,418
Investment income	8,391	10,855	1,292	704	9,683	11,559
Total revenues	3,673,470	3,284,954	516,378	471,581	4,189,848	3,756,535
Expenses:						
General government	837,852	896,436	-	-	837,852	896,436
Public safety	956,077	948,776	-	-	956,077	948,776
Public works	585,292	682,195	-	-	585,292	682,195
Water system	-	-	514,415	497,112	514,415	497,112
Total expenses	2,379,221	2,527,407	514,415	497,112	2,893,636	3,024,519
Increase (decrease) in net position	1,294,249	757,547	1,963	(25,531)	1,296,212	732,016
Net position - Beginning	12,063,647	11,306,100	1,424,121	1,449,652	13,487,768	12,755,752
Net position - Ending	\$ 13,357,896	\$ 12,063,647	\$ 1,426,084	\$ 1,424,121	\$ 14,783,980	\$ 13,487,768

Government Activities

Total government net position increased by \$1,296,212 during fiscal year 2013.

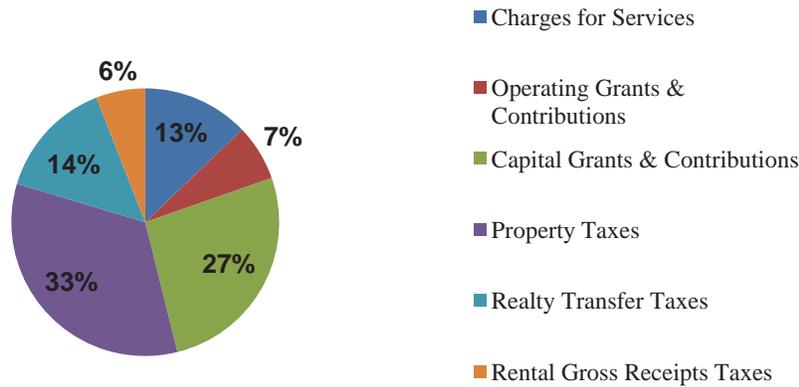
Property taxes, realty transfer taxes, and rental gross receipts taxes received during fiscal year 2013 totaled \$1,222,033, \$529,466, and \$218,615, respectively.

2013 Revenues - Governmental Activities

- Realty transfer tax decreased by \$57,491 or ten percent from the prior fiscal year. This decrease results from a decrease in the number of new homes constructed in a new subdivision in the Town as well as a reduction in the value of property resales compared to the prior fiscal year.
- Property taxes increased by \$1,519 from the prior fiscal year. In conformance with the Town Code, a full reassessment of all tax properties was completed in early 2012 and was used for fiscal year 2013 property taxes. Because of an overall reduction in the value of real estate, the net assessed value of all taxable property in the Town decreased by 23 percent. In order to maintain the same level of revenue from property tax in fiscal year 2013 compared to the prior fiscal year, the property tax rate for fiscal year 2013 was increased from \$0.1236 to \$0.1588 per \$100 of assessed value.

The following chart shows property taxes as the largest source of governmental revenue comprising 33 percent of the total revenue, followed by capital grants and contributions of 27 percent, realty transfer taxes of 14 percent, charges for services of 13 percent, and the remaining 13 percent from other sources including operating grants and contributions and rental gross receipts taxes.

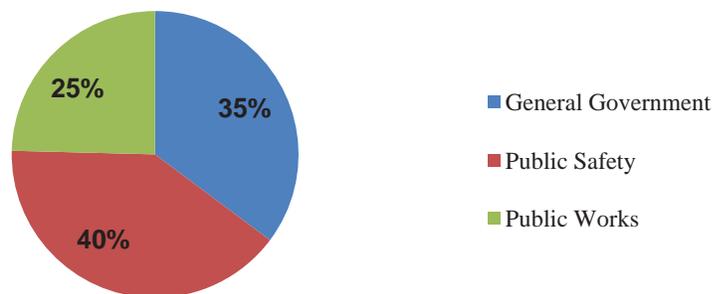
Revenues by Source



2013 Expenses - Governmental Activities

During most of 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 \$1,266,703, or approximately 53 percent of the total departmental expenses of \$2,379,221. Approximately 27 percent of the remaining \$1,112,518 of total governmental expenditures relates to expenditures for street maintenance and lighting.

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 unassigned fund balance may serve as a useful measure of the Town's net resources available for spending and for future needs and provides a reserve for emergencies and working capital to pay the Town's bills.

During fiscal year 2013, the Town's governmental fund balance increased \$448,568 to \$4,322,016. The unassigned fund balance component of the General Fund increased \$431,543 to \$2,420,241.

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 as 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 was completed and the system was 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 appropriations originally budgeted and the final appropriation budget was an increase in expenditures of \$58,700 because of a \$58,700 grant made to the Millville Volunteer Fire Company based on collections made for the Town's emergency services fund from building permits issued during the year.

Budget to Actual - Revenues

General Fund revenues exceeded the budget by \$226,682. Property taxes and realty transfer taxes were under the budget by \$17,955 and \$70,534, respectively, because of the continuing slowdown in the local housing market. Other grants and public safety grants exceeded the budget by \$153,113, primarily from grant receipts for the solar array installed under a grant from the Delaware Energy Office and from other public safety grants. This revenue was not budgeted because the Town conservatively only budgets for those ongoing grants that can be readily determinable and have been consistently received.

A comparison of budgeted to actual revenues is provided on page 17 of this report.

Budget to Actual - Expenditures

Total expenditures were under the final budget by \$1,333,486. Payroll wages and related employee costs for the three governmental departments was under budget by \$83,821 because certain positions were not filled during the year and the cost of medical insurance was less than anticipated as a result of changing the insurance provider. Pave and resurface streets during the fiscal year totaled \$223,247 which represents costs incurred for the Town’s annual street maintenance project. Note that these street maintenance costs are budgeted in the capital budget. Additionally, two capital projects, a new public works building (\$480,000) and a drainage project on Woodland Avenue (\$615,000), were deferred and have been included in the FY14 capital budget.

A comparison of budgeted to actual expenditures is provided on pages 36 - 38 of this report.

Capital Assets and Debt Administration

The Town’s capital assets for governmental and business-type activities at April 30, 2013, net of \$2,782,631 accumulated depreciation were \$14,539,961. Capital assets include land, land improvements, buildings and improvements, infrastructure, machinery and equipment, and the water distribution system.

The solar array installed at 201 Central Avenue was the only major capital asset project completed during fiscal year 2013.

Capital Assets, Net of Accumulated Depreciation

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 1,490,621	\$ 1,490,621	\$ -	\$ -	\$ 1,490,621	\$ 1,490,621
Construction in progress	1,250,030	660,557	-	-	1,250,030	660,557
Buildings and improvements	3,388,884	3,048,465	-	-	3,388,884	3,048,465
Vehicles and equipment	258,453	245,575	-	-	258,453	245,575
Infrastructure	2,632,821	2,679,153	-	-	2,632,821	2,679,153
Water distribution system	-	-	5,519,152	5,683,432	5,519,152	5,683,432
Total	\$ 9,020,809	\$ 8,124,371	\$ 5,519,152	\$ 5,683,432	\$ 14,539,961	\$ 13,807,803

Long-term Debt

The Town’s long-term debt at April 30, 2013, consists of \$4,339,268 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 2014 compared to fiscal year 2013 increased by \$33,700 due to the net impact of (1) increased Municipal Street Aid grant revenue projected and (2) increases to projected property taxes and fees from business and rental licenses. The property tax rate for fiscal year 2014 was not increased and remained at the same rate as during fiscal year 2013 – \$0.1588 per \$100 of assessed value.

The Town appropriated \$1,256,200 from its reserves for anticipated spending in fiscal year 2014.

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:

Ms. Dianne L. Vogel
Town Manager

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

Telephone: (302) 539-9797

Email: townmgtov@oceanviewde.com

BASIC FINANCIAL STATEMENTS

**TOWN OF OCEAN VIEW
STATEMENT OF NET POSITION
APRIL 30, 2013**

- 11 -

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,436,572	\$ 87,077	\$ 2,523,649
Receivables, net			
Taxes	37,889	-	37,889
Water usage	-	168,896	168,896
Other	77,485	31,447	108,932
Prepaid insurance	2,781	-	2,781
Internal balances	12,286	(12,286)	-
Restricted assets:			
Cash and cash equivalents	1,896,839	-	1,896,839
Capital assets:			
Land, improvements, and construction in progress	2,740,651	-	2,740,651
Other capital assets, net of depreciation	6,280,158	5,519,152	11,799,310
TOTAL ASSETS	13,484,661	5,794,286	19,278,947
LIABILITIES			
Accounts payable and other current liabilities	56,526	8,823	65,349
Accrued liabilities	19,609	20,111	39,720
Long-term liabilities:			
Due within one year	16,581	56,393	72,974
Due in more than one year	34,049	4,282,875	4,316,924
TOTAL LIABILITIES	126,765	4,368,202	4,494,967
NET POSITION			
Net investments in capital assets	9,020,809	1,179,884	10,200,693
Restricted for:			
Realty transfer tax	285,168	-	285,168
Capital replacement	540,441	-	540,441
Emergency reserve	380,811	-	380,811
Street repair and replacement	532,719	-	532,719
SALLE / EIDE	16,312	-	16,312
Municipal street aid	100,031	-	100,031
SLEAF	16,136	-	16,136
Violent Crime	5,591	-	5,591
Unrestricted	2,459,878	246,200	2,706,078
TOTAL NET POSITION	\$ 13,357,896	\$ 1,426,084	\$ 14,783,980

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

TOWN OF OCEAN VIEW
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2013

Function/Programs	Expenses	Program Revenues		Net Revenue (Expense) and Change in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General government	\$ 837,852	\$ 439,260	\$ 978	\$ 950,921	\$ 553,307	\$ -	\$ 553,307
Public safety	956,077	32,084	147,195	22,809	(753,989)	-	(753,989)
Public works	585,292	1,079	100,639	-	(483,574)	-	(483,574)
TOTAL GOVERNMENTAL ACTIVITIES	2,379,221	472,423	248,812	973,730	(684,256)	-	(684,256)
BUSINESS-TYPE ACTIVITIES							
Water distribution system	514,415	515,086	-	-	-	671	671
TOTAL PRIMARY GOVERNMENT	<u>\$ 2,893,636</u>	<u>\$ 987,509</u>	<u>\$ 248,812</u>	<u>\$ 973,730</u>	(684,256)	671	(683,585)
GENERAL REVENUES							
Taxes: Property					1,222,033	-	1,222,033
Realty transfer					529,466	-	529,466
Rental gross receipts					218,615	-	218,615
Unrestricted investment earnings					8,391	1,292	9,683
TOTAL GENERAL REVENUES					1,978,505	1,292	1,979,797
CHANGE IN NET POSITION					1,294,249	1,963	1,296,212
NET POSITION - BEGINNING					12,063,647	1,424,121	13,487,768
NET POSITION - ENDING					<u>\$ 13,357,896</u>	<u>\$ 1,426,084</u>	<u>\$ 14,783,980</u>

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

**TOWN OF OCEAN VIEW
BALANCE SHEET - GOVERNMENTAL FUND
APRIL 30, 2013**

- 13 -

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 2,436,572
Taxes receivable	37,889
Receivable - other	77,485
Prepaid insurance	2,781
Due from other funds	12,286
Restricted assets:	
Cash and cash equivalents	<u>1,896,839</u>
TOTAL ASSETS	<u><u>\$ 4,463,852</u></u>
LIABILITIES	
Accounts payable	\$ 56,526
Accrued liabilities	<u>19,609</u>
TOTAL LIABILITIES	<u>76,135</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue:	
Grants	2,608
Property taxes	33,255
Other	<u>29,838</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>65,701</u>
FUND BALANCES	
Nonspendable	
Prepays	2,781
Non-current assets	12,286
Restricted	
Realty transfer tax	285,168
Capital replacement	540,441
Emergency reserve	380,811
OHS grant	1,400
Street repair and replacement	532,719
FEMA / DEMA grant	8,099
Municipal street aid grant	100,031
SALLE / EDIE grant	16,312
SLEAF grant	16,136
Combat Violence grant	5,591
Unassigned	<u>2,420,241</u>
TOTAL FUND BALANCES	<u>4,322,016</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 4,463,852</u></u>

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

TOWN OF OCEAN VIEW
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
APRIL 30, 2013

- 14 -

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 4,322,016
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund statements.	9,020,809
Certain revenues are not available to pay for current period expenditures and therefore are reported as unavailable in the governmental funds.	65,701
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund financial statements.	<u>(50,630)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 13,357,896</u></u>

**TOWN OF OCEAN VIEW
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
FOR THE YEAR ENDED APRIL 30, 2013**

	<u>General Fund</u>
REVENUES	
Taxes	\$ 1,953,826
Intergovernmental	321,977
Charges for services	433,634
Fines and forfeits	29,419
Interest	14,484
Miscellaneous	18,342
	<hr/>
TOTAL REVENUES	2,771,682
	<hr/>
EXPENDITURES	
Current:	
General government	795,547
Public safety	833,759
Public works	481,679
Capital outlay	212,129
	<hr/>
TOTAL EXPENDITURES	2,323,114
	<hr/>
EXCESS OF REVENUES OVER EXPENDITURES	448,568
	<hr/>
FUND BALANCE - BEGINNING	3,873,448
	<hr/>
FUND BALANCE - ENDING	\$ 4,322,016
	<hr/> <hr/>

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, 2013

- 16 -

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND	\$ 448,568
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 depreciation (\$ 262,515) exceeded capital outlays (\$ 212,129) in the current period.	(50,386)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds, as follows:	
Capital contributions - infrastructure	946,824
Grants	(51,377)
Reimbursed expenditures	(9,944)
Taxes	16,288
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>(5,724)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,294,249</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, 2013

- 17 -

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Building and sign permits	\$ 165,000	\$ 165,000	\$ 130,899	\$ (34,101)
Business and rental licenses	100,000	100,000	130,535	30,535
Cable TV franchise fee	60,000	60,000	60,919	919
Donations	100	100	4,097	3,997
Impact fees	45,000	45,000	82,964	37,964
Interest	2,200	2,200	14,484	12,284
Miscellaneous	13,000	13,000	14,245	1,245
Municipal street aid	80,000	80,000	98,959	18,959
Other grants	-	-	55,643	55,643
Police pension fund	30,000	30,000	44,905	14,905
Property taxes	1,223,700	1,223,700	1,205,745	(17,955)
Public safety fines	25,000	25,000	29,419	4,419
Public safety grants	25,000	25,000	122,470	97,470
Reimbursed expenses	12,000	12,000	9,837	(2,163)
Realty transfer taxes	600,000	600,000	529,466	(70,534)
Rental gross receipts	159,000	159,000	218,615	59,615
Zoning fees	5,000	5,000	18,480	13,480
TOTAL REVENUES	2,545,000	2,545,000	2,771,682	226,682
EXPENDITURES				
Current:				
General government	750,900	809,600	795,547	(14,053)
Public safety	861,300	861,300	833,759	(27,541)
Public works	368,700	368,700	481,679	112,979
Capital outlay	1,617,000	1,617,000	212,129	(1,404,871)
TOTAL EXPENDITURES	3,597,900	3,656,600	2,323,114	(1,333,486)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,052,900)	(1,111,600)	448,568	1,560,168
FUND BALANCE - BEGINNING	3,873,448	3,873,448	3,873,448	-
FUND BALANCE - ENDING	\$ 2,820,548	\$ 2,761,848	\$ 4,322,016	\$ 1,560,168

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

**TOWN OF OCEAN VIEW
STATEMENT OF NET POSITION - PROPRIETARY FUND
APRIL 30, 2013**

- 18 -

	Water Enterprise Fund
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 87,077
Receivables	
Water usage, net of allowance for doubtful accounts	168,896
Other	31,447
	<hr/>
TOTAL CURRENT ASSETS	287,420
NONCURRENT ASSETS	
Capital assets, net of depreciation	5,519,152
	<hr/>
TOTAL ASSETS	5,806,572
	<hr/>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable and other current liabilities	8,823
Accrued interest payable	20,111
Due to general fund	12,286
Current portion of long-term liabilities	56,393
	<hr/>
TOTAL CURRENT LIABILITIES	97,613
LONG-TERM LIABILITIES, LESS CURRENT PORTION	4,282,875
	<hr/>
TOTAL LIABILITIES	4,380,488
	<hr/>
NET POSITION	
Net investment in capital assets	1,179,884
Unrestricted	246,200
	<hr/>
TOTAL NET POSITION	\$ 1,426,084
	<hr/>

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

TOWN OF OCEAN VIEW
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUND
FOR THE YEAR ENDED APRIL 30, 2013

- 19 -

	Water Enterprise Fund
OPERATING REVENUES	
Charges for services	\$ 488,741
OPERATING EXPENSES	
Advertising	719
Depreciation	158,529
Dues and subscriptions	250
Education	275
Insurance expense	1,933
Meter reading charges	27,834
Miscellaneous	864
Payroll wages	8,675
Payroll taxes and benefits	3,611
Professional fees	1,399
Repairs and maintenance	1,119
Water charges	103,024
Water service agreement	21,520
TOTAL OPERATING EXPENSES	<u>329,752</u>
OPERATING INCOME	<u>158,989</u>
NON-OPERATING REVENUES (EXPENSES)	
Connection and inspection fees	26,180
Interest income	1,292
Miscellaneous income	165
Interest expense	<u>(184,663)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(157,026)</u>
CHANGE IN NET POSITION	1,963
TOTAL NET POSITION - BEGINNING	<u>1,424,121</u>
TOTAL NET POSITION - ENDING	<u><u>\$ 1,426,084</u></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, 2013**

- 20 -

	Water Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 473,163
Payments to suppliers	(164,826)
Payments to employees	(12,286)
	<hr/>
NET CASH FLOWS FROM OPERATING ACTIVITIES	296,051
	<hr/>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Advances to other funds, net	(84,067)
	<hr/>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(2,124)
Disposal of capital assets	8,040
Inspection and connection fees	26,180
Retirement of bonds	(54,071)
Interest paid	(184,913)
	<hr/>
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(206,888)
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	23
	<hr/>
NET INCREASE IN CASH	5,119
	<hr/>
CASH AND CASH EQUIVALENTS - BEGINNING	81,958
	<hr/>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 87,077</u>
	<hr/>
RECONCILIATION OF INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 158,989
Adjustments to reconcile operating income to net cash provided:	
Depreciation	158,529
Changes in assets and liabilities:	
Accounts receivable	(21,538)
Accounts payable	71
	<hr/>
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>\$ 296,051</u>

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

**TOWN OF OCEAN VIEW
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUND
APRIL 30, 2013**

- 21 -

	<u>Pension Trust Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 13,678</u>
 NET POSITION HELD IN TRUST FOR PENSION BENEFITS	 <u>\$ 13,678</u>

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

**TOWN OF OCEAN VIEW
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUND
FOR THE YEAR ENDED APRIL 30, 2013**

- 22 -

	<u>Pension Trust Fund</u>
ADDITIONS	
Investment:	
Investment income	\$ 358
NET POSITION HELD IN TRUST FOR PENSION BENEFITS - BEGINNING	<u>13,320</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS - ENDING	<u>\$ 13,678</u>

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Ocean View's (the Town) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies of the Town are discussed below.

1. Reporting Entity

The accompanying financial statements include the various departments and offices that are legally controlled by or dependent on the Town Council (the primary government). The Town's major operations include general government, public safety, public works and water distribution. 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 distribution service is classified as a business-type activity.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column.

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.

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 position resulting from the current year's activities.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basic Financial Statements - Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. The Town does not have a nonmajor fund. The following fund types are used by the Town:

Governmental Funds

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.

Enterprise Fund

The **Water fund** accounts for the water services provided to customers in the Town's Water District. Activities of the enterprise fund include administration, operations and maintenance of the water distribution system.

Fiduciary Fund

A Fiduciary fund is 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 Town's fiduciary fund is presented in the fiduciary fund financial statements by type (pension). The Pension Trust Fund is used to account for the assets of the non-qualified deferred compensation plan for full-time police personnel. 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.

4. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus.

The government-wide financial statements are presented on a full accrual basis of accounting with an economic resources measurement focus concentrating on an entity or fund's net position. All transactions and events that affect the total economic resources during the period are reported. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time an obligation (liability) is incurred, regardless of the timing of related cash inflows and outflows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Measurement Focus and Basis of Accounting - Continued

Governmental fund financial statements are presented on a modified accrual basis of accounting with a current financial resources measurement focus. This measurement focus concentrates on the fund's resources available for spending in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Under modified accrual accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered available if collected within 60 days of year end. The Town reports deferred inflows when the potential revenue does not meet both the measurable and available criteria for recognition in the current period.

Property taxes, interest revenue, intergovernmental, and miscellaneous revenue are the primary revenue sources subject to accrual. Property taxes are reported as receivable and a deferred inflow of resources when an enforceable lien on the property exists. The Town bills and collects its own property taxes.

Under modified accrual accounting, governmental fund liabilities (and expenses) should be accrued in the absence of applicable modification. Such modifications exist for long-term indebtedness, compensated absences, claims and judgments and special termination benefit liabilities. These liabilities are accrued in the governmental funds only to the extent they are due.

Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is provided in the fund financial statements.

The Proprietary and Fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

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.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Capital Assets - Continued

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 Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town did not have any items to report in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has three types of items, which arise only under the modified accrual basis of accounting that qualify for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, grants and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Equity Classifications

Government-wide Statements and Proprietary Fund Net Position

Net position is classified and displayed in three categories:

- 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 position - Net position 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. When both restricted and unrestricted resources are available for expenditures, it will be the responsibility of the Finance Director to determine which resources should generally be spent first.
- c. Unrestricted net position - All remaining net position that does 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

Governmental Fund Balances

In the fund financial statements, governmental funds report amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form such as prepaid items or inventories; or (2) legally or contractually required to be maintained intact. It is the responsibility of the Finance Director to categorize these funds as defined.

The spendable portion of the fund balance comprises the remaining four classifications:

- a. Restricted fund balance - This classification reflects the constraints imposed on resources either (1) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
- b. Committed fund balance - These amounts can only be used for specific purposes pursuant to constraints imposed by formal ordinances or resolution by a majority vote of the Town Council, the government's highest level of decision-making authority. Those committed amounts cannot be used for any purpose unless the Town Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. There were no funds committed as of the year ended April 30, 2013.
- c. Assigned fund balance - This classification reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed. The Town Council solely has the authority to specifically assign funds. There were no funds assigned as of the year ended April 30, 2013.
- d. Unassigned fund balances - This fund balance is the residual classification for the General Fund. This represents the resources available for future spending.

The primary objective of establishing and maintaining a Fund Balance Policy is to enhance the usefulness of fund balance information by providing clear fund balance classifications that are consistently applied. It is the policy of the Town of Ocean View to maintain appropriate reserve funds. These funds are needed by the Town to manage its seasonal cash flows, maintain and update its infrastructure, fund future capital projects, and to withstand economic downturns, emergencies, or natural disasters.

The Town utilizes restricted resources to finance qualifying activities, to the extent permitted by laws, regulations, contracts and grants. When committed, assigned, and unassigned funds are available for expenditures, committed funds should generally be spent first, assigned funds second, and unassigned funds last; unless Town Council has provided otherwise in its commitment or assignment actions.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Receivables

Receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

10. Revenues

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.

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.

11. 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 240 hours for general and administrative employees and 252 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.

12. 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.

13. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Budgets and Budgetary Accounting

Prior to April 30, the Town Manager and Finance Director, in conjunction with the Council, establish 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 accounting principles generally accepted in the United States of America (GAAP). Original and final budgeted amounts are as presented.

15. Implementation of New Statements

Beginning in fiscal year 2013 the Town implemented the following statements issued by the Governmental Accounting Standards Board (GASB):

GASBS No. 61, *The Financial Reporting Entity: Omnibus and Amendment of GASBS No. 14 and No. 34*, which modifies certain requirements for inclusion of component units in the financial reporting entity. No changes in reporting entity were required by the Town, resulting from early implementation of this statement.

GASBS No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement improves financial reporting by continuing to codify sources of generally accepted accounting principles for state and local governments so that they derive from a single source. Implementation of this statement did not require the Town to change the reporting of current or past transactions.

GASBS No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, providing guidance for the reporting of deferred outflows, deferred inflows and identifies net position as the residual of all other elements presented in a statement of financial position. As a result of implementing this statement, the computation of equity on the Statement of Net Position was changed and the term "net assets" was replaced with the term "net position".

GASBS No. 65, *Items Previously Reported as Assets and Liabilities*, clarifies the use of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This statement requires certain items that were previously reported as assets and liabilities to be reported as deferred outflows of resources, deferred inflows of resources and as revenues or expenditures. As a result of early implementing this statement, the Town changed the classification of certain liabilities to deferred inflows of resources. There were no other effects on the financial statements of implementing this statement

NOTE B - CASH AND CASH EQUIVALENTS

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.

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, 2013, the carrying amount of the Town's deposits was \$ 4,434,166 and the bank balance was \$ 4,560,841.

As of April 30, 2013, \$ 12,889 of the Town's bank balances of \$ 4,560,841 were exposed to custodial risk.

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 Council has authorized the following investments:

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

Reconciliation of cash and cash equivalents to the Government-wide Statement of Net Position:

Cash and cash equivalents	\$	2,523,649
Cash and cash equivalents - restricted		1,896,839
Fiduciary fund cash and cash equivalents (not included in Government-wide statements)		<u>13,678</u>
TOTAL CASH AND CASH EQUIVALENTS	\$	<u><u>4,434,166</u></u>

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, 2013, based on assessments, was \$.1588 per \$ 100 of assessed valuation. The total assessed value of all taxable real property and improvements at May 1, 2012 was \$ 758,721,900. 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, 2013, was as follows:

	Balance at April 30, 2012	Increases	Decreases	Balance at April 30, 2013
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,490,621	\$ -	\$ -	\$ 1,490,621
Construction in progress	660,557	1,018,540	429,067	1,250,030
Total capital assets, not being depreciated	<u>2,151,178</u>	<u>1,018,540</u>	<u>429,067</u>	<u>2,740,651</u>
Other capital assets:				
Buildings and improvements	3,543,943	440,797	2,943	3,981,797
Equipment	879,933	27,484	120,312	787,105
Vehicles	440,944	72,312	52,078	461,178
Infrastructure	2,987,350	28,887	-	3,016,237
Total other capital assets	<u>7,852,170</u>	<u>569,480</u>	<u>175,333</u>	<u>8,246,317</u>
Less accumulated depreciation for:				
Buildings and improvements	495,478	100,378	2,943	592,913
Equipment	708,780	59,280	120,312	647,748
Vehicles	366,522	27,638	52,078	342,082
Infrastructure	308,197	75,219	-	383,416
Total accumulated depreciation	<u>1,878,977</u>	<u>262,515</u>	<u>175,333</u>	<u>1,966,159</u>
Other capital assets, net	<u>5,973,193</u>	<u>306,965</u>	<u>-</u>	<u>6,280,158</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 8,124,371</u>	<u>\$ 1,325,505</u>	<u>\$ 429,067</u>	<u>\$ 9,020,809</u>

NOTE D - CAPITAL ASSETS - CONTINUED

	Balance at April 30, 2012	Increases	Decreases	Balance at April 30, 2013
Business-type Activities:				
Capital assets:				
Water distribution system	\$ 6,342,500	\$ 2,124	\$ 9,000	\$ 6,335,624
Less accumulated depreciation for:				
Water distribution system	659,068	158,529	1,125	816,472
Business-type Activities				
Capital Assets, Net				
	<u>\$ 5,683,432</u>	<u>\$ (156,405)</u>	<u>\$ 7,875</u>	<u>\$ 5,519,152</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 43,682
Public safety	114,724
Public works	<u>104,109</u>
Total Governmental Activities Depreciation Expense	<u>\$ 262,515</u>
Business-type activities:	
Water	<u>\$ 158,529</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, 2013 had a fair value of \$ 13,678. The Town suspended contributions to the Plan at April 30, 2003.

NOTE E - TOWN EMPLOYEE PENSION PLAN - CONTINUED

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 14.75% of annual covered payroll. Pension contributions for the fiscal years ended April 30, 2013, 2012 and 2011 were \$ 52,175, \$ 47,712 and \$ 48,345, 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 6.84% of annual covered payroll. Pension contributions for the fiscal years ended April 30, 2013, 2012 and 2011 were \$ 29,859, \$ 28,042 and \$ 27,009, 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, 2013, was as follows:

	<u>April 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>April 30, 2013</u>	<u>Due Within One Year</u>
Governmental					
Activities:					
Compensated absences	<u>\$ 44,906</u>	<u>\$ 35,160</u>	<u>\$ 29,436</u>	<u>\$ 50,630</u>	<u>\$ 16,581</u>
Business-type					
Activities					
General obligation bonds	<u>\$ 4,393,339</u>	<u>\$ -</u>	<u>\$ 54,071</u>	<u>\$ 4,339,268</u>	<u>\$ 56,393</u>

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

NOTE F - LONG-TERM LIABILITIES - CONTINUED

Description of General Obligation Bond

At April 30, 2013, 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.	\$ 3,585,607
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>753,661</u>
TOTAL GENERAL OBLIGATION BONDS	<u>\$ 4,339,268</u>

The total debt service payments are as follows:

<u>Year ending April 30,</u>	<u>Business-type Activities - General Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 56,393	\$ 182,591	\$ 238,984
2015	58,816	180,168	238,984
2016	61,342	177,642	238,984
2017	63,977	175,007	238,984
2018	66,725	172,259	238,984
2019 - 2023	379,161	815,759	1,194,920
2024 - 2028	467,900	727,020	1,194,920
2029 - 2033	577,411	617,509	1,194,920
2034 - 2038	712,556	482,364	1,194,920
2039 - 2043	879,337	315,583	1,194,920
2044 - 2048	<u>1,015,650</u>	<u>109,861</u>	<u>1,125,511</u>
TOTAL	<u>\$ 4,339,268</u>	<u>\$ 3,955,763</u>	<u>\$ 8,295,031</u>

NOTE G - INTERFUND BALANCES

Interfund balances at April 30, 2013, 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>\$ 12,286</u>	<u>\$ 12,286</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.

In May 2009, the Town of Ocean View joined the Delaware League of Local Governments, DeLea Founders Insurance Trust (DFIT) municipal workers' compensation coverage. Currently, the DFIT insurance plan insures 19 municipalities within the State of Delaware. The cost for the insurance program is based on historical data at the individual level and claims history for all 19 municipalities collectively included in the group.

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 - COMMITMENTS AND CONTINGENCIES

In April 2013, the Town of Ocean View entered into a contract agreement for street improvements totaling \$ 208,383. The Town did not incur any related project costs until May 2013, which totaled approximately \$ 170,339.

NOTE J - PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS (GASB)

GASB has issued the following statements, which may impact the Town's financial reporting requirements in the future.

- GASBS No. 66, *Technical Corrections to GASB Statement No. 10 and Statement No. 62*, effective for the fiscal year beginning May 1, 2013.
- GASBS No. 67, *Financial Reporting for Pension Plans, an Amendment of GASB Statement No. 25*, effective for the fiscal year beginning May 1, 2014.
- GASBS No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*, effective for the fiscal year beginning May 1, 2015.
- GASBS No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the fiscal year beginning May 1, 2014.

SUPPLEMENTARY INFORMATION

TOWN OF OCEAN VIEW
SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED APRIL 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Over (Under)</u>
GENERAL GOVERNMENT			
Advertising	\$ 7,000	\$ 7,645	\$ 645
Communications	7,300	8,272	972
Comprehensive plan	1,000	-	(1,000)
Computer programming	15,500	21,728	6,228
Donations	58,700	58,700	-
Dues and subscriptions	3,000	2,535	(465)
Education	700	80	(620)
Employee retirement	26,200	24,694	(1,506)
Insurance - hospitalization	77,300	71,814	(5,486)
Insurance - workers comp	2,400	2,223	(177)
Insurance - other	13,000	16,667	3,667
Maintenance and repairs - building	19,000	29,573	10,573
Mileage	1,800	911	(889)
Miscellaneous	2,000	4,816	2,816
Non-capital equipment	1,500	877	(623)
Payroll wages	373,300	369,067	(4,233)
Payroll wages - overtime	9,400	3,148	(6,252)
Payroll wages - council and committees	7,700	6,841	(859)
Payroll taxes	34,700	31,143	(3,557)
Postage	8,000	6,494	(1,506)
Printing	2,000	1,713	(287)
Professional fees	71,000	70,665	(335)
Property assessment	25,000	20,295	(4,705)
Public relations	12,500	9,077	(3,423)
Realty transfer tax bank charges	6,000	4,287	(1,713)
Supplies	9,000	8,769	(231)
Trash collection	600	596	(4)
Utilities	14,000	12,917	(1,083)
TOTAL GENERAL GOVERNMENT	<u>809,600</u>	<u>795,547</u>	<u>(14,053)</u>

TOWN OF OCEAN VIEW
SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED APRIL 30, 2013

	Final Budget	Actual	Variance with Final Budget - Over (Under)
PUBLIC SAFETY			
Advertising	\$ 200	\$ -	\$ (200)
Communications	16,000	16,745	745
Computer programming	8,000	4,548	(3,452)
Dues and subscriptions	2,000	1,560	(440)
Education	9,000	17,089	8,089
Employee retirement	54,500	52,175	(2,325)
Gas and oil	22,000	21,171	(829)
Insurance - hospitalization	143,400	95,322	(48,078)
Insurance - workers comp	30,500	22,832	(7,668)
Insurance - other	18,000	15,965	(2,035)
Maintenance and repairs - building	10,000	13,646	3,646
Maintenance and repairs - vehicles and equipment	16,000	13,748	(2,252)
Mileage	100	199	99
Miscellaneous	1,900	1,835	(65)
Non-capital equipment	4,500	2,178	(2,322)
Payroll wages	397,800	376,675	(21,125)
Payroll wages - overtime	24,900	58,151	33,251
Payroll taxes	38,400	37,279	(1,121)
Postage	500	1,101	601
Printing	300	525	225
Professional fees	9,000	5,405	(3,595)
Public relations	1,300	339	(961)
Supplies	30,000	46,048	16,048
Trash collection	1,000	1,060	60
Uniforms	5,000	16,147	11,147
Utilities	17,000	12,016	(4,984)
TOTAL PUBLIC SAFETY	861,300	833,759	(27,541)

TOWN OF OCEAN VIEW
SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED APRIL 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Over (Under)</u>
PUBLIC WORKS			
Advertising	\$ 1,500	\$ 31	\$ (1,469)
Communications	300	433	133
Day labor	20,000	-	(20,000)
Drainage	20,000	3,415	(16,585)
Dues and subscriptions	100	125	25
Education	200	-	(200)
Employee retirement	4,800	4,572	(228)
Gas and oil	5,500	7,067	1,567
Insurance - hospitalization	38,000	27,547	(10,453)
Insurance - workers comp	4,500	4,358	(142)
Insurance - other	8,000	4,581	(3,419)
Maintenance and repairs - building	6,300	1,389	(4,911)
Maintenance and repairs - vehicles and equipment	7,000	6,765	(235)
Miscellaneous	3,000	227	(2,773)
Non-capital equipment	3,000	4,472	1,472
Park expense	12,000	7,042	(4,958)
Pave and resurface streets	-	223,247	223,247
Payroll wages	65,000	64,118	(882)
Payroll wages - overtime	5,300	3,172	(2,128)
Payroll taxes	6,700	5,848	(852)
Postage	100	51	(49)
Professional fees	40,000	7,649	(32,351)
Public relations	200	-	(200)
Street lighting	68,000	75,500	7,500
Street maintenance	24,000	2,956	(21,044)
Street signs	4,000	224	(3,776)
Supplies	12,000	16,161	4,161
Trash collection	3,500	4,983	1,483
Uniforms	700	908	208
Utilities	5,000	4,838	(162)
TOTAL PUBLIC WORKS	<u>368,700</u>	<u>481,679</u>	<u>112,979</u>
CAPITAL OUTLAY	<u>1,617,000</u>	<u>212,129</u>	<u>(1,404,871)</u>
TOTAL EXPENDITURES	<u>\$ 3,656,600</u>	<u>\$ 2,323,114</u>	<u>\$ (1,333,486)</u>

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FREDERICK A. MAST, CPA, 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Ocean View as of and for the year ended April 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Ocean View's basic financial statements, and have issued our report thereon dated October 8, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Ocean View's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Ocean View's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Ocean View's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Georgetown, Delaware
October 8, 2013