

**TOWN OF OCEAN VIEW**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED APRIL 30, 2014**

**TOWN OF OCEAN VIEW  
INDEX  
FOR THE YEAR ENDED APRIL 30, 2014**

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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, 2014, 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, 2014, 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.

**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 14, 2014, 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 14, 2014

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**TOWN OF OCEAN VIEW, DELAWARE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
APRIL 30, 2014**

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, 2014. 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, 2014, governmental activity assets exceeded liabilities by \$13,815,822. Of this amount, \$2,551,426 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 \$441,588 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.

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**

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, 2014, is \$15,225,568.

The following table is a summary of the government-wide statement of net position for the years ended April 30, 2014 and 2013:

**Statement of Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Government</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Current and other assets	\$ 4,710,985	\$ 4,463,852	\$ 348,747	\$ 275,134	\$ 5,059,732	\$ 4,738,986
Capital assets	9,428,965	9,020,809	5,374,296	5,519,152	14,803,261	14,539,961
<b>Total assets</b>	<b>14,139,950</b>	<b>13,484,661</b>	<b>5,723,043</b>	<b>5,794,286</b>	<b>19,862,993</b>	<b>19,278,947</b>
Current and other liabilities	260,351	76,135	30,423	28,934	290,774	105,069
Long-term liabilities	63,777	50,630	4,282,874	4,339,268	4,346,651	4,389,898
<b>Total liabilities</b>	<b>324,128</b>	<b>126,765</b>	<b>4,313,297</b>	<b>4,368,202</b>	<b>4,637,425</b>	<b>4,494,967</b>
Net position:						
Invested in capital assets, net of related debt	9,428,965	9,020,809	1,091,422	1,179,884	10,520,387	10,200,693
Restricted	1,835,431	1,877,209	-	-	1,835,431	1,877,209
Unrestricted	2,551,426	2,459,878	318,324	246,200	2,869,750	2,706,078
<b>Total net position</b>	<b>\$ 13,815,822</b>	<b>\$ 13,357,896</b>	<b>\$ 1,409,746</b>	<b>\$ 1,426,084</b>	<b>\$ 15,225,568</b>	<b>\$ 14,783,980</b>

A significant portion of the Town’s net position of \$15,225,568 (69 percent or \$10,520,387) is 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 \$4,705,181 in net position, \$165,958 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, \$1,537,427 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 \$2,869,750 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, 2014 and 2013:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Revenues:</b>						
<b>Program Revenues</b>						
Charges for services	\$ 695,842	\$ 472,423	\$ 519,606	\$ 515,086	\$ 1,215,448	\$ 987,509
Operating grants and contributions	208,781	248,812	-	-	208,781	248,812
Capital grants and contributions	136,864	973,730	-	-	136,864	973,730
<b>General revenue</b>						
Property taxes	1,225,722	1,222,033	-	-	1,225,722	1,222,033
Realty transfer taxes	708,600	529,466	-	-	708,600	529,466
Rental gross receipts taxes	235,332	218,615	-	-	235,332	218,615
Investment income	7,722	8,391	306	1,292	8,028	9,683
<b>Total revenues</b>	<b>3,218,863</b>	<b>3,673,470</b>	<b>519,912</b>	<b>516,378</b>	<b>3,738,775</b>	<b>4,189,848</b>
<b>Expenses:</b>						
General government	951,488	837,852	-	-	951,488	837,852
Public safety	1,089,495	956,077	-	-	1,089,495	956,077
Public works	719,954	585,292	-	-	719,954	585,292
Water system	-	-	536,250	514,415	536,250	514,415
<b>Total expenses</b>	<b>2,760,937</b>	<b>2,379,221</b>	<b>536,250</b>	<b>514,415</b>	<b>3,297,187</b>	<b>2,893,636</b>
<b>Increase (decrease) in net position</b>	<b>457,926</b>	<b>1,294,249</b>	<b>(16,338)</b>	<b>1,963</b>	<b>441,588</b>	<b>1,296,212</b>
<b>Net position - Beginning</b>	<b>13,357,896</b>	<b>12,063,647</b>	<b>1,426,084</b>	<b>1,424,121</b>	<b>14,783,980</b>	<b>13,487,768</b>
<b>Net position - Ending</b>	<b>\$13,815,822</b>	<b>\$13,357,896</b>	<b>\$1,409,746</b>	<b>\$1,426,084</b>	<b>\$15,225,568</b>	<b>\$14,783,980</b>

### Government Activities

Total government net position increased by \$441,588 during fiscal year 2014.

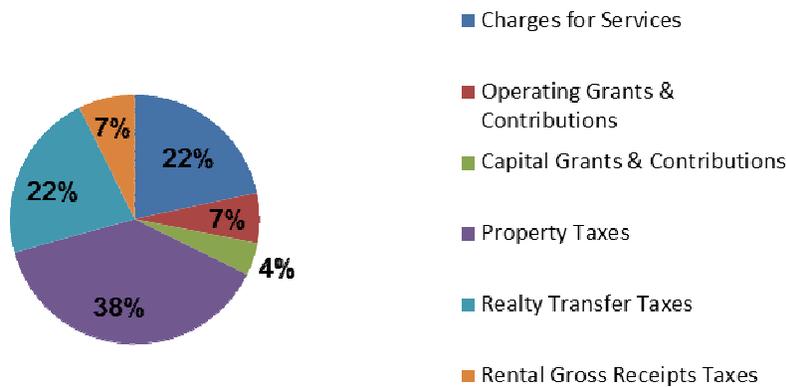
Property taxes, realty transfer taxes, and rental gross receipts taxes received during fiscal year 2014 totaled \$1,225,722, \$708,600, and \$235,332, respectively.

### 2014 Revenues - Governmental Activities

- Realty transfer tax increased by \$179,134 or 34 percent from the prior fiscal year. This increase results from an increase in the number of new homes constructed in a new subdivision in the Town as well as an increase in the value of property resales compared to the prior fiscal year.
- Property taxes increased by \$3,689 from the prior fiscal year.

The following chart shows property taxes as the largest source of governmental revenue comprising 38 percent of the total revenue, followed by realty transfer taxes of 22 percent, charges for services of 22 percent, rental gross receipts tax of 7%, and the remaining 11 percent from other sources including operating and capital grants and contributions.

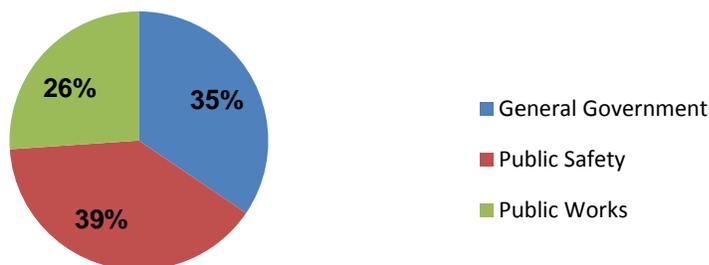
### Revenues by Source



### 2014 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 \$1,407,594, or approximately 51 percent of the total departmental expenses of \$2,760,937. Approximately 24 percent of the remaining \$1,353,343 of total governmental expenditures relates to expenditures for street maintenance, drainage, 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 2014, the Town's governmental fund balance increased \$91,136 to \$4,413,152. The unassigned fund balance component of the General Fund increased \$152,899 to \$2,573,140.

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 \$80,000 because of an \$80,000 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 \$539,220. Realty transfer taxes and rental gross receipts taxes exceeded the budget by \$108,600 and \$75,332, respectively, because of increased activity in the local real estate market. Charges for services related to the real estate market, primarily building permits, business and rental licenses, and reimbursed expenses exceeded the budget by \$46,561, \$16,313, and \$72,575, respectively, for a total of \$135,449.

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 \$838,116. Payroll wages and related employee costs for the three governmental departments was under budget by \$54,153 because certain positions were not filled during the year and the cost of medical insurance was less than anticipated. Pave and resurface streets during the fiscal year totaled \$224,042 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, three capital projects, a new public works building and two drainage projects were deferred and have been included in the FY15 capital budget. The public works building was not substantially completed until FY15 and the drainage projects on Woodland Avenue (\$395,000) and in the West View subdivision (\$345,000) were deferred.

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, 2014, net of \$3,191,978 accumulated depreciation were \$14,803,261. Capital assets include land, land improvements, buildings and improvements, infrastructure, machinery and equipment, and the water distribution system.

**Capital Assets, Net of Accumulated Depreciation**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Government</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Land	\$ 1,490,621	\$ 1,490,621	\$ -	\$ -	\$ 1,490,621	\$ 1,490,621
Construction in progress	1,749,355	1,250,030	-	-	1,749,355	1,250,030
Buildings and improvements	3,294,832	3,388,884	-	-	3,294,832	3,388,884
Vehicles and equipment	336,742	258,453	-	-	336,742	258,453
Infrastructure	2,557,415	2,632,821	-	-	2,557,415	2,632,821
Water distribution system	-	-	5,374,296	5,519,152	5,374,296	5,519,152
<b>Total</b>	<b>\$ 9,428,965</b>	<b>\$ 9,020,809</b>	<b>\$ 5,374,296</b>	<b>\$ 5,519,152</b>	<b>\$ 14,803,261</b>	<b>\$ 14,539,961</b>

**Long-term Debt**

The Town’s long-term debt at April 30, 2014, consists of \$4,282,874 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 2015 compared to fiscal year 2014 increased by \$105,900 due to the net impact of (1) increased realty transfer taxes projected and (2) increases to projected property taxes and fees from business and rental licenses. The property tax rate for fiscal year 2015 was increased by 2 percent – from \$0.1588 to \$0.1620 per \$100 of assessed value.

The Town appropriated \$1,643,600 from its reserves for anticipated spending in fiscal year 2015.

**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](mailto:townmgtov@oceanviewde.com)

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF OCEAN VIEW  
STATEMENT OF NET POSITION  
APRIL 30, 2014**

- 11 -

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,777,309	\$ 180,087	\$ 2,957,396
Receivables, net:			
Taxes	21,207	-	21,207
Water usage	-	152,528	152,528
Other	52,807	17,732	70,539
Prepaid insurance	2,981	-	2,981
Internal balances	1,600	(1,600)	-
Restricted assets:			
Cash and cash equivalents	1,855,081	-	1,855,081
Capital assets:			
Land, improvements, and construction in progress	3,239,976	-	3,239,976
Other capital assets, net of depreciation	6,188,989	5,374,296	11,563,285
<b>TOTAL ASSETS</b>	<b>14,139,950</b>	<b>5,723,043</b>	<b>19,862,993</b>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	240,701	10,574	251,275
Accrued liabilities	19,650	19,849	39,499
Long-term liabilities:			
Due within one year	28,947	58,816	87,763
Due in more than one year	34,830	4,224,058	4,258,888
<b>TOTAL LIABILITIES</b>	<b>324,128</b>	<b>4,313,297</b>	<b>4,637,425</b>
<b>NET POSITION</b>			
Net investments in capital assets	9,428,965	1,091,422	10,520,387
Restricted for:			
Realty transfer tax	165,958	-	165,958
Capital replacement	633,306	-	633,306
Emergency reserve	281,650	-	281,650
Street repair and replacement	622,471	-	622,471
Municipal street aid	119,697	-	119,697
SALLE / EIDE	8,859	-	8,859
Violent Crime	3,490	-	3,490
Unrestricted	2,551,426	318,324	2,869,750
<b>TOTAL NET POSITION</b>	<b>\$ 13,815,822</b>	<b>\$ 1,409,746</b>	<b>\$ 15,225,568</b>

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

TOWN OF OCEAN VIEW  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED APRIL 30, 2014

- 12 -

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
<b>PRIMARY GOVERNMENT</b>							
<b>GOVERNMENTAL ACTIVITIES</b>							
General government	\$ 951,488	\$ 648,189	\$ -	\$ 127,038	\$ (176,261)	\$ -	\$ (176,261)
Public safety	1,089,495	45,969	106,218	9,826	(927,482)	-	(927,482)
Public works	719,954	1,684	102,563	-	(615,707)	-	(615,707)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	2,760,937	695,842	208,781	136,864	(1,719,450)	-	(1,719,450)
<b>BUSINESS-TYPE ACTIVITIES</b>							
Water distribution system	536,250	519,606	-	-	-	(16,644)	(16,644)
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 3,297,187</u>	<u>\$ 1,215,448</u>	<u>\$ 208,781</u>	<u>\$ 136,864</u>	<u>(1,719,450)</u>	<u>(16,644)</u>	<u>(1,736,094)</u>
<b>GENERAL REVENUES</b>							
Taxes: Property					1,225,722	-	1,225,722
Realty transfer					708,600	-	708,600
Rental gross receipts					235,332	-	235,332
Unrestricted investment earnings					7,722	306	8,028
<b>TOTAL GENERAL REVENUES</b>					<u>2,177,376</u>	<u>306</u>	<u>2,177,682</u>
<b>CHANGE IN NET POSITION</b>					457,926	(16,338)	441,588
<b>NET POSITION - BEGINNING</b>					<u>13,357,896</u>	<u>1,426,084</u>	<u>14,783,980</u>
<b>NET POSITION - ENDING</b>					<u>\$ 13,815,822</u>	<u>\$ 1,409,746</u>	<u>\$ 15,225,568</u>

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

**TOWN OF OCEAN VIEW  
BALANCE SHEET - GOVERNMENTAL FUND  
APRIL 30, 2014**

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	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,777,309
Taxes receivable	21,207
Receivable - other	52,807
Prepaid insurance	2,981
Due from other funds	1,600
Restricted assets:	
Cash and cash equivalents	<u>1,855,081</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,710,985</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 240,701
Accrued liabilities	<u>19,650</u>
<b>TOTAL LIABILITIES</b>	<u>260,351</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue:	
Property taxes	21,207
Other	<u>16,275</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>37,482</u>
<b>FUND BALANCES</b>	
Nonspendable:	
Prepays	2,981
Non-current assets	1,600
Restricted:	
Realty transfer tax	165,958
Capital replacement	633,306
Emergency reserve	281,650
Street repair and replacement	622,471
Municipal street aid	119,697
SALLE / EDIE	8,859
Violent Crime	3,490
Unassigned	<u>2,573,140</u>
<b>TOTAL FUND BALANCES</b>	<u>4,413,152</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 4,710,985</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, 2014**

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<b>FUND BALANCES OF THE GOVERNMENTAL FUND</b>	\$ 4,413,152
<b>Amounts reported for governmental activities in the Statement of Net Position are different because:</b>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund statements.	9,428,965
Certain revenues are not available to pay for current period expenditures and therefore are reported as unavailable in the governmental funds.	37,482
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund financial statements.	<u>(63,777)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 13,815,822</u></u>

**TOWN OF OCEAN VIEW  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED APRIL 30, 2014**

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	<u>General Fund</u>
<b>REVENUES</b>	
Taxes	\$ 2,181,703
Intergovernmental	213,633
Charges for services	637,651
Fines and forfeits	39,637
Interest	12,687
Miscellaneous	32,609
	<hr/>
<b>TOTAL REVENUES</b>	3,117,920
	<hr/>
<b>EXPENDITURES</b>	
Current:	
General government	902,814
Public safety	972,651
Public works	555,115
Capital outlay	596,204
	<hr/>
<b>TOTAL EXPENDITURES</b>	3,026,784
	<hr/>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	91,136
	<hr/>
<b>FUND BALANCE - BEGINNING</b>	4,322,016
	<hr/>
<b>FUND BALANCE - ENDING</b>	<u>\$ 4,413,152</u>

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, 2014**

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<b>NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND</b>	\$	91,136
<p>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 (\$ 258,404) is exceeded by capital outlay (\$ 596,204) in the current period.</p>		
		337,800
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds, as follows:</p>		
Capital contributions - infrastructure		125,338
Grants		1,218
Loss on abandoned project		(58,806)
Reimbursed expenditures		(13,565)
Taxes		(12,048)
<p>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:</p>		
Compensated absences		(13,147)
		<u>(13,147)</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>457,926</u></b>

**TOWN OF OCEAN VIEW**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED APRIL 30, 2014**

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	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Building and sign permits	\$ 165,000	\$ 165,000	\$ 211,561	\$ 46,561
Business and rental licenses	108,000	108,000	124,313	16,313
Cable TV franchise fee	60,000	60,000	81,096	21,096
Donations	-	-	2,000	2,000
Impact fees	45,000	45,000	125,896	80,896
Interest	2,300	2,300	12,687	10,387
Miscellaneous	12,000	12,000	30,609	18,609
Municipal street aid	99,000	99,000	99,657	657
Other grants	-	-	11,236	11,236
Police pension fund	30,000	30,000	26,951	(3,049)
Property taxes	1,225,000	1,225,000	1,237,771	12,771
Public safety fines	25,000	25,000	39,637	14,637
Public safety grants	25,000	25,000	75,789	50,789
Reimbursed expenses	12,100	12,100	84,675	72,575
Realty transfer taxes	600,000	600,000	708,600	108,600
Rental gross receipts	160,000	160,000	235,332	75,332
Zoning fees	10,300	10,300	10,110	(190)
<b>TOTAL REVENUES</b>	<b>2,578,700</b>	<b>2,578,700</b>	<b>3,117,920</b>	<b>539,220</b>
<b>EXPENDITURES</b>				
Current:				
General government	796,200	876,200	902,814	26,614
Public safety	905,200	905,200	972,651	67,451
Public works	367,900	367,900	555,115	187,215
Capital outlay	1,715,600	1,715,600	596,204	(1,119,396)
<b>TOTAL EXPENDITURES</b>	<b>3,784,900</b>	<b>3,864,900</b>	<b>3,026,784</b>	<b>(838,116)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,206,200)</b>	<b>(1,286,200)</b>	<b>91,136</b>	<b>1,377,336</b>
<b>FUND BALANCE - BEGINNING</b>	<b>4,322,016</b>	<b>4,322,016</b>	<b>4,322,016</b>	<b>-</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 3,115,816</b>	<b>\$ 3,035,816</b>	<b>\$ 4,413,152</b>	<b>\$ 1,377,336</b>

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

**TOWN OF OCEAN VIEW  
STATEMENT OF NET POSITION - PROPRIETARY FUND  
APRIL 30, 2014**

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	<b>Water Enterprise Fund</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 180,087
Receivables:	
Water usage, net of allowance for doubtful accounts	152,528
Other	<u>17,732</u>
<b>TOTAL CURRENT ASSETS</b>	350,347
<b>NONCURRENT ASSETS</b>	
Capital assets, net of depreciation	<u>5,374,296</u>
<b>TOTAL ASSETS</b>	<u>5,724,643</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable and other current liabilities	10,574
Accrued interest payable	19,849
Due to general fund	1,600
Current portion of long-term liabilities	<u>58,816</u>
<b>TOTAL CURRENT LIABILITIES</b>	90,839
<b>LONG-TERM LIABILITIES, LESS CURRENT PORTION</b>	<u>4,224,058</u>
<b>TOTAL LIABILITIES</b>	<u>4,314,897</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,091,422
Unrestricted	<u>318,324</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,409,746</u>

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, 2014**

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	<b>Water Enterprise Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	<u>\$ 494,375</u>
<b>OPERATING EXPENSES</b>	
Advertising	750
Bank charges	50
Depreciation	158,491
Dues and subscriptions	250
Insurance expense	2,500
Meter reading charges	26,492
Miscellaneous	76
Payroll wages	15,589
Payroll taxes and benefits	7,886
Professional fees	5,242
Repairs and maintenance	1,333
Water charges	108,427
Water inspection	915
Water service agreement	<u>25,920</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>353,921</u>
<b>OPERATING INCOME</b>	<u>140,454</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Connection and inspection fees	25,166
Interest income	306
Miscellaneous income	65
Interest expense	<u>(182,329)</u>
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>(156,792)</u>
<b>CHANGE IN NET POSITION</b>	(16,338)
<b>TOTAL NET POSITION - BEGINNING</b>	<u>1,426,084</u>
<b>TOTAL NET POSITION - ENDING</b>	<u><u>\$ 1,409,746</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, 2014**

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	<b>Water Enterprise Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 524,457
Payments to suppliers	(170,203)
Payments to employees	(23,475)
	<hr/>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	330,779
	<hr/>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Advances to other funds, net	(10,686)
Non-operating revenue	65
	<hr/>
<b>NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	(10,621)
	<hr/>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(13,635)
Inspection and connection fees	25,166
Retirement of bonds	(56,394)
Interest paid	(182,591)
	<hr/>
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(227,454)
	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	306
	<hr/>
<b>NET INCREASE IN CASH</b>	93,010
	<hr/>
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	87,077
	<hr/>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	\$ 180,087
	<hr/> <hr/>
<b>RECONCILIATION OF INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 140,454
Adjustments to reconcile operating income to net cash provided:	
Depreciation	158,491
Changes in assets and liabilities:	
Accounts receivable	30,083
Accounts payable	1,751
	<hr/>
<b>NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	\$ 330,779
	<hr/> <hr/>

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

**TOWN OF OCEAN VIEW  
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUND  
APRIL 30, 2014**

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	<u>Pension Trust Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$          7,869</u>
 <b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>	 <u>\$          7,869</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, 2014**

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	<u>Pension Trust Fund</u>
<b>ADDITIONS</b>	
Investment:	
Investment income	\$          209
<b>DEDUCTIONS</b>	
Payments to participants	<u>6,018</u>
<b>NET DECREASE IN PLAN ASSETS</b>	(5,809)
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS - BEGINNING</b>	<u>13,678</u>
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS - ENDING</b>	<u>\$          7,869</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**

The 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, 2014.
- 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, 2014.
- 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 an allowance for uncollectible amounts. An allowance is recorded on receivable balances that are based on historical collections experience for the Town. As of April 30, 2014, the balance for the allowance for uncollectible amounts for the proprietary fund is \$ 15,000.

**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.

**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, 2014, the carrying amount of the Town's deposits was \$ 4,820,346 and the bank balance was \$ 4,874,187.

As of April 30, 2014, \$ 470 of the Town's bank balances of \$ 4,874,187 were exposed to custodial risk.

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**NOTE B - CASH AND CASH EQUIVALENTS - CONTINUED**

**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	\$	2,957,396
Cash and cash equivalents - restricted		1,855,081
Fiduciary fund cash and cash equivalents (not included in Government-wide statements)		<u>7,869</u>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$</b>	<b><u><u>4,820,346</u></u></b>

**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, 2014, based on assessments, was \$ .1588 per \$ 100 of assessed valuation. The total assessed value of all taxable real property and improvements at May 1, 2013 was \$ 768,507,744. 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, 2014, was as follows:

	Balance at April 30, 2013	Increases	Decreases	Balance at April 30, 2014
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,490,621	\$ -	\$ -	\$ 1,490,621
Construction in progress	1,250,030	566,810	67,485	1,749,355
Total capital assets, not being depreciated	<u>2,740,651</u>	<u>566,810</u>	<u>67,485</u>	<u>3,239,976</u>
Other capital assets:				
Buildings and improvements	3,981,797	5,579	-	3,987,376
Equipment	787,105	75,832	7,548	855,389
Vehicles	461,178	85,824	-	547,002
Infrastructure	3,016,237	-	-	3,016,237
Total other capital assets	<u>8,246,317</u>	<u>167,235</u>	<u>7,548</u>	<u>8,406,004</u>
Less accumulated depreciation for:				
Buildings and improvements	592,913	99,631	-	692,544
Equipment	647,748	46,529	7,548	686,729
Vehicles	342,082	36,838	-	378,920
Infrastructure	383,416	75,406	-	458,822
Total accumulated depreciation	<u>1,966,159</u>	<u>258,404</u>	<u>7,548</u>	<u>2,217,015</u>
Other capital assets, net	<u>6,280,158</u>	<u>(91,169)</u>	<u>-</u>	<u>6,188,989</u>
<b>Governmental Activities</b>				
<b>Capital Assets, Net</b>	<u>\$ 9,020,809</u>	<u>\$ 475,641</u>	<u>\$ 67,485</u>	<u>\$ 9,428,965</u>

**NOTE D - CAPITAL ASSETS - CONTINUED**

	Balance at April 30, 2013	Increases	Decreases	Balance at April 30, 2014
<b>Business-type Activities:</b>				
Capital assets:				
Water distribution system	\$ 6,335,624	\$ 13,635	\$ -	\$ 6,349,259
Less accumulated depreciation for:				
Water distribution system	816,472	158,491	-	974,963
<b>Business-type Activities</b>				
<b>Capital Assets, Net</b>	<u>\$ 5,519,152</u>	<u>\$ (144,856)</u>	<u>\$ -</u>	<u>\$ 5,374,296</u>

Depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>		
General government		\$ 43,134
Public safety		110,072
Public works		<u>105,198</u>
<b>Total Governmental Activities Depreciation Expense</b>		<u>\$ 258,404</u>
<b>Business-type activities:</b>		
Water		<u>\$ 158,491</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, attained 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, 2014 had a fair value of \$ 7,869. 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 15.52% of annual covered payroll. Pension contributions for the fiscal years ended April 30, 2014, 2013 and 2012 were \$ 63,067, \$ 52,175 and \$ 47,712, 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 6.62% of annual covered payroll. Pension contributions for the fiscal years ended April 30, 2014, 2013 and 2012 were \$ 30,908, \$ 29,859 and \$ 28,042, 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, 2014, was as follows:

	<u>April 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>April 30, 2014</u>	<u>Due Within One Year</u>
<b>Governmental</b>					
<b>Activities:</b>					
Compensated absences	<u>\$ 50,630</u>	<u>\$ 53,126</u>	<u>\$ 39,979</u>	<u>\$ 63,777</u>	<u>\$ 28,947</u>
<b>Business-type</b>					
<b>Activities:</b>					
General obligation bonds	<u>\$ 4,339,268</u>	<u>\$ -</u>	<u>\$ 56,394</u>	<u>\$ 4,282,874</u>	<u>\$ 58,816</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, 2014, the business-type general obligation bonds are as 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.	\$ 3,539,206
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>743,668</u>
<b>TOTAL GENERAL OBLIGATION BONDS</b>	<b><u>\$ 4,282,874</u></b>

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>
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	69,591	169,393	238,984
2020 - 2024	395,448	799,472	1,194,920
2025 - 2029	487,999	706,921	1,194,920
2030 - 2034	602,215	592,705	1,194,920
2035 - 2039	743,166	451,754	1,194,920
2040 - 2044	917,114	277,806	1,194,920
2045 - 2048	<u>816,481</u>	<u>70,045</u>	<u>886,526</u>
<b>TOTAL</b>	<b><u>\$ 4,282,874</u></b>	<b><u>\$ 3,773,172</u></b>	<b><u>\$ 8,056,046</u></b>

**NOTE G - INTERFUND BALANCES**

Interfund balances at April 30, 2014, 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>\$ 1,600</u>	<u>\$ 1,600</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 2014, the Town of Ocean View entered into a contract agreement for street improvements totaling \$ 221,000. The Town started the project in May 2014 and subsequent to year end incurred project costs of \$ 192,036.

As of April 30, 2014, the Town had an approved contract of \$ 484,643 for a Department of Public Works building, of which \$ 205,183 remained contingently payable upon satisfactory completion of the project. The project was substantially completed subsequent to year end.

**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. 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. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, effective for fiscal year beginning May 1, 2015.

**SUPPLEMENTARY INFORMATION**

**TOWN OF OCEAN VIEW  
SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED APRIL 30, 2014**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Over (Under)</b>
<b>GENERAL GOVERNMENT</b>			
Advertising	\$ 7,000	\$ 3,493	\$ (3,507)
Communications	7,500	7,998	498
Computer programming	16,000	20,281	4,281
Donations	80,000	80,000	-
Dues and subscriptions	3,000	2,748	(252)
Education	1,000	899	(101)
Employee retirement	27,700	25,317	(2,383)
Homecoming event	5,000	12,498	7,498
Insurance - hospitalization	85,000	81,171	(3,829)
Insurance - workers comp	2,200	3,035	835
Insurance - other	18,000	22,622	4,622
Maintenance and repairs - building	20,000	26,056	6,056
Maintenance and repairs - other	-	1,680	1,680
Mileage	2,000	731	(1,269)
Miscellaneous	1,000	546	(454)
Non-capital equipment	1,500	5,037	3,537
Office supplies and printing	2,000	7,274	5,274
Payroll wages	410,100	377,957	(32,143)
Payroll wages - overtime	8,400	2,734	(5,666)
Payroll wages - council and committees	8,100	7,423	(677)
Payroll taxes	34,600	32,068	(2,532)
Postage	8,000	4,243	(3,757)
Professional fees	70,000	118,591	48,591
Property assessment	25,000	23,232	(1,768)
Public relations	7,500	9,491	1,991
Realty transfer tax bank charges	6,000	5,287	(713)
Supplies	9,000	3,511	(5,489)
Trash collection	600	816	216
Utilities	10,000	16,075	6,075
<b>TOTAL GENERAL GOVERNMENT</b>	<b>876,200</b>	<b>902,814</b>	<b>26,614</b>

TOWN OF OCEAN VIEW  
SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED APRIL 30, 2014

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Over (Under)</b>
<b>PUBLIC SAFETY</b>			
Advertising	\$ 200	\$ 180	\$ (20)
Communications	14,000	15,382	1,382
Computer programming	6,000	1,629	(4,371)
Dues and subscriptions	2,000	3,914	1,914
Education	6,000	34,664	28,664
Employee retirement	67,900	63,067	(4,833)
Gas and oil	22,000	35,068	13,068
Insurance - hospitalization	122,300	103,883	(18,417)
Insurance - workers comp	34,200	52,729	18,529
Insurance - other	20,000	19,067	(933)
Maintenance and repairs - building	10,500	14,760	4,260
Maintenance and repairs - vehicles and equipment	12,000	15,197	3,197
Mileage	100	8	(92)
Miscellaneous	1,600	10,916	9,316
Non-capital equipment	3,000	11,586	8,586
Office supplies and printing	300	2,713	2,413
Payroll wages	460,100	433,118	(26,982)
Payroll wages - overtime	26,600	59,445	32,845
Payroll taxes	39,900	41,787	1,887
Postage	500	539	39
Professional fees	24,000	10,628	(13,372)
Public relations	1,000	224	(776)
Supplies	15,000	17,973	2,973
Trash collection	1,000	1,472	472
Uniforms	5,000	10,021	5,021
Utilities	10,000	12,681	2,681
<b>TOTAL PUBLIC SAFETY</b>	<b>905,200</b>	<b>972,651</b>	<b>67,451</b>

TOWN OF OCEAN VIEW  
 SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGET AND ACTUAL - CONTINUED  
 FOR THE YEAR ENDED APRIL 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Over (Under)</u>
<b>PUBLIC WORKS</b>			
Advertising	\$ 800	\$ 996	\$ 196
Communications	300	619	319
Drainage	20,000	13,427	(6,573)
Dues and subscriptions	100	-	(100)
Education	100	-	(100)
Employee retirement	5,000	4,559	(441)
Gas and oil	6,000	8,162	2,162
Insurance - hospitalization	30,500	24,196	(6,304)
Insurance - workers comp	4,800	7,692	2,892
Insurance - other	8,800	7,638	(1,162)
Maintenance and repairs - building	6,000	329	(5,671)
Maintenance and repairs - vehicles and equipment	10,100	6,630	(3,470)
Non-capital equipment	-	768	768
Park expense	12,200	15,428	3,228
Pave and resurface streets	-	224,042	224,042
Payroll wages	70,000	64,479	(5,521)
Payroll wages - overtime	4,900	3,822	(1,078)
Payroll taxes	6,300	5,965	(335)
Postage	-	31	31
Professional fees	60,000	57,144	(2,856)
Public relations	200	-	(200)
Street lighting	70,000	71,708	1,708
Street maintenance	20,000	967	(19,033)
Street signs	7,500	9,245	1,745
Supplies	13,000	16,870	3,870
Trash collection	5,300	5,829	529
Uniforms	1,000	289	(711)
Utilities	5,000	4,280	(720)
<b>TOTAL PUBLIC WORKS</b>	<u>367,900</u>	<u>555,115</u>	<u>187,215</u>
<b>CAPITAL OUTLAY</b>	<u>1,715,600</u>	<u>596,204</u>	<u>(1,119,396)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 3,864,900</u>	<u>\$ 3,026,784</u>	<u>\$ (838,116)</u>

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TRUITT W. JEFFERSON, CPA, DIRECTOR  
RETIRED

DAVID R. URIAN, CPA, DIRECTOR  
RETIRED

**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, 2014, 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 14, 2014.

**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 14, 2014