

TOWN OF OCEAN VIEW
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2015

**TOWN OF OCEAN VIEW
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FOR THE YEAR ENDED APRIL 30, 2015**

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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, 2015, 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, 2015, 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 13, 2015, 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 13, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

**TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2015**

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, 2015. 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, 2015, governmental activity assets exceeded liabilities by \$14,441,026. Of this amount, \$2,196,235 or 15 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 \$680,311 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, 2015, is \$15,905,879.

The following table is a summary of the government-wide statement of net position for the years ended April 30, 2015 and 2014:

Statement of Net Position

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 4,912,052	\$ 4,710,985	\$ 490,007	\$ 348,747	\$ 5,402,059	\$ 5,059,732
Capital assets	9,700,654	9,428,965	5,230,689	5,374,296	14,931,343	14,803,261
Total assets	14,612,706	14,139,950	5,720,696	5,723,043	20,333,402	19,862,993
Current and other liabilities	98,828	260,351	31,784	30,423	130,612	290,774
Long-term liabilities	72,852	63,777	4,224,059	4,282,874	4,296,911	4,346,651
Total liabilities	171,680	324,128	4,255,843	4,313,297	4,427,523	4,637,425
Net position:						
Invested in capital assets, net of related debt	9,700,654	9,428,965	1,006,630	1,091,422	10,707,284	10,520,387
Restricted	2,544,137	1,835,431	-	-	2,544,137	1,835,431
Unrestricted	2,196,235	2,551,426	458,223	318,324	2,654,458	2,869,750
Total net position	\$ 14,441,026	\$ 13,815,822	\$ 1,464,853	\$ 1,409,746	\$ 15,905,879	\$ 15,225,568

A significant portion of the Town's net position of \$15,905,879 (67 percent or \$10,707,284) 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 \$5,198,595 in net position, \$663,416 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, \$1,721,964 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 \$2,654,458 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, 2015 and 2014:

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues						
Charges for services	\$ 965,919	\$ 695,842	\$ 606,892	\$ 519,606	\$ 1,572,811	\$ 1,215,448
Operating grants and contributions	219,705	208,781	-	-	219,705	208,781
Capital grants and contributions	161,240	136,864	-	-	161,240	136,864
General revenue						
Property taxes	1,261,482	1,225,722	-	-	1,261,482	1,225,722
Realty transfer taxes	767,758	708,600	-	-	767,758	708,600
Rental gross receipts taxes	224,092	235,332	-	-	224,092	235,332
Investment income	7,964	7,722	183	306	8,147	8,028
Total revenues	3,608,160	3,218,863	607,075	519,912	4,215,235	3,738,775
Expenses:						
General government	1,067,290	951,488	-	-	1,067,290	951,488
Public safety	1,226,531	1,089,495	-	-	1,226,531	1,089,495
Public works	689,135	719,954	-	-	689,135	719,954
Water system	-	-	551,968	536,250	551,968	536,250
Total expenses	2,982,956	2,760,937	551,968	536,250	3,534,924	3,297,187
Increase (decrease) in net position	625,204	457,926	55,107	(16,338)	680,311	441,588
Net position - Beginning	13,815,822	13,357,896	1,409,746	1,426,084	15,225,568	14,783,980
Net position - Ending	\$14,441,026	\$13,815,822	\$1,464,853	\$1,409,746	\$15,905,879	\$15,225,568

Government Activities

Total government net position increased by \$680,311 during fiscal year 2015.

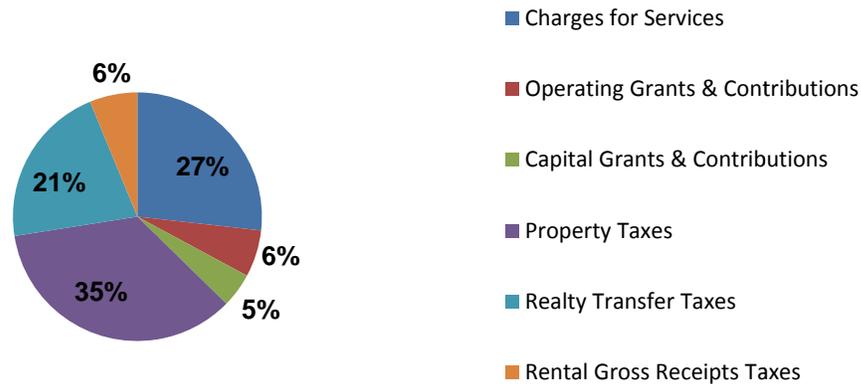
Property taxes, realty transfer taxes, and rental gross receipts taxes received during fiscal year 2015 totaled \$1,261,482, \$767,758, and \$224,092, respectively.

2015 Revenues - Governmental Activities

- Realty transfer tax increased by \$59,158 or 8 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 increases in other new construction. The 28 percent increase from the new construction transfer tax collections was offset by a 4 percent decrease in collections from property resales.
- Property taxes increased by \$35,760 from the prior fiscal year as a result of a 3 percent increase in the tax rate and new construction that increased the total assessed value of taxable property.

The following chart shows property taxes as the largest source of governmental revenue comprising 35 percent of the total revenue, followed by charges for services of 27 percent, realty transfer taxes of 21 percent, rental gross receipts tax of 6 percent, and the remaining 11 percent from other sources including operating and capital grants and contributions.

Revenues by Source



2015 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 \$1,583,050, or approximately 53 percent of the total departmental expenses of \$2,982,956. Approximately 22 percent of the remaining \$1,399,906 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 2015, the Town's governmental fund balance increased \$383,038 to \$4,796,190. The unassigned fund balance component of the General Fund decreased \$342,798 to \$2,230,342.

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 of \$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 \$110,000 because of a \$110,000 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 \$829,176.

- Realty transfer taxes and rental gross receipts taxes exceeded the budget by \$147,758 and \$34,092, respectively, because of increased activity in the local real estate market.
- Charges for services related to the real estate market, primarily building permits, impact fees, and business and rental licenses exceeded the budget by \$72,319, \$134,947, and \$15,445, respectively, for a total of \$222,711.
- Revenue from reimbursed expenses exceeded the budget by \$265,333. During the year, the Town's Police Department provided traffic control for the State Route 26 Improvement Project and the contractor reimbursed the Town a total of \$102,225 for this special duty officer time. Additional reimbursements totaling \$87,335 were received from developers and builders for engineering costs incurred by the Town.

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

Budget to Actual - Expenditures

Pave and resurface streets during the fiscal year totaled \$219,590 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, an addition of sidewalks as part of a DeIDOT Transportation Enhancement Project and two drainage projects were deferred and have been included in the fiscal year 2016 capital budget. The budgeted cost for the deferred sidewalk project was \$200,000 and the deferred costs for the drainage projects on Woodland Avenue and in the West View subdivision were \$395,000 and \$345,000, respectively.

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, 2015, net of \$3,589,446 accumulated depreciation were \$14,931,343. Capital assets include land, land improvements, buildings and improvements, infrastructure, machinery and equipment, and the water distribution system.

Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Land	\$ 1,490,621	\$1,490,621	\$ -	\$ -	\$ 1,490,621	\$ 1,490,621
Construction in progress	632,276	1,749,355	-	-	632,276	1,749,355
Buildings and improvements	3,800,229	3,294,832	-	-	3,800,229	3,294,832
Vehicles and equipment	424,018	336,742	-	-	424,018	336,742
Infrastructure	3,353,510	2,557,415	-	-	3,353,510	2,557,415
Water distribution system	-	-	5,230,689	5,374,296	5,230,689	5,374,296
Total	\$ 9,700,654	\$9,428,965	\$ 5,230,689	\$5,374,296	\$ 14,931,343	\$14,803,261

Long-term Debt

The Town’s long-term debt at April 30, 2015, consists of \$4,224,059 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 2016 compared to fiscal year 2015 increased by \$183,500 due to the net impact of (1) increased realty transfer taxes projected, (2) increases to projected property taxes, and (3) increases from business and rental licenses and building permit fees. The property tax rate for fiscal year 2016 was increased by 2 percent – from \$0.1620 to \$0.1652 per \$100 of assessed value.

The Town appropriated \$1,700,800 from its reserves for anticipated spending in fiscal year 2016.

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, 2015**

- 11 -

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,270,147	\$ 372,798	\$ 2,642,945
Receivables, net:			
Taxes	9,644	-	9,644
Water usage	-	96,986	96,986
Other	66,662	20,223	86,885
Prepaid insurance	21,711	-	21,711
Restricted assets:			
Cash and cash equivalents	2,543,888	-	2,543,888
Capital assets:			
Land, improvements, and construction in progress	2,122,897	-	2,122,897
Other capital assets, net of depreciation	7,577,757	5,230,689	12,808,446
TOTAL ASSETS	14,612,706	5,720,696	20,333,402
LIABILITIES			
Accounts payable and other current liabilities	79,076	12,207	91,283
Accrued liabilities	19,752	19,577	39,329
Long-term liabilities:			
Due within one year	27,932	61,342	89,274
Due in more than one year	44,920	4,162,717	4,207,637
TOTAL LIABILITIES	171,680	4,255,843	4,427,523
NET POSITION			
Net investments in capital assets	9,700,654	1,006,630	10,707,284
Restricted for:			
Capital replacement	723,487	-	723,487
Community grant	500	-	500
Emergency reserve	282,726	-	282,726
Municipal street aid	116,948	-	116,948
Realty transfer tax	663,416	-	663,416
SALLE / EIDE	16,041	-	16,041
Street repair and replacement	715,751	-	715,751
Sussex County grant	20,000	-	20,000
U.S. Department of Justice	3,700	-	3,700
Violent Crime	1,568	-	1,568
Unrestricted	2,196,235	458,223	2,654,458
TOTAL NET POSITION	\$ 14,441,026	\$ 1,464,853	\$ 15,905,879

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

TOWN OF OCEAN VIEW
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2015

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	\$ 1,067,290	\$ 769,324	\$ -	\$ 118,340	\$ (179,626)	\$ -	\$ (179,626)
Public safety	1,226,531	146,595	118,276	42,900	(918,760)	-	(918,760)
Public works	689,135	50,000	101,429	-	(537,706)	-	(537,706)
TOTAL GOVERNMENTAL ACTIVITIES	2,982,956	965,919	219,705	161,240	(1,636,092)	-	(1,636,092)
BUSINESS-TYPE ACTIVITIES							
Water distribution system	551,968	606,892	-	-	-	54,924	54,924
TOTAL PRIMARY GOVERNMENT	<u>\$ 3,534,924</u>	<u>\$ 1,572,811</u>	<u>\$ 219,705</u>	<u>\$ 161,240</u>	(1,636,092)	54,924	(1,581,168)
GENERAL REVENUES							
Taxes: Property					1,261,482	-	1,261,482
Realty transfer					767,758	-	767,758
Rental gross receipts					224,092	-	224,092
Unrestricted investment earnings					7,964	183	8,147
TOTAL GENERAL REVENUES					2,261,296	183	2,261,479
CHANGE IN NET POSITION					625,204	55,107	680,311
NET POSITION - BEGINNING					13,815,822	1,409,746	15,225,568
NET POSITION - ENDING					<u>\$ 14,441,026</u>	<u>\$ 1,464,853</u>	<u>\$ 15,905,879</u>

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

**TOWN OF OCEAN VIEW
BALANCE SHEET - GOVERNMENTAL FUND
APRIL 30, 2015**

- 13 -

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 2,270,147
Taxes receivable	9,644
Receivable - other	66,662
Prepaid insurance	21,711
Restricted assets:	
Cash and cash equivalents	<u>2,543,888</u>
TOTAL ASSETS	<u><u>\$ 4,912,052</u></u>
LIABILITIES	
Accounts payable	\$ 79,076
Accrued liabilities	<u>19,752</u>
TOTAL LIABILITIES	<u>98,828</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue:	
Property taxes	9,800
Other	<u>7,234</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>17,034</u>
FUND BALANCES	
Nonspendable:	
Prepays	21,711
Restricted:	
Capital replacement	723,487
Community grant	500
Emergency reserve	282,726
Municipal street aid	116,948
Realty transfer tax	663,416
SALLE / EIDE	16,041
Street repair and replacement	715,751
Sussex County grant	20,000
U.S. Department of Justice	3,700
Violent Crime	1,568
Unassigned	<u>2,230,342</u>
TOTAL FUND BALANCES	<u>4,796,190</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 4,912,052</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, 2015**

- 14 -

FUND BALANCES OF THE GOVERNMENTAL FUND	\$ 4,796,190
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.	9,700,654
Certain revenues are not available to pay for current period expenditures and therefore are reported as unavailable in the governmental funds.	17,034
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund financial statements.	<u>(72,852)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 14,441,026</u></u>

**TOWN OF OCEAN VIEW
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
FOR THE YEAR ENDED APRIL 30, 2015**

- 15 -

	<u>General Fund</u>
REVENUES	
Taxes	\$ 2,264,738
Intergovernmental	252,852
Charges for services	914,386
Fines and forfeits	41,808
Interest	11,900
Miscellaneous	28,092
	<hr/>
TOTAL REVENUES	3,513,776
	<hr/>
EXPENDITURES	
Current:	
General government	1,031,526
Public safety	1,072,560
Public works	548,764
Capital outlay	477,888
	<hr/>
TOTAL EXPENDITURES	3,130,738
	<hr/>
EXCESS OF REVENUES OVER EXPENDITURES	383,038
	<hr/>
FUND BALANCE - BEGINNING	4,413,152
	<hr/>
FUND BALANCE - ENDING	\$ 4,796,190
	<hr/> <hr/>

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

TOWN OF OCEAN VIEW
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2015

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND	\$ 383,038
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 (\$ 321,031) and disposal of assets (\$ 3,812) is exceeded by capital outlay (\$ 477,888) in the current period.	153,045
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 - equipment and infrastructure	118,642
Reimbursed expenditures	(9,040)
Taxes	(11,406)
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>(9,075)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 625,204</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, 2015

- 17 -

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Building and sign permits	\$ 175,000	\$ 175,000	\$ 247,319	\$ 72,319
Business and rental licenses	111,000	111,000	126,445	15,445
Cable TV franchise fee	60,000	60,000	67,132	7,132
Donations	100	100	7,698	7,598
Impact fees	45,000	45,000	179,947	134,947
Interest	2,800	2,800	11,900	9,100
Miscellaneous	12,000	12,000	20,394	8,394
Municipal street aid	99,000	99,000	99,676	676
Police pension fund	30,000	30,000	29,649	(351)
Property taxes	1,260,100	1,260,100	1,272,888	12,788
Public safety fines	32,000	32,000	41,808	9,808
Public safety grants	25,000	25,000	123,527	98,527
Reimbursed expenses	12,000	12,000	277,333	265,333
Realty transfer taxes	620,000	620,000	767,758	147,758
Rental gross receipts	190,000	190,000	224,092	34,092
Zoning fees	10,600	10,600	16,210	5,610
TOTAL REVENUES	2,684,600	2,684,600	3,513,776	829,176
EXPENDITURES				
Current:				
General government	908,900	1,018,900	1,031,526	12,626
Public safety	988,800	988,800	1,072,560	83,760
Public works	388,700	388,700	548,764	160,064
Capital outlay	1,966,800	1,966,800	477,888	(1,488,912)
TOTAL EXPENDITURES	4,253,200	4,363,200	3,130,738	(1,232,462)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,568,600)	(1,678,600)	383,038	2,061,638
FUND BALANCE - BEGINNING	4,413,152	4,413,152	4,413,152	-
FUND BALANCE - ENDING	\$ 2,844,552	\$ 2,734,552	\$ 4,796,190	\$ 2,061,638

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

**TOWN OF OCEAN VIEW
STATEMENT OF NET POSITION - PROPRIETARY FUND
APRIL 30, 2015**

- 18 -

	Water Enterprise Fund
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 372,798
Receivables:	
Water usage, net of allowance for doubtful accounts	96,986
Other	20,223
	<hr/>
TOTAL CURRENT ASSETS	490,007
NONCURRENT ASSETS	
Capital assets, net of depreciation	5,230,689
	<hr/>
TOTAL ASSETS	5,720,696
	<hr/>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable and other current liabilities	12,207
Accrued interest payable	19,577
Current portion of long-term liabilities	61,342
	<hr/>
TOTAL CURRENT LIABILITIES	93,126
LONG-TERM LIABILITIES, LESS CURRENT PORTION	4,162,717
	<hr/>
TOTAL LIABILITIES	4,255,843
	<hr/>
NET POSITION	
Net investment in capital assets	1,006,630
Unrestricted	458,223
	<hr/>
TOTAL NET POSITION	\$ 1,464,853
	<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, 2015

- 19 -

	Water Enterprise Fund
OPERATING REVENUES	
Charges for services	<u>\$ 572,962</u>
OPERATING EXPENSES	
Advertising	769
Bank charges	100
Depreciation	159,119
Dues and subscriptions	250
Insurance expense	3,000
Meter reading charges	27,228
Miscellaneous	180
Payroll taxes and benefits	5,615
Payroll wages	11,277
Professional fees	9,407
Repairs and maintenance	819
Water charges	125,114
Water inspection	1,245
Water service agreement	<u>27,948</u>
TOTAL OPERATING EXPENSES	<u>372,071</u>
OPERATING INCOME	<u>200,891</u>
NON-OPERATING REVENUES (EXPENSES)	
Connection and inspection fees	31,600
Interest income	183
Miscellaneous income	2,330
Interest expense	<u>(179,897)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(145,784)</u>
CHANGE IN NET POSITION	55,107
TOTAL NET POSITION - BEGINNING	<u>1,409,746</u>
TOTAL NET POSITION - ENDING	<u><u>\$ 1,464,853</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, 2015**

- 20 -

	Water Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 626,013
Payments to suppliers	(194,427)
Payments to employees	(16,892)
	<hr/>
NET CASH FLOWS FROM OPERATING ACTIVITIES	414,694
	<hr/>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Advances to other funds, net	(1,600)
Non-operating revenue	2,330
	<hr/>
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	730
	<hr/>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(15,512)
Inspection and connection fees	31,600
Retirement of bonds	(58,815)
Interest paid	(180,169)
	<hr/>
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(222,896)
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	183
	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	192,711
	<hr/>
CASH AND CASH EQUIVALENTS - BEGINNING	180,087
	<hr/>
CASH AND CASH EQUIVALENTS - ENDING	\$ 372,798
	<hr/> <hr/>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 200,891
Adjustments to reconcile operating income to net cash provided:	
Depreciation	159,119
Changes in assets and liabilities:	
Accounts receivable	53,051
Accounts payable	1,633
	<hr/>
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	\$ 414,694
	<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, 2015**

- 21 -

	<u>Pension Trust Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 8,086</u>
 NET POSITION HELD IN TRUST FOR PENSION BENEFITS	 <u>\$ 8,086</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, 2015**

- 22 -

	<u>Pension Trust Fund</u>
ADDITIONS	
Investment:	
Investment income	\$ 217
DEDUCTIONS	
Payments to participants	<u>-</u>
NET INCREASE IN PLAN ASSETS	217
NET POSITION HELD IN TRUST FOR PENSION BENEFITS - BEGINNING	<u>7,869</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS - ENDING	<u>\$ 8,086</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, 2015.
- 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, 2015.
- 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, 2015, 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, 2015, the carrying amount of the Town's deposits was \$ 5,194,919 and the bank balance was \$ 5,237,671.

As of April 30, 2015, \$ 315 of the Town's bank balances of \$ 5,237,671 was exposed to custodial risk.

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	\$	2,642,945
Cash and cash equivalents - restricted		2,543,888
Fiduciary fund cash and cash equivalents (not included in Government-wide statements)		<u>8,086</u>
TOTAL CASH AND CASH EQUIVALENTS	\$	<u><u>5,194,919</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, 2015, based on assessments, was \$.1620 per \$ 100 of assessed valuation. The total assessed value of all taxable real property and improvements at May 1, 2014 was \$ 769,309,244. 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, 2015, was as follows:

	Balance at April 30, 2014	Increases	Decreases	Balance at April 30, 2015
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,490,621	\$ -	\$ -	\$ 1,490,621
Construction in progress	1,749,355	169,273	1,286,352	632,276
Total capital assets, not being depreciated	<u>3,239,976</u>	<u>169,273</u>	<u>1,286,352</u>	<u>2,122,897</u>
Other capital assets:				
Buildings and improvements	3,987,376	617,137	28,388	4,576,125
Equipment	855,389	100,018	7,250	948,157
Vehicles	547,002	102,609	50,856	598,755
Infrastructure	3,016,237	893,847	-	3,910,084
Total other capital assets	<u>8,406,004</u>	<u>1,713,611</u>	<u>86,494</u>	<u>10,033,121</u>
Less accumulated depreciation for:				
Buildings and improvements	692,544	107,928	24,576	775,896
Equipment	686,729	55,168	7,250	734,647
Vehicles	378,920	60,183	50,856	388,247
Infrastructure	458,822	97,752	-	556,574
Total accumulated depreciation	<u>2,217,015</u>	<u>321,031</u>	<u>82,682</u>	<u>2,455,364</u>
Other capital assets, net	<u>6,188,989</u>	<u>1,392,580</u>	<u>3,812</u>	<u>7,577,757</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,428,965</u>	<u>\$ 1,561,853</u>	<u>\$ 1,290,164</u>	<u>\$ 9,700,654</u>

NOTE D - CAPITAL ASSETS - CONTINUED

	Balance at April 30, 2014	Increases	Decreases	Balance at April 30, 2015
Business-type Activities:				
Capital assets:				
Water distribution system	\$ 6,349,259	\$ 15,512	\$ -	\$ 6,364,771
Less accumulated depreciation for:				
Water distribution system	974,963	159,119	-	1,134,082
Business-type Activities				
Capital Assets, Net	<u>\$ 5,374,296</u>	<u>\$ (143,607)</u>	<u>\$ -</u>	<u>\$ 5,230,689</u>

Depreciation expense was charged to functions as follows:

Governmental activities:		
General government		\$ 37,564
Public safety		144,752
Public works		<u>138,715</u>
Total Governmental Activities Depreciation Expense		<u>\$ 321,031</u>
Business-type activities:		
Water		<u>\$ 159,119</u>

NOTE E - TOWN EMPLOYEE PENSION PLANS

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, 2015 had a fair value of \$ 8,086. The Town suspended contributions to the Plan at April 30, 2003.

NOTE E - TOWN EMPLOYEE PENSION PLANS - 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 14.18% of annual covered payroll. Pension contributions for the fiscal years ended April 30, 2015, 2014 and 2013 were \$ 63,235, \$ 63,067 and \$ 52,175, 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 6.48% of annual covered payroll. Pension contributions for the fiscal years ended April 30, 2015, 2014 and 2013 were \$ 31,313, \$ 30,908 and \$ 29,859, 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, 2015, was as follows:

	<u>April 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>April 30, 2015</u>	<u>Due Within One Year</u>
Governmental					
Activities:					
Compensated absences	\$ 63,777	\$ 63,006	\$ 53,931	\$ 72,852	\$ 27,932
Business-type					
Activities:					
General obligation bonds	\$ 4,282,874	\$ -	\$ 58,815	\$ 4,224,059	\$ 61,342

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, 2015, 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.	\$ 3,490,802
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>733,257</u>
TOTAL GENERAL OBLIGATION BONDS	<u>\$ 4,224,059</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>
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	72,581	166,403	238,984
2021 - 2025	412,435	782,485	1,194,920
2026 - 2030	508,962	685,958	1,194,920
2031 - 2035	628,084	566,836	1,194,920
2036 - 2040	775,092	419,828	1,194,920
2041 - 2045	956,513	238,407	1,194,920
2046 - 2048	<u>608,757</u>	<u>38,786</u>	<u>647,543</u>
TOTAL	<u>\$ 4,224,059</u>	<u>\$ 3,593,004</u>	<u>\$ 7,817,063</u>

NOTE G - 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. Starting in September 2014, DFIT began operations as a self-insurance worker's compensation program for 21 municipalities within the State of Delaware. This is a risk-sharing pool arrangement by which the participating municipalities pool risks and funds and share in the cost of losses. The Town pays an annual premium to DFIT for its worker's compensation coverage that will be self-sustaining through those member premiums. A self-insurance bond obtained by DFIT will cover claims in excess of \$ 750,000 for each insured event within the pool.

There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE H - LEASE AGREEMENTS

The Town of Ocean View entered into a three-year operating lease, effective July 23, 2014, for a copier with monthly payments of \$ 208.

Future minimum lease payments under non-cancelable operating leases that have remaining terms in excess of one year as of April 30, 2015 are:

2016	\$	2,491
2017		2,491
2018		<u>623</u>
TOTAL	\$	<u><u>5,605</u></u>

The total rental expense under operating leases for the fiscal year ended April 30, 2015 was \$ 2,007.

NOTE I - 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. 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.
- GASBS No. 72, *Fair Value Measurement and Application*, effective for the fiscal year beginning May 1, 2016.

SUPPLEMENTARY INFORMATION

**TOWN OF OCEAN VIEW
SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED APRIL 30, 2015**

	Final Budget	Actual	Variance with Final Budget - Over (Under)
GENERAL GOVERNMENT			
Advertising	\$ 3,500	\$ 3,998	\$ 498
Communications	12,000	11,595	(405)
Comprehensive land use plan	40,000	7,500	(32,500)
Computer programming	17,500	25,418	7,918
Donations	110,000	110,000	-
Dues and subscriptions	3,000	3,058	58
Education	800	2,168	1,368
Employee retirement	30,200	26,223	(3,977)
Insurance - hospitalization	98,300	79,578	(18,722)
Insurance - workers comp	4,300	3,008	(1,292)
Insurance - other	25,500	31,495	5,995
Leases	-	2,007	2,007
Maintenance and repairs - building	15,500	23,746	8,246
Maintenance and repairs - contracted	11,000	1,070	(9,930)
Mileage	2,000	853	(1,147)
Miscellaneous	-	1,482	1,482
Non-capital equipment	1,500	3,482	1,982
Payroll taxes	38,400	34,532	(3,868)
Payroll wages	461,400	399,995	(61,405)
Payroll wages - overtime	4,700	3,351	(1,349)
Payroll wages - council and committees	8,500	8,222	(278)
Postage, printing and office supplies	13,500	16,528	3,028
Professional fees	56,900	164,160	107,260
Property assessment	25,000	28,199	3,199
Public relations	14,200	15,247	1,047
Realty transfer tax bank charges	6,000	6,246	246
Supplies	3,500	5,533	2,033
Utilities	11,700	12,832	1,132
TOTAL GENERAL GOVERNMENT	1,018,900	1,031,526	12,626

TOWN OF OCEAN VIEW
 SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGET AND ACTUAL - CONTINUED
 FOR THE YEAR ENDED APRIL 30, 2015

	Final Budget	Actual	Variance with Final Budget - Over (Under)
PUBLIC SAFETY			
Advertising	\$ 200	\$ -	\$ (200)
Communications	15,000	16,606	1,606
Computer programming	-	993	993
Dues and subscriptions	2,000	3,524	1,524
Education	10,000	19,481	9,481
Employee retirement	64,500	63,235	(1,265)
Gas and oil	30,000	32,182	2,182
Insurance - hospitalization	118,400	106,111	(12,289)
Insurance - workers comp	57,000	44,787	(12,213)
Insurance - other	22,500	20,208	(2,292)
Maintenance and repairs - building	10,400	18,857	8,457
Maintenance and repairs - contracted	8,800	1,220	(7,580)
Maintenance and repairs - vehicles and equipment	15,000	17,476	2,476
Mileage	100	153	53
Miscellaneous	-	8,637	8,637
Non-capital equipment	10,000	23,712	13,712
Payroll taxes	43,200	49,437	6,237
Payroll wages	481,900	471,097	(10,803)
Payroll wages - overtime	42,600	124,007	81,407
Postage, printing and office supplies	4,400	4,323	(77)
Professional fees	10,000	7,883	(2,117)
Public relations	2,100	100	(2,000)
Supplies	15,000	14,785	(215)
Uniforms	11,000	11,177	177
Utilities	14,700	12,569	(2,131)
TOTAL PUBLIC SAFETY	988,800	1,072,560	83,760

TOWN OF OCEAN VIEW
SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED APRIL 30, 2015

	Final Budget	Actual	Variance with Final Budget - Over (Under)
PUBLIC WORKS			
Advertising	\$ 1,000	\$ 630	\$ (370)
Communications	1,500	1,827	327
Contracted labor	20,000	11,970	(8,030)
Drainage	50,000	13,317	(36,683)
Dues and subscriptions	100	-	(100)
Education	100	140	40
Employee retirement	4,900	4,358	(542)
Gas and oil	7,500	6,389	(1,111)
Insurance - hospitalization	27,800	22,889	(4,911)
Insurance - workers comp	7,900	5,794	(2,106)
Insurance - other	8,300	5,395	(2,905)
Maintenance and repairs - building	1,700	2,745	1,045
Maintenance and repairs - contracted	2,200	-	(2,200)
Maintenance and repairs - vehicles and equipment	8,000	3,678	(4,322)
Non-capital equipment	6,000	6,802	802
Park expense	15,000	16,965	1,965
Pave and resurface streets	-	219,590	219,590
Payroll taxes	6,400	10,245	3,845
Payroll wages	68,900	111,684	42,784
Payroll wages - overtime	6,900	5,422	(1,478)
Postage, printing and office supplies	600	-	(600)
Professional fees	16,000	3,463	(12,537)
Public relations	200	-	(200)
Street lighting	70,000	70,271	271
Street maintenance	20,000	2,700	(17,300)
Street signs	8,500	3,673	(4,827)
Supplies	14,000	3,685	(10,315)
Uniforms	2,000	1,809	(191)
Utilities	13,200	13,323	123
TOTAL PUBLIC WORKS	388,700	548,764	160,064
CAPITAL OUTLAY	1,966,800	477,888	(1,488,912)
TOTAL EXPENDITURES	\$ 4,363,200	\$ 3,130,738	\$ (1,232,462)

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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, 2015, 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 13, 2015.

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 13, 2015