

TOWN OF OCEAN VIEW, DELAWARE

FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2018

TOWN OF OCEAN VIEW, DELAWARE

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INDEPENDENT AUDITORS' REPORT



ANDREW M. HAYNIE, CPA
SUSAN P. KEEN, CPA
MICHAEL C. KLEGER, CPA
E. LEE McCABE, CPA
JEFFREY A. MICHALIK, CPA
DANIEL M. O'CONNELL II, CPA
JOHN M. STERN, JR., CPA

www.pkscpa.com

Salisbury
1801 SWEETBAY DRIVE
P.O. BOX 72
SALISBURY, MD 21803
TEL: 410.546.5600
FAX: 410.548.9576

Ocean City
12216 OCEAN GATEWAY
SUITE 800
OCEAN CITY, MD 21842
TEL: 410.213.7185
FAX: 410.213.7638

Lewes
1143 SAVANNAH ROAD
SUITE 1
LEWES, DE 19958
TEL: 302.645.5757
FAX: 302.645.1757

MEMBERS OF:

AMERICAN INSTITUTE OF
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MARYLAND ASSOCIATION OF
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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Council
Town of 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, Delaware, as of and for the year ended April 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Ocean View, Delaware's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Town of Ocean View, Delaware's 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.

Auditors' 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 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, Delaware, as of April 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof 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 and other required supplementary information on pages 3 through 12 and pages 42 through 47 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2018, on our consideration of the Town of Ocean View, Delaware'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 the Town of Ocean View, Delaware's internal control over financial reporting and compliance.

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
September 11, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2018

As management of the Town of Ocean View, Delaware (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, 2018. We encourage readers to consider the information presented here in conjunction with the annual budget and other community information found on the Town's website at www.oceanviewde.com. It should be noted that the additional information from the website and other Town sources is unaudited and has not been updated for events that may have occurred subsequent to the issuance of the respective reports.

FINANCIAL HIGHLIGHTS

- As of April 30, 2018, governmental activity assets exceeded liabilities by \$16,805,801. Of this amount, \$2,123,632 or 13% was unrestricted and may be used for ongoing obligations to citizens and creditors.
- The Town's net position for governmental and business-type activities increased by \$1,483,352 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's basic financial statements are comprised of four components: (1) government-wide financial statements, (2) fund financial statements, (3) notes to the financial statements, and (4) required supplementary information, which includes this management's discussion and analysis. In addition to the basic financial statements, this report also contains other supplementary information as listed in the Table of Contents.

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.

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2018

The Statement of Activities presents information showing how the Town'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 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 administration, public safety and public works. The business-type activity of the Town is the water distribution system. The government-wide financial statements can be found on pages 13 - 14 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, 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 can be divided into two categories: governmental fund and proprietary 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 inflows 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 the 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 Balance provide a reconciliation to facilitate this comparison between the governmental fund and government-wide activities.

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2018

The Town maintains one major governmental fund, the General Fund, and adopts an annual appropriated budget for the General Fund. To demonstrate compliance, a budgetary comparison statement is presented for the General Fund. The basic governmental fund financial statements can be found on pages 15 - 18 of this report.

Proprietary Fund: The Town maintains one type of proprietary fund. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses a proprietary fund to account for its water distribution system. The proprietary fund financial statements can be found on pages 19 - 21 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 - 41 of this report.

Required Supplementary Information

Other required supplementary information, in addition to this discussion and analysis, are the comparison of the general fund budget to actual (pages 42 – 45) and the Town's proportionate share of the net pension liabilities and contributions related to the Delaware Public Employees' Retirement System (pages 46 – 47).

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously noted, net position may serve over time 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, 2018, was \$18,273,717.

The following table is a summary of the government-wide statement of net position for the years ended April 30, 2018 and 2017:

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2018

	Governmental Activities		Business-type Activities		Total Government	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 6,195,625	\$ 4,920,763	\$ 848,022	\$ 668,610	\$ 7,043,647	\$ 5,589,373
Capital assets	10,657,718	10,701,959	4,705,984	4,863,728	15,363,702	15,565,687
Total assets	16,853,343	15,622,722	5,554,006	5,532,338	22,407,349	21,155,060
Deferred Outflows - retirement	557,159	393,202	-	-	557,159	393,202
Current and other liabilities	122,305	155,291	123,512	95,651	245,817	250,942
Long-term liabilities	312,389	336,122	3,962,578	4,032,128	4,274,967	4,368,250
Total liabilities	434,694	491,413	4,086,090	4,127,779	4,520,784	4,619,192
Deferred Inflows - retirement	170,007	118,512	-	-	170,007	118,512
Net position:						
Net investment in capital assets	10,657,718	10,701,959	673,856	764,914	11,331,574	11,466,873
Restricted	4,024,451	2,746,996	-	-	4,024,451	2,746,996
Unrestricted	2,123,632	1,957,044	794,060	639,645	2,917,692	2,596,689
Total net position	\$ 16,805,801	\$ 15,405,999	\$ 1,467,916	\$ 1,404,559	\$ 18,273,717	\$ 16,810,558

The beginning of the year net position for 2018 has been restated as described in the notes to the financial statements on page 41.

A significant portion of the Town's net position of \$18,273,717 (62% or \$11,331,574) 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. The Town uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending, and with exception of business type assets, do not generate direct revenue for the Town. They do represent, however, an obligation on the part of the Town to maintain these assets into the future. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2018

Of the remaining \$6,942,143 in net position, \$1,153,981 are restricted by either the grantor (\$1,133,851) or the contributor (\$20,130). Additionally, \$2,870,470 of the net position is held in three trust funds established by ordinance, funded with realty transfer tax funds, the use of which is restricted to cases of emergency, for capital asset repair and replacement, and for street and sidewalk repair and maintenance as described in the ordinances. The unrestricted funds of \$2,917,692 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, 2018 and 2017:

	Governmental Activities		Business-type Activities		Total Government	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues						
Charges for services	\$ 1,581,288	\$ 1,247,467	\$ 598,855	\$ 582,747	\$ 2,180,143	\$ 1,830,214
Operating grants and contributions	204,582	202,011	-	-	204,582	202,011
Capital grants and contributions	52,147	45,997	-	-	52,147	45,997
General revenue					-	
Property taxes	1,401,439	1,345,237	-	-	1,401,439	1,345,237
Transfer taxes	1,435,187	861,788	-	-	1,435,187	861,788
Rental gross receipts taxes	287,584	259,314	-	-	287,584	259,314
Investment income	22,760	18,300	36,253	8,753	59,013	27,053
Sale of assets	29,505	6,216	-	-	29,505	6,216
Total revenues	5,014,492	3,986,330	635,108	591,500	5,649,600	4,577,830
Expenses:						
General government	1,476,771	1,490,284	-	-	1,476,771	1,490,284
Public safety	1,298,358	1,281,686	-	-	1,298,358	1,281,686
Public works	819,368	933,978	-	-	819,368	933,978
Water system			571,751	563,561	571,751	563,561
Total expenses	3,594,497	3,705,948	571,751	563,561	4,166,248	4,269,509
Increase in net position	1,419,995	280,382	63,357	27,939	1,483,352	308,321
Net position - Beginning, as restated	15,385,806	15,125,617	1,404,559	1,376,620	16,790,365	16,502,237
Net position - Ending	\$ 16,805,801	\$ 15,405,999	\$ 1,467,916	\$ 1,404,559	\$ 18,273,717	\$ 16,810,558

The beginning of the year net position for 2018 has been restated as described in the notes to the financial statements on page 41.

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2018

Government Activities

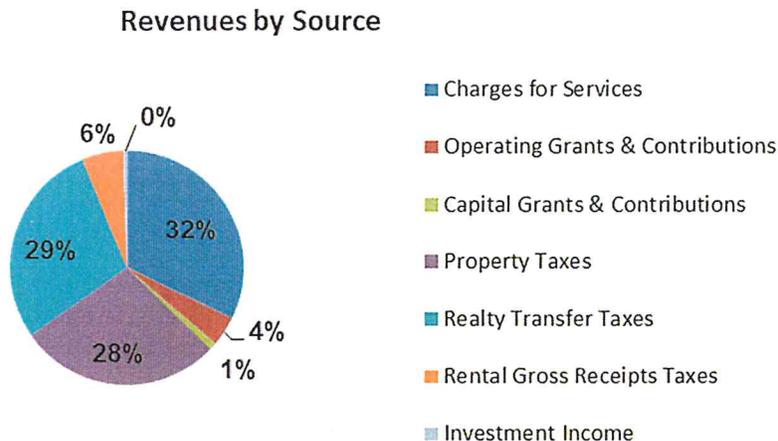
Total government net position increased by \$1,483,352 during fiscal year 2018.

Property taxes, realty transfer taxes, and rental gross receipts taxes received during fiscal year 2018 totaled \$1,401,439, \$1,435,187, and \$287,584, respectively.

2018 Revenues - Governmental Activities

- Realty transfer taxes increased by \$573,400 (67%) over the prior fiscal year. This increase resulted from an increase in the number of new homes constructed in new subdivisions in the Town, increases in other new construction, and increases in property resales. New construction transfer tax increased by \$354,600 (86%) over prior year new construction transfer tax, while resale transfer tax increased \$218,800 (49%).
- Property taxes increased by \$56,200 from the prior fiscal year as a result of new construction and home improvements that increased the total assessed value of taxable property.

The following chart shows charges for services as the largest source of governmental revenue comprising 32% of the total revenue, followed by realty transfer taxes of 29%, property taxes of 28%, rental gross receipts tax of 6%, and the remaining 5% from other sources including operating and capital grants and contributions.



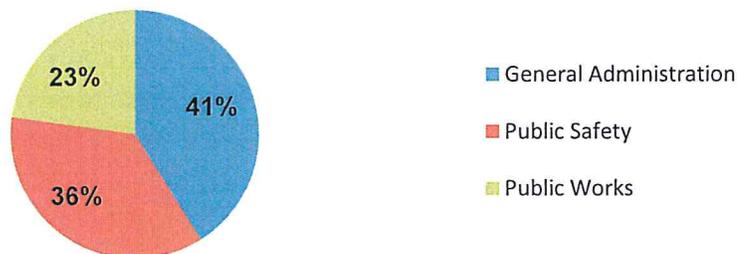
TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2018

2018 Expenses - Governmental Activities

During the fiscal year, the Town continued to provide 24 hour, 7 days a week coverage of police service. The Town also continued to provide street maintenance for the Town owned streets and street lighting for both Town owned streets and for streets owned by the State of Delaware. The following chart shows the governmental expenses by program. Payroll and related personnel costs such as payroll taxes, employee retirement contributions, health insurance, and workers compensation premiums total \$1,995,021 or approximately 56% of the total program expenses of \$3,594,497. Approximately 19% of the remaining \$1,599,476 of total governmental expenditures relates to expenditures for street and sidewalk maintenance, drainage, and lighting.

Expenses by Program



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.

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2018

During fiscal year 2018, the Town's governmental fund balance increased by \$1,318,329 to \$6,048,644. The unassigned fund balance component of the General Fund decreased by \$147,911 to \$1,705,072.

The governmental fund consists of the General Fund. The General Fund includes Town general 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'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. In August 2018 the Town retired the USDA debt by issuing general obligation bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenue and Appropriation Budget

The Town made revisions, based on year to date experience, to the original appropriations approved by Town Council. The amended budget includes an update to some of the groupings. Overall these changes resulted in an increase in budgeted revenues of \$1,491,958, of which \$740,749 were available for operations. Expenses increased by \$223,208.

Budget to Actual – Revenues

General Fund revenues exceeded the budget by \$277,503. Realty transfer taxes and rental gross receipts taxes exceeded the budget by \$154,787 and \$8,784, respectively, because of increased activity in the local real estate market. Charges for services related to new construction, specifically expense reimbursements, exceeded the budget by \$85,113.

A comparison of budgeted to actual revenues is provided on page 42 of this report.

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS

APRIL 30, 2018

Budget to Actual – Expenditures

Total expenditures were under budget by \$111,430. The largest variance (\$76,110) is related to ADA sidewalk work that was being done close to the end of the fiscal year. The work ended up being completed early in the 2019 fiscal year. A similar situation occurred with a capital project (\$34,210).

A comparison of budgeted to actual expenditures is provided on pages 43 - 45 of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Town’s investment in capital assets for its governmental and business-type activities as of April 30, 2018 was \$15,363,704 (net of accumulated depreciation). Capital assets include land, land improvements, buildings and improvements, infrastructure, vehicles and equipment, and the water distribution system.

	Governmental Activities		Business-type Activities		Total Government	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,490,621	\$ 1,490,621	\$ -	\$ -	\$ 1,490,621	\$ 1,490,621
Construction in progress	166,711	127,855	-	-	166,711	127,855
Buildings and improvements	3,593,272	3,635,479	-	-	3,593,272	3,635,479
Vehicles and equipment	656,555	555,594	-	-	656,555	555,594
Infrastructure	4,750,559	4,892,410	-	-	4,750,559	4,892,410
Water distribution system	-	-	4,705,984	4,863,728	4,705,984	4,863,728
Total	\$ 10,657,718	\$ 10,701,959	\$ 4,705,984	\$ 4,863,728	\$ 15,363,702	\$ 15,565,687

Long-term Debt

The Town’s long-term debt at April 30, 2018, consists of \$4,032,128 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.

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2018

Long-term Debt (Continued)

On August 15, 2018 the Town retired the USDA debt by issuing general obligation bonds. The issuance did not extend the life of the debt. The true interest rate of the bond issuance is 3.445%, resulting in a savings over the life of the debt of \$362,540.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Budgeted revenue for fiscal year 2019 decreased 2% (\$94,250) over the amended fiscal year 2018 budget. The primary factor is that while there was a 50% property tax increase, resulting in \$766,050 in property tax dollars budgeted, the Town continues to be fiscally conservative with projections for tax collections from real estate transfers and gross rental receipts, as well as services related to construction activity.

The Town changed to Sussex County assessed values for fiscal year 2019 property tax bills. The tax rate adjustment necessary for the Town to generate the same dollars using the county assessed values is \$1.78 per \$100 of assessed values. The reason the rate is so much higher is that the County assessed value is 50% of the 1974 appraised value. Additionally, there was a 50% rate increase, to \$2.67 per \$100 of assessed value. At present Council is discussing if the Town will continue to use Sussex County assessed values.

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, please contact:

Ms. Dianne L. Vogel
Town Manager
Town of Ocean View
201 Central Avenue
Ocean View, DE 19970
Telephone: (302) 539-9797
Email: townmgrtov@oceanviewde.com

BASIC FINANCIAL STATEMENTS

TOWN OF OCEAN VIEW, DELAWARE

STATEMENT OF NET POSITION

APRIL 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,004,365	\$ 737,254	\$ 2,741,619
Receivables, net			
Taxes	16,276		16,276
Water usage		85,561	85,561
Other	227,304	25,207	252,511
Prepaid insurance	50,682		50,682
Due from water fund	24,852		24,852
Restricted assets			
Cash and cash equivalents	3,857,891		3,857,891
Other receivables	14,255		14,255
Capital assets, net of depreciation			
Land, improvements, and construction in progress	1,657,332		1,657,332
Other capital assets, net of depreciation	9,000,386	4,705,984	13,706,370
Total assets	16,853,343	5,554,006	22,407,349
DEFERRED OUTFLOWS OF RESOURCES			
Deferred financing outflows - retirement	557,159		557,159
LIABILITIES			
Accounts payable and other current liabilities	95,088	10,426	105,514
Accrued liabilities	27,217	18,684	45,901
Due to general fund		24,852	24,852
Long-term liabilities			
Due within one year	1,662	69,550	71,212
Due in more than one year	134,452	3,962,578	4,097,030
Net pension liability	176,275		176,275
Total liabilities	434,694	4,086,090	4,520,784
DEFERRED INFLOWS OF RESOURCES			
Deferred financing inflows - retirement	170,007		170,007
NET POSITION			
Net investment in capital assets	10,657,718	673,856	11,331,574
Restricted	4,024,451		4,024,451
Unrestricted	2,123,632	794,060	2,917,692
Total net position	\$ 16,805,801	\$ 1,467,916	\$ 18,273,717

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

TOWN OF OCEAN VIEW, DELAWARE

STATEMENT OF ACTIVITIES

YEAR ENDED APRIL 30, 2018

	Program Revenues			Net Revenue (Expense) and Change in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
GOVERNMENTAL ACTIVITIES							
General government	\$ 1,476,771	\$ 1,533,373	\$	\$ 50,995	\$ 107,597	\$	\$ 107,597
Public safety	1,298,358	47,865	106,475	1,152	(1,142,866)		(1,142,866)
Public works	819,368	50	98,107		(721,211)		(721,211)
Total governmental activities	3,594,497	1,581,288	204,582	52,147	(1,756,480)		(1,756,480)
BUSINESS-TYPE ACTIVITIES							
Water fund	571,751	598,855				27,104	27,104
Total primary government	\$ 4,166,248	\$ 2,180,143	\$ 204,582	\$ 52,147	(1,756,480)	27,104	(1,729,376)
GENERAL REVENUES							
Taxes							
Property taxes					1,401,439		1,401,439
Transfer taxes - realty					1,435,187		1,435,187
Rental gross receipts					287,584		287,584
Investment earnings					22,760	36,253	59,013
Sale of assets					29,505		29,505
Total general revenues					3,176,475	36,253	3,212,728
Change in net position					1,419,995	63,357	1,483,352
NET POSITION, BEGINNING OF YEAR, AS RESTATED					15,385,806	1,404,559	16,790,365
NET POSITION, END OF YEAR					\$ 16,805,801	\$ 1,467,916	\$ 18,273,717

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

TOWN OF OCEAN VIEW, DELAWARE

**BALANCE SHEET
GOVERNMENTAL FUND**

APRIL 30, 2018

ASSETS

	General Fund
Cash and cash equivalents	\$ 2,004,365
Taxes receivable	16,276
Accounts receivable, other	227,304
Prepaid insurance	50,682
Due from water fund	24,852
Restricted assets	
Cash and cash equivalents	3,857,891
Other receivables	14,255
Total assets	<u>\$ 6,195,625</u>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND FUND BALANCES**

LIABILITIES

Accounts payable	\$ 95,088
Accrued liabilities	28,879
Total liabilities	<u>123,967</u>

DEFERRED INFLOWS OF RESOURCES

Unavailable revenues	
Property taxes	23,014
Total deferred inflows of resources	<u>23,014</u>

FUND BALANCES

Nonspendable	
Prepays	50,682
Restricted	4,024,451
Committed	268,439
Unassigned	1,705,072
Total fund balances	<u>6,048,644</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,195,625</u>

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

TOWN OF OCEAN VIEW, DELAWARE

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

APRIL 30, 2018

Total fund balances, governmental fund	\$ 6,048,644
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 are therefore not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	10,657,718
Some expenditures reported in the governmental fund require the use of current financial resources and these are not reported as expenses in the Statement of Activities.	
Deferred financing outflows - retirement	557,159
Certain revenues that do not provide current financial resources are reported as deferred inflows in the fund financial statements, but are reported as revenue in the governmental activities of the Statement of Net Position.	
Deferred property taxes	23,014
Long-term liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.	
Compensated absences	(134,452)
Deferred financing inflows - retirement	(170,007)
Net pension liability	<u>(176,275)</u>
Net position of governmental activities in the Statement of Net Position	<u>\$ 16,805,801</u>

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

TOWN OF OCEAN VIEW, DELAWARE

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND**

YEAR ENDED APRIL 30, 2018

	<u>General Fund</u>
REVENUES	
Taxes	\$ 3,116,162
Intergovernmental revenues	210,894
Charges for services	1,554,203
Fines and forfeitures	38,823
Interest	41,041
Miscellaneous	45,319
Total revenues	<u>5,006,442</u>
EXPENDITURES	
Current	
General government	1,417,293
Public safety	1,282,000
Public works	596,885
Capital outlay	391,935
Total expenditures	<u>3,688,113</u>
Excess of revenues over expenditures	1,318,329
FUND BALANCE, BEGINNING OF YEAR	<u>4,730,315</u>
FUND BALANCE, END OF YEAR	<u>\$ 6,048,644</u>

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

TOWN OF OCEAN VIEW, DELAWARE

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF
ACTIVITIES**

YEAR ENDED APRIL 30, 2018

Net change in fund balance, governmental fund \$ 1,318,329

Amounts reported for governmental activities in the Statement of Activities
are different because:

The governmental fund reports 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.

Capital outlay expense	\$ 391,935	
Depreciation expense	<u>(436,176)</u>	(44,241)

Some expenses reported in the Statement of Activities do not require the use of
current financial resources and these are not reported as expenditures in the
governmental fund.

Change in compensated absences	1,258
Change in deferred outflows of resources - retirement	163,957

The governmental fund does not present revenues that are not available to pay
current obligations. In contrast, such revenues are reported in the Statement
of Activities when earned.

Change in unavailable revenues	8,049
Change in deferred inflows - retirement	(51,495)
Change in net pension liability	<u>24,138</u>

Change in net position of governmental activities \$ 1,419,995

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

TOWN OF OCEAN VIEW, DELAWARE

**STATEMENT OF NET POSITION
PROPRIETARY FUND**

APRIL 30, 2018

	<u>Water Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 737,254
Receivables	
Water usage, net of allowance for doubtful accounts	85,561
Other	25,207
Total current assets	<u>848,022</u>
Noncurrent assets	
Capital assets, net of depreciation	<u>4,705,984</u>
Total assets	<u>5,554,006</u>
LIABILITIES	
Current liabilities	
Accounts payable and other current liabilities	10,426
Accrued interest payable	18,684
Due to general fund	24,852
Current portion of long-term liabilities	69,550
Total current liabilities	<u>123,512</u>
Noncurrent liabilities	
Bonds payable	<u>3,962,578</u>
Total liabilities	<u>4,086,090</u>
NET POSITION	
Net investment in capital assets	673,856
Unrestricted	794,060
Total net position	<u>\$ 1,467,916</u>

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

TOWN OF OCEAN VIEW, DELAWARE

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND**

YEAR ENDED APRIL 30, 2018

	<u>Water Fund</u>
OPERATING REVENUES	
Charges for services	<u>\$ 548,265</u>
OPERATING EXPENSES	
Advertising	1,972
Bank fees	57
Depreciation	157,744
Dues and subscriptions	250
Insurance expense	3,150
Meter reading charges	28,520
Miscellaneous	11
Payroll taxes and benefits	8,159
Payroll wages	18,349
Professional fees	6,164
Repairs and maintenance	16,604
Water charges	133,257
Water inspection	919
Water management fee	30,528
Total operating expenses	<u>405,684</u>
Operating income	<u>142,581</u>
NON-OPERATING REVENUES (EXPENSES)	
Connection and inspection fees	33,200
Interest income	36,253
Bad debt recovery	5,922
Miscellaneous income	17,390
Interest expense	(171,989)
Net non-operating revenues (expenses)	<u>(79,224)</u>
Change in net position	63,357
NET POSITION, BEGINNING OF YEAR	<u>1,404,559</u>
NET POSITION, END OF YEAR	<u><u>\$ 1,467,916</u></u>

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

TOWN OF OCEAN VIEW, DELAWARE

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

YEAR ENDED APRIL 30, 2018

	<u>Water Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 567,777
Payments to suppliers	(220,979)
Payments to employees	(26,508)
Net cash provided by operating activities	<u>320,290</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Inspection and connection fees	33,200
Principal paid on long-term liabilities	(66,686)
Interest paid on long-term liabilities	(172,298)
Net cash used by capital and related financing activities	<u>(205,784)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Non-operating revenue	23,312
Due to general fund	24,852
Net cash provided by noncapital financing activities	<u>48,164</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>36,253</u>
Net increase in cash and cash equivalents	198,923
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>538,331</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 737,254</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 142,581
Adjustments to reconcile operating income to net cash provided:	
Depreciation	157,744
(Increase) decrease in assets	
Accounts receivable	19,511
Increase (decrease) in liabilities	
Accounts payable	454
Net cash provided by operating activities	<u><u>\$ 320,290</u></u>

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Ocean View, Delaware, (the Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the Town's significant accounting policies:

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. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. Based on criteria set forth by the GASB, the Town of Ocean View, Delaware has no component units.

Basic financial statements - government-wide financial 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.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic financial statements - government-wide financial statements (continued)

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

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

Basic financial statements - fund financial statements

The fund financial statements provide information about the Town's funds. Separate statements for each fund category – governmental and proprietary - 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 proprietary funds are reported as separate columns in the fund financial statements. The Town does not have a non-major fund. The following fund types are used by the town:

Governmental Fund: The focus of the governmental fund measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The Town reports the following major governmental fund:

- General Fund - 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.

The activities reported in this fund are reported as governmental activities in the government-wide financial statements.

Proprietary Fund: The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Proprietary funds distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses consist of charges for services and the costs of providing those services, including depreciation, and excluding interest cost. All other revenues and expenses are reported as non-operating. The Town reports the following major proprietary fund:

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic financial statements - fund financial statements (continued)

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

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.

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 after 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.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting (continued)

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

The Proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting.

Deferred inflows of resources

The Town's governmental fund Balance Sheet and government-wide Statement of Net Position report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period. The Town has two types of items that qualify for reporting in this category: deferred property taxes, which are not recognized in the governmental funds until available (collected not later than 60 days after the end of the Town's fiscal year) and deferred inflows related to retirement, which are not recognized until a future event occurs.

Deferred outflows of resources

The Town reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide Statement of Net Position. The Town has only one type of item that qualifies for reporting in this category: deferred outflows related to retirement.

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Delaware Public Employees' Retirement System (DPERS), and additions to/deductions from DPERS's fiduciary net position have been determined on the same basis as they are reported by DPERS.

Cash equivalents

Cash and cash equivalents 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

Restricted cash mainly consists of amounts held by the Town for the proceeds from grant programs and realty transfer tax.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018, the balance for the allowance for uncollectible amounts for the proprietary fund is \$1,078.

Property taxes

Property taxes are levied in May and are due and payable by August 31. All unpaid property taxes become delinquent on September 1 of the current year. Property tax revenues are recognized when levied

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. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at the acquisition value. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure consists of streets and drainage projects. The Town has elected to not capitalize infrastructure acquired prior to May 1, 2004.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	5 - 40 years
Equipment	5 - 20 years
Vehicles	5 years
Infrastructure	40 years

Compensated absences

Employees are granted vacation and sick leave in varying amounts. The Town accrues accumulated unpaid vacation and sick leave when earned by the employee. In the event of termination or retirement, an employee may be reimbursed for accumulated vacation days up to a maximum of 240 hours for non-police personnel employees and 252 hours for sworn officers. Unused sick time will be paid at the end of employment based on the years of service.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated absences (Continued)

Non-police personnel with five to nine years of service may be reimbursed for a maximum of 80 hours of unused sick time, and non-police personnel with ten plus years of experience may be reimbursed for a maximum of 160 hours of unused sick time. Sworn officers with five to nine years of service may be reimbursed for a maximum of 120 hours of unused sick time; whereas, sworn officers with ten plus years of service may be reimbursed for a maximum of 240 hours of unused sick time.

Compensated absences for governmental funds are a reconciling item between the fund and government-wide presentations.

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.

Government-wide and proprietary fund net position

Government-wide and proprietary fund net position is divided into three major categories:

- Net investment in capital assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted – net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and 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.
- Unrestricted – all other not reported in the above categories.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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:

- *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. Restricted fund balance includes the following:

Bear Trap easement	\$	20,130
Capital replacement		928,688
Emergency reserve		286,331
Municipal street aid		142,772
Realty transfer tax		981,723
SALLE / EIDE grant		7,897
Street repair and replacement		1,655,451
Violent crime grant		1,459
		<hr/>
	\$	4,024,451

- *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. Committed fund balance includes the Emergency Service Enhancements Funding Program that has been committed through Town ordinance.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund balances (continued)

- *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, 2018.
- *Unassigned fund balance*—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.

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.

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.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary data

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 by the 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.

CASH AND CERTIFICATES OF DEPOSIT

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 obligations 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, 2018, the carrying amount of the Town's deposits was \$6,599,510 and the bank balance was \$6,604,206.

As of April 30, 2018, \$6,104,204 of the Town's bank balances of \$6,604,206 was exposed to custodial risk. Of the \$6,104,204 that was not covered by FDIC, \$6,104,204 was covered through alternative appropriate collateral.

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2018

CASH AND CERTIFICATES OF DEPOSIT (Continued)

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 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	\$ 2,741,619
Cash and cash equivalents - restricted	3,857,891
Total cash and cash equivalents	<u>\$ 6,599,510</u>

ACCOUNTS RECEIVABLE – 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, 2018, based on assessments, was \$0.16520 per \$100 of assessed valuation. The total assessed value of all taxable real property and improvements at May 1, 2017 was \$843,794,200. The Town does not have an allowance for delinquent taxes because all taxes are considered collectible.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2018

CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
<i>Capital assets not being depreciated</i>				
Land	\$ 1,490,621	\$	\$	\$ 1,490,621
Construction in progress	127,855	38,856		166,711
Total capital assets not being depreciated	1,618,476	38,856		1,657,332
<i>Capital assets being depreciated</i>				
Buildings and improvements	4,646,577	77,177		4,723,754
Equipment	1,203,276	145,268	(63,644)	1,284,900
Vehicles	624,037	130,634	(30,908)	723,763
Infrastructure	5,674,032			5,674,032
Total capital assets being depreciated	12,147,922	353,079	(94,552)	12,406,449
Less accumulated depreciation for:				
Buildings and improvements	1,011,098	119,384		1,130,482
Equipment	838,065	104,645	(63,644)	879,066
Vehicles	433,654	70,296	(30,908)	473,042
Infrastructure	781,622	141,851		923,473
Total accumulated depreciation	3,064,439	436,176	(94,552)	3,406,063
Total capital assets being depreciated, net	9,083,483	(83,097)		9,000,386
Governmental activity capital assets, net	\$ 10,701,959	\$ (44,241)	\$	\$ 10,657,718
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
<i>Capital assets</i>				
Water distribution system	\$ 6,309,701	\$	\$	\$ 6,309,701
Less accumulated depreciation for the Water distribution system	1,445,973	157,744		1,603,717
Business-type activities capital assets, net	\$ 4,863,728	\$ (157,744)	\$	\$ 4,705,984

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2018

CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$	129,559
Public safety		121,416
Public works		<u>185,201</u>
Total governmental activities	\$	<u><u>436,176</u></u>

Business-type activities:

Water fund	\$	<u><u>157,744</u></u>
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LONG-TERM LIABILITIES

Changes in long-term obligations for the year ended April 30, 2018, are as follows:

	April 30, 2017	Increases	Decreases	April 30, 2018	Due within one year
Governmental activities:					
Compensated absences	\$ 138,689	\$	\$ (2,575)	\$ 136,114	\$ 1,662
Business-type activities:					
General obligation bonds	\$ 4,098,814	\$	\$ (66,686)	\$ 4,032,128	\$ 69,550

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

Description of General Obligation Bonds

At April 30, 2018, the business-type general obligation bonds are as follows:

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.	\$ 3,332,777
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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>699,351</u>
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Total general obligation bonds	<u><u>\$ 4,032,128</u></u>
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TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2018

LONG-TERM LIABILITIES (Continued)

Debt service requirements

Debt service requirements on long-term debt at April 30, 2018 are as follows:

<u>Year Ending April 30,</u>	Business-type Activities		
	General Bonds		
	Principal	Interest	Total
2019	\$ 69,550	\$ 169,434	\$ 238,984
2020	72,538	166,446	238,984
2021	75,655	163,329	238,984
2022	78,911	160,073	238,984
2023	82,300	156,684	238,984
2024-2028	467,667	727,253	1,194,920
2029-2033	577,123	617,797	1,194,920
2034-2038	712,201	482,719	1,194,920
2039-2043	878,899	316,021	1,194,920
2044-2048	1,017,284	117,890	1,135,174
	\$ 4,032,128	\$ 3,077,646	\$ 7,109,774

RETIREMENT AND PENSION PLANS

General information about the pension plans

Plan descriptions: The Town participates in two plans of the Delaware Public Employees' Retirement System (DPERS): the County & Municipal Police/Firefighters' Pension Plan (Police Plan) and the County & Municipal Other Employees' Pension Plan (General Plan).

Both Plans are cost sharing multiple-employer defined-benefit pension plans established in the Delaware Code. The General Assembly is responsible for setting benefits and contributions and amending plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees (the Board). The management of the plans is the responsibility of the Board. The Board is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two ex officio members. The daily operation is the responsibility of the Office of Pensions. Although most of the assets of the Plans are commingled with other plans for investment purposes, the plans' assets may be used for the payment of benefits to the members of the plans in accordance with the terms of the plans.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2018

RETIREMENT AND PENSION PLANS (Continued)

The following are brief descriptions of the plans in effect as of June 30, 2017. For a more complete description, please refer to the DPERS CAFR for each plan. Separately issued financial statements for DPERS are available from the pension office at: McArdle Building, Suite 1, 860 Silver Lake Blvd, Dover, DE 19904.

Benefits provided. The DPERS provide retirement, disability and death benefits. Eligibility and benefits vary depending on which plan the employee is enrolled in.

Police Plan covers police officers and firefighters employed by a county or municipality of the state that have joined the Plan. Service benefits are based on 2.5% of final average monthly compensation multiplied by years of credited service up to 20 years, plus 3.5% of final average monthly compensation multiplied by years of service in excess of 20 years. For this plan final average monthly compensation is the monthly average of the highest three consecutive years of compensation. Employees in the plan may retire after age 62 with 5 years of service; age plus credited service (but not less than 10 years) equals 75; or 20 years of credited service. Benefits are vested after five years of credited service.

Total disability benefits for duty officers are based on 75% of final average compensation plus 10% for each dependent but not to exceed 25% for all dependents. Partial disability benefits for duty officers are calculated the same as service benefits, subject to minimum of 50% of final average compensation. Disability benefits for non-duty officers are calculated the same as service benefits, total disability subject to a minimum of 50% of final average monthly compensation plus 5% of each dependent not to exceed 20% for all dependents with partial disability benefits subject to a minimum of 30% of final average monthly compensation.

For survivor benefits, if the employee is receiving a pension, then eligible survivor receives 50% of pension; if the employee is active, eligible survivor receives 50% of pension the employee would have received at age 62. If the member is killed in the line of duty, the eligible survivor receives 75% of the member's compensation.

General Plan covers employees of counties or municipalities that have joined the Plan. Services benefits are based on 1/60th of final average monthly compensation multiplied by years of credited service, subject to maximum limitations. For this plan average monthly compensation is the monthly average of the highest five years of compensation. Employees in the Plan may retire after age 62 with 5 years of credited service, age 60 with 15 years of credited service, or after 30 years of credited service. Benefits are vested after five years of credited service.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2018

RETIREMENT AND PENSION PLANS (Continued)

Disability benefits are the same as service benefits. Employee must have 5 years of credited service. For survivor benefits, if the employee is receiving a pension, then eligible survivor receives 75% of pension, if employee is active, eligible survivor receives 50% of pension the employee would have received at age 62.

Contributions: Active members of the Police Plan are required to contribute to the Plan at the rate of 7% of their covered salary. Active members of the General Plan are required to contribute to the Plan at the rate of 3% of earnings in excess of \$6,000. Employer contributions are determined by the Board of Pension Trustees. Contributions to the Plans from the Town for the past three years were as follows:

<u>Ending April 30,</u>	<u>Cost</u>	<u>Funded</u>
2016	\$ 96,641	100%
2017	\$ 93,867	100%
2018	\$ 113,384	100%

In order to provide pension funding for sworn police officers, the State of Delaware collects a special tax equal to 1/4% of certain gross insurance premiums that are collected in the State. These collections are distributed to police agencies in the State based on the average number of paid, full-time sworn officers as of the end of each calendar year. During the year ended April 30, 2018, the Town received \$41,866.

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

At April 30, 2018, the Town reported a liability of \$176,275 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. Update procedures were used to roll forward the total pension liability to June 30, 2018. The Town's proportion of the net pension liability was based on the percentage of actual employee contributions. At June 30, 2017, the Town's proportion for the Police Plan was .6077% and for the General Plan was 1.7750%.

For the year ended April 30, 2018, the Town recognized pension expense of \$113,384. At April 30, 2018, the Town reported deferred outflows of resources or deferred inflows of resources related to pensions from the following sources.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2018

RETIREMENT AND PENSION PLANS (Continued)

	Deferred Outflows of Resources	Deferred Inflows Resources
Changes to assumptions	\$ 102,694	\$ 43,388
Changes to proportion	13,211	14,000
Difference between expected and actual experience	85,877	90,072
Net difference between projected and actual earnings on pension plan investments	144,626	22,547
Contributions subsequent to measurement date	210,751	
	\$ 557,159	\$ 170,007

The Town's contribution of \$210,751 subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended April 30, 2019. The collective deferred outflows of resources and deferred inflows of resources are being amortized as follows:

	Measurement Period Ended	Amortization Period	
		General	Police
Difference between expected and actual experience	2015	8 years	11 years
	2016	9 years	10 years
	2017	9 years	10 years
Net difference between projected actual earnings on investments	2014	5 years	5 years
	2015	5 years	5 years
	2016	5 years	5 years
Change in proportion	2017	5 years	5 years
	2014	8 years	11 years
	2015	8 years	11 years
	2016	9 years	10 years
Change in assumptions	2017	9 years	10 years
	2016	9 years	10 years
	2017	9 years	10 years

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2018

RETIREMENT AND PENSION PLANS (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in a net change in pension expense as follows:

<u>Year Ending April 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2019	\$ 69,477	\$ 30,016
2020	\$ 69,477	\$ 30,017
2021	\$ 69,477	\$ 18,743
2022	\$ 36,038	\$ 18,743
2023	\$ 24,961	\$ 18,745
2024	\$ 24,961	\$ 16,540
2025	\$ 24,962	\$ 15,197
2026	\$ 19,091	\$ 13,615
2027	\$ 7,964	\$ 8,391

Actuarial assumptions. The collective total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, and update procedures were used to roll forward the total pension liability to June 30, 2017. These actuarial valuations used the following actuarial assumptions:

Investment rate of return	7.0%
Projected salary increases	2.5% + merit
Inflation	2.5%

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2017. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Mortality rates were based on the Sex distinct RP – 2014 Combined Mortality Table projected to 2015 using scale AA for Males or Females, as appropriate, for mortality improvement.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2018

RETIREMENT AND PENSION PLANS (Continued)

Discount rate: The discount rate for all plans used to measure the total pension liability was 7.0%. The change in the discount rate assumption to 7.0% from 7.2% was due to an adoption by the Board of Trustees in Fiscal Year 2017. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investment was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the collective net pension liability (asset) of the plan, calculated using the discount rate of 7.0%, as well as what the plan's net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

1% Decrease (6.0%)	\$ 1,220,159
Current discount rate (7.0%)	\$ 176,275
1% Increase (8.0%)	\$ (597,808)

Pension Plan Fiduciary Net Position: Detailed information about the Pension Plan's fiduciary net position is available in the separately issued DPERS financial reports.

DEFERRED COMPENSATION PLANS

The Town has a Section 457(b) Deferred Compensation Plan, which is available to employees over the age of 21 with 1,000 hours of annual service. Under plan provision, employees are vested immediately in the Plan and can contribute percentage of their salaries. Previously, 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. Nationwide Insurance Company is the agent on the Plan. The Town suspended contributions to the Plan on April 30, 2003.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2018

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 workers compensation program for 24 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 workers 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.

LEASE AGREEMENTS

The Town of Ocean View entered into operating leases for three copiers which expire between August 2018 and November 2023. Future minimum lease payments under these non-cancelable operating leases that have remaining terms in excess of one year as of April 30, 2018 are as follows:

<u>Year Ending April 30,</u>	
2019	\$ 3,288
2020	2,664
2021	1,464
2022	1,355
2023	<u>677</u>
Total	<u>\$ 9,448</u>

The total rental expense under operating leases for the fiscal year ended April 30, 2018 was \$3,828.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2018

PRIOR PERIOD ADJUSTMENT

Accrued interest receivable and interest income were overstated as of and for the year ended April 30, 2017 by \$20,193 in the governmental activities and general fund. Beginning net position and fund balance at April 30, 2017 have been decreased by this amount for this overstatement. The change had no effect on the change in fund balance or net position for 2018.

	Governmental Activities	General Fund
Fund balance/net position as previously reported	\$ 15,405,999	\$ 4,750,508
Adjustment for accrued interest receivable	(20,193)	(20,193)
Fund balance/net position as restated	<u>\$ 15,385,806</u>	<u>\$ 4,730,315</u>

NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended April, 30, 2018, that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the new standards may have on the financial statements.

GASB Statement No. 84, *Fiduciary Activities*, will be effective for the Town beginning with the year ended April 30, 2020, with early application encouraged. This statement establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities.

GASB Statement No. 87, *Leases*, will be effective for the Town beginning with the year ending April 30, 2021. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement will also change the way leases are disclosed in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF OCEAN VIEW, DELAWARE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED APRIL 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes:				
Real estate taxes and penalties	\$ 1,381,900	\$ 1,409,650	\$ 1,393,391	\$ (16,259)
Realty transfer taxes	770,000	1,280,400	1,435,187	154,787
Rental gross receipts tax	239,000	278,800	287,584	8,784
Intergovernmental revenues:				
State municipal street aid	100,000	98,107	98,107	
Public safety grants	25,000	64,111	70,921	6,810
Police pension grant	30,000	41,866	41,866	
Charges for services:				
Building and sign permits	350,000	530,000	499,702	(30,298)
Impact fees	82,000	402,500	431,750	29,250
Business and rental licenses	132,000	140,300	145,645	5,345
Cable TV franchise fee	60,000	65,000	66,838	1,838
Zoning and other fees	14,500	16,500	75,865	59,365
Millville ambulance fee	77,500	80,290	80,290	
Expense reimbursements	12,000	169,000	254,113	85,113
Miscellaneous, including sale of fixed assets	7,500	79,000	44,404	(34,596)
Other revenue sources:				
Public safety fines	35,000	36,000	38,823	2,823
Interest	10,300	36,500	41,041	4,541
Donations	100	915	915	
Total revenues	<u>3,326,800</u>	<u>4,728,939</u>	<u>5,006,442</u>	<u>277,503</u>
EXPENDITURES				
Current:				
General government	1,169,500	1,400,122	1,417,293	(17,171)
Public safety	1,202,000	1,286,372	1,282,000	4,372
Public works	794,900	686,904	596,885	90,019
Capital outlay	1,615,800	426,145	391,935	34,210
Total expenditures	<u>4,782,200</u>	<u>3,799,543</u>	<u>3,688,113</u>	<u>111,430</u>
Excess of revenues over (under) expenditures	(1,455,400)	929,396	1,318,329	388,933
FUND BALANCE - BEGINNING	<u>4,730,315</u>	<u>4,730,315</u>	<u>4,730,315</u>	
FUND BALANCE - ENDING	<u>\$ 3,274,915</u>	<u>\$ 5,659,711</u>	<u>\$ 6,048,644</u>	<u>\$ 388,933</u>

TOWN OF OCEAN VIEW, DELAWARE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND BY DEPARTMENT

YEAR ENDED APRIL 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
GENERAL GOVERNMENT				
Payroll wages	\$ 541,100	\$ 539,850	\$ 533,123	\$ 6,727
Payroll wages - council	9,800	5,075	9,627	(4,552)
Payroll wages - overtime and bonus	5,900	7,200	9,321	(2,121)
Payroll taxes	45,600	44,525	43,837	688
Payroll and taxes	602,400	596,650	595,908	742
Employee retirement	39,300	37,570	37,035	535
Medical, dental and life insurance	121,700	123,440	118,081	5,359
Workers compensation insurance	5,400	5,300	6,077	(777)
Personnel related costs	768,800	762,960	757,101	5,859
Advertising	3,500	3,800	4,654	(854)
Communications - telephone and internet	14,500	13,625	13,436	189
Comprehensive land use plan	40,000			
Computer software, updates, and website	24,300	23,150	24,504	(1,354)
Contracted labor		1,292	1,348	(56)
Contracted services	32,900	35,275	6,502	28,773
Dues and subscriptions	5,000	4,800	4,677	123
Education and training	4,000	3,825	3,035	790
Grant award - restricted funds		84,200	84,204	(4)
Insurance - business	35,000	18,200	15,196	3,004
Maintenance and repairs	5,500	8,400	19,957	(11,557)
Mileage	1,000	1,450	1,760	(310)
Millville ambulance fees	77,500	80,290	80,290	
Non-capital equipment	1,000	12,600	7,600	5,000
Postage, printing and office supplies	12,000	15,587	16,102	(515)
Professional fees	58,100	249,750	288,232	(38,482)
Property assessment	35,000	27,918	27,918	
Public relations	21,500	19,450	17,519	1,931
Realty transfer tax fees	7,700	11,500	12,692	(1,192)
Supplies	7,600	6,300	16,479	(10,179)
Uniforms			68	(68)
Utilities	14,600	14,300	12,510	1,790
Vehicles and equipment - fuel		750	831	(81)
Vehicles and equipment - repairs		700	678	22
TOTAL GENERAL GOVERNMENT	1,169,500	1,400,122	1,417,293	(17,171)

TOWN OF OCEAN VIEW, DELAWARE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND BY DEPARTMENT**

YEAR ENDED APRIL 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
PUBLIC SAFETY				
Payroll wages	\$ 600,200	\$ 612,175	\$ 615,010	\$ (2,835)
Payroll wages - overtime and bonus	70,200	92,050	93,763	(1,713)
Payroll taxes	55,200	57,325	56,910	415
Payroll and taxes	<u>725,600</u>	<u>761,550</u>	<u>765,683</u>	<u>(4,133)</u>
Employee retirement	65,200	66,750	67,413	(663)
Medical, dental and life insurance	174,000	169,425	169,143	282
Workers compensation insurance	45,300	41,100	42,449	(1,349)
Personnel related costs	<u>1,010,100</u>	<u>1,038,825</u>	<u>1,044,688</u>	<u>(5,863)</u>
Advertising	200			
Ammunition		6,489	6,489	
Communications - telephone and internet	17,700	17,400	17,400	
Computer software, updates, and website	2,500	8,675	8,651	24
Contracted labor		2,297	2,397	(100)
Contracted services	15,900	13,410	6,957	6,453
Dues and subscriptions	8,000	3,730	3,219	511
Education and training	15,000	30,325	28,011	2,314
Insurance - business	31,000	40,166	40,316	(150)
Investigative expenses			1,852	(1,852)
K-9 supplies	2,000	1,500	880	620
Maintenance and repairs	10,000	10,400	14,264	(3,864)
Mileage	100	150	136	14
Miscellaneous			1,816	(1,816)
Non-capital equipment	13,100	6,755	1,706	5,049
Postage, printing and office supplies	3,600	3,500	3,351	149
Professional fees	6,000	4,300	5,038	(738)
Public relations	800	6,200	5,570	630
Supplies	11,000	30,450	22,314	8,136
Uniforms	10,000	10,000	11,350	(1,350)
Utilities	13,000	13,200	12,648	552
Vehicles and equipment - fuel	22,000	24,100	24,673	(573)
Vehicles and equipment - repairs	<u>10,000</u>	<u>14,500</u>	<u>18,274</u>	<u>(3,774)</u>
TOTAL PUBLIC SAFETY	<u>1,202,000</u>	<u>1,286,372</u>	<u>1,282,000</u>	<u>4,372</u>

TOWN OF OCEAN VIEW, DELAWARE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND BY DEPARTMENT

YEAR ENDED APRIL 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
PUBLIC WORKS				
Payroll wages	\$ 121,900	\$ 120,025	\$ 116,738	\$ 3,287
Payroll wages - overtime and bonus	6,100	6,200	6,527	(327)
Payroll taxes	10,900	10,325	9,993	332
Payroll and taxes	138,900	136,550	133,258	3,292
Employee retirement	9,100	8,675	8,598	77
Medical, dental and life insurance	58,000	44,485	42,245	2,240
Workers compensation insurance	8,600	9,065	9,131	(66)
Personnel related costs	214,600	198,775	193,232	5,543
Advertising	500			
Communications - telephone and internet	4,500	3,450	3,362	88
Contracted labor	15,000			
Contracted services	4,200	3,225	58	3,167
Drainage	30,000	5,000	613	4,387
Dues and subscriptions		200	199	1
Education and training	300	100	38	62
Insurance - business	12,000	20,306	20,306	
Maintenance and repairs	1,500	200	575	(375)
Non-capital equipment	6,000	5,050	2,698	2,352
Park expense	20,000	21,500	23,535	(2,035)
Postage, printing and office supplies	300			
Professional fees	6,000	100	1,525	(1,425)
Public relations	500	100		100
Sidewalk work, ADA		128,000	51,890	76,110
Street lighting	80,000	77,500	77,103	397
Street maintenance	50,000	22,000	17,442	4,558
Street paving and repair	296,000	148,698	152,448	(3,750)
Street signs	6,500	6,500	3,697	2,803
Supplies	20,000	20,000	21,933	(1,933)
Uniforms	3,000	3,000	2,782	218
Utilities	11,500	10,300	10,445	(145)
Vehicles and equipment - fuel	6,000	8,000	7,446	554
Vehicles and equipment - repairs	6,500	4,900	5,558	(658)
TOTAL PUBLIC WORKS	794,900	686,904	596,885	90,019
CAPITAL OUTLAY	1,615,800	426,145	391,935	34,210
TOTAL EXPENDITURES	\$ 4,782,200	\$ 3,799,543	\$ 3,688,113	\$ 111,430

TOWN OF OCEAN VIEW, DELAWARE

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE TOWN'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY**

**DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(UNAUDITED)**

	2018	2017	2016
<u>County & Municipal Police and Firefighters' Pension Plan</u>			
Town's proportion of the net pension liability (asset)	0.6077%	0.5602%	0.6447%
Town's proportionate share of the net pension liability (asset) \$	61,268	\$ 89,053	\$ (33,979)
Town's covered-employee payroll \$	615,010	\$ 534,890	\$ 527,084
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	9.9621%	16.6488%	-6.4466%
Plan fiduciary net position as a percentage of the total pension liability (asset)	97.0%	94.7%	102.0%
 <u>County & Municipal Other Employees' Pension Plan</u>			
Town's proportion of the net pension liability (asset)	1.7750%	1.7973%	1.7735%
Town's proportionate share of the net pension liability (asset) \$	115,007	\$ 111,359	\$ 757
Town's covered-employee payroll \$	649,861	\$ 553,888	\$ 585,543
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	17.6972%	20.1050%	0.1293%
Plan fiduciary net position as a percentage of the total pension liability (asset)	87.6%	86.4%	99.9%

TOWN OF OCEAN VIEW, DELAWARE

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE TOWN'S CONTRIBUTIONS

**DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(UNAUDITED)**

	2018	2017	2016
<u>County & Municipal Police and Firefighters' Pension Plan</u>			
Contractually required contribution	\$ 68,759	\$ 56,529	\$ 64,908
Contributions in relation to the contractually required contribution	(68,759)	(56,529)	(64,908)
Contribution deficiency (excess)	\$	\$	\$
Town's covered-employee payroll	\$ 615,010	\$ 534,890	\$ 527,084
Contributions as a percentage of covered-employee payroll	11%	11%	12%
 <u>County & Municipal Other Employees' Pension Plan</u>			
Contractually required contribution	\$ 44,625	\$ 37,338	\$ 34,068
Contributions in relation to the contractually required contribution	(44,625)	(37,338)	(34,068)
Contribution deficiency (excess)	\$	\$	\$
Town's covered-employee payroll	\$ 649,861	\$ 553,888	\$ 585,543
Contributions as a percentage of covered-employee payroll	7%	7%	6%

GOVERNMENT AUDITING STANDARDS REPORT



ANDREW M. HAYNIE, CPA
SUSAN P. KEEN, CPA
MICHAEL C. KLEGER, CPA
E. LEE McCABE, CPA
JEFFREY A. MICHALIK, CPA
DANIEL M. O'CONNELL II, CPA
JOHN M. STERN, JR., CPA

**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***

www.pkscpa.com

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

Salisbury
1801 SWEETBAY DRIVE
P.O. BOX 72
SALISBURY, MD 21803
TEL: 410.546.5600
FAX: 410.548.9576

We have audited, 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, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Ocean View, Delaware, as of and for the year ended April 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Ocean View, Delaware's basic financial statements, and have issued our report thereon dated September 11, 2018.

Ocean City
12216 OCEAN GATEWAY
SUITE 800
OCEAN CITY, MD 21842
TEL: 410.213.7185
FAX: 410.213.7638

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Ocean View, Delaware'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, Delaware's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Ocean View, Delaware's internal control.

Lewes
1143 SAVANNAH ROAD
SUITE 1
LEWES, DE 19958
TEL: 302.645.5757
FAX: 302.645.1757

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.

MEMBERS OF:
AMERICAN INSTITUTE OF
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ALLINIAL GLOBAL

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 consider 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, Delaware's financial statements are free from 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 our 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.

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
September 11, 2018