

TOWN OF OCEAN VIEW
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2011

**TOWN OF OCEAN VIEW
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FOR THE YEAR ENDED APRIL 30, 2011**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Ocean View as of and for the year ended April 30, 2011, which collectively comprise the Town's basic financial statements as listed in the index. These financial statements are the responsibility of the Town of Ocean View's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Ocean View as of April 30, 2011, and the respective changes in financial position and cash flows, where applicable thereof, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2011, on our consideration of the Town of Ocean View's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Ocean View's financial statements as a whole. The supplementary information, listed in the index, is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Jefferson, Urian, Doane & Sterner, P.A.".

Georgetown, Delaware
August 9, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

**TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2011**

As management of the Town, we have provided the readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended April 30, 2011. Please read the information presented here in conjunction with the audited financial statements, which immediately follow this section, to enhance understanding of the Town's financial performance.

Financial Highlights

- As of April 30, 2011, governmental activity assets exceeded liabilities by \$11,306,100. Of this amount, \$2,166,317 or 19 percent was unrestricted and may be used for ongoing obligations to citizens and creditors.
- The Town's net assets for all governmental activities increased by \$694,418 during the year.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

The Statement of Net Assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as an indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not impact cash flows until future fiscal periods.

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Ocean View, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Town of Ocean View can be divided into three categories: governmental fund, proprietary fund, and fiduciary fund.

Governmental Fund - The governmental fund is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflow and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

Because the focus of the governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental fund and government-wide activities.

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

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

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are provided on pages 22 - 34 of this report.

Other Information

Other information includes Supplementary Information comparing general fund budgeted expenditures to actual expenditures by activity (pages 35 - 37 of this report).

Government-Wide Financial Analysis

As previously noted, net assets may serve as a useful indicator of the government-wide financial position. In the case of the Town of Ocean View, assets exceeded liabilities by \$12,755,752 as of April 30, 2011.

The following table is a summary of the government-wide statement of net assets for the years ended April 30, 2011 and 2010:

Statement of Net Assets

	Governmental Activities		Business-type Activities		Total Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 4,076,805	\$ 3,768,956	\$ 89,569	\$ (5,941)	\$ 4,166,374	\$ 3,763,015
Capital assets	7,449,841	7,035,910	5,835,437	5,986,900	13,285,278	13,022,810
Total assets	11,526,646	10,804,866	5,925,006	5,980,959	17,451,652	16,785,825
Current and other liabilities	149,457	138,861	82,015	97,380	231,472	236,241
Long-term liabilities	71,089	43,038	4,393,339	4,445,212	4,464,428	4,488,250
Total liabilities	220,546	181,899	4,475,354	4,542,592	4,695,900	4,724,491
Net assets:						
Invested in capital assets, net of related debt	7,449,841	7,035,910	1,390,254	1,492,008	8,840,095	8,527,918
Restricted	1,689,942	1,611,763	-	-	1,689,942	1,611,763
Unrestricted	2,166,317	1,975,294	59,398	(53,641)	2,225,715	1,921,653
Total net assets	\$ 11,306,100	\$ 10,622,967	\$ 1,449,652	\$ 1,438,367	\$ 12,755,752	\$ 12,061,334

A significant portion of the Town's net assets of \$12,755,752 (69 percent or \$8,840,095) are not available for future spending as this represents amounts invested in capital assets (e.g., land, buildings, infrastructure, machinery and equipment). This investment is net of any related debt that was used to acquire those assets that is still outstanding. It is important to note that the resources needed to repay outstanding debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Of the remaining \$3,915,657 in net assets, \$67,578 represents realty transfer taxes, which are restricted for specific use. Realty transfer tax funds must be used for public safety, debt reduction, capital projects and infrastructure projects. Additionally, \$1,511,774 of the net assets is held in three trust funds established by ordinance and the use of these funds is restricted to cases of emergency, for capital asset replacement, and for street repair and maintenance as described in the ordinances. The unrestricted funds of \$2,225,715 may be used to meet the Town's ongoing obligations to citizens and creditors.

The following schedule shows the breakdown of changes in net assets for total governmental and business-type activities for the years ended April 30, 2011 and 2010:

	Governmental Activities		Business-type Activities		Total Government	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues						
Charges for services	\$ 573,742	\$ 385,242	\$ 490,319	\$ 475,695	\$ 1,064,061	\$ 860,937
Operating grants and contributions	177,330	93,183	-	-	177,330	93,183
Capital grants and contributions	252,671	27,988	26,303	-	278,974	27,988
General revenue						
Property taxes	1,094,739	996,320	-	-	1,094,739	996,320
Realty transfer taxes	622,640	551,065	-	-	622,640	551,065
Gross rental receipts taxes	117,281	116,011	-	-	117,281	116,011
Investment income	19,706	24,104	-	-	19,706	24,104
Total revenues	2,858,109	2,193,913	516,622	475,695	3,374,731	2,669,608
Expenses:						
General government	861,211	947,492	-	-	861,211	947,492
Public safety	920,553	936,688	-	-	920,553	936,688
Public works	393,212	550,491	-	-	393,212	550,491
Interest on long-term debt	-	3,039	-	-	-	3,039
Water system	-	-	505,337	530,653	505,337	530,653
Total expenses	2,174,976	2,437,710	505,337	530,653	2,680,313	2,968,363
Increase (decrease) in net assets	683,133	(243,797)	11,285	(54,958)	694,418	(298,755)
Net assets - Beginning	10,622,967	10,866,764	1,438,367	1,493,325	12,061,334	12,360,089
Net assets - Ending	\$ 11,306,100	\$ 10,622,967	\$ 1,449,652	\$ 1,438,367	\$ 12,755,752	\$ 12,061,334

Government Activities

Total government net assets increased by \$694,418 during fiscal year 2011.

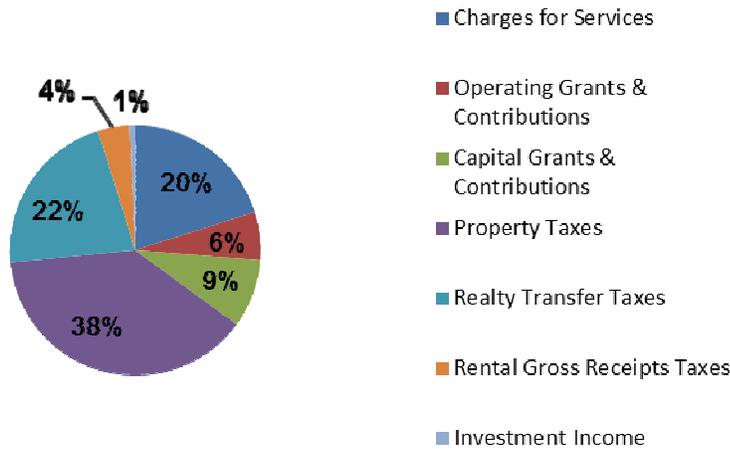
Property taxes and realty transfer taxes received during fiscal year 2011 totaled \$1,094,739 and \$622,640, respectively.

2011 Revenues - Governmental Activities

- Realty transfer tax increased by \$71,575 or 13 percent from the prior fiscal year. This increase primarily results from an increase in the number of new homes constructed in a new subdivision in the Town.
- Property taxes increased by ten percent from the prior fiscal year. This increase resulted from new homes and improvements being assessed and added to the tax base, an annexation of property into the Town, and the property tax rate for fiscal year 2011 was increased from \$0.1059 to \$0.1144 per \$100 of assessed value.

The following chart shows real estate property taxes as the largest source of governmental revenue comprising 38 percent of the total revenue, followed by realty transfer taxes of 22 percent, charges for services of 20 percent, and the remaining 20 percent from other sources including grants, contributions, rental gross receipts taxes, and investment income.

Revenues by Source



2011 Expenses - Governmental Activities

During the fiscal year, the Town continued to provide 24 hour, 7 days a week coverage for police service. The Town also continued to provide street maintenance for the Town owned streets and street lighting for Town owned streets and for streets owned by the State of Delaware. The following chart shows the governmental expenses by type. Payroll and related personnel costs such as payroll taxes, employee retirement contributions, health insurance, and workers compensation premiums total \$1,224,766, or approximately 64 percent of the total departmental expenses of \$1,925,118. Approximately 15 percent of the remaining \$700,352 of total governmental expenditures relates to expenditures for street maintenance and lighting.

Expenses by Type



Financial Analysis of the Town's Funds

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

Governmental Fund

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

During fiscal year 2011, the Town's governmental fund balance increased \$265,466 to \$3,909,746. The unreserved fund balance component of the General Fund increased \$187,287 to \$2,219,804.

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

Proprietary Fund

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

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

General Fund Budgetary Highlights

Revenue and Appropriation Budget

The difference between appropriations originally budgeted and the final appropriation budget was an increase in expenditures of \$68,000 because of a \$68,000 grant made to the Millville Volunteer Fire Company based on collections made for the Town's emergency services fund from building permits issued during the year.

Budget to Actual - Revenues

General Fund revenues exceeded the budget by \$644,174. Realty transfer taxes and building/sign permits exceeded the budget by \$172,640 and \$40,545, respectively, because the Town was not impacted as much as anticipated by the housing crisis. Impact fees collected on new home construction (\$114,132) and Municipal street aid granted by the State (\$75,646) were not budgeted. Other grants (\$86,142) were not budgeted because the Town conservatively only budgets for those on-going grants that can be readily determinable and have been consistently received.

A comparison of budgeted to actual revenues is provided on page 16 of this report.

Budget to Actual - Expenditures

Total expenditures were under the final budget by \$280,792. Property assessment expenditures were under budget by \$158,688 because the full reassessment of all Town properties was moved to fiscal year 2012. Payroll wages for Public Works was under budget by \$69,160 because certain positions were not filled during a portion of the year and certain payroll costs budgeted for Public Works were, more appropriately, recorded in General Government.

A comparison of budgeted to actual expenditures is provided on pages 35 - 37 of this report.

Capital Assets and Debt Administration

The Town’s capital assets for governmental and business-type activities at April 30, 2011, net of \$2,387,512 accumulated depreciation were \$13,285,278. Capital assets include land, land improvements, buildings and improvements, infrastructure, machinery and equipment, and the water distribution system.

There were no major capital asset projects during fiscal year 2011.

Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total Government	
	2011	2010	2011	2010	2011	2010
Land	\$ 1,490,621	\$ 1,490,621	\$ -	\$ -	\$ 1,490,621	\$ 1,490,621
Construction in progress	-	-	-	-	-	-
Buildings and improvements	3,086,051	3,100,860	-	-	3,086,051	3,100,860
Vehicles and equipment	299,144	335,795	-	-	299,144	335,795
Infrastructure	2,574,025	2,108,634	-	-	2,574,025	2,108,634
Water distribution system	-	-	5,835,437	5,986,900	5,835,437	5,986,900
Total	\$ 7,449,841	\$ 7,035,910	\$ 5,835,437	\$ 5,986,900	\$ 13,285,278	\$ 13,022,810

Long-term Debt

The Town’s long-term debt at April 30, 2011, consists of the following:

\$4,445,183 remaining principal balance on general obligation bonds used to finance a portion of the water distribution system. The following bonds were issued by the United States Department of Agriculture, Rural Utilities Service:

- Series 2007 RUS-A, payments of \$49,514 due quarterly at an interest rate of 4.25%; final payment is due December 21, 2047.
- Series 2007 RUS-B; payments of \$10,232 due quarterly at an interest rate of 4.125%; final payment is due December 21, 2047.

Economic Factors and Next Year’s Budget and Rates

Budgeted revenue for fiscal year 2012 compared to fiscal 2011 increased by \$273,800 due to the net impact of (1) the anticipated return to funding of the Municipal Street Aid program from the State, (2) increased realty transfer taxes projected, and (3) increased property taxes and fees from building

permits and business and rental licenses. The property tax rate for fiscal year 2012 was increased by 8 percent - from \$0.1144 to \$0.1236 per \$100 of assessed value.

The Town appropriated \$1,068,500 from its reserves for anticipated spending in fiscal year 2012.

Request for Information

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

Dr. Conway Gregory

Town Manager

Town of Ocean View

201 Central Avenue

Ocean View, DE 19970

Telephone: (302) 539-9797

Email: townmgtov@oceanviewde.com

BASIC FINANCIAL STATEMENTS

TOWN OF OCEAN VIEW
STATEMENT OF NET ASSETS
APRIL 30, 2011

- 11 -

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,093,470	\$ 83,942	\$ 2,177,412
Receivables:			
Taxes	14,252	-	14,252
Other	75,593	176,522	252,115
Internal balances	170,895	(170,895)	-
Investment - DELGIP	13,820	-	13,820
Restricted assets:			
Cash and cash equivalents	847,043	-	847,043
Investment - DELGIP	861,732	-	861,732
Capital assets:			
Land, improvements, and construction in progress	1,490,621	-	1,490,621
Other capital assets, net of depreciation	5,959,220	5,835,437	11,794,657
TOTAL ASSETS	11,526,646	5,925,006	17,451,652
LIABILITIES			
Accounts payable and other current liabilities	93,424	9,458	102,882
Accrued liabilities	56,033	20,713	76,746
Long-term liabilities:			
Due within one year	28,666	51,844	80,510
Due in more than one year	42,423	4,393,339	4,435,762
TOTAL LIABILITIES	220,546	4,475,354	4,695,900
NET ASSETS			
Invested in capital assets, net of related debt	7,449,841	1,390,254	8,840,095
Restricted for:			
Realty transfer tax	67,578	-	67,578
Capital replacement	482,901	-	482,901
Emergency reserve	378,831	-	378,831
Street repair and replacement	650,042	-	650,042
SALLE	12,749	-	12,749
Municipal street aid	97,841	-	97,841
Unrestricted	2,166,317	59,398	2,225,715
TOTAL NET ASSETS	\$ 11,306,100	\$ 1,449,652	\$ 12,755,752

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

TOWN OF OCEAN VIEW
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2011

Function/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General government	\$ 861,211	\$ 543,377	\$ -	\$ 54,671	\$ (263,163)	\$ -	\$ (263,163)
Public safety	920,553	26,028	93,650	-	(800,875)	-	(800,875)
Public works	393,212	4,337	83,680	198,000	(107,195)	-	(107,195)
TOTAL GOVERNMENTAL ACTIVITIES	2,174,976	573,742	177,330	252,671	(1,171,233)	-	(1,171,233)
BUSINESS-TYPE ACTIVITIES							
Water distribution system	505,337	490,319	-	26,303	-	11,285	11,285
TOTAL PRIMARY GOVERNMENT	<u>\$ 2,680,313</u>	<u>\$ 1,064,061</u>	<u>\$ 177,330</u>	<u>\$ 278,974</u>	<u>(1,171,233)</u>	<u>11,285</u>	<u>(1,159,948)</u>
GENERAL REVENUES							
Taxes: Property					1,094,739	-	1,094,739
Realty transfer					622,640	-	622,640
Rental gross receipts					117,281	-	117,281
Unrestricted investment earnings					19,706	-	19,706
TOTAL GENERAL REVENUES					<u>1,854,366</u>	<u>-</u>	<u>1,854,366</u>
CHANGE IN NET ASSETS					683,133	11,285	694,418
NET ASSETS - BEGINNING					<u>10,622,967</u>	<u>1,438,367</u>	<u>12,061,334</u>
NET ASSETS - ENDING					<u>\$ 11,306,100</u>	<u>\$ 1,449,652</u>	<u>\$ 12,755,752</u>

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

**TOWN OF OCEAN VIEW
BALANCE SHEET - GOVERNMENTAL FUND
APRIL 30, 2011**

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	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 2,093,470
Taxes receivable	14,252
Receivable - other	69,030
Investment - DELGIP	13,820
Due from other funds	170,895
Restricted assets:	
Cash and cash equivalents	847,043
Investment - DELGIP	861,732
	<u> </u>
TOTAL ASSETS	<u><u>\$ 4,070,242</u></u>
LIABILITIES	
Accounts payable	\$ 93,425
Accrued liabilities	56,033
Deferred revenue:	
Taxes	11,038
	<u> </u>
TOTAL LIABILITIES	<u>160,496</u>
FUND BALANCES	
Reserved for:	
Realty transfer tax	67,578
Capital replacement	482,901
Emergency reserve	378,831
Street repair and replacement	650,042
SALLE	12,749
Municipal street aid	97,841
Unreserved	2,219,804
	<u> </u>
TOTAL FUND BALANCES	3,909,746
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	7,449,841
Other assets are not available to pay for current period expenditures and therefore are deferred in the funds.	17,602
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(71,089)
	<u> </u>
Net Assets of Governmental Activities	<u><u>\$ 11,306,100</u></u>

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

**TOWN OF OCEAN VIEW
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
FOR THE YEAR ENDED APRIL 30, 2011**

- 14 -

	<u>General Fund</u>
REVENUES	
Taxes	\$ 1,834,351
Intergovernmental	255,438
Charges for services	532,834
Fines and forfeits	25,047
Interest	24,903
Miscellaneous	12,101
	<u>2,684,674</u>
TOTAL REVENUES	<u>2,684,674</u>
EXPENDITURES	
Current:	
General government	825,306
Public safety	789,275
Public works	310,537
Capital outlay	494,090
	<u>2,419,208</u>
TOTAL EXPENDITURES	<u>2,419,208</u>
EXCESS OF REVENUES OVER EXPENDITURES	265,466
FUND BALANCE - BEGINNING	<u>3,644,280</u>
FUND BALANCE - ENDING	<u><u>\$ 3,909,746</u></u>

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

TOWN OF OCEAN VIEW
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2011

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND	\$ 265,466
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$ 494,090) exceeded depreciation (\$ 246,722) in the current period.	247,368
The net effect of various transactions involving capital assets (i.e., sales, trade-ins and contributions) is to increase (decrease) net assets.	(1,437)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, as follows:	
Capital contributions - infrastructure	168,000
Grants	6,563
Taxes	309
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The difference is as follows:	
Compensated absences	(3,136)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 683,133

TOWN OF OCEAN VIEW
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2011

- 16 -

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Building/sign permits	\$ 125,000	\$ 125,000	\$ 165,545	\$ 40,545
Business/rental licenses	72,000	72,000	119,624	47,624
CATV	55,000	55,000	58,787	3,787
Donations	100	100	2,325	2,225
Impact fees	-	-	114,132	114,132
Interest	62,500	62,500	24,903	(37,597)
Municipal street aid	-	-	75,646	75,646
Other grants	-	-	86,142	86,142
Police pension fund	35,000	35,000	38,379	3,379
Property taxes	1,070,900	1,070,900	1,094,430	23,530
Public safety fines	25,000	25,000	21,372	(3,628)
Public safety grants	15,000	15,000	55,271	40,271
Reimbursed expenses	12,000	12,000	63,468	51,468
Realty transfer taxes	450,000	450,000	622,640	172,640
Rental gross receipts	111,000	111,000	117,281	6,281
Tax penalties	-	-	3,675	3,675
Zoning fees	5,000	5,000	14,760	9,760
Miscellaneous	2,000	2,000	6,294	4,294
TOTAL REVENUES	2,040,500	2,040,500	2,684,674	644,174
EXPENDITURES				
Current:				
General government	845,800	913,800	825,306	(88,494)
Public safety	790,700	790,700	789,275	(1,425)
Public works	416,800	416,800	310,537	(106,263)
Capital outlay	578,700	578,700	494,090	(84,610)
TOTAL EXPENDITURES	2,632,000	2,700,000	2,419,208	(280,792)
EXCESS OF EXPENDITURES (OVER) UNDER REVENUES	(591,500)	(659,500)	265,466	924,966
FUND BALANCE - BEGINNING	3,644,280	3,644,280	3,644,280	-
FUND BALANCE - ENDING	\$ 3,052,780	\$ 2,984,780	\$ 3,909,746	\$ 924,966

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

**TOWN OF OCEAN VIEW
STATEMENT OF NET ASSETS - PROPRIETARY FUND
APRIL 30, 2011**

- 17 -

	Water Enterprise Fund
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 83,942
Accounts receivable	176,522
	<hr/>
TOTAL CURRENT ASSETS	260,464
NONCURRENT ASSETS	
Capital assets, net of depreciation	5,835,437
	<hr/>
TOTAL ASSETS	6,095,901
	<hr/>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable and other current liabilities	9,458
Accrued interest payable	20,713
Due to general fund	170,895
Current portion of long-term liabilities	51,844
	<hr/>
TOTAL CURRENT LIABILITIES	252,910
LONG-TERM LIABILITIES, LESS CURRENT PORTION	4,393,339
	<hr/>
TOTAL LIABILITIES	4,646,249
	<hr/>
NET ASSETS	
Invested in capital assets, net of related debt	1,390,254
Unrestricted	59,398
	<hr/>
TOTAL NET ASSETS	<u>\$ 1,449,652</u>

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

**TOWN OF OCEAN VIEW
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUND
FOR THE YEAR ENDED APRIL 30, 2011**

- 18 -

	Water Enterprise Fund
	<u> </u>
OPERATING REVENUES	
Charges for services	\$ 469,788
	<u> </u>
OPERATING EXPENSES	
Advertising	585
Depreciation	158,288
Dues and subscriptions	250
Insurance expense	2,365
Meter reading charges	27,448
Miss Utility charges	288
Professional services	5,868
Repairs and maintenance	1,998
Salaries	12,797
Water charges	86,833
Water service agreement	19,727
	<u> </u>
TOTAL OPERATING EXPENSES	<u>316,447</u>
OPERATING INCOME	<u>153,341</u>
NON-OPERATING REVENUES (EXPENSES)	
Connection and inspection fees	11,420
Interest income	680
Miscellaneous income	8,698
Interest expense	(189,157)
	<u> </u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(168,359)</u>
LOSS BEFORE CONTRIBUTIONS	(15,018)
CAPITAL CONTRIBUTIONS	26,303
CHANGE IN NET ASSETS	11,285
TOTAL NET ASSETS - BEGINNING	<u>1,438,367</u>
TOTAL NET ASSETS - ENDING	<u><u>\$ 1,449,652</u></u>

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

**TOWN OF OCEAN VIEW
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED APRIL 30, 2011**

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	Water Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 431,735
Payments to suppliers	(162,891)
Payments to employees	(12,797)
	<u>256,047</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Advances to other funds	(52,203)
Other receipts	8,698
	<u>(43,505)</u>
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(6,825)
Inspection and connection fees	11,420
Retirement of bonds	(49,709)
Interest paid	(189,157)
	<u>(234,271)</u>
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	680
	<u>680</u>
NET DECREASE IN CASH	(21,049)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>104,991</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 83,942</u>
RECONCILIATION OF INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 153,341
Adjustments to reconcile operating income to net cash provided:	
Depreciation	158,288
Changes in assets and liabilities:	
Accounts receivable	(38,053)
Accrued liabilities	(118)
Accounts payable	(17,411)
	<u>(75,604)</u>
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>\$ 256,047</u>

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

**TOWN OF OCEAN VIEW
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUND
APRIL 30, 2011**

- 20 -

	Pension Trust Fund
ASSETS	
Cash and cash equivalents	<u>\$ 12,991</u>
 NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	 <u><u>\$ 12,991</u></u>

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

**TOWN OF OCEAN VIEW
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUND
FOR THE YEAR ENDED APRIL 30, 2011**

- 21 -

	<u>Pension Trust Fund</u>
ADDITIONS	
Investment:	
Investment income	\$ 326
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - BEGINNING	<u>12,665</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - ENDING	<u>\$ 12,991</u>

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

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

2. Basic Financial Statements - Government-wide Statements

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

3. Basic Financial Statements - Fund Financial Statements

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

The following fund types are used by the Town:

Governmental Funds

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

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

Proprietary Funds

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basic Financial Statements - Fund Financial Statements - Continued

Fiduciary Funds

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

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

Major and Nonmajor Funds

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

4. Measurement Focus and Basis of Accounting

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Cash and Cash Equivalents and Investments

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

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

6. Capital Assets

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

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

7. Deferred Revenue

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

8. Equity Classifications

Government-wide Statements

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Equity Classifications - Continued

Fund Statements

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

9. Accounts Receivable

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

10. Revenues

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

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

11. Expenditures

Expenditures are recognized when the related fund liability is incurred.

12. Compensated Absences

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Interfund Activity

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

14. Use of Estimates

The preparation of financial statements in conformity with 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.

15. Budgets and Budgetary Accounting

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

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

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

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS

All deposits are carried at cost. Transactions are made directly with the banks; services of brokers or securities dealers are not used. At April 30, 2011, the carrying amount of the Town's deposits was \$ 3,037,446 and the bank balance was \$ 3,188,049. Cash at April 30, 2011 consisted of the following:

UNRESTRICTED CASH

General Fund		
Operating - checking	\$	52,258
Operating - money market		643,233
Health reimbursement		3,163
Operating - certificate of deposit		1,394,616
Petty cash		200
Water Fund		
Water distribution system - checking		345
Water distribution system - money market		83,597
		<hr/>
TOTAL UNRESTRICTED CASH	\$	2,177,412

RESTRICTED CASH

General Fund		
SALLE - checking		12,749
Municipal street aid - money market		97,841
Realty transfer tax - money market		67,578
Bear Trap easement - certificate of deposit		18,833
Street repair and replacement - certificate of deposit		504,506
Street repair and replacement - money market		145,536
Fiduciary Fund		
MetLife pension benefits		12,991
		<hr/>
TOTAL RESTRICTED CASH		860,034
		<hr/>
TOTAL CASH	\$	<u>3,037,446</u>

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS - CONTINUED

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

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

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

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

The Town Council has authorized the following investments:

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

The Town invests in the Delaware Local Government Investment Pool (DELGIP). DELGIP operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. DELGIP was created by the State of Delaware, and funds are under the control of the State Treasurer or other administrative bodies as determined by Delaware's Cash Management Policy Board. Funds may be combined with funds of the State of Delaware while invested in the pool. The investment's fair value is \$ 875,552 at April 30, 2011, based on the pool's share price, which DELGIP is required to maintain at \$ 1 per share. The maturity of this investment is less than one year. Information is not available concerning the indirect use of derivatives through the investment pool.

NOTE C - PROPERTY TAXES

The Town's property tax year runs from May 1 to April 30. Property taxes are recorded and attached as an enforceable lien on property on May 1, the date levied. Taxes are payable under the following terms: May 1 through August 31, face amount; after August 31, a 1.5% penalty per month is charged on the unpaid balance due. Property taxes are recognized as revenue in the budget year (beginning May 1 after the levy date) for which they are levied. The Town bills and collects its own taxes. The property tax rate for the year ended April 30, 2011, based on assessments, was \$.1144 per \$ 100 of assessed valuation. The total assessed value of all taxable real property and improvements at May 1, 2010 was \$ 956,900,600. The Town does not have an allowance for delinquent taxes because all taxes are considered collectible.

NOTE D - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2011, was as follows:

	Balance at April 30, 2010	Increases	Decreases	Balance at April 30, 2011
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,490,621	\$ -	\$ -	\$ 1,490,621
Other capital assets:				
Buildings and improvements	3,662,928	67,756	-	3,730,684
Equipment	852,775	37,233	19,915	870,093
Vehicles	441,567	36,926	46,003	432,490
Infrastructure	2,292,651	520,175	-	2,812,826
Total other capital assets	7,249,921	662,090	65,918	7,846,093
Less accumulated depreciation for:				
Buildings and improvements	562,068	82,565	-	644,633
Equipment	568,189	85,317	18,478	635,028
Vehicles	390,358	24,056	46,003	368,411
Infrastructure	184,017	54,784	-	238,801
Total accumulated depreciation	1,704,632	246,722	64,481	1,886,873
Other capital assets, net	5,545,289	415,368	1,437	5,959,220
Governmental Activities				
Capital Assets, Net	\$ 7,035,910	\$ 415,368	\$ 1,437	\$ 7,449,841

NOTE D - CAPITAL ASSETS - CONTINUED

	<u>Balance at April 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at April 30, 2011</u>
Business-type Activities:				
Capital assets:				
Water distribution system	\$ 6,329,251	\$ 6,825	\$ -	\$ 6,336,076
Less accumulated depreciation				
for:				
Water distribution system	<u>342,351</u>	<u>158,288</u>	<u>-</u>	<u>500,639</u>
 Business-type Activities				
Capital Assets, Net	<u>\$ 5,986,900</u>	<u>\$ (151,463)</u>	<u>\$ -</u>	<u>\$ 5,835,437</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 34,060
Public safety	128,428
Public works	<u>84,234</u>
 Total governmental activities depreciation expense	 <u>\$ 246,722</u>
 Business-type activities:	
Water	<u>\$ 158,288</u>

NOTE E - TOWN EMPLOYEE PENSION PLAN

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

The Town has a non-qualified deferred compensation plan for full-time police personnel. Police employees, over age 21, attain a 100% vested interest upon completion of five consecutive years of participation under the plan. All monies received by the Town under Title 18 of the Delaware Code, § 707 to § 710 were contributed to the plan. The funds were used to purchase annuities and/or life insurance policies issued by the Metropolitan Life Insurance Company. The plan does not provide for contributions by the participants. Because the policies are owned by the Town, they are presented in a pension trust fund. The assets are presented at the value provided by Metropolitan Life Insurance Company, which at April 30, 2011 had a fair value of \$ 12,991. The Town suspended contributions to the Plan at April 30, 2003.

On May 1, 2003, the Town became a participant in the State of Delaware County and Municipal Police Pension Plan (DCMPPP), a cost-sharing multiple-employer defined benefit plan administered by the State of Delaware Board of Pension Trustees. All full-time police employees are eligible to participate. DCMPPP provides retirement, disability and survivor benefits to plan members and beneficiaries. The State of Delaware General Assembly is responsible for setting benefits and contributions, and amending plan provisions. Plan members are required to contribute 7% of base earnings to the DCMPPP. The Town is expected to make annual contributions as required by State statutes. The current rate is 13.90% of annual covered payroll. Pension contributions for the fiscal years ended April 30, 2011, 2010 and 2009 were \$ 48,345, \$ 42,855 and \$ 52,960, respectively.

On May 1, 2003, the Town became a participant in the State of Delaware County and Municipal Pension Plan (DCMPP), a cost-sharing multiple-employer defined benefit plan administered by the State of Delaware Board of Pension Trustees. All full-time or regular part-time employees and elected or appointed officials are eligible to participate. DCMPP provides retirement, disability and survivor benefits to plan members and beneficiaries. The State of Delaware General Assembly is responsible for setting benefits and contributions, and amending plan provisions. Plan members are required to contribute 3% of compensation that exceeds \$ 6,000 per annum to the DCMPP. The Town is expected to make annual contributions as required by State statutes. The current rate is 6.20% of annual covered payroll. Pension contributions for the fiscal years ended April 30, 2011, 2010 and 2009 were \$ 27,009, \$ 28,400 and \$ 25,513, respectively.

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

NOTE F - LONG-TERM LIABILITIES

Long-term liability activity for the year ended April 30, 2011, was as follows:

	<u>April 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>April 30, 2011</u>	<u>Due Within One Year</u>
Governmental					
Activities:					
Compensated absences	<u>\$ 67,953</u>	<u>\$ 56,596</u>	<u>\$ 53,460</u>	<u>\$ 71,089</u>	<u>\$ 28,666</u>
Business-type					
Activities					
General obligation bonds	<u>\$ 4,494,892</u>	<u>\$ -</u>	<u>\$ 49,709</u>	<u>\$ 4,445,183</u>	<u>\$ 51,844</u>

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

Description of General Obligation Bond

At April 30, 2011, the business-type general obligation bonds are follows:

	<u>Business-type</u>
General obligation bond series 2007 RUS-A, payments of \$ 49,514 due quarterly at 4.25% interest rate; final payment of balance due December 21, 2047.	\$ 3,672,726
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>772,457</u>
TOTAL GENERAL OBLIGATION BONDS	<u>\$ 4,445,183</u>

The total debt service payments are as follows:

<u>Year ending April 30,</u>	<u>Business-type Activities - General Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 51,844	\$ 187,140	\$ 238,984
2013	54,071	184,913	238,984
2014	56,393	182,591	238,984
2015	58,816	180,168	238,984
2016	61,342	177,642	238,984
2017 - 2021	348,572	846,348	1,194,920
2022 - 2026	430,151	764,769	1,194,920
2027 - 2031	530,825	664,095	1,194,920
2032 - 2036	655,066	539,854	1,194,920
2037 - 2041	808,389	386,531	1,194,920
2042 - 2046	997,605	197,315	1,194,920
2047 - 2048	<u>392,109</u>	<u>16,450</u>	<u>408,559</u>
TOTAL	<u>\$ 4,445,183</u>	<u>\$ 4,327,816</u>	<u>\$ 8,772,999</u>

NOTE G - INTERFUND BALANCES

Interfund balances at April 30, 2011, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Total Amount</u>	<u>Long-term Amount</u>
General fund	Water fund	\$ <u>170,895</u>	\$ <u>170,895</u>

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

NOTE H - RISK MANAGEMENT

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

NOTE I - COMMITMENTS

Subsequent to April 30, 2011, the Town has approved the award of a contract for the construction of solar panels in the amount of \$ 387,900.

SUPPLEMENTARY INFORMATION

**TOWN OF OCEAN VIEW
SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED APRIL 30, 2011**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Over (Under)</u>
GENERAL GOVERNMENT			
Advertising	\$ 6,800	\$ 4,549	\$ (2,251)
Communications	7,000	7,193	193
Comprehensive plan	2,000	-	(2,000)
Computer programming	13,000	21,714	8,714
Donations	68,000	68,000	-
Dues and subscriptions	2,600	2,977	377
Education	2,500	1,756	(744)
Employee retirement	19,600	22,614	3,014
Insurance - hospitalization	93,700	80,210	(13,490)
Insurance - workers comp	2,200	2,128	(72)
Insurance - other	16,000	12,976	(3,024)
Maintenance and repairs - building	16,000	17,316	1,316
Mileage	3,500	2,662	(838)
Miscellaneous	5,200	353	(4,847)
Non-capital equipment	4,000	1,457	(2,543)
Payroll wages	315,900	342,622	26,722
Payroll wages - overtime	3,200	9,031	5,831
Payroll - council and committees	7,000	7,347	347
Payroll taxes	28,200	29,864	1,664
Postage	7,300	5,493	(1,807)
Printing	1,500	3,295	1,795
Professional fees	67,300	122,274	54,974
Property assessment	181,000	22,312	(158,688)
Public relations	11,000	7,877	(3,123)
Supplies	9,000	8,513	(487)
Realty transfer tax bank charges	4,500	5,976	1,476
Trash collection	500	521	21
Utilities	15,300	14,276	(1,024)
	<u>913,800</u>	<u>825,306</u>	<u>(88,494)</u>
TOTAL GENERAL GOVERNMENT			

TOWN OF OCEAN VIEW
SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED APRIL 30, 2011

	Final Budget	Actual	Variance with Final Budget - Over (Under)
PUBLIC SAFETY			
Advertising	\$ 2,200	\$ 93	\$ (2,107)
Canine expense	100	-	(100)
Communications	17,400	15,150	(2,250)
Computer programming	5,700	2,535	(3,165)
Dues and subscriptions	2,100	1,550	(550)
Education	9,300	6,305	(2,995)
Employee retirement	47,600	48,345	745
Gas and oil	25,800	18,442	(7,358)
Insurance - hospitalization	131,100	114,478	(16,622)
Insurance - workers comp	26,000	25,115	(885)
Insurance - other	33,000	16,108	(16,892)
Maintenance and repairs - building	6,800	9,326	2,526
Mileage	200	-	(200)
Miscellaneous	1,500	1,028	(472)
Non-capital equipment	6,600	3,609	(2,991)
Payroll wages	366,500	374,050	7,550
Payroll wages - overtime	8,800	41,638	32,838
Payroll taxes	33,700	34,931	1,231
Postage	1,000	535	(465)
Printing	1,000	285	(715)
Professional fees	5,700	8,556	2,856
Public relations	1,800	596	(1,204)
Repairs and maintenance - vehicles and equipment	15,600	11,066	(4,534)
Supplies	10,600	30,398	19,798
Trash collection	1,300	919	(381)
Uniforms	5,300	7,861	2,561
Utilities	24,000	16,356	(7,644)
	<u>790,700</u>	<u>789,275</u>	<u>(1,425)</u>
TOTAL PUBLIC SAFETY			

TOWN OF OCEAN VIEW
SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED APRIL 30, 2011

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	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Over (Under)</u>
PUBLIC WORKS			
Advertising	\$ 500	\$ 2,588	\$ 2,088
Communications	1,100	301	(799)
Drainage	14,800	15,198	398
Dues and subscriptions	500	-	(500)
Education	1,000	50	(950)
Employee retirement	4,900	3,807	(1,093)
Gas and oil	5,100	5,568	468
Grass cutting	-	5,735	5,735
Insurance - hospitalization	38,700	23,883	(14,817)
Insurance - workers comp	5,200	4,823	(377)
Insurance - other	11,400	6,262	(5,138)
Maintenance and repairs - building	5,400	6,156	756
Mileage	-	56	56
Miscellaneous	200	-	(200)
Non-capital equipment	5,800	2,270	(3,530)
Park expense	11,100	15,511	4,411
Pave and resurface streets	-	7,645	7,645
Payroll wages	125,800	56,640	(69,160)
Payroll wages - overtime	4,000	4,932	932
Payroll taxes	12,400	5,655	(6,745)
Postage	300	-	(300)
Printing	200	-	(200)
Professional fees	57,000	38,570	(18,430)
Public relations	800	122	(678)
Repairs and maintenance - vehicles and equipment	5,800	7,342	1,542
Street lighting	69,000	67,840	(1,160)
Street maintenance	11,600	15,689	4,089
Street signs	4,200	694	(3,506)
Supplies	12,100	3,923	(8,177)
Trash collection	3,600	3,576	(24)
Uniforms	1,500	1,081	(419)
Utilities	2,800	4,620	1,820
TOTAL PUBLIC WORKS	<u>416,800</u>	<u>310,537</u>	<u>(106,263)</u>
CAPITAL OUTLAY	<u>578,700</u>	<u>494,090</u>	<u>(84,610)</u>
TOTAL EXPENDITURES	<u>\$ 2,700,000</u>	<u>\$ 2,419,208</u>	<u>\$ (280,792)</u>

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TRUITT W. JEFFERSON, CPA, DIRECTOR
RETIRED

ANITA Y. SMITH, MEd, DIRECTOR

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

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

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Ocean View as of and for the year ended April 30, 2011, which collectively comprise the Town of Ocean View's basic financial statements and have issued our report thereon dated August 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Ocean View's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Ocean View's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Ocean View's internal control over financial reporting.

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.

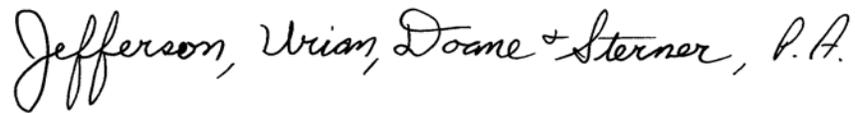
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that we consider to be significant deficiencies in internal control over financial reporting. (Findings 2011-1 and 2011-2). *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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Ocean View's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

A handwritten signature in cursive script that reads "Jefferson, Urian, Doane & Sterner, P.A.".

Georgetown, Delaware
August 9, 2011

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

2011-1 FINDING - Bank Reconciliations

Significant Deficiency: Not all bank reconciliations are being timely reviewed. The water system checking account was not properly reconciled as to correct dates and amounts.

Criteria: Bank reconciliations should be reviewed to find errors that can then be corrected on a timely basis.

Recommendation: On a monthly basis, all bank reconciliations should be reviewed to ensure that the reconciliations are complete and accurate and that any errors are corrected on a timely basis.

Auditee Response: *“The Finance Director will review all bank reconciliations on a monthly basis to ensure they are complete and accurate and that necessary corrections are made.”*

2011-2 FINDING - Segregation of Accounting Functions

Significant Deficiency: Due to staffing limitations, there is a lack of proper segregation of duties. A good system of internal control provides for proper segregation of the accounting functions. No one person should have access to both physical assets and the related accounting records or to all phases of a transaction. In addition, when an employee is on vacation or out of the office, their assigned procedures, such as reviewing and reconciliation may not be done. Multiple functions are performed by a single employee with no oversight.

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

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

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