

**TOWN OF OCEAN VIEW**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED APRIL 30, 2012**

**TOWN OF OCEAN VIEW  
INDEX  
FOR THE YEAR ENDED APRIL 30, 2012**

---

	<u>PAGES</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 - 2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3 - 10
<b>BASIC FINANCIAL STATEMENTS</b>	
<u><b>Government-wide Financial Statements</b></u>	
Statement of Net Assets	11
Statement of Activities	12
<u><b>Fund Financial Statements</b></u>	
Balance Sheet - Governmental Fund	13
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	16
Statement of Net Assets - Proprietary Fund	17
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund	18
Statement of Cash Flows - Proprietary Fund	19
Statement of Fiduciary Net Assets - Fiduciary Fund	20
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund	21
Notes to Basic Financial Statements	22 - 34
<b>SUPPLEMENTARY INFORMATION</b>	
<u><b>General Fund</b></u>	
Schedule of General Fund Expenditures - Budget and Actual	35 - 37
<b>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 <i>GOVERNMENT AUDITING STANDARDS</i></b>	38 - 39

DAVID R. URIAN, CPA  
DAVID C. DOANE, CPA  
CHARLES H. STERNER, JR. CPA, CVA  
SHELDON L. FORNEY, CPA  
JAY M. STEVENS, CPA, PFS  
ROGER R. REED, CPA  
ELAINE E. GRAVES, CPA  
BRYAN L. HUDSON, CPA

TRUITT W. JEFFERSON, CPA, DIRECTOR  
RETIRED

FREDERICK A. MAST, CPA, DIRECTOR

## 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, 2012, 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.

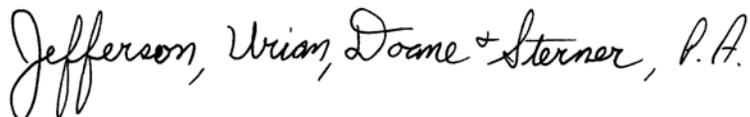
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Ocean View as of April 30, 2012, and the respective changes in financial 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 September 18, 2012, 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 was 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  
September 18, 2012

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

**TOWN OF OCEAN VIEW, DELAWARE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
APRIL 30, 2012**

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, 2012. 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, 2012, governmental activity assets exceeded liabilities by \$12,063,647. Of this amount, \$2,249,579 or 19 percent was unrestricted and may be used for ongoing obligations to citizens and creditors.
- The Town's net assets for governmental and business-type activities increased by \$732,016 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 \$13,487,768 as of April 30, 2012.

The following table is a summary of the government-wide statement of net assets for the years ended April 30, 2012 and 2011:

**Statement of Net Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Government</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Current and other assets	\$ 4,085,174	\$ 4,076,805	\$ 163,141	\$ 89,569	\$ 4,248,315	\$ 4,166,374
Capital assets	8,124,371	7,449,841	5,683,432	5,835,437	13,807,803	13,285,278
<b>Total assets</b>	<b>12,209,545</b>	<b>11,526,646</b>	<b>5,846,573</b>	<b>5,925,006</b>	<b>18,056,118</b>	<b>17,451,652</b>
Current and other liabilities	100,992	149,457	29,113	30,171	130,105	179,628
Long-term liabilities	44,906	71,089	4,393,339	4,445,183	4,438,245	4,516,272
<b>Total liabilities</b>	<b>145,898</b>	<b>220,546</b>	<b>4,422,452</b>	<b>4,475,354</b>	<b>4,568,350</b>	<b>4,695,900</b>
Net assets:						
Invested in capital assets, net of related debt	8,124,371	7,449,841	1,290,093	1,390,254	9,414,464	8,840,095
Restricted	1,689,697	1,689,942	-	-	1,689,697	1,689,942
Unrestricted	2,249,579	2,166,317	134,028	59,398	2,383,607	2,225,715
<b>Total net assets</b>	<b>\$ 12,063,647</b>	<b>\$ 11,306,100</b>	<b>\$ 1,424,121</b>	<b>\$ 1,449,652</b>	<b>\$ 13,487,768</b>	<b>\$ 12,755,752</b>

A significant portion of the Town's net assets of \$13,487,768 (70 percent or \$9,414,464) are not available for future spending as this represents amounts invested in capital assets (e.g., land, buildings, infrastructure, machinery and equipment). This investment is net of any related debt that was used to acquire those assets that is still outstanding. It is important to note that the resources needed to repay outstanding debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Of the remaining \$4,073,304 in net assets, \$69,072 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, \$1,529,774 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 \$2,249,579 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, 2012 and 2011:

**Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
<b>Program Revenues</b>						
Charges for services	\$ 520,766	\$ 573,742	\$ 470,877	\$ 490,319	\$ 991,643	\$ 1,064,061
Operating grants and contributions	211,317	177,330	-	-	211,317	177,330
Capital grants and contributions	537,127	252,671	-	26,303	537,127	278,974
<b>General revenue</b>						
Property taxes	1,220,514	1,094,739	-	-	1,220,514	1,094,739
Realty transfer taxes	586,957	622,640	-	-	586,957	622,640
Gross rental receipts taxes	197,418	117,281	-	-	197,418	117,281
Investment income	10,855	19,706	704	-	11,559	19,706
<b>Total revenues</b>	<b>3,284,954</b>	<b>2,858,109</b>	<b>471,581</b>	<b>516,622</b>	<b>3,756,535</b>	<b>3,374,731</b>
<b>Expenses:</b>						
General government	896,436	861,211	-	-	896,436	861,211
Public safety	948,776	920,553	-	-	948,776	920,553
Public works	682,195	393,212	-	-	682,195	393,212
Water system	-	-	497,112	505,337	497,112	505,337
<b>Total expenses</b>	<b>2,527,407</b>	<b>2,174,976</b>	<b>497,112</b>	<b>505,337</b>	<b>3,024,519</b>	<b>2,680,313</b>
<b>Increase (decrease) in net assets</b>	<b>757,547</b>	<b>683,133</b>	<b>(25,531)</b>	<b>11,285</b>	<b>732,016</b>	<b>694,418</b>
<b>Net assets - Beginning</b>	<b>11,306,100</b>	<b>10,622,967</b>	<b>1,449,652</b>	<b>1,438,367</b>	<b>12,755,752</b>	<b>12,061,334</b>
<b>Net assets - Ending</b>	<b>\$ 12,063,647</b>	<b>\$ 11,306,100</b>	<b>\$ 1,424,121</b>	<b>\$ 1,449,652</b>	<b>\$ 13,487,768</b>	<b>\$ 12,755,752</b>

**Government Activities**

Total government net assets increased by \$732,016 during fiscal year 2012.

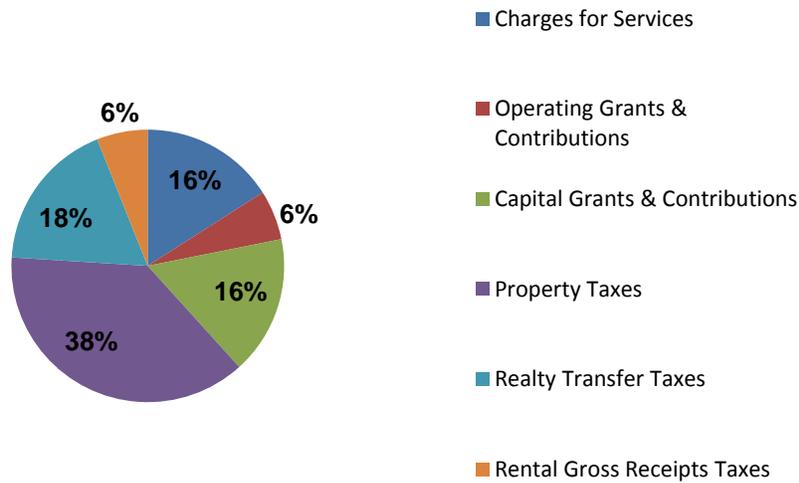
Property taxes and realty transfer taxes received during fiscal year 2012 totaled \$1,220,514 and \$586,957, respectively.

**2012 Revenues - Governmental Activities**

- Realty transfer tax decreased by \$35,683 or six percent from the prior fiscal year. This decrease primarily results from a decrease in the number of new homes constructed in a new subdivision in the Town.
- Property taxes increased by \$125,775, or eleven percent from the prior fiscal year. This increase resulted from new homes and improvements being assessed and added to the tax base and the property tax rate for fiscal year 2012 was increased from \$0.1144 to \$0.1236 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 18 percent, capital grants and contributions of 16 percent, charges for services of 16 percent, and the remaining 12 percent from other sources including operating grants and contributions and rental gross receipts taxes.

### Revenues by Source



### 2012 Expenses - Governmental Activities

During most of the fiscal year, the Town continued to provide 24 hour, 7 days a week coverage for police service. The Town also continued to provide street maintenance for the Town owned streets and street lighting for Town owned streets and for streets owned by the State of Delaware. The following chart shows the governmental expenses by type. Payroll and related personnel costs such as payroll taxes, employee retirement contributions, health insurance, and workers compensation premiums total \$1,276,706, or approximately 56 percent of the total departmental expenses of \$2,299,787. Approximately 40 percent of the remaining \$1,023,081 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 2012, the Town's governmental fund balance decreased \$36,298 to \$3,873,448. The unassigned fund balance component of the General Fund decreased \$231,106 to \$1,988,698.

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 \$58,500 because of a \$58,500 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.

Additionally, \$35,000 was added to the capital outlay budget for a public works truck that was needed for the snow plowing season.

### **Budget to Actual - Revenues**

General Fund revenues exceeded the budget by \$798,427. Property taxes, realty transfer taxes, and rental gross receipts taxes, exceeded the budget by \$51,485, \$86,957, and \$78,918, respectively, because the Town was not impacted as much as anticipated by the continuing housing crisis. Other grants and public safety grants exceeded the budget by \$473,878, primarily from grant receipts for the solar array installed under a grant from the Delaware Energy Office. This revenue was not budgeted because the Town

conservatively only budgets for those ongoing grants that can be readily determinable and have been consistently received.

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

**Budget to Actual - Expenditures**

Total expenditures were under the final budget by \$481,775. Property assessment expenditures were under budget by \$98,176 because the actual cost of the reassessment of all Town properties during fiscal year 2012 was less than projected. Payroll wages and related employee costs for Public Safety was under budget by \$80,202 because certain positions were not filled during the year. Pave and resurface streets during the fiscal year totaled \$366,178 which represents costs covering two years of paving projects, including the fiscal year 2011 budgeted project that was not completed until early in fiscal year 2012. Additionally, these street maintenance costs are budgeted for in the capital budget. Additionally, two capital projects, a new public works building (\$250,000) and a drainage project on Woodland Avenue (\$580,000), were deferred and have been included in the FY13 capital budget.

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, 2012, net of \$2,538,045 accumulated depreciation were \$13,807,803. 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 completed during fiscal year 2012.

**Capital Assets, Net of Accumulated Depreciation**

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
Land	\$ 1,490,621	\$ 1,490,621	\$ -	\$ -	\$ 1,490,621	\$ 1,490,621
Construction in progress	660,557	-	-	-	660,557	-
Buildings and improvements	3,048,465	3,086,051	-	-	3,048,465	3,086,051
Vehicles and equipment	245,575	299,144	-	-	245,575	299,144
Infrastructure	2,679,153	2,574,025	-	-	2,679,153	2,574,025
Water distribution system	-	-	5,683,432	5,835,437	5,683,432	5,835,437
<b>Total</b>	<b>\$ 8,124,371</b>	<b>\$ 7,449,841</b>	<b>\$ 5,683,432</b>	<b>\$ 5,835,437</b>	<b>\$ 13,807,803</b>	<b>\$ 13,285,278</b>

**Long-term Debt**

The Town’s long-term debt at April 30, 2012, consists of \$4,393,339 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 2013 compared to fiscal 2012 increased by \$230,700 due to the net impact of (1) increased realty transfer taxes projected and (2) increased property taxes and fees from building permits and business and rental licenses. The property tax rate for fiscal year 2013 was increased by 28 percent - from \$0.1236 to \$0.1588 per \$100 of assessed value. As a result of the reassessment during fiscal year 2012, the net assessed value of all taxable property in the Town decreased by 23 percent. The reassessment was planned to be revenue neutral and the increase in the property tax rate was necessary to ensure that property taxes billed based on the decreased assessed value for fiscal year 2013 were equal to taxes billed for fiscal year 2012.

The Town appropriated \$1,052,900 from its reserves for anticipated spending in fiscal year 2013.

**Request for Information**

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

Ms. Dianne L. Vogel  
Town Manager

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

Telephone: (302) 539-9797

Email: [townmgtov@oceanviewde.com](mailto:townmgtov@oceanviewde.com)

## **BASIC FINANCIAL STATEMENTS**

TOWN OF OCEAN VIEW  
STATEMENT OF NET ASSETS  
APRIL 30, 2012

- 11 -

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,033,299	\$ 81,958	\$ 2,115,257
Receivables, net			
Taxes	18,563	-	18,563
Water usage	-	153,318	153,318
Other	210,036	24,218	234,254
Internal balances	96,353	(96,353)	-
Investment - DELGIP	13,821	-	13,821
Restricted assets:			
Cash and cash equivalents	809,677	-	809,677
Investment - DELGIP	903,425	-	903,425
Capital assets:			
Land, improvements, and construction in progress	2,151,178	-	2,151,178
Other capital assets, net of depreciation	5,973,193	5,683,432	11,656,625
<b>TOTAL ASSETS</b>	<b>12,209,545</b>	<b>5,846,573</b>	<b>18,056,118</b>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	81,383	8,752	90,135
Accrued liabilities	19,609	20,361	39,970
Long-term liabilities:			
Due within one year	17,791	54,071	71,862
Due in more than one year	27,115	4,339,268	4,366,383
<b>TOTAL LIABILITIES</b>	<b>145,898</b>	<b>4,422,452</b>	<b>4,568,350</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	8,124,371	1,290,093	9,414,464
Restricted for:			
Realty transfer tax	69,072	-	69,072
Capital replacement	524,558	-	524,558
Emergency reserve	378,867	-	378,867
Street repair and replacement	626,349	-	626,349
SALLE	15,668	-	15,668
Municipal street aid	56,163	-	56,163
SLEAF	19,020	-	19,020
Unrestricted	2,249,579	134,028	2,383,607
<b>TOTAL NET ASSETS</b>	<b>\$ 12,063,647</b>	<b>\$ 1,424,121</b>	<b>\$ 13,487,768</b>

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

TOWN OF OCEAN VIEW  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED APRIL 30, 2012

Function/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>PRIMARY GOVERNMENT</b>							
<b>GOVERNMENTAL ACTIVITIES</b>							
General government	\$ 896,436	\$ 475,554	\$ 1,730	\$ 197,255	\$ (221,897)	\$ -	\$ (221,897)
Public safety	948,776	32,952	109,392	270,548	(535,884)	-	(535,884)
Public works	682,195	12,260	100,195	69,324	(500,416)	-	(500,416)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>2,527,407</b>	<b>520,766</b>	<b>211,317</b>	<b>537,127</b>	<b>(1,258,197)</b>	<b>-</b>	<b>(1,258,197)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Water distribution system	497,112	470,877	-	-	-	(26,235)	(26,235)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 3,024,519</b>	<b>\$ 991,643</b>	<b>\$ 211,317</b>	<b>\$ 537,127</b>	<b>(1,258,197)</b>	<b>(26,235)</b>	<b>(1,284,432)</b>
<b>GENERAL REVENUES</b>							
Taxes: Property					1,220,514	-	1,220,514
Realty transfer					586,957	-	586,957
Rental gross receipts					197,418	-	197,418
Unrestricted investment earnings					10,855	704	11,559
<b>TOTAL GENERAL REVENUES</b>					<b>2,015,744</b>	<b>704</b>	<b>2,016,448</b>
<b>CHANGE IN NET ASSETS</b>					<b>757,547</b>	<b>(25,531)</b>	<b>732,016</b>
<b>NET ASSETS - BEGINNING</b>					<b>11,306,100</b>	<b>1,449,652</b>	<b>12,755,752</b>
<b>NET ASSETS - ENDING</b>					<b>\$ 12,063,647</b>	<b>\$ 1,424,121</b>	<b>\$ 13,487,768</b>

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

**TOWN OF OCEAN VIEW  
BALANCE SHEET - GOVERNMENTAL FUND  
APRIL 30, 2012**

- 13 -

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,033,299
Taxes receivable	18,563
Receivable - other	210,036
Investment - DELGIP	13,821
Due from other funds	96,353
Restricted assets:	
Cash and cash equivalents	809,677
Investment - DELGIP	903,425
	<u>                    </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,085,174</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 81,383
Accrued liabilities	19,609
Deferred revenue:	
Grants	53,985
Taxes	16,967
Other	39,782
	<u>                    </u>
<b>TOTAL LIABILITIES</b>	<u>211,726</u>
<b>FUND BALANCES</b>	
Nonspendable	
Non-current assets	96,353
Restricted	
Realty transfer tax	69,072
Capital replacement	524,558
Emergency reserve	378,867
Street repair and replacement	626,349
DNREC grant	98,700
Municipal street aid grant	56,163
SALLE grant	15,668
SLEAF grant	19,020
Unassigned	1,988,698
	<u>                    </u>
<b>TOTAL FUND BALANCES</b>	3,873,448
<b>Amounts reported for governmental activities in the Statement of Net Assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	8,124,371
Other assets are not available to pay for current period expenditures and therefore are deferred in the funds.	110,734
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(44,906)</u>
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 12,063,647</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, 2012**

---

- 14 -

	<u>General Fund</u>
<b>REVENUES</b>	
Taxes	\$ 1,998,960
Intergovernmental	621,778
Charges for services	441,956
Fines and forfeits	34,690
Interest	12,815
Miscellaneous	2,528
	<u>3,112,727</u>
<b>TOTAL REVENUES</b>	<u>3,112,727</u>
<b>EXPENDITURES</b>	
<b>Current:</b>	
General government	880,248
Public safety	837,077
Public works	582,462
<b>Capital outlay</b>	<u>849,238</u>
	<u>3,149,025</u>
<b>TOTAL EXPENDITURES</b>	<u>3,149,025</u>
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	(36,298)
<b>FUND BALANCE - BEGINNING</b>	<u>3,909,746</u>
<b>FUND BALANCE - ENDING</b>	<u><u>\$ 3,873,448</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, 2012**

---

<b>NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND</b>	<b>\$ (36,298)</b>
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 (\$ 849,238) exceeded depreciation (\$ 250,604) in the current period.	598,634
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	75,896
Grants	47,422
Reimbursed expenditures	39,782
Taxes	5,929
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	21,131
Payroll taxes	5,051
	5,051
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 757,547</b>

**TOWN OF OCEAN VIEW**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED APRIL 30, 2012**

- 16 -

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget - Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Building/sign permits	\$ 160,000	\$ 160,000	\$ 133,622	\$ (26,378)
Business/rental licenses	74,000	74,000	103,024	29,024
CATV	55,000	55,000	61,128	6,128
Donations	100	100	150	50
Impact fees	45,000	45,000	92,490	47,490
Interest	24,000	24,000	12,815	(11,185)
Municipal street aid	75,600	75,600	99,355	23,755
Other grants	-	-	176,970	176,970
Police pension fund	35,000	35,000	28,545	(6,455)
Property taxes	1,163,100	1,163,100	1,214,585	51,485
Public safety fines	25,000	25,000	32,017	7,017
Public safety grants	20,000	20,000	316,908	296,908
Reimbursed expenses	12,000	12,000	26,092	14,092
Realty transfer taxes	500,000	500,000	586,957	86,957
Rental gross receipts	118,500	118,500	197,418	78,918
Tax penalties	-	-	2,673	2,673
Zoning fees	5,000	5,000	25,580	20,580
Miscellaneous	2,000	2,000	2,398	398
<b>TOTAL REVENUES</b>	<b>2,314,300</b>	<b>2,314,300</b>	<b>3,112,727</b>	<b>798,427</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	906,600	965,100	880,248	(84,852)
Public safety	926,900	926,900	837,077	(89,823)
Public works	363,600	363,600	582,462	218,862
<b>Capital outlay</b>	<b>1,340,200</b>	<b>1,375,200</b>	<b>849,238</b>	<b>(525,962)</b>
<b>TOTAL EXPENDITURES</b>	<b>3,537,300</b>	<b>3,630,800</b>	<b>3,149,025</b>	<b>(481,775)</b>
<b>EXCESS OF EXPENDITURES (OVER) UNDER REVENUES</b>	<b>(1,223,000)</b>	<b>(1,316,500)</b>	<b>(36,298)</b>	<b>1,280,202</b>
<b>FUND BALANCE - BEGINNING</b>	<b>3,909,746</b>	<b>3,909,746</b>	<b>3,909,746</b>	<b>-</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 2,686,746</b>	<b>\$ 2,593,246</b>	<b>\$ 3,873,448</b>	<b>\$ 1,280,202</b>

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

**TOWN OF OCEAN VIEW  
STATEMENT OF NET ASSETS - PROPRIETARY FUND  
APRIL 30, 2012**

- 17 -

---

	<b>Water Enterprise Fund</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 81,958
Receivables	
Water usage, net of allowance for doubtful accounts	153,318
Other	24,218
	<hr/>
<b>TOTAL CURRENT ASSETS</b>	259,494
<b>NONCURRENT ASSETS</b>	
Capital assets, net of depreciation	5,683,432
	<hr/>
<b>TOTAL ASSETS</b>	5,942,926
	<hr/>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable and other current liabilities	8,752
Accrued interest payable	20,361
Due to general fund	96,353
Current portion of long-term liabilities	54,071
	<hr/>
<b>TOTAL CURRENT LIABILITIES</b>	179,537
<b>LONG-TERM LIABILITIES, LESS CURRENT PORTION</b>	4,339,268
	<hr/>
<b>TOTAL LIABILITIES</b>	4,518,805
	<hr/>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,290,093
Unrestricted	134,028
	<hr/>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 1,424,121</u></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, 2012**

- 18 -

---

	<b>Water Enterprise Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 454,089
<b>OPERATING EXPENSES</b>	
Advertising	610
Depreciation	158,429
Dues and subscriptions	250
Insurance expense	2,500
Meter reading charges	26,575
Repairs and maintenance	160
Salaries	10,459
Water charges	89,515
Water service agreement	21,520
<b>TOTAL OPERATING EXPENSES</b>	<u>310,018</u>
<b>OPERATING INCOME</b>	<u>144,071</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Connection and inspection fees	4,360
Interest income	704
Miscellaneous income	12,428
Miscellaneous expense	(306)
Interest expense	<u>(186,788)</u>
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>(169,602)</u>
<b>CHANGE IN NET ASSETS</b>	(25,531)
<b>TOTAL NET ASSETS - BEGINNING</b>	<u>1,449,652</u>
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ 1,424,121</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, 2012**

- 19 -

	<b>Water Enterprise Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 443,140
Payments to suppliers	(153,068)
Payments to employees	(10,458)
	<hr/>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	279,614
	<hr/>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Advances to other funds	(74,542)
Other receipts	33,428
	<hr/>
<b>NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	(41,114)
	<hr/>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(6,424)
Inspection and connection fees	4,220
Retirement of bonds	(51,844)
Interest paid	(187,140)
	<hr/>
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(241,188)
	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	704
	<hr/>
<b>NET DECREASE IN CASH</b>	(1,984)
	<hr/>
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	83,942
	<hr/>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	\$ 81,958
	<hr/> <hr/>
<b>RECONCILIATION OF INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 144,071
Adjustments to reconcile operating income to net cash provided:	
Depreciation	158,429
Changes in assets and liabilities:	
Accounts receivable, net	(22,181)
Accounts payable	(705)
	<hr/>
<b>NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	\$ 279,614
	<hr/> <hr/>

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

**TOWN OF OCEAN VIEW  
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUND  
APRIL 30, 2012**

---

- 20 -

	<u>Pension Trust Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 13,320
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<u>\$ 13,320</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, 2012**

---

- 21 -

	<u>Pension Trust Fund</u>
<b>ADDITIONS</b>	
Investment:	
Investment income	\$          329
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - BEGINNING</b>	<u>12,991</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - ENDING</b>	<u><u>\$         13,320</u></u>

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

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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**

*Governmental Fund Balances*

The Town has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the current year. In the fund financial statements, governmental funds report amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form such as prepaid items or inventories; or (2) legally or contractually required to be maintained intact. It is the responsibility of the Finance Director to categorize these funds as defined.

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

- a. Restricted fund balance - This classification reflects the constraints imposed on resources either (1) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
- b. Committed fund balance - These amounts can only be used for specific purposes pursuant to constraints imposed by formal ordinances or resolution by a majority vote of the Town Council, the government's highest level of decision-making authority. Those committed amounts cannot be used for any purpose unless the Town Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. There were no funds committed as of the year ended April 30, 2012.
- c. Assigned fund balance - This classification reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed. The Town Council solely has the authority to specifically assign funds. There were no funds assigned as of the year ended April 30, 2012.
- d. Unassigned fund balances - This fund balance is the residual classification for the General Fund. This represents the resources available for future spending.

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

When both restricted and unrestricted funds are available for expenditures, it will be the responsibility of the Finance Director to determine which funds should generally be spent first. When committed, assigned, and unassigned funds are available for expenditures, committed funds should generally be spent first, assigned funds second, and unassigned funds last; unless Town Council has provided otherwise in its commitment or assignment actions.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**9. Accounts Receivable**

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

**10. Revenues**

Those revenues susceptible to accrual are property taxes, interest revenue, intergovernmental, and miscellaneous. All other revenue items are considered 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.

**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.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**15. Budgets and Budgetary Accounting**

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

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

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

**NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Cash at April 30, 2012 consisted of the following:

**UNRESTRICTED CASH**

General Fund			
Operating - checking	\$	93,543	
Operating - money market		748,274	
Health reimbursement		5,873	
Operating - certificate of deposit		1,185,409	
Petty cash		200	
Water Fund			
Water distribution system - checking		404	
Water distribution system - money market		81,554	
<b>TOTAL UNRESTRICTED CASH</b>			\$ 2,115,257

**RESTRICTED CASH**

General Fund			
SALLE - checking		15,668	
Municipal street aid - money market		56,163	
Realty transfer tax - money market		69,072	
Bear Trap easement - certificate of deposit		19,611	
Street repair and replacement - certificate of deposit		506,286	
Street repair and replacement - money market		120,063	
SLEAF - checking		22,814	
Fiduciary Fund			
MetLife pension benefits		13,320	
<b>TOTAL RESTRICTED CASH</b>			822,997

<b>TOTAL CASH</b>			<b>\$ 2,938,254</b>
-------------------	--	--	---------------------

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

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, 2012, the carrying amount of the Town's deposits was \$ 2,938,254 and the bank balance was \$ 2,994,920.

**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 \$ 917,246 at April 30, 2012, 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, 2012, based on assessments, was \$ .1236 per \$ 100 of assessed valuation. The total assessed value of all taxable real property and improvements at May 1, 2011 was \$ 987,453,900. The Town does not have an allowance for delinquent taxes because all taxes are considered collectible.

**NOTE D - CAPITAL ASSETS**

Capital asset activity for the year ended April 30, 2012, was as follows:

	Balance at April 30, 2011	Increases	Decreases	Balance at April 30, 2012
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,490,621	\$ -	\$ -	\$ 1,490,621
Construction in progress	-	660,557	-	660,557
Total capital assets, not being depreciated	<u>1,490,621</u>	<u>660,557</u>	<u>-</u>	<u>2,151,178</u>
Other capital assets:				
Buildings and improvements	3,730,684	45,072	231,813	3,543,943
Equipment	870,093	9,840	-	879,933
Vehicles	432,490	35,141	26,687	440,944
Infrastructure	<u>2,812,826</u>	<u>174,524</u>	<u>-</u>	<u>2,987,350</u>
Total other capital assets	<u>7,846,093</u>	<u>264,577</u>	<u>258,500</u>	<u>7,852,170</u>
Less accumulated depreciation for:				
Buildings and improvements	644,633	82,658	231,813	495,478
Equipment	635,028	73,752	-	708,780
Vehicles	368,411	24,798	26,687	366,522
Infrastructure	<u>238,801</u>	<u>69,396</u>	<u>-</u>	<u>308,197</u>
Total accumulated depreciation	<u>1,886,873</u>	<u>250,604</u>	<u>258,500</u>	<u>1,878,977</u>
Other capital assets, net	<u>5,959,220</u>	<u>13,973</u>	<u>-</u>	<u>5,973,193</u>
<b>Governmental Activities</b>				
<b>Capital Assets, Net</b>	<u>\$ 7,449,841</u>	<u>\$ 674,530</u>	<u>\$ -</u>	<u>\$ 8,124,371</u>

**NOTE D - CAPITAL ASSETS - CONTINUED**

	<u>Balance at April 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at April 30, 2012</u>
<b>Business-type Activities:</b>				
Capital assets:				
Water distribution system	\$ 6,336,076	\$ 6,424	\$ -	\$ 6,342,500
Less accumulated depreciation				
for:				
Water distribution system	<u>500,639</u>	<u>158,429</u>	<u>-</u>	<u>659,068</u>
 <b>Business-type Activities</b>				
<b>Capital Assets, Net</b>	<u>\$ 5,835,437</u>	<u>\$ (152,005)</u>	<u>\$ -</u>	<u>\$ 5,683,432</u>

Depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>	
General government	\$ 36,952
Public safety	114,508
Public works	<u>99,144</u>
 <b>Total governmental activities depreciation expense</b>	 <u>\$ 250,604</u>
 <b>Business-type activities:</b>	
Water	<u>\$ 158,429</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, 2012 had a fair value of \$ 13,320. 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 14.53% of annual covered payroll. Pension contributions for the fiscal years ended April 30, 2012, 2011 and 2010 were \$ 47,712, \$ 48,345 and \$ 42,855, 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 6.55% of annual covered payroll. Pension contributions for the fiscal years ended April 30, 2012, 2011 and 2010 were \$ 28,042, \$ 27,009 and \$ 28,400, 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, 2012, was as follows:

	<u>April 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>April 30, 2012</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Compensated absences	<u>\$ 71,089</u>	<u>\$ 34,119</u>	<u>\$ 60,302</u>	<u>\$ 44,906</u>	<u>\$ 17,791</u>
<b>Business-type Activities</b>					
General obligation bonds	<u>\$ 4,445,183</u>	<u>\$ -</u>	<u>\$ 51,844</u>	<u>\$ 4,393,339</u>	<u>\$ 54,071</u>

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

Description of General Obligation Bond

At April 30, 2012, 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.	<u>\$ 3,630,087</u>
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>763,252</u>
<b>TOTAL GENERAL OBLIGATION BONDS</b>	<u><b>\$ 4,393,339</b></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>
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	63,977	175,007	238,984
2018 - 2022	363,545	831,375	1,194,920
2023 - 2027	448,629	746,291	1,194,920
2028 - 2032	553,628	641,292	1,194,920
2033 - 2037	683,206	511,714	1,194,920
2038 - 2042	843,117	351,803	1,194,920
2043 - 2047	1,040,462	154,458	1,194,920
2048	166,153	3,423	169,576
<b>TOTAL</b>	<u><b>\$ 4,393,339</b></u>	<u><b>\$ 4,140,677</b></u>	<u><b>\$ 8,534,016</b></u>

**NOTE G - INTERFUND BALANCES**

Interfund balances at April 30, 2012, 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>\$ 96,353</u>	<u>\$ 96,353</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.

**SUPPLEMENTARY INFORMATION**

**TOWN OF OCEAN VIEW  
SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED APRIL 30, 2012**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Over (Under)</b>
<b>GENERAL GOVERNMENT</b>			
Advertising	\$ 7,000	\$ 9,186	\$ 2,186
Communications	8,300	7,056	(1,244)
Comprehensive plan	1,000	-	(1,000)
Computer programming	16,000	15,838	(162)
Donations	58,500	58,500	-
Dues and subscriptions	2,700	2,588	(112)
Education	700	630	(70)
Employee retirement	23,800	23,978	178
Insurance - hospitalization	94,100	82,911	(11,189)
Insurance - workers comp	2,300	2,322	22
Insurance - other	12,500	12,185	(315)
Maintenance and repairs - building	21,000	15,853	(5,147)
Mileage	2,700	1,864	(836)
Miscellaneous	2,500	879	(1,621)
Non-capital equipment	2,200	100	(2,100)
Payroll wages	355,100	362,461	7,361
Payroll wages - overtime	8,600	7,960	(640)
Payroll - council and committees	7,300	6,530	(770)
Payroll taxes	33,200	31,737	(1,463)
Postage	8,000	8,769	769
Printing	1,600	2,376	776
Professional fees	63,000	98,545	35,545
Property assessment	190,000	91,824	(98,176)
Public relations	12,000	9,137	(2,863)
Supplies	9,500	8,842	(658)
Realty transfer tax bank charges	5,000	5,062	62
Trash collection	500	566	66
Utilities	16,000	12,549	(3,451)
<b>TOTAL GENERAL GOVERNMENT</b>	<b>965,100</b>	<b>880,248</b>	<b>(84,852)</b>

**TOWN OF OCEAN VIEW**  
**SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGET AND ACTUAL - CONTINUED**  
**FOR THE YEAR ENDED APRIL 30, 2012**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Over (Under)</b>
<b>PUBLIC SAFETY</b>			
Advertising	\$ 1,000	\$ 137	\$ (863)
Communications	18,000	14,928	(3,072)
Computer programming	8,000	4,252	(3,748)
Dues and subscriptions	1,900	1,583	(317)
Education	9,000	14,401	5,401
Employee retirement	59,800	47,712	(12,088)
Gas and oil	23,000	23,895	895
Insurance - hospitalization	153,300	124,014	(29,286)
Insurance - workers comp	33,400	36,455	3,055
Insurance - other	24,000	18,241	(5,759)
Maintenance and repairs - building	12,000	11,877	(123)
Mileage	200	-	(200)
Miscellaneous	2,000	1,165	(835)
Non-capital equipment	4,400	2,797	(1,603)
Payroll wages	431,000	386,470	(44,530)
Payroll wages - overtime	27,800	37,133	9,333
Payroll taxes	41,700	35,014	(6,686)
Postage	700	721	21
Printing	500	601	101
Professional fees	7,900	4,861	(3,039)
Public relations	1,500	291	(1,209)
Repairs and maintenance - vehicles and equipment	16,000	12,080	(3,920)
Supplies	25,000	31,549	6,549
Trash collection	800	1,133	333
Uniforms	6,000	9,708	3,708
Utilities	18,000	16,059	(1,941)
<b>TOTAL PUBLIC SAFETY</b>	<b>926,900</b>	<b>837,077</b>	<b>(89,823)</b>

**TOWN OF OCEAN VIEW**  
**SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGET AND ACTUAL - CONTINUED**  
**FOR THE YEAR ENDED APRIL 30, 2012**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Over (Under)</b>
<b>PUBLIC WORKS</b>			
Advertising	\$ 800	\$ 431	\$ (369)
Communications	300	392	92
Day labor	21,000	-	(21,000)
Drainage	25,000	800	(24,200)
Dues and subscriptions	100	40	(60)
Education	300	65	(235)
Employee retirement	4,400	3,588	(812)
Gas and oil	5,300	6,766	1,466
Grass cutting	-	420	420
Insurance - hospitalization	40,200	20,101	(20,099)
Insurance - workers comp	4,200	4,569	369
Insurance - other	11,000	5,739	(5,261)
Maintenance and repairs - building	5,000	6,308	1,308
Mileage	-	63	63
Miscellaneous	500	-	(500)
Non-capital equipment	5,800	2,020	(3,780)
Park expense	12,000	8,429	(3,571)
Pave and resurface streets	-	336,178	336,178
Payroll wages	61,800	59,898	(1,902)
Payroll wages - overtime	4,900	4,577	(323)
Payroll taxes	6,400	5,806	(594)
Postage	100	-	(100)
Printing	100	-	(100)
Professional fees	39,100	17,828	(21,272)
Public relations	300	300	-
Repairs and maintenance - vehicles and equipment	6,000	6,984	984
Street lighting	66,000	59,491	(6,509)
Street maintenance	16,000	2,105	(13,895)
Street signs	4,200	5,754	1,554
Supplies	12,500	13,000	500
Trash collection	3,000	4,498	1,498
Uniforms	700	1,345	645
Utilities	6,600	4,967	(1,633)
<b>TOTAL PUBLIC WORKS</b>	<b>363,600</b>	<b>582,462</b>	<b>218,862</b>
<b>CAPITAL OUTLAY</b>	<b>1,375,200</b>	<b>849,238</b>	<b>(525,962)</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 3,630,800</b>	<b>\$ 3,149,025</b>	<b>\$ (481,775)</b>

DAVID R. URIAN, CPA  
DAVID C. DOANE, CPA  
CHARLES H. STERNER, JR. CPA, CVA  
SHELDON L. FORNEY, CPA  
JAY M. STEVENS, CPA, PFS  
ROGER R. REED, CPA  
ELAINE E. GRAVES, CPA  
BRYAN L. HUDSON, CPA

TRUITT W. JEFFERSON, CPA, DIRECTOR  
RETIRED  
FREDERICK A. MAST, CPA, DIRECTOR

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

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

We have audited 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, 2012, which collectively comprise the Town of Ocean View's basic financial statements and have issued our report thereon dated September 18, 2012. 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

Management of the Town of Ocean View is responsible for establishing and maintaining effective 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Ocean View's internal control 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.

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*.

We noted certain matters that we reported to management of the Town of Ocean View, in a separate letter dated September 18, 2012.

This report is intended solely for the information and use of management, the Town Council, others within the entity, federal awarding agencies, and pass-through entities 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  
September 18, 2012