

TOWN OF OCEAN VIEW, DELAWARE

FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2017

TOWN OF OCEAN VIEW, DELAWARE

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INDEPENDENT AUDITORS' REPORT



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ocean View, Delaware, as of and for the year ended April 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Ocean View, Delaware's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Town of Ocean View, Delaware's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ocean View, Delaware, as of April 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 3 through 12 and pages 44 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2017, on our consideration of the Town of Ocean View, Delaware's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Ocean View, Delaware's internal control over financial reporting and compliance.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
September 12, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

APRIL 30, 2017

As management of the Town of Ocean View, Delaware (the "Town"), we have provided the readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended April 30, 2017. We encourage readers to consider the information presented here in conjunction with the annual budget and other community information found on the Town's website at www.oceanviewde.com. It should be noted that the additional information from the website and other Town sources is unaudited and has not been updated for events that may have occurred subsequent to the issuance of the respective reports.

FINANCIAL HIGHLIGHTS

- As of April 30, 2017, governmental activity assets exceeded liabilities by \$15,405,999. Of this amount, \$1,957,044 or 13% was unrestricted and may be used for ongoing obligations to citizens and creditors.
- The Town's net position for governmental and business-type activities increased by \$308,321 during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Ocean View's basic financial statements. The Town's basic financial statements are comprised of four components: (1) government-wide financial statements, (2) fund financial statements, (3) notes to the financial statements, and (4) required supplementary information, which includes this management's discussion and analysis. In addition to the basic financial statements, this report also contains other supplementary information as listed in the Table of Contents.

Government-wide Financial Statements

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

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

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

APRIL 30, 2017

The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. For example, uncollected property taxes are reported as assets, despite the fact that the Town has not received the actual cash from those levies.

Both of the government-wide financial statements distinguish functions of the Town that are governmental activities (those principally supported by taxes and revenues from other governments) and functions of the Town that are business-type activities (those that are intended to recover all or a significant portion of their costs through user fees and charges). The governmental activities of the Town include general administration, public safety and public works. The business-type activity of the Town is the water distribution system. The government-wide financial statements can be found on pages 13 - 14 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Town can be divided into 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 inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

Because the focus of the governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate this comparison between the governmental fund and government-wide activities.

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

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

APRIL 30, 2017

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

Fiduciary Fund: The Town has 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's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. This fund was closed during the fiscal year being reported and will not be included in future years. The basic fiduciary fund financial statements can be found on pages 22 - 23 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 - 43 of this report.

Required Supplementary Information

Other required supplementary information, in addition to this discussion and analysis, are the comparison of the general fund budget to actual (pages 44 – 47) and the Town's proportionate share of the net pension liabilities and contributions related to the Delaware Public Employees' Retirement System (pages 48 – 49).

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously noted, net position may serve over time as a useful indicator of the government-wide financial position. In the case of the Town of Ocean View, the net position as of April 30, 2017, was \$16,810,558.

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

APRIL 30, 2017

The following table is a summary of the government-wide statement of net position for the years ended April 30, 2017 and 2016:

	Governmental Activities		Business-type Activities		Total Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 4,920,763	\$ 5,176,708	\$ 668,610	\$ 537,321	\$ 5,589,373	\$ 5,714,029
Capital assets	10,701,959	10,185,378	4,863,728	5,090,732	15,565,687	15,276,110
Total assets	15,622,722	15,362,086	5,532,338	5,628,053	21,155,060	20,990,139
Deferred Outflows - retirement	393,202	103,661	-	-	393,202	103,661
Current and other liabilities	155,291	236,530	95,651	27,418	250,942	263,948
Long-term liabilities	336,122	23,712	4,032,128	4,162,753	4,368,250	4,186,465
Total liabilities	491,413	260,242	4,127,779	4,190,171	4,619,192	4,450,413
Deferred Inflows - retirement	118,512	79,888	-	-	118,512	79,888
Net position:						
Net investments in						
capital assets	10,701,959	10,185,378	764,914	927,979	11,466,873	11,113,357
Restricted	2,746,996	2,378,388	-	-	2,746,996	2,378,388
Unrestricted	1,957,044	2,561,851	639,645	509,903	2,596,689	3,071,754
Total net position	\$ 15,405,999	\$ 15,125,617	\$ 1,404,559	\$ 1,437,882	\$ 16,810,558	\$ 16,563,499

The beginning of the year net position for 2017 has been restated as described in the notes to the financial statements on page 43.

A significant portion of the Town's net position of \$16,810,558 (68% or \$11,466,873) is not available for future spending as this represents amounts invested in capital assets (e.g., land, buildings, infrastructure, machinery and equipment). This investment is net of any related debt that was used to acquire those assets that is still outstanding. The Town uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending, and with exception of business type assets, do not generate direct revenue for the Town. They do represent, however, an obligation on the part of the Town to maintain these assets into the future. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

APRIL 30, 2017

Of the remaining \$5,343,685 in net position, \$36,009 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, \$2,606,559 of the net position is held in three trust funds established by ordinance, funded with realty transfer tax funds and the use of these funds is restricted to cases of emergency, for capital asset repair and replacement, and for street and sidewalk repair and maintenance as described in the ordinances. The remaining \$104,428 is restricted for various grants. The unrestricted funds of \$2,596,689 may be used to meet the Town's ongoing obligations to citizens and creditors.

The following schedule shows the breakdown of changes in net position for total governmental and business-type activities for the years ended April 30, 2017 and 2016:

	Governmental Activities		Business-type Activities		Total Government	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues						
Charges for services	\$ 1,247,467	\$ 949,083	\$ 582,747	\$ 529,108	\$ 1,830,214	\$ 1,478,191
Operating grants and contributions	202,011	199,089	-	-	202,011	199,089
Capital grants and contributions	45,997	49,553	-	-	45,997	49,553
General revenue						
Property taxes	1,345,237	1,308,317	-	-	1,345,237	1,308,317
Transfer taxes	861,788	788,405	-	-	861,788	788,405
Rental gross receipts taxes	259,314	236,812	-	-	259,314	236,812
Investment income	18,300	6,905	8,753	1,045	27,053	7,950
Sale of assets	6,216	1,858	-	-	6,216	1,858
Total revenues	3,986,330	3,540,022	591,500	530,153	4,577,830	4,070,175
Expenses:						
General government	1,490,284	1,266,112	-	-	1,490,284	1,266,112
Public safety	1,281,686	1,282,171	-	-	1,281,686	1,282,171
Public works	933,978	493,006	-	-	933,978	493,006
Water system	-	-	563,561	557,124	563,561	557,124
Total expenses	3,705,948	3,041,289	563,561	557,124	4,269,509	3,598,413
Increase (decrease) in net position	280,382	498,733	27,939	(26,971)	308,321	471,762
Net position - Beginning, as restated	15,125,617	14,626,884	1,376,620	1,403,591	16,502,237	16,030,475
Net position - Ending	\$15,405,999	\$15,125,617	\$1,404,559	\$1,376,620	\$16,810,558	\$16,502,237

The beginning of the year net position for 2017 has been restated as described in the notes to the financial statements on page 43.

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

APRIL 30, 2017

Government Activities

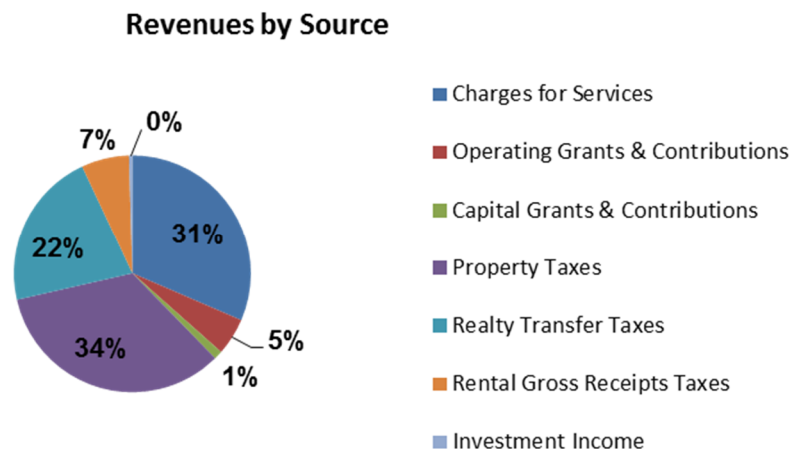
Total government net position increased by \$308,321 during fiscal year 2017.

Property taxes, realty transfer taxes, and rental gross receipts taxes received during fiscal year 2017 totaled \$1,345,237, \$861,788, and \$259,314, respectively.

2017 Revenues - Governmental Activities

- Realty transfer tax increased by \$73,383 (9%) over the prior fiscal year. This increase resulted from an increase in the number of new homes constructed in new subdivisions in the Town, increases in other new construction, and increases in property resales. New construction transfer tax increased by \$24,802 (6% over prior year new construction transfer tax), while resale transfer tax increased \$48,581 (12%).
- Property taxes increased by \$36,820 from the prior fiscal year as a result of new construction and home improvements that increased the total assessed value of taxable property.

The following chart shows property taxes as the largest source of governmental revenue comprising 34% of the total revenue, followed by charges for services of 31%, realty transfer taxes of 22%, rental gross receipts tax of 7%, and the remaining 6% from other sources including operating and capital grants and contributions.



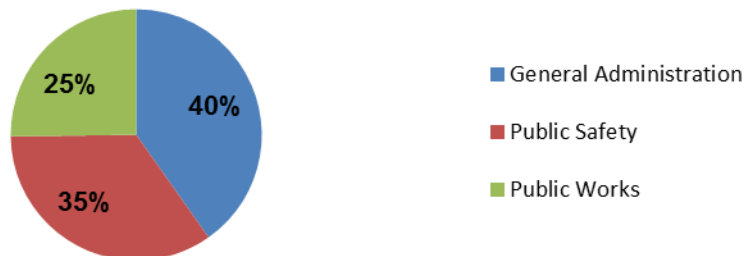
TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2017

2017 Expenses - Governmental Activities

During the fiscal year, the Town continued to provide 24 hour, 7 days a week coverage of police service. The Town also continued to provide street maintenance for the Town owned streets and street lighting for both Town owned streets and for streets owned by the State of Delaware. The following chart shows the governmental expenses by program. Payroll and related personnel costs such as payroll taxes, employee retirement contributions, health insurance, and workers compensation premiums total \$1,739,553 or approximately 47% of the total departmental expenses of \$3,705,948. Approximately 26% of the remaining \$1,966,395 of total governmental expenditures relates to expenditures for street maintenance, drainage, and lighting.

Expenses by Program



FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Fund

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

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

APRIL 30, 2017

During fiscal year 2017, the Town's governmental fund balance decreased by \$137,915 to \$4,750,508. The unassigned fund balance component of the General Fund decreased by \$630,040 to \$1,852,983.

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

Proprietary Fund

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

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenue and Appropriation Budget

The difference between appropriations originally budgeted and the final appropriation budget was an increase in expenditures of \$80,000 due to a grant made to the Millville Volunteer Fire Company from collections made to the Town's emergency services fund from building permits issued during the year.

Budget to Actual – Revenues

General Fund revenues exceeded the budget by \$961,997. Realty transfer taxes and rental gross receipts taxes exceeded the budget by \$111,788 and \$34,314, respectively, because of increased activity in the local real estate market. Charges for services related to the real estate market, primarily building permits, impact fees, business and rental licenses, and reimbursed expenses exceeded the budget by a total of \$644,779. The Ocean View Police Department was awarded a number of public safety grants which provided reimbursement for special duty officer time, equipment, and training which exceeded the budget by a total of \$61,747. The Town, while continuing with a fiscally conservative investment policy and budget model, made changes to investments, which resulted in revenue exceeding budget by \$48,385.

A comparison of budgeted to actual revenues is provided on page 44 of this report.

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

APRIL 30, 2017

Budget to Actual – Expenditures

The resurfacing and paving of streets budgeted for fiscal year 2017 were included in the fiscal year 2017 capital budget. Had this expense been budgeted in the operating budget, the public works department would end the fiscal year 2017 under budget. Going forward, street resurfacing and paving will be budgeted in the operating budget, where the expenses are captured. The capital budget had major drainage projects deferred to future years and reflected the adoption of a plan to bring the sidewalks owned by the Town into compliance with current ADA regulations.

A comparison of budgeted to actual expenditures is provided on pages 45 - 47 of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Town's investment in capital assets for its governmental and business-type activities as of April 30, 2017 was \$15,565,687 (net of accumulated depreciation). Capital assets include land, land improvements, buildings and improvements, infrastructure, vehicles and equipment, and the water distribution system.

	Governmental Activities		Business-type Activities		Total Government	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,490,621	\$ 1,490,621	\$ -	\$ -	\$ 1,490,621	\$ 1,490,621
Construction in progress	127,855	451,218	-	-	127,855	451,218
Buildings and improvements	3,635,479	3,754,038	-	-	3,635,479	3,754,038
Vehicles and equipment	555,594	513,714	-	-	555,594	513,714
Infrastructure	4,892,410	3,975,787	-	-	4,892,410	3,975,787
Water distribution system	-	-	4,863,728	5,090,732	4,863,728	5,090,732
Total	\$ 10,701,959	\$ 10,185,378	\$ 4,863,728	\$ 5,090,732	\$ 15,565,687	\$ 15,276,110

The Town's major additions for the year ended April 30, 2017 included the following for the governmental activities. There were no business-type activities additions.

Governmental activities

1. Infrastructure improvements at Woodland Ave, Country Village, Tyler Drive, Oakwood Parking Lot, and Hunters Run
2. Two public works department vehicles
3. Bobcat for the public works department
4. Updates to Liberty Park
5. Speed monitor machines for the police department

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

APRIL 30, 2017

Long-term Debt

The Town's long-term debt at April 30, 2017, consists of \$4,098,814 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

Budgeted revenue for fiscal year 2018 increased 9% (\$276,600) over fiscal year 2017. Primary factors for the increase are (1) tax collections from real estate tax assessments, real estate transfers, and gross rental receipts, (2) charges for services related to construction activity including the issuance of building permits, and (3) the addition of the Millville Ambulance Fee (pass-through funds).

The Town conducted a property reassessment which resulted in no change to the property tax rate. Therefore, the property tax rate for fiscal year 2018 remained at the same rate as during fiscal year 2017 – \$0.1652 per \$100 of assessed value.

The Town appropriated \$1,302,150 from its reserves for anticipated spending in fiscal year 2018.

REQUEST FOR INFORMATION

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

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Town Manager
Town of Ocean View
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Ocean View, DE 19970
Telephone: (302) 539-9797
Email: townmgtov@oceanviewde.com

BASIC FINANCIAL STATEMENTS

TOWN OF OCEAN VIEW, DELAWARE

STATEMENT OF NET POSITION

APRIL 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,916,576	\$ 538,331	\$ 2,454,907
Receivables, net			
Taxes	317,783		317,783
Water Usage		97,382	97,382
Other		32,897	32,897
Prepaid insurance	47,236		47,236
Restricted assets			
Cash and cash equivalents	2,620,761		2,620,761
Other receivable	18,407		18,407
Capital assets, net of depreciation			
Land, improvements, and construction in progress	1,618,476		1,618,476
Other capital assets, net of depreciation	9,083,483	4,863,728	13,947,211
Total assets	<u>15,622,722</u>	<u>5,532,338</u>	<u>21,155,060</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred financing outflows - retirement	<u>393,202</u>		<u>393,202</u>
LIABILITIES			
Accounts payable and other current liabilities	131,351	9,972	141,323
Accrued liabilities	20,961	18,993	39,954
Long-term liabilities			
Due within one year	2,979	66,686	69,665
Due in more than one year	135,710	4,032,128	4,167,838
Net pension liability	200,412		200,412
Total liabilities	<u>491,413</u>	<u>4,127,779</u>	<u>4,619,192</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred financing inflows - retirement	<u>118,512</u>		<u>118,512</u>
NET POSITION			
Net investment in capital assets	10,701,959	764,914	11,466,873
Restricted	2,746,996		2,746,996
Unrestricted	1,957,044	639,645	2,596,689
Total net position	<u>\$ 15,405,999</u>	<u>\$ 1,404,559</u>	<u>\$ 16,810,558</u>

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

TOWN OF OCEAN VIEW, DELAWARE

STATEMENT OF ACTIVITIES

YEAR ENDED APRIL 30, 2017

	Program Revenues				Net Revenue (Expense) and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
GOVERNMENTAL ACTIVITIES							
General government	\$ 1,490,284	\$ 1,195,151	\$	\$ 31,681	\$ (263,452)	\$	\$ (263,452)
Public safety	1,281,686	51,916	102,435	14,316	(1,113,019)		(1,113,019)
Public works	933,978	400	99,576		(834,002)		(834,002)
Total governmental activities	3,705,948	1,247,467	202,011	45,997	(2,210,473)		(2,210,473)
BUSINESS-TYPE ACTIVITIES							
Water fund	563,561	582,747				19,186	19,186
Total primary government	\$ 4,269,509	\$ 1,830,214	\$ 202,011	\$ 45,997	(2,210,473)	19,186	(2,191,287)
GENERAL REVENUES							
Taxes							
Property taxes					1,345,237		1,345,237
Transfer taxes - realty					861,788		861,788
Rental gross receipts					259,314		259,314
Investment earnings					18,300	8,753	27,053
Sale of assets					6,216		6,216
Total general revenues					2,490,855	8,753	2,499,608
Change in net position					280,382	27,939	308,321
NET POSITION, BEGINNING OF YEAR, AS RESTATED					15,125,617	1,376,620	16,502,237
NET POSITION, END OF YEAR					\$ 15,405,999	\$ 1,404,559	\$ 16,810,558

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

TOWN OF OCEAN VIEW, DELAWARE

**BALANCE SHEET
GOVERNMENTAL FUND**

APRIL 30, 2017

ASSETS

	General Fund
Cash and cash equivalents	\$ 1,916,576
Taxes receivable	16,048
Accounts receivable, other	301,735
Prepaid insurance	47,236
Restricted assets	
Cash and cash equivalents	2,620,761
Other receivable	18,407
Total assets	<u>\$ 4,920,763</u>

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

LIABILITIES

Accounts payable	\$ 131,351
Accrued liabilities	23,940
Total liabilities	<u>155,291</u>

DEFERRED INFLOWS OF RESOURCES

Unavailable revenues	
Property taxes	14,964
Total deferred inflows of resources	<u>14,964</u>

FUND BALANCES

Nonspendable	
Prepays	47,236
Restricted	2,746,996
Committed	103,293
Unassigned	1,852,983
Total fund balances	<u>4,750,508</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,920,763</u>

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

TOWN OF OCEAN VIEW, DELAWARE
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION

APRIL 30, 2017

Total fund balances, governmental fund	\$ 4,750,508
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	10,701,959
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Some expenditures reported in the governmental fund require the use of current financial resources and these are not reported as expenses in the Statement of Activities.

Deferred financing outflows - retirement	393,202
--	---------

Certain revenues that do not provide current financial resources are reported as deferred inflows in the fund financial statements, but are reported as revenue in the governmental activities of the Statement of Net Position.	14,964
--	--------

Long-term liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.

Compensated absences	(135,710)
Deferred financing inflows - retirement	(118,512)
Net pension liability	(200,412)

Net position of governmental activities in the Statement of Net Position	<u>\$ 15,405,999</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF OCEAN VIEW, DELAWARE

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

YEAR ENDED APRIL 30, 2017

	<u>General Fund</u>
REVENUES	
Taxes	\$ 2,464,833
Intergovernmental revenues	221,983
Charges for services	1,193,569
Fines and forfeitures	32,518
Interest	52,885
Miscellaneous	46,409
Total revenues	<u>4,012,197</u>
EXPENDITURES	
Current	
General government	1,275,570
Public safety	1,156,690
Public works	784,098
Capital outlay	933,754
Total expenditures	<u>4,150,112</u>
Excess of revenues under expenditures	(137,915)
FUND BALANCE, BEGINNING OF YEAR	<u>4,888,423</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 4,750,508</u></u>

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

TOWN OF OCEAN VIEW, DELAWARE

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

YEAR ENDED APRIL 30, 2017

Net change in fund balance, governmental fund	\$ (137,915)
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Amounts reported for governmental activities in the Statement of Activities
are different because:

The governmental fund reports capital outlays as expenditures. However, in the
Statement of Activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Capital outlay expense	\$ 933,754	
Depreciation expense	<u>(394,874)</u>	538,880

In the Statement of Activities, the gain or loss on the disposal of capital assets is
reported, whereas in the governmental funds, the proceeds from the sale increase
financial resources. Thus, the change in net assets differs from the change in fund
balances by the book value of the assets sold. (22,299)

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

Change in compensated absences		(111,998)
Change in deferred outflows of resources - retirement		289,541
Change in net pension asset		(33,222)

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

Change in unavailable revenues		(3,569)
Change in deferred inflows - retirement		(38,624)
Change in net pension liability		<u>(200,412)</u>

Change in net position of governmental activities	<u>\$ 280,382</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF OCEAN VIEW, DELAWARE

**STATEMENT OF NET POSITION
PROPRIETARY FUND**

APRIL 30, 2017

	<u>Water Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 538,331
Receivables	
Water usage, net of allowance for doubtful accounts	97,382
Other	32,897
Total current assets	<u>668,610</u>
Noncurrent assets	
Capital assets, net of depreciation	<u>4,863,728</u>
Total assets	<u>5,532,338</u>
LIABILITIES	
Current liabilities	
Accounts payable and other current liabilities	9,972
Accrued interest payable	18,993
Current portion of long-term liabilities	66,686
Total current liabilities	<u>95,651</u>
Noncurrent liabilities	
Bonds payable	<u>4,032,128</u>
Total liabilities	<u>4,127,779</u>
NET POSITION	
Net investment in capital assets	764,914
Unrestricted	639,645
Total net position	<u><u>\$ 1,404,559</u></u>

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

TOWN OF OCEAN VIEW, DELAWARE

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

YEAR ENDED APRIL 30, 2017

	Water Fund
OPERATING REVENUES	
Charges for services	\$ 567,478
OPERATING EXPENSES	
Advertising	817
Bank fees	42
Depreciation	157,743
Dues and subscriptions	250
Insurance expense	3,000
Meter reading charges	28,520
Miscellaneous	6,378
Payroll taxes and benefits	7,587
Payroll wages	16,140
Professional fees	8,429
Repairs and maintenance	8,416
Water charges	122,135
Water inspection	1,325
Water management fee	28,320
Total operating expenses	389,102
Operating income	178,376
NON-OPERATING REVENUES (EXPENSES)	
Connection and inspection fees	9,000
Interest income	8,753
Miscellaneous income	6,269
Interest expense	(174,461)
Net non-operating revenues (expenses)	(150,439)
Change in net position	27,937
NET POSITION, BEGINNING OF YEAR, AS RESTATED	1,376,622
NET POSITION, END OF YEAR	\$ 1,404,559

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

TOWN OF OCEAN VIEW, DELAWARE

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

YEAR ENDED APRIL 30, 2017

	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 533,242
Payments to suppliers	(205,501)
Payments to employees	(23,727)
Net cash provided by operating activities	<u>304,014</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Inspection and connection fees	9,000
Principal paid on long-term liabilities	(63,939)
Interest paid on long-term liabilities	(175,045)
Net cash used by capital and related financing activities	<u>(229,984)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Non-operating revenue	<u>6,269</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>8,753</u>
Net increase in cash and cash equivalents	89,052
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>449,279</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 538,331</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 178,376
Adjustments to reconcile operating income to net cash provided:	
Depreciation	157,743
(Increase) decrease in assets	
Accounts receivable	(34,236)
Increase (decrease) in liabilities	
Accounts payable	2,131
Net cash provided by operating activities	<u><u>\$ 304,014</u></u>

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

TOWN OF OCEAN VIEW, DELAWARE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND

APRIL 30, 2017

	Pension Trust Fund
ASSETS	
Investments	\$
NET POSITION	
Assets - held in trust for retirement benefits	\$

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

TOWN OF OCEAN VIEW, DELAWARE

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND**

YEAR ENDED APRIL 30, 2017

	Pension Trust Fund
ADDITIONS	
Investment income	\$ 104
DEDUCTIONS	
Fees	(20)
Transfer to participants	(8,392)
NET DECREASE IN PLAN ASSETS	(8,308)
NET POSITION HELD IN TRUST FOR PENSION BENEFITS - BEGINNING OF YEAR	8,308
NET POSITION HELD IN TRUST FOR PENSION BENEFITS - END OF YEAR	\$

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting entity

The accompanying financial statements include the various departments and offices that are legally controlled by or dependent on the Town Council (the primary government). The Town's major operations include general government, public safety, public works and water distribution. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. Based on criteria set forth by the GASB, the Town of Ocean View, Delaware has no component units.

Basic financial statements - government-wide financial statements

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

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.).

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants.

Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. Direct expenses are those that are clearly identifiable with a specific function.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Basic financial statements - fund financial statements

The fund financial statements provide information about the Town's funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. The Town does not have a nonmajor fund. The following fund types are used by the town:

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

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

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

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic financial statements - fund financial statements (continued)

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

Fiduciary Fund: The focus of the fiduciary fund is to report assets held in a trustee or agency capacity for others and therefore are not available to support the Town's programs. 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.

- Pension trust fund - accounts for the assets of the non-qualified deferred compensation plan for full-time police personnel. The pension trust fund was liquidated during the year ended April 30, 2017.

Basis of accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus.

The government-wide financial statements are presented on a full accrual basis of accounting with an economic resources measurement focus concentrating on an entity or fund's net position. All transactions and events that affect the total economic resources during the period are reported. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time an obligation (liability) is incurred, regardless of the timing of related cash inflows and outflows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are presented on a modified accrual basis of accounting with a current financial resources measurement focus. This measurement focus concentrates on the fund's resources available for spending in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Under modified accrual accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered available if collected within 60 days after year end. The Town reports deferred inflows when the potential revenue does not meet both the measureable and available criteria for recognition in the current period.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting (continued)

Property taxes, interest revenue, intergovernmental, and miscellaneous revenue are the primary revenue sources subject to accrual. Property taxes are reported as receivable and a deferred inflow of resources when an enforceable lien on the property exists. The Town bills and collects its own property taxes.

Under modified accrual accounting, governmental fund liabilities (and expenses) should be accrued in the absence of applicable modification. Such modifications exist for long-term indebtedness, compensated absences, claims and judgments and special termination benefit liabilities. These liabilities are accrued in the governmental funds only to the extent they are due.

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

The Proprietary and Fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Deferred inflows of resources

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

Deferred outflows of resources

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

Pensions

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash equivalents

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

Restricted cash

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

Receivables

Receivables are reported at their gross value and, where appropriate, are reduced by an allowance for uncollectible amounts. An allowance is recorded on receivable balances that are based on historical collections experience for the Town. As of April 30, 2017, the balance for the allowance for uncollectible amounts for the proprietary fund is \$7,000.

Capital assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at the acquisition value. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure consists of streets and drainage projects. The Town has elected to not capitalize infrastructure acquired prior to May 1, 2004.

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

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated absences

Employees are granted vacation and sick leave in varying amounts. The Town accrues accumulated unpaid vacation and sick leave when earned by the employee. In the event of termination or retirement, an employee may be reimbursed for accumulated vacation days up to a maximum of 240 hours for non-police personnel employees and 252 hours for sworn officers. Unused sick time will be paid at the end of employment based on the years of service. Non-police personnel with five to nine years of service may be reimbursed for a maximum of 80 hours of unused sick time, and non-police personnel with ten plus years of experience may be reimbursed for a maximum of 160 hours of unused sick time. Sworn officers with five to nine years of service may be reimbursed for a maximum of 120 hours of unused sick time; whereas, sworn officers with ten plus years of service may be reimbursed for a maximum of 240 hours of unused sick time.

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

Revenues

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

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

Government-wide and proprietary fund net position

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

- Net investment in capital assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and proprietary fund net position (continued)

- Restricted – net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for expenditures, it will be the responsibility of the Finance Director to determine which resources should generally be spent first.
- Unrestricted – all other not reported in the above categories.

Governmental fund balances

In the fund financial statements, governmental funds report amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form such as prepaid items or inventories; or (2) legally or contractually required to be maintained intact. It is the responsibility of the Finance Director to categorize these funds as defined.

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

- *Restricted fund balance*— this classification reflects the constraints imposed on resources either (1) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Restricted fund balance includes the following:

Bear Trap easement	\$ 20,053
Capital replacement	862,186
Emergency reserve	284,905
Municipal street aid	55,256
Realty transfer tax	36,009
SALLE / EIDE grant	13,191
SLEAF grant	9,000
Street repair and replacement	1,459,468
Violent crime grant	6,928
	<u>\$ 2,746,996</u>

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund balances (continued)

- *Committed fund balance*— these amounts can only be used for specific purposes pursuant to constraints imposed by formal ordinances or resolution by a majority vote of the Town Council, the government’s highest level of decision-making authority. Those committed amounts cannot be used for any purpose unless the Town Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. Committed fund balance includes the Emergency Service Enhancements Funding Program that has been committed through Town ordinance.
- *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, 2017.
- *Unassigned fund balance*—this fund balance is the residual classification for the General Fund. This represents the resources available for future spending.

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

The Town utilizes restricted resources to finance qualifying activities, to the extent permitted by laws, regulations, contracts and grants. When committed, assigned, and unassigned funds are available for expenditures, committed funds should generally be spent first, assigned funds second, and unassigned funds last; unless Town Council has provided otherwise in its commitment or assignment actions.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund activity

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

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

Budgetary data

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

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

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

CASH AND CERTIFICATES OF DEPOSIT

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2017

CASH AND CERTIFICATES OF DEPOSIT (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, 2017, the carrying amount of the Town's deposits was \$5,075,668 and the bank balance was \$5,248,600.

As of April 30, 2017, \$4,748,599 of the Town's bank balances of \$5,248,600 was exposed to custodial risk. The \$4,748,599 was not covered by FDIC, but covered through alternative appropriate collateral.

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

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

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town Council has authorized the following investments:

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

Reconciliation of cash and cash equivalents to the government-wide Statement of Net Position:

Cash and cash equivalents	\$ 2,454,907
Cash and cash equivalents - restricted	2,620,761
Total cash and cash equivalents	<u>\$ 5,075,668</u>

ACCOUNTS RECEIVABLE – PROPERTY TAXES

The Town's property tax year runs from May 1 to April 30. Property taxes are recorded and attached as an enforceable lien on property on May 1, the date levied. Taxes are payable under the following terms: May 1 through August 31, face amount; after August 31, a 1.5% penalty per month is charged on the unpaid balance due. Property taxes are recognized as revenue in the budget year (beginning May 1 after the levy date) for which they are levied. The Town bills and collects its own taxes. The property tax rate for the year ended April 30, 2017, based on assessments, was \$0.16520 per \$100 of assessed valuation. The total assessed value of all taxable real property and improvements at May 1, 2016 was \$810,817,400. The Town does not have an allowance for delinquent taxes because all taxes are considered collectible.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2017

CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
<i>Capital assets not being depreciated</i>				
Land	\$ 1,490,621	\$	\$	\$ 1,490,621
Construction in progress	451,218	4,405	(327,768)	127,855
Total capital assets not being depreciated	1,941,839	4,405	(327,768)	1,618,476
<i>Capital assets being depreciated</i>				
Buildings and improvements	4,646,577			4,646,577
Equipment	1,082,325	142,158	(21,207)	1,203,276
Vehicles	630,949	80,107	(87,019)	624,037
Infrastructure	4,639,181	1,034,851		5,674,032
Total capital assets being depreciated	10,999,032	1,257,116	(108,226)	12,147,922
Less accumulated depreciation for:				
Buildings and improvements	892,539	118,559		1,011,098
Equipment	775,882	83,390	(21,207)	838,065
Vehicles	423,678	74,697	(64,721)	433,654
Infrastructure	663,394	118,228		781,622
Total accumulated depreciation	2,755,493	394,874	(85,928)	3,064,439
Total capital assets being depreciated, net	8,243,539	862,242	(22,298)	9,083,483
Governmental activity capital assets, net	\$ 10,185,378	\$ 866,647	\$ (350,066)	\$ 10,701,959
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
<i>Capital assets</i>				
Water distribution system	\$ 6,384,823	\$	\$ (75,122)	\$ 6,309,701
Less accumulated depreciation for the Water distribution system	1,294,091	157,743	(5,861)	1,445,973
Business-type activities capital assets, net	\$ 5,090,732	\$ 157,743	\$ (69,261)	\$ 4,863,728

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2017

CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 127,486
Public safety	120,528
Public works	146,860
Total governmental activities	<u>\$ 394,874</u>

Business-type activities:

Water fund	<u>\$ 157,743</u>
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LONG-TERM LIABILITIES

Changes in long-term obligations for the year ended April 30, 2017, are as follows:

	April 30, 2016	Increases	Decreases	April 30, 2017	Due within one year
Governmental activities:					
Compensated absences	\$ 67,674	\$ 71,015	\$	\$ 138,689	\$ 2,979
Business-type activities:					
General obligation bonds	\$ 4,162,753	\$	\$ (63,939)	\$ 4,098,814	\$ 66,686

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

Description of General Obligation Bonds

At April 30, 2017, the business-type general obligation bonds are as follows:

General obligation bond series 2007 RUS-A, payments of \$ 49,514 due quarterly at 4.25% interest rate; final payment of balance due December 21, 2047.	\$ 3,387,694
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General obligation bond series 2007 RUS-B, payments of \$ 10,232 due quarterly at 4.125% interest rate; final payment of balance due December 21, 2047.	<u>711,120</u>
Total general obligation bonds	<u>\$ 4,098,814</u>

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2017

LONG-TERM LIABILITIES (Continued)

Debt service requirements

Debt service requirements on long-term debt at April 30, 2017 are as follows:

Year Ending April 30,	Business-type Activities		
	General Bonds		Total
	Principal	Interest	
2018	\$ 66,686	\$ 172,298	\$ 238,984
2019	69,550	169,434	238,984
2020	72,538	166,446	238,984
2021	75,655	163,329	238,984
2022	78,911	160,073	238,984
2023-2027	448,405	746,515	1,194,920
2028-2032	553,353	641,567	1,194,920
2033-2037	682,866	512,054	1,194,920
2038-2042	842,697	352,223	1,194,920
2043-2048	1,208,153	166,005	1,374,158
	<u>\$ 4,098,814</u>	<u>\$ 3,249,944</u>	<u>\$ 7,348,758</u>

RETIREMENT AND PENSION PLANS

General information about the pension plans

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

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2017

RETIREMENT AND PENSION PLANS (Continued)

The following are brief descriptions of the plans in effect as of June 30, 2016. For a more complete description, please refer to the DPERS CAFR for each plan. Separately issued financial statements for DPERS are available from the pension office at: McArdle Building, Suite 1, 860 Silver Lake Blvd, Dover, DE 19904.

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

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

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

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

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2017

RETIREMENT AND PENSION PLANS (Continued)

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

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

<u>Fiscal Year Ending April 30,</u>	<u>Annual Pension Cost</u>	<u>Percentage Funded</u>
2015	\$ 94,548	100%
2016	\$ 96,641	100%
2017	\$ 93,867	100%

In order to provide pension funding for sworn police officers, the State of Delaware collects a special tax equal to 1/4% of certain gross insurance premiums that are collected in the State. These collections are distributed to police agencies in the State based on the average number of paid, full-time sworn officers as of the end of each calendar year. During the year ended April 30, 2017, the Town received \$35,660.

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

At April 30, 2017, the Town reported a liability of \$200,412 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. Update procedures were used to roll forward the total pension liability to April 30, 2017. The Town's proportion of the net pension liability was based on the percentage of actual employee contributions. At June 30, 2016, the Town's proportion for the Police Plan was .5602% and for the General Plan was 1.7973%.

For the year ended April 30, 2017, the Town recognized pension expense of \$92,655. At April 30, 2017, the Town reported deferred outflows of resources or deferred inflows of resources related to pensions from the following sources.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2017

RETIREMENT AND PENSION PLANS (Continued)

	Deferred Outflows of Resources	Deferred Inflows Resources
Changes to assumptions	\$ 16,270	\$ 23,412
Changes to proportion	8,687	9,945
Difference between expected and actual experience	45,447	51,305
Net difference between projected and actual earnings on pension plan investments	133,753	33,850
Contributions subsequent to measurement date	189,045	
	<u>\$ 393,202</u>	<u>\$ 118,512</u>

The Town's contribution of \$189,045 subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended April 30, 2018. The collective deferred outflows of resources and deferred inflows of resources are being amortized as follows:

	Measurement Period Ended	Amortization Period	
	June 30	General	Police
Difference between expected and actual experience	2015	8 years	11 years
	2016	8 years	11 years
Net difference between projected actual earnings on investments	2014	5 years	5 years
	2015	5 years	5 years
	2016	5 years	5 years
Change in proportion	2014	8 years	11 years
	2015	8 years	11 years
	2016	9 years	10 years
Change in assumptions	2016	9 years	10 years

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2017

RETIREMENT AND PENSION PLANS (Continued)

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

Year Ending April 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ 41,912	\$ 21,597
2019	\$ 41,912	\$ 21,597
2020	\$ 41,912	\$ 21,628
2021	\$ 41,912	\$ 10,324
2022	\$ 8,474	\$ 10,324
2023	\$ 8,474	\$ 10,326
2024	\$ 8,474	\$ 8,121
2025	\$ 8,475	\$ 6,776
2026	\$ 2,612	\$ 6,306
2027	\$ -	\$ 1,513

Actuarial assumptions. The collective total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of June 30, 2015, and update procedures were used to roll forward the total pension liability to June 30, 2016. These actuarial valuations used the following actuarial assumptions:

Investment rate of return	7.2%
Projected salary increases	2.5% + merit
Inflation	2.5%

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2016. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2017

RETIREMENT AND PENSION PLANS (Continued)

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

Sensitivity of the net pension liability to changes in the discount rate: The following presents the collective net pension liability (asset) of the plan, calculated using the discount rate of 7.2%, as well as what the plan's net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

1% Decrease (6.2%)	\$ 591,318
Current discount rate (7.2%)	\$ 200,412
1% Increase (8.2%)	\$ (119,233)

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

DEFERRED COMPENSATION PLANS

The Town has a Section 457(b) Deferred Compensation Plan, which was available to employees over the age of 21 with 1,000 hours of annual service. Under plan provision, employees were immediately vested in the Plan and could contribute 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 on April 30, 2003.

The Town had a non-qualified deferred compensation plan for full-time police personnel. Police employees, over age 21, attained a 100% vested interest upon completion of five consecutive years of participation under the Plan. All monies received by the Town under Title 18 of the Delaware Code, Sections 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 did not provide for contributions by the participants. Because the policies were owned by the Town, they were presented in a pension trust fund. The Plan was liquidated during the year ended April 30, 2017.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2017

RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; omissions; injuries to employees; and natural disasters for which the Town carries commercial insurance.

In May 2009, the Town of Ocean View joined the Delaware League of Local Governments, DeLea Founders Insurance Trust (DFIT) municipal workers compensation coverage. Starting in September 2014, DFIT began operations as a self-insurance workers compensation program for 24 municipalities within the State of Delaware. This is a risk-sharing pool arrangement by which the participating municipalities pool risks and funds and share in the cost of losses. The Town pays an annual premium to DFIT for its workers compensation coverage that will be self-sustaining through those member premiums. A self-insurance bond obtained by DFIT will cover claims in excess of \$750,000 for each insured event within the pool.

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

LEASE AGREEMENTS

The Town of Ocean View entered into operating leases for two copiers which expire between August 2018 and June 2020. Future minimum lease payments under these non-cancelable operating leases that have remaining terms in excess of one year as of April 30, 2017 are as follows:

<u>Year Ending April 30,</u>	
2018	\$ 3,803
2019	1,933
2020	1,309
2021	109
Total	<u>\$ 7,154</u>

The total rental expense under operating leases for the fiscal year ended April 30, 2017 was \$3,803.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2017

PRIOR PERIOD ADJUSTMENTS

The prior year audited financial statements included an overstatement of both equipment and the allowance on the business-type activities. Adjustments of equipment and the allowance resulted in a restatement of the net position as of April 30, 2016 as follows:

	Government-wide statements		Fund financial statements	
	Governmental Activities	Business-type Activities	General Fund	Proprietary Fund
Net position, April 30, 2016, as originally reported	\$ 15,125,617	\$ 1,437,882	\$ 4,888,423	\$ 1,437,882
Adjustment for water meters		(69,262)		(69,262)
Adjustment for allowance		8,000		8,000
Net position, beginning of year, as restated	<u>\$ 15,125,617</u>	<u>\$ 1,376,620</u>	<u>\$ 4,888,423</u>	<u>\$ 1,376,620</u>

NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended April, 30, 2017, that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the new standards may have on the financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures*, will be effective for the Town beginning with the year ending April 30, 2018. This statement requires additional disclosure of tax abatement agreements including a description of the agreement, the amount of taxes abated during year and other commitments made by the Town as part of the agreement. The statement also requires disclosure of tax abatement agreements with an impact on the Town that have been entered into by other governments.

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

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

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF OCEAN VIEW, DELAWARE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED APRIL 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
REVENUES				
Building and sign permits	\$ 250,000	\$ 250,000	\$ 374,641	\$ 124,641
Business and rental licenses	127,000	127,000	140,292	13,292
Cable TV franchise fee	60,000	60,000	63,632	3,632
Donations	100	100	6,018	5,918
Impact fees	80,000	80,000	289,232	209,232
Interest	4,500	4,500	52,885	48,385
Miscellaneous	2,000	2,000	11,876	9,876
Municipal street aid	100,000	100,000	99,576	(424)
Police pension grant	30,000	30,000	35,660	5,660
Property taxes	1,328,600	1,328,600	1,343,731	15,131
Public safety fines	41,000	41,000	32,518	(8,482)
Public safety grants	25,000	25,000	86,747	61,747
Reimbursed expenses	12,000	12,000	309,614	297,614
Realty transfer taxes	750,000	750,000	861,788	111,788
Rental gross receipts	225,000	225,000	259,314	34,314
Zoning fees	15,000	15,000	44,673	29,673
Total revenues	<u>3,050,200</u>	<u>3,050,200</u>	<u>4,012,197</u>	<u>961,997</u>
EXPENDITURES				
Current				
General government	1,030,400	1,110,400	1,275,570	(165,170)
Public safety	1,114,200	1,114,200	1,156,690	(42,490)
Public works	450,300	450,300	784,098	(333,798)
Capital outlay	3,025,800	3,025,800	933,754	2,092,046
Total expenditures	<u>5,620,700</u>	<u>5,700,700</u>	<u>4,150,112</u>	<u>1,550,588</u>
Excess of revenues over (under) expenditures	(2,570,500)	(2,650,500)	(137,915)	2,512,585
FUND BALANCE - BEGINNING	<u>4,888,423</u>	<u>4,888,423</u>	<u>4,888,423</u>	
FUND BALANCE - ENDING	<u>\$ 2,317,923</u>	<u>\$ 2,237,923</u>	<u>\$ 4,750,508</u>	<u>\$ 2,512,585</u>

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

YEAR ENDED APRIL 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
GENERAL GOVERNMENT				
Payroll wages	\$ 494,100	\$ 494,100	\$ 458,567	\$ 35,533
Payroll wages - overtime and bonus	6,400	6,400	5,920	480
Payroll taxes	41,900	41,900	40,126	1,774
Payroll wages - council and committees	9,300	9,300	8,027	1,273
Subtotal	551,700	551,700	512,640	39,060
Employee retirement	33,800	33,800	32,506	1,294
Insurance - medical, dental and life	72,000	72,000	98,940	(26,940)
Insurance - workers compensation	4,300	4,300	2,341	1,959
Compensation related costs	661,800	661,800	646,427	15,373
Advertising	3,500	3,500	4,896	(1,396)
Communications	13,500	13,500	13,818	(318)
Comprehensive land use plan	8,000	8,000	8,000	
Computer software and maintenance	24,300	24,300	21,644	2,656
Grant award - restricted funds		80,000	80,000	
Dues and subscriptions	3,100	3,100	3,475	(375)
Education and training	2,500	2,500	2,886	(386)
Insurance - other	40,000	40,000	34,758	5,242
Investment fees			8,443	(8,443)
Leases			3,803	(3,803)
Maintenance and repairs	31,000	31,000	30,430	570
Mileage	2,000	2,000	1,293	707
Miscellaneous			322	(322)
Non-capital equipment	1,000	1,000	214	786
Postage, printing and office supplies	11,500	11,500	14,159	(2,659)
Professional fees	62,400	62,400	231,669	(169,269)
Property assessment	120,000	120,000	116,760	3,240
Public relations	20,300	20,300	25,633	(5,333)
Realty transfer tax processing fees	7,500	7,500	7,804	(304)
Supplies	3,400	3,400	6,885	(3,485)
Uniforms	1,000	1,000		1,000
Utilities	13,600	13,600	12,251	1,349
TOTAL GENERAL GOVERNMENT	1,030,400	1,110,400	1,275,570	(165,170)

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

YEAR ENDED APRIL 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Amounts	
PUBLIC SAFETY				
Payroll wages	\$ 552,200	\$ 552,200	\$ 534,890	\$ 17,310
Payroll wages - overtime and bonus	42,400	42,400	72,743	(30,343)
Payroll taxes	49,800	49,800	51,347	(1,547)
Subtotal	644,400	644,400	658,980	(14,580)
Employee retirement	71,600	71,600	70,664	936
Insurance - medical, dental and life	169,000	169,000	159,324	9,676
Insurance - workers compensation	35,000	35,000	26,686	8,314
Compensation related costs	920,000	920,000	915,654	4,346
Advertising	200	200		200
Communications	17,000	17,000	17,002	(2)
Computer software and maintenance	2,600	2,600	1,471	1,129
Dues and subscriptions	3,500	3,500	4,378	(878)
Education and training	15,000	15,000	46,309	(31,309)
Insurance - other	27,000	27,000	26,327	673
Investigative expenses			1,783	(1,783)
Maintenance and repairs	26,900	26,900	19,495	7,405
Mileage	100	100	84	16
Miscellaneous			1,596	(1,596)
Non-capital equipment	10,000	10,000	28,073	(18,073)
Postage, printing and office supplies	4,000	4,000	3,525	475
Professional fees	7,500	7,500	9,116	(1,616)
Public relations	1,800	1,800	350	1,450
Supplies	20,000	20,000	20,637	(637)
Uniforms	10,000	10,000	12,342	(2,342)
Utilities	13,100	13,100	12,581	519
Vehicles and equipment - fuel	25,000	25,000	22,946	2,054
Vehicles and equipment - maintenance and repairs	10,500	10,500	13,021	(2,521)
TOTAL PUBLIC SAFETY	1,114,200	1,114,200	1,156,690	(42,490)

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

YEAR ENDED APRIL 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Amounts	
PUBLIC WORKS				
Payroll wages	\$ 113,800	\$ 113,800	\$ 95,321	\$ 18,479
Payroll wages - overtime and bonus	11,400	11,400	4,289	7,111
Payroll taxes	10,800	10,800	8,151	2,649
Subtotal	136,000	136,000	107,761	28,239
Employee retirement	8,500	8,500	6,768	1,732
Insurance - medical, dental and life	66,600	66,600	56,127	10,473
Insurance - workers compensation	7,200	7,200	6,815	385
Compensation related costs	218,300	218,300	177,471	40,829
Advertising	500	500		500
Communications	3,700	3,700	3,133	567
Contracted labor	15,000	15,000	3,371	11,629
Drainage	22,500	22,500	319	22,181
Education and training	300	300		300
Insurance - other	10,000	10,000	11,252	(1,252)
Maintenance and repairs	5,800	5,800	1,799	4,001
Miscellaneous			421	(421)
Non-capital equipment	5,000	5,000	3,760	1,240
Park expense	20,000	20,000	23,115	(3,115)
Postage, printing and office supplies	300	300		300
Professional fees	5,700	5,700	2,898	2,802
Public relations	200	200		200
Street lighting	75,000	75,000	74,652	348
Street maintenance	20,000	20,000	64,369	(44,369)
Street resurfacing and paving			368,178	(368,178)
Street signs	3,000	3,000	3,640	(640)
Supplies	15,000	15,000	15,488	(488)
Uniforms	2,500	2,500	1,062	1,438
Utilities	15,000	15,000	9,937	5,063
Vehicles and equipment - fuel	7,000	7,000	6,370	630
Vehicles and equipment - maintenance and repairs	5,500	5,500	12,863	(7,363)
TOTAL PUBLIC WORKS	450,300	450,300	784,098	(333,798)
CAPITAL OUTLAY	3,025,800	3,025,800	933,754	2,092,046
TOTAL EXPENDITURES	\$ 5,620,700	\$ 5,700,700	\$ 4,150,112	\$ 1,550,588

TOWN OF OCEAN VIEW, DELAWARE

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

TOWN OF OCEAN VIEW, DELAWARE

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE TOWN'S CONTRIBUTIONS

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(UNAUDITED)

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

***GOVERNMENT AUDITING STANDARDS* REPORT**



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DELAWARE SOCIETY OF
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**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***

Mayor and Council Members
Town of Ocean View
Ocean View, Delaware

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ocean View, Delaware, as of and for the year ended April 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Ocean View, Delaware's basic financial statements, and have issued our report thereon dated September 12, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Ocean View, Delaware's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Ocean View, Delaware's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Ocean View, Delaware's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
September 12, 2017