

TOWN OF OCEAN VIEW, DELAWARE

FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2016

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

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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence 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, 2016, 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.

Change in Accounting Principle

As discussed in the notes of the financial statements, in 2016 the Town adopted new accounting guidance, GASB No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 25*. Our opinion is not modified with respect to this matter.

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 October 11, 2016, 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
October 11, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

APRIL 30, 2016

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, 2016. Please read the information presented here in conjunction with the audited financial statements, which immediately follow this section, to enhance understanding of the Town's financial performance.

FINANCIAL HIGHLIGHTS

- As of April 30, 2016, governmental activity assets exceeded liabilities by \$15,125,617. Of this amount, \$2,561,851 or 17 percent 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 \$471,762 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 comprise three components: (1) government-wide financial statements, (2) fund financial statements and, (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

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

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

The Statement of Activities presents information showing how the 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.

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

APRIL 30, 2016

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 government, public safety and public works. The business-type activities of the Town include the water distribution system. The government-wide financial statements are provided on pages 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 of Ocean View, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Town View can be divided into three categories: governmental fund, proprietary fund, and fiduciary fund.

Governmental Fund

The governmental fund is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term 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 statement is presented for the General Fund. The basic governmental fund financial statements are provided on pages 15 - 18 of this report.

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

APRIL 30, 2016

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.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information on the Town's water distribution system and are provided on pages 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. The basic fiduciary fund financial statements are provided 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 are provided on pages 24 - 43 of this report.

Other Information Provided With the Financial Statements

Other information includes Required Supplementary Information (i) comparing general fund budgeted revenue and expenditures to actual revenue and expenditures by activity (pages 44 – 47 of this report) and (ii) reporting on the Town's proportionate share of the net pension liabilities and contributions related to the Delaware Public Employees' Retirement System (pages 48 – 49 of this report).

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously noted, net position may serve as a useful indicator of the government-wide financial position. In the case of the Town of Ocean View, the net position as of April 30, 2016, is \$16,563,499.

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

APRIL 30, 2016

The following table is a summary of the government-wide statement of net position for the years ended April 30, 2016 and 2015:

	Statement of Net Position				Total	
	Governmental Activities		Business-Type Activities		2016	2015
ASSETS	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 5,176,708	\$ 4,912,052	\$ 537,321	\$ 490,007	\$ 5,714,029	\$ 5,402,059
Capital assets	10,185,378	9,700,654	5,090,732	5,230,689	15,276,110	14,931,343
Total assets	<u>15,362,086</u>	<u>14,612,706</u>	<u>5,628,053</u>	<u>5,720,696</u>	<u>20,990,139</u>	<u>20,333,402</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>103,661</u>				<u>103,661</u>	
LIABILITIES						
Current and other liabilities	236,530	98,828	27,418	31,784	263,948	130,612
Long-term liabilities	<u>23,712</u>	<u>72,852</u>	<u>4,162,753</u>	<u>4,224,059</u>	<u>4,186,465</u>	<u>4,296,911</u>
Total liabilities	<u>260,242</u>	<u>171,680</u>	<u>4,190,171</u>	<u>4,255,843</u>	<u>4,450,413</u>	<u>4,427,523</u>
DEFERRED INFLOWS OF RESOURCES	<u>79,888</u>				<u>79,888</u>	
NET POSITION						
Net investment in capital assets	10,185,378	9,700,654	927,979	1,006,630	11,113,357	10,707,284
Restricted	2,378,388	2,544,137			2,378,388	2,544,137
Unrestricted	<u>2,561,851</u>	<u>2,196,235</u>	<u>509,903</u>	<u>458,223</u>	<u>3,071,754</u>	<u>2,654,458</u>
Total net position	<u>\$15,125,617</u>	<u>\$14,441,026</u>	<u>\$ 1,437,882</u>	<u>\$1,464,853</u>	<u>\$16,563,499</u>	<u>\$15,905,879</u>

The beginning of the year net position for 2016 has been restated as described in the notes to the financial statements on pages 42-43.

A significant portion of the Town's net position of \$16,563,499 (67 percent or \$11,113,357) is not available for future spending as this represents amounts invested in capital assets (e.g., land, buildings, infrastructure, machinery and equipment). This investment is net of any related debt that was used to acquire those assets that is still outstanding. It is important to note that the resources needed to repay outstanding debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

APRIL 30, 2016

Of the remaining \$5,450,142 in net position, \$160,443 represents realty transfer taxes, which are restricted for specific use. Realty transfer tax funds must be used for public safety, debt reduction, capital projects, and infrastructure projects. Additionally, \$1,960,220 of the net position is held in three trust funds established by ordinance and the use of these funds is restricted to cases of emergency, for capital asset replacement, and for street repair and maintenance as described in the ordinances. The unrestricted funds of \$3,071,754 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, 2016 and 2015:

	Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues						
Charges for services	\$ 949,083	\$ 965,919	\$ 529,108	\$ 606,892	\$ 1,478,191	\$ 1,572,811
Operating grants and contributions	199,089	219,705			199,089	219,705
Capital grants and contributions	49,553	161,240			49,553	161,240
General revenues						
Property taxes	1,308,317	1,261,482			1,308,317	1,261,482
Transfer taxes	788,405	767,758			788,405	767,758
Rental gross receipts taxes	236,812	224,092			236,812	224,092
Investment income	6,905	7,964	1,045	183	7,950	8,147
Sale of assets	1,858				1,858	
Total revenues	<u>3,540,022</u>	<u>3,608,160</u>	<u>530,153</u>	<u>607,075</u>	<u>4,070,175</u>	<u>4,215,235</u>
Expenses						
General government	1,266,112	1,067,290			1,266,112	1,067,290
Public safety	1,282,171	1,226,531			1,282,171	1,226,531
Public works	493,006	689,135			493,006	689,135
Water system			557,124	551,968	557,124	551,968
Total expenses	<u>3,041,289</u>	<u>2,982,956</u>	<u>557,124</u>	<u>551,968</u>	<u>3,598,413</u>	<u>3,534,924</u>
Change in net position	498,733	625,204	(26,971)	55,107	471,762	680,311
Net position -Beginning, as restated	<u>14,626,884</u>	<u>13,815,822</u>	<u>1,464,853</u>	<u>1,409,746</u>	<u>16,091,737</u>	<u>15,225,568</u>
Net position - Ending	<u>\$ 15,125,617</u>	<u>\$ 14,441,026</u>	<u>\$ 1,437,882</u>	<u>\$ 1,464,853</u>	<u>\$ 16,563,499</u>	<u>\$ 15,905,879</u>

The beginning of the year net position for 2016 has been restated as described in the notes to the financial statements on pages 42- 43.

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

APRIL 30, 2016

Government Activities

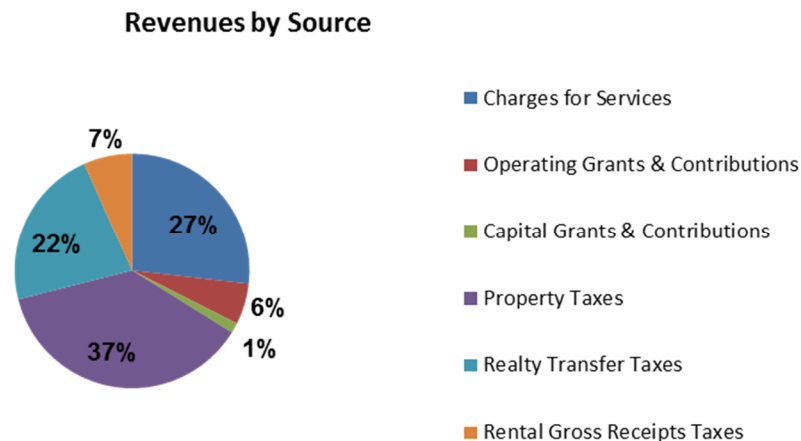
Total government net position increased by \$471,762 during fiscal year 2016.

Property taxes, realty transfer taxes, and rental gross receipts taxes received during fiscal year 2016 totaled \$1,308,317, \$788,405, and \$236,812, respectively.

2016 Revenues - Governmental Activities

- Realty transfer tax increased by \$20,647 or 3 percent from the prior fiscal year. This increase results from an increase in the number of new homes constructed in new subdivisions in the Town as well as increases in other new construction. The 11 percent increase in transfer tax collections from new construction was offset by a 4 percent decrease in collections from property resales.
- Property taxes increased by \$46,835 from the prior fiscal year as a result of new construction that increased the total assessed value of taxable property.

The following chart shows property taxes as the largest source of governmental revenue comprising 37 percent of the total revenue, followed by charges for services of 27 percent, realty transfer taxes of 22 percent, rental gross receipts tax of 7 percent, and the remaining 7 percent from other sources including operating and capital grants and contributions.



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

APRIL 30, 2016

2016 Expenses - Governmental Activities

During the fiscal year, the Town continued to provide 24 hour, 7 days a week coverage for police service. The Town also continued to provide street maintenance for the Town owned streets and street lighting for Town owned streets and for streets owned by the State of Delaware. The following chart shows the governmental expenses by type. Payroll and related personnel costs such as payroll taxes, employee retirement contributions, health insurance, and workers compensation premiums total \$1,733,789 or approximately 57 percent of the total departmental expenses of \$3,041,289. Approximately 6 percent of the remaining \$1,307,500 of total governmental expenditures relates to expenditures for street maintenance, drainage, and lighting.

Expenses by Type



FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Fund

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

During fiscal year 2016, the Town's governmental fund balance increased by \$100,413 to \$4,888,423. The unassigned fund balance component of the General Fund increased by \$252,681 to \$2,483,023.

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

APRIL 30, 2016

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

Proprietary Fund

The Town'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 up to \$160,000 because of a grant made to the Millville Volunteer Fire Company based on collections made for the Town's emergency services fund from building permits issued during the year.

Budget to Actual – Revenues

General Fund revenues exceeded the budget by \$670,423. Realty transfer taxes and rental gross receipts taxes exceeded the budget by \$88,405 and \$36,812, 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 \$98,192, \$181,873, \$13,625, and \$138,963, respectively, for a total of \$432,653. During the year, the Ocean View Police Department provided traffic control within Town limits for the State Route 26 Improvement Project and the project contractor reimbursed the Town a total of \$32,625 for this special duty officer time.

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, 2016

Budget to Actual – Expenditures

The paving and resurfacing of streets budgeted for fiscal year 2016 for \$249,000 was deferred and has been included in the fiscal year 2017 capital budget. Note that these street maintenance costs are budgeted in the capital budget. Additionally, six capital projects representing an addition of sidewalks as part of a DelDOT Transportation Enhancement Project and five drainage projects, were deferred and have been included in the fiscal year 2017 capital budget. The budgeted cost for the deferred sidewalk project was \$200,000 and the deferred costs for the five drainage projects totaled \$1,180,000.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Town's capital assets for governmental and business-type activities at April 30, 2016, net of \$4,049,584 accumulated depreciation were \$15,276,110. Capital assets include land, land improvements, buildings and improvements, infrastructure, machinery and equipment, and the water distribution system.

	Governmental Activities		Capital Assets (net of depreciation) Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 1,490,621	\$ 1,490,621	\$	\$	\$ 1,490,621	\$ 1,490,621
Construction in progress	451,218	632,276			451,218	632,276
Building and improvements	3,754,038	3,800,229			3,754,038	3,800,229
Vehicles and equipment	513,714	424,018			513,714	424,018
Infrastructure	3,975,787	3,353,510			3,975,787	3,353,510
Water distribution system			5,090,732	5,230,689	5,090,732	5,230,689
Total net capital assets	\$ 10,185,378	\$ 9,700,654	\$ 5,090,732	\$ 5,230,689	\$ 15,276,110	\$ 14,931,343

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

APRIL 30, 2016

Long-term Debt

The Town's long-term debt at April 30, 2016, consists of \$4,162,753 remaining principal balance on general obligation bonds used to finance a portion of the water distribution system. The following bonds were issued by the United States Department of Agriculture, Rural Utilities Service:

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Budgeted revenue for fiscal year 2017 compared to fiscal year 2016 increased by \$182,100 due to the net impact of projected increases in (1) tax collections from real estate tax assessments, real estate transfers, and gross rental receipts and (2) charges for services related to construction activity including the issuance of building permits and the collection of impact fees.

The property tax rate for fiscal year 2017 was not increased and remained at the same rate as during fiscal year 2016 – \$0.1652 per \$100 of assessed value.

The Town appropriated \$2,700,500 from its reserves for anticipated spending in fiscal year 2017.

REQUEST FOR INFORMATION

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

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

BASIC FINANCIAL STATEMENTS

TOWN OF OCEAN VIEW, DELAWARE

STATEMENT OF NET POSITION

APRIL 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,676,914	\$ 449,279	\$ 3,126,193
Receivables, net			
Taxes	50,503		50,503
Water Usage		67,409	67,409
Other		20,633	20,633
Prepaid insurance	27,012		27,012
Restricted assets			
Cash and cash equivalents	2,286,377		2,286,377
Other receivable	102,680		102,680
Net pension asset	33,222		33,222
Capital assets, net of depreciation			
Land, improvements, and construction in progress	1,941,838		1,941,838
Other capital assets, net of depreciation	8,243,540	5,090,732	13,334,272
Total assets	<u>15,362,086</u>	<u>5,628,053</u>	<u>20,990,139</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred financing outflows - retirement	<u>103,661</u>		<u>103,661</u>
LIABILITIES			
Accounts payable and other current liabilities	162,392	7,841	170,233
Accrued liabilities	30,176	19,577	49,753
Long-term liabilities			
Due within one year	43,962	63,945	107,907
Due in more than one year	23,712	4,098,808	4,122,520
Total liabilities	<u>260,242</u>	<u>4,190,171</u>	<u>4,450,413</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred financing inflows - retirement	<u>79,888</u>		<u>79,888</u>
NET POSITION			
Net investment in capital assets	10,185,378	927,979	11,113,357
Restricted for			
Bear Trap Easement	19,885		19,885
Capital replacement	761,092		761,092
Community grant	500		500
Emergency reserve	283,950		283,950
Municipal street aid	216,919		216,919
Realty transfer tax	160,443		160,443
SALLE / EDIE	12,559		12,559
Street repair and replacement	915,178		915,178
Sussex County grant	3,058		3,058
Violent Crime grant	4,804		4,804
Unrestricted	2,561,851	509,903	3,071,754
Total net position	<u>\$ 15,125,617</u>	<u>\$ 1,437,882</u>	<u>\$ 16,563,499</u>

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

TOWN OF OCEAN VIEW, DELAWARE

STATEMENT OF ACTIVITIES

YEAR ENDED APRIL 30, 2016

	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	\$ 1,266,112	\$ 878,010	\$	\$ 21,860	\$ (366,242)	\$	\$ (366,242)
Public safety	1,282,171	70,723	99,135	27,693	(1,084,620)		(1,084,620)
Public works	493,006	350	99,954		(392,702)		(392,702)
Total governmental activities	3,041,289	949,083	199,089	49,553	(1,843,564)		(1,843,564)
BUSINESS-TYPE ACTIVITIES							
Water distribution system	557,124	529,108				(28,016)	(28,016)
Total primary government	<u>\$ 3,598,413</u>	<u>\$ 1,478,191</u>	<u>\$ 199,089</u>	<u>\$ 49,553</u>	<u>(1,843,564)</u>	<u>(28,016)</u>	<u>(1,871,580)</u>
GENERAL REVENUES							
Taxes							
Property taxes					1,308,317		1,308,317
Transfer taxes - realty					788,405		788,405
Rental gross receipts					236,812		236,812
Investment earnings					6,905	1,045	7,950
Sale of assets					1,858		1,858
Total general revenues					<u>2,342,297</u>	<u>1,045</u>	<u>2,343,342</u>
Change in net position					498,733	(26,971)	471,762
NET POSITION, BEGINNING OF YEAR, AS RESTATED					<u>14,626,884</u>	<u>1,464,853</u>	<u>16,091,737</u>
NET POSITION, END OF YEAR					<u>\$ 15,125,617</u>	<u>\$ 1,437,882</u>	<u>\$ 16,563,499</u>

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

TOWN OF OCEAN VIEW, DELAWARE

**BALANCE SHEET
GOVERNMENTAL FUND**

APRIL 30, 2016

ASSETS

	General Fund
Cash and cash equivalents	\$ 2,676,614
Taxes receivable	13,784
Accounts receivable, other	36,719
Prepaid insurance	27,012
Restricted assets	
Cash and cash equivalents	2,286,677
Other receivable	102,680
Total assets	<u>\$ 5,143,486</u>

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

LIABILITIES

Accounts payable	\$ 162,392
Accrued liabilities	74,138
Total liabilities	<u>236,530</u>

DEFERRED INFLOWS OF RESOURCES

Unavailable revenues	
Property taxes	13,458
Other	5,075
Total deferred inflows of resources	<u>18,533</u>

FUND BALANCES

Nonspendable	
Prepays	27,012
Restricted	
Bear Trap Easement	19,885
Capital replacement	761,092
Community grant	500
Emergency reserve	283,950
Municipal street aid	216,919
Realty transfer tax	160,443
SALLE / EIDE	12,559
Street repair and replacement	915,178
Sussex County grant	3,058
Violent Crime grant	4,804
Unassigned	2,483,023
Total fund balances	<u>4,888,423</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,143,486</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, 2016

Total fund balances, governmental fund	\$ 4,888,423
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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.	10,185,378
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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	103,661
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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.	18,533
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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	(23,712)
Deferred financing inflows - retirement	(79,888)
Net pension asset (liability)	<u>33,222</u>

Net position of governmental activities in the Statement of Net Position	<u><u>\$ 15,125,617</u></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, 2016

	<u>General Fund</u>
REVENUES	
Taxes	\$ 2,329,876
Intergovernmental revenues	231,957
Charges for services	897,024
Fines and forfeitures	33,233
Interest	15,760
Miscellaneous	30,673
Total revenues	<u>3,538,523</u>
EXPENDITURES	
Current	
General government	1,112,200
Public safety	1,116,201
Public works	357,975
Capital outlay	851,734
Total expenditures	<u>3,438,110</u>
Excess of revenues over expenditures	<u>100,413</u>
FUND BALANCE, BEGINNING OF YEAR, AS RESTATED	<u>4,788,010</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 4,888,423</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, 2016

Net change in fund balance, governmental fund	\$ 100,413
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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	\$ 851,734	
Depreciation expense	<u>(367,008)</u>	484,726

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.

Compensated absences	21,208	
Change in deferred outflows of resources - retirement	9,418	
Change in net pension asset	(38,640)	

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	1,496	
Change in deferred inflows - retirement	<u>(79,888)</u>	

Change in net position of governmental activities	<u><u>\$ 498,733</u></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, 2016

	<u>Water Distribution System</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 449,279
Receivables	
Water usage, net of allowance for doubtful accounts	67,409
Other	20,633
Total current assets	<u>537,321</u>
Noncurrent assets	
Capital assets, net of depreciation	<u>5,090,732</u>
Total assets	<u>5,628,053</u>
LIABILITIES	
Current liabilities	
Accounts payable and other current liabilities	7,841
Accrued interest payable	19,577
Current portion of long-term liabilities	63,945
Total current liabilities	<u>91,363</u>
Noncurrent liabilities	
Bonds payable	<u>4,098,808</u>
Total liabilities	<u>4,190,171</u>
NET POSITION	
Net investment in capital assets	927,979
Unrestricted	509,903
Total net position	<u>\$ 1,437,882</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, 2016

	Water Distribution System
OPERATING REVENUES	
Charges for services	\$ 503,922
OPERATING EXPENSES	
Advertising	783
Depreciation	160,009
Dues and subscriptions	250
Insurance expense	3,000
Meter reading charges	27,984
Miscellaneous	232
Payroll taxes and benefits	5,821
Payroll wages	12,524
Professional fees	6,042
Repairs and maintenance	2,651
Water charges	131,134
Water inspection	1,068
Water service agreement	27,948
Total operating expenses	379,446
Operating income	124,476
NON-OPERATING REVENUES (EXPENSES)	
Connection and inspection fees	20,840
Interest income	1,045
Miscellaneous income	4,346
Interest expense	(177,678)
Net non-operating revenues (expenses)	(151,447)
Change in net position	(26,971)
NET POSITION, BEGINNING OF YEAR	1,464,853
NET POSITION, END OF YEAR	\$ 1,437,882

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, 2016

	Water Distribution System
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 533,089
Payments to suppliers	(205,458)
Payments to employees	(18,345)
Net cash provided by operating activities	<u>309,286</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(20,052)
Inspection and connection fees	20,840
Principal paid on long-term liabilities	(61,306)
Interest paid on long-term liabilities	(177,678)
Net cash used by capital and related financing activities	<u>(238,196)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Non-operating revenue	<u>4,346</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>1,045</u>
Net increase in cash and cash equivalents	76,481
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>372,798</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 449,279</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 124,476
Adjustments to reconcile operating income to net cash provided:	
Depreciation	160,009
(Increase) decrease in assets	
Accounts receivable	29,167
Increase (decrease) in liabilities	
Accounts payable	(4,366)
Net cash provided by operating activities	<u><u>\$ 309,286</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, 2016

	Pension Trust Fund
ASSETS	
Investments	\$ 8,308
NET POSITION	
Assets - held in trust for retirement benefits	\$ 8,308

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, 2016

	<u>Pension Trust Fund</u>
ADDITIONS	
Investment income	\$ 222
DEDUCTIONS	
Payments to participants	<u></u>
NET INCREASE IN PLAN ASSETS	222
NET POSITION HELD IN TRUST FOR PENSION BENEFITS - BEGINNING OF YEAR	<u>8,086</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS - END OF YEAR	<u><u>\$ 8,308</u></u>

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2016

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, 2016

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, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic financial statements - fund financial statements (continued)

- Water fund - accounts for water services provided to customers in 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.

Basis of accounting

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

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

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2016

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 difference measurement focus and basis of accounting than the government-wide statements, 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 three 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), deferred retirement contributions, and deferred other revenue, 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, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash equivalents

Cash and cash equivalents includes 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, 2016, the balance for the allowance for uncollectible amounts for the proprietary fund is \$15,000.

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. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure consists of streets and drainage projects. The Town has elected to not capitalize infrastructure acquired prior to May 1, 2004.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	5 - 40 years
Equipment	5 - 20 years
Vehicles	10 years
Infrastructure	40 years

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated absences

Employees are granted vacation and sick leave in varying amounts. In the event of termination or retirement, an employee may be reimbursed for accumulated vacation days up to a maximum of 240 hours for general and administrative employees and 252 hours for public safety employees. The Town accrues accumulated unpaid vacation leave when earned (or estimated to be earned) by the employee. Compensated absences for governmental funds are a reconciling item between the fund and government-wide presentations.

Revenues

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

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

Government-wide and proprietary fund net position

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

- Net investment in capital assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted – net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for expenditures, it will be the responsibility of the Finance Director to determine which resources should generally be spent first.
- Unrestricted – all other not reported in the above categories.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund balances

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

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

- *Restricted fund balance*— this classification reflects the constraints imposed on resources either (1) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balance*— these amounts can only be used for specific purposes pursuant to constraints imposed by formal ordinances or resolution by a majority vote of the Town Council, the government's highest level of decision-making authority. Those committed amounts cannot be used for any purpose unless the Town Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. There were no funds committed as of the year ended April 30, 2016.
- *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, 2016.
- *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.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund balances (continued)

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

Interfund activity

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

Change in accounting principles

During 2016, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Adoption of this statement requires the Town to provide additional information in the financial statements related to cost sharing pension plans.

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary data (continued)

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 obligation of the U.S. government and requires collateral to be maintained at a third party.

All deposits are carried at cost. Transactions are made directly with the banks; services of brokers or securities dealers are not used. At April 30, 2016, the carrying amount of the Town's deposits was \$5,412,570 and the bank balance was \$5,651,939.

As of April 30, 2016, \$5,151,154 of the Town's bank balances of \$5,651,939 was exposed to custodial risk. The \$5,151,154 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.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2016

CASH AND CERTIFICATES OF DEPOSIT (Continued)

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	\$ 3,126,193
Cash and cash equivalents – restricted	2,286,377
Total cash and cash equivalents	<u>\$ 5,412,570</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, 2016, 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, 2015 was \$790,383,600. 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, 2016

CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2016 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	632,276	292,625	473,683	451,218
Total capital assets not being depreciated	2,122,897	292,625	473,683	1,941,839
<i>Capital assets being depreciated</i>				
Buildings and improvements	4,576,125	70,879	427	4,646,577
Equipment	948,157	162,351	28,183	1,082,325
Vehicles	598,755	70,463	38,269	630,949
Infrastructure	3,910,084	729,097		4,639,181
Total capital assets being depreciated	10,033,121	1,032,790	66,879	10,999,032
Less accumulated depreciation for:				
Buildings and improvements	775,896	117,070	427	892,539
Equipment	734,647	69,418	28,183	775,882
Vehicles	388,247	73,700	38,269	423,678
Infrastructure	556,574	106,820		663,394
Total accumulated depreciation	2,455,364	367,008	66,879	2,755,493
Total capital assets being depreciated, net	7,577,757	665,782		8,243,539
Governmental activity capital assets, net	\$ 9,700,654	\$ 958,407	\$ 473,683	\$ 10,185,378

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2016

CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
<i>Capital assets</i>				
Water distribution system	\$ 6,364,771	\$ 20,052	\$	\$ 6,384,823
Less accumulated depreciation for the Water distribution system	<u>1,134,082</u>	<u>160,009</u>		<u>1,294,091</u>
Business-type activities capital assets, net	<u>\$ 5,230,689</u>	<u>\$ (139,957)</u>	<u>\$</u>	<u>\$ 5,090,732</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 128,432
Public safety	108,062
Public works	<u>130,514</u>
Total governmental activities	<u>\$ 367,008</u>

Business-type activities:

Water distribution system	<u>\$ 160,009</u>
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LONG-TERM LIABILITIES

Changes in long-term obligations for the year ended April 30, 2016, are as follows:

	April 30, 2015	Increases	Decreases	April 30, 2016	Due within one year
Governmental activities:					
Compensated absences	<u>\$ 72,852</u>	<u>\$ 91,601</u>	<u>\$ 96,779</u>	<u>\$ 67,674</u>	<u>\$ 43,962</u>
Business-type activities:					
General obligation bonds	<u>\$ 4,224,059</u>	<u>\$</u>	<u>\$ 61,306</u>	<u>\$ 4,162,753</u>	<u>\$ 63,945</u>

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2016

LONG-TERM LIABILITIES (Continued)

Description of General Obligation Bonds

At April 30, 2016, 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.	\$ 3,440,337
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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.	722,416
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Total general obligation bonds	\$ 4,162,753
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Debt service requirements

Debt service requirements on long-term debt at April 30, 2016 are as follows:

<u>Year Ending April 30,</u>	Business-type Activities		
	General Bonds		
	Principal	Interest	Total
2017	\$ 63,945	\$ 175,039	\$ 238,984
2018	66,692	172,292	238,984
2019	69,557	169,427	238,984
2020	72,544	166,440	238,984
2021	75,661	163,323	238,984
2022-2026	429,937	764,983	1,194,920
2027-2031	530,561	664,359	1,194,920
2032-2036	654,740	540,180	1,194,920
2037-2041	807,986	386,934	1,194,920
2042-2046	997,107	197,813	1,194,920
2047-2048	394,023	24,200	418,223
	\$ 4,162,753	\$ 3,424,990	\$ 7,587,743

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2016

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.

The following are brief descriptions of the Plans in effect as of June 30, 2015. 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.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2016

RETIREMENT AND PENSION PLANS (Continued)

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.

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>Pension Cost</u>	<u>Percentage Funded</u>
2014	\$ 93,975	100%
2015	\$ 94,548	100%
2016	\$ 96,641	100%

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2016

RETIREMENT AND PENSION PLANS (Continued)

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, 2016, the Town received \$35,374.

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

At April 30, 2016, the Town reported an asset of \$33,222 for its proportionate share of the net pension liability/asset. The net pension liability/asset was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. Update procedures were used to roll forward the total pension liability/asset to April 30, 2016. The Town's proportion of the net pension liability/asset was based on the percentage of actual employee contributions. At June 30, 2015, the Town's proportion for the Police Plan was .6447% and for the General Plan was 1.7735%.

For the year ended April 30, 2016, the Town recognized pension expense of \$205,751. At April 30, 2016, the Town reported deferred outflows of resources or deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows Resources
Changes to assumptions	\$	\$ 4,559
Net difference between projected and actual earnings on pension plan investments		75,329
Contributions subsequent to measurement date	103,661	
	<u>\$ 103,661</u>	<u>\$ 79,888</u>

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2016

RETIREMENT AND PENSION PLANS (Continued)

The Town's contribution of \$103,661 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be amortized over five years and recognized in pension expense at \$37,395 per year beginning April 30, 2017 through April 30, 2021.

Actuarial assumptions. The collective total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of June 30, 2014, and update procedures were used to roll forward the total pension liability to June 30, 2015. These actuarial valuations used the following actuarial assumptions:

Investment rate of return	7.2%
Projected salary increases	3.5% to 11.5%
Inflation	3%

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 2011. 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 – 2000 Combined Mortality Table projected to 2015 using scale AA for Males or Females, as appropriate, for mortality improvement.

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.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2016

RETIREMENT AND PENSION PLANS (Continued)

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%)	\$ 208,455
Current discount rate (7.2%)	\$ (33,222)
1% Increase (8.2%)	\$ (411,994)

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 the 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 has a non-qualified deferred compensation plan for full-time police personnel. Police employees, over age 21, attained a 100% vested interest upon completion of five consecutive years of participation under the Plan. All monies received by the Town under Title 18 of the Delaware Code, 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 does not provide for contributions by the participants. Because the policies are owned by the Town, they are presented in a pension trust fund. The assets are presented at the value provided by Metropolitan Life Insurance Company, which at April 30, 2016 had a fair value of \$8,308. The Town suspended contributions to the Plan on April 30, 2003.

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.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2016

RISK MANAGEMENT (CONTINUED)

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 June 2017 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, 2016 are as follows:

<u>Year Ending April 30,</u>	
2017	\$ 3,803
2018	1,726
2019	1,310
2020	1,310
2021	164
Total	<u>\$ 8,313</u>

The total rental expense under operating leases for the fiscal year ended April 30, 2016 was \$3,710.

PRIOR PERIOD ADJUSTMENTS

The prior year audited financial statements did not include the long-term portion of compensated absences on the government-wide statements. Additionally, the reserve fund for the Bear Trap Easement was not included in restricted net position previously. Implementation of GASB Statement No. 68, adjusting restricted net position for the Bear Trap Easement and long-term accrued compensated absences resulted in a restatement of the net position as of April 30, 2015 as follows:

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2016

PRIOR PERIOD ADJUSTMENTS (CONTINUED)

	Government-wide statements		Fund financial statements	
	Governmental Activities	Business-type Activities	General Fund	Proprietary Fund
Net position, April 30, 2015, as originally reported	\$ 14,441,026	\$ 1,464,853	\$ 4,796,190	\$ 1,464,853
Adjustment for Bear Trap Easement - restricted	19,753		19,753	
Adjustment for compensated absences			(27,933)	
Adjustment for net pension liability at April 30, 2015	166,105			
Net position, beginning of year, as restated	<u>\$ 14,626,884</u>	<u>\$ 1,464,853</u>	<u>\$ 4,788,010</u>	<u>\$ 1,464,853</u>

NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended April, 30, 2016, 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. 72, *Fair Value Measurement and Application*, will be effective for the Town beginning with its year ending April 30, 2017. This statement defined the term fair value and provides guidance on determining the fair value measurement, applying fair value to certain investments, and financial reporting requirements and disclosures.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, will be effective for the Town beginning with its year ending April 30, 2017. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for the transaction or other event is not specified within a source of authoritative GAAP.

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.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF OCEAN VIEW, DELAWARE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED APRIL 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
REVENUES				
Building and sign permits	\$ 205,000	\$ 205,000	\$ 303,192	\$ 98,192
Business and rental licenses	118,000	118,000	131,625	13,625
Cable TV franchise fee	60,000	60,000	62,339	2,339
Donations	100	100	577	477
Impact fees	45,000	45,000	226,873	181,873
Interest	2,500	2,500	15,760	13,260
Miscellaneous	12,000	12,000	21,417	9,417
Municipal street aid	99,000	99,000	99,955	955
Police pension fund	30,000	30,000	35,374	5,374
Property taxes	1,307,000	1,307,000	1,304,659	(2,341)
Public safety fines	40,000	40,000	33,233	(6,767)
Public safety grants	25,000	25,000	96,629	71,629
Reimbursed expenses	12,000	12,000	150,963	138,963
Realty transfer taxes	700,000	700,000	788,405	88,405
Rental gross receipts	200,000	200,000	236,812	36,812
Zoning fees	12,500	12,500	30,710	18,210
Total revenues	<u>2,868,100</u>	<u>2,868,100</u>	<u>3,538,523</u>	<u>670,423</u>
EXPENDITURES				
Current				
General government	945,700	1,105,700	1,112,200	(6,500)
Public safety	1,025,100	1,025,100	1,116,201	(91,101)
Public works	376,500	376,500	357,975	18,525
Capital outlay	2,121,600	2,121,600	851,734	1,269,866
Total expenditures	<u>4,468,900</u>	<u>4,628,900</u>	<u>3,438,110</u>	<u>1,190,790</u>
Excess of revenues over (under) expenditures	<u>(1,600,800)</u>	<u>(1,760,800)</u>	<u>100,413</u>	<u>1,861,213</u>
FUND BALANCE - BEGINNING, AS RESTATED	<u>4,788,010</u>	<u>4,788,010</u>	<u>4,788,010</u>	
FUND BALANCE - ENDING	<u>\$ 3,187,210</u>	<u>\$ 3,027,210</u>	<u>\$ 4,888,423</u>	<u>\$ 1,861,213</u>

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

YEAR ENDED APRIL 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Amounts	
GENERAL GOVERNMENT				
Payroll wages	\$ 486,600	\$ 486,600	\$ 447,138	\$ 39,462
Payroll wages - overtime and bonus	5,000	5,000	3,988	1,012
Payroll taxes	41,800	41,800	36,762	5,038
Payroll wages - council and committees	8,900	8,900	7,595	1,305
Subtotal	542,300	542,300	495,483	46,817
Employee retirement	30,500	30,500	26,903	3,597
Insurance - medical, dental and life	133,500	133,500	65,136	68,364
Insurance - workers compensation	2,500	2,500	2,031	469
Compensation related costs	708,800	708,800	589,553	119,247
Advertising	3,000	3,000	5,822	(2,822)
Communications	12,000	12,000	12,473	(473)
Comprehensive land use plan	30,000	30,000		30,000
Computer software and maintenance	22,800	22,800	23,520	(720)
Donations		160,000	153,000	7,000
Dues and subscriptions	3,000	3,000	3,075	(75)
Education and training	2,500	2,500	2,771	(271)
Insurance - other	29,000	29,000	31,472	(2,472)
Leases			3,710	(3,710)
Maintenance and repairs - building	11,800	11,800	20,980	(9,180)
Mileage	2,000	2,000	1,293	707
Miscellaneous			900	(900)
Non-capital equipment	1,500	1,500	2,135	(635)
Postage, printing and office supplies	11,500	11,500	15,890	(4,390)
Professional fees	51,500	51,500	179,030	(127,530)
Property assessment	20,000	20,000	24,309	(4,309)
Public relations	14,400	14,400	18,218	(3,818)
Realty transfer tax processing charges	7,000	7,000	7,046	(46)
Supplies	3,000	3,000	3,817	(817)
Uniforms			116	(116)
Utilities	11,900	11,900	13,070	(1,170)
TOTAL GENERAL GOVERNMENT	945,700	1,105,700	1,112,200	(6,500)

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

YEAR ENDED APRIL 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Amounts	
PUBLIC SAFETY				
Payroll wages	\$ 506,500	\$ 506,500	\$ 515,785	\$ (9,285)
Payroll wages - overtime and bonus	41,200	41,200	87,127	(45,927)
Payroll taxes	46,500	46,500	48,091	(1,591)
Subtotal	594,200	594,200	651,003	(56,803)
Employee retirement	66,200	66,200	63,689	2,511
Insurance - medical, dental and life	140,200	140,200	127,106	13,094
Insurance - workers compensation	32,100	32,100	42,691	(10,591)
Compensation related costs	832,700	832,700	884,489	(51,789)
Advertising	200	200		200
Communications	16,500	16,500	16,796	(296)
Computer software and maintenance	2,000	2,000	3,091	(1,091)
Dues and subscriptions	2,000	2,000	3,884	(1,884)
Education and training	15,000	15,000	38,389	(23,389)
Insurance - other	26,000	26,000	25,532	468
Maintenance and repairs - building	14,400	14,400	14,443	(43)
Maintenance and repairs - contracted			1,209	(1,209)
Mileage	200	200	24	176
Miscellaneous			9,979	(9,979)
Non-capital equipment	11,000	11,000	13,305	(2,305)
Postage, printing and office supplies	3,500	3,500	4,095	(595)
Professional fees	11,500	11,500	11,145	355
Public relations	1,600	1,600	275	1,325
Supplies	15,000	15,000	32,333	(17,333)
Uniforms	11,500	11,500	13,961	(2,461)
Utilities	13,000	13,000	11,828	1,172
Vehicles and equipment - fuel	35,000	35,000	20,467	14,533
Vehicles and equipment - maintenance and repairs	14,000	14,000	10,956	3,044
TOTAL PUBLIC SAFETY	1,025,100	1,025,100	1,116,201	(91,101)

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

YEAR ENDED APRIL 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Amounts	
PUBLIC WORKS				
Payroll wages	\$ 74,100	\$ 74,100	\$ 96,950	\$ (22,850)
Payroll wages - overtime and bonus	7,400	7,400	2,276	5,124
Payroll taxes	7,200	7,200	8,171	(971)
Subtotal	88,700	88,700	107,397	(18,697)
Employee retirement	5,100	5,100	6,049	(949)
Insurance - medical, dental and life	43,100	43,100	47,762	(4,662)
Insurance - workers compensation	4,600	4,600	10,140	(5,540)
Compensation related costs	141,500	141,500	171,348	(29,848)
Advertising	1,000	1,000	585	415
Communications	2,800	2,800	2,679	121
Contracted labor	20,000	20,000	5,082	14,918
Drainage	25,000	25,000	5,334	19,666
Dues and subscriptions	100	100		100
Education and training	100	100	120	(20)
Insurance - other	9,100	9,100	9,100	
Maintenance and repairs - building	2,000	2,000	17,513	(15,513)
Mileage			124	(124)
Non-capital equipment	7,000	7,000	2,628	4,372
Park expense	20,000	20,000	13,509	6,491
Postage, printing and office supplies	400	400	146	254
Professional fees	13,800	13,800	327	13,473
Public relations	200	200		200
Street lighting	65,000	65,000	74,148	(9,148)
Street maintenance	20,000	20,000	7,918	12,082
Street signs	6,000	6,000	90	5,910
Supplies	12,000	12,000	18,949	(6,949)
Uniforms	2,500	2,500	1,123	1,377
Utilities	15,500	15,500	11,351	4,149
Vehicles and equipment - fuel	7,000	7,000	5,280	1,720
Vehicles and equipment - maintenance and repairs	5,500	5,500	10,621	(5,121)
TOTAL PUBLIC WORKS	376,500	376,500	357,975	18,525
CAPITAL OUTLAY	2,121,600	2,121,600	851,734	1,269,866
TOTAL EXPENDITURES	\$ 4,468,900	\$ 4,628,900	\$ 3,438,110	\$ 1,190,790

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>2016</u>
<u>County & Municipal Police and Firefighters' Pension Plan</u>	
Town's proportion of the net pension liability (asset)	0.6447%
Town's proportionate share of the net pension liability (asset) \$	(33,979)
Town's covered-employee payroll \$	527,084
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-6.4466%
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.0%
 <u>County & Municipal Other Employees' Pension Plan</u>	
Town's proportion of the net pension liability (asset)	1.7735%
Town's proportionate share of the net pension liability (asset) \$	757
Town's covered-employee payroll \$	585,543
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.1293%
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.9%

TOWN OF OCEAN VIEW, DELAWARE

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE TOWN'S CONTRIBUTIONS

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(UNAUDITED)

	<u>2016</u>
<u>County & Municipal Police and Firefighters' Pension Plan</u>	
Contractually required contribution	\$ 64,908
Contributions in relation to the contractually required contribution	<u>(64,908)</u>
Contribution deficiency (excess)	<u>\$ 0</u>
Town's covered-employee payroll	\$ 527,084
Contributions as a percentage of covered-employee payroll	12%
 <u>County & Municipal Other Employees' Pension Plan</u>	
Contractually required contribution	\$ 34,068
Contributions in relation to the contractually required contribution	<u>(34,068)</u>
Contribution deficiency (excess)	<u>\$ 0</u>
Town's covered-employee payroll	\$ 585,543
Contributions as a percentage of covered-employee payroll	6%

***GOVERNMENT AUDITING STANDARDS* REPORT**



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DELAWARE SOCIETY OF
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PKF INTERNATIONAL

**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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2016, 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 October 11, 2016.

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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we 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
October 11, 2016