

TOWN OF OCEAN VIEW, DELAWARE

FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2020

TOWN OF OCEAN VIEW, DELAWARE

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Ocean View, Delaware, as of and for the year ended April 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Ocean View, Delaware's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Ocean View, Delaware, as of April 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 3 through 12 and pages 42 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2020, on our consideration of the Town of Ocean View, Delaware's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Ocean View, Delaware's internal control over financial reporting and compliance.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
September 8, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2020

The management team of the Town of Ocean View, Delaware (the “Town”) is pleased to present 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, 2020. We encourage readers to consider the information presented here in conjunction with the annual budget and other community information found on the Town’s website at www.oceanviewde.com. It should be noted that the additional information from the website and other Town sources is unaudited and has not been updated for events that may have occurred subsequent to the issuance of the respective reports.

FINANCIAL HIGHLIGHTS

- As of April 30, 2020, governmental activity assets exceeded liabilities by \$20,729,948. Of this amount, \$3,170,340 or 15% was unrestricted and may be used for ongoing obligations to citizens and creditors.
- As of April 30, 2020, Business-type activity assets exceeded liabilities by \$1,525,909. Of this amount, \$1,324,085 or 87% was unrestricted and may be used for ongoing obligations of the Town’s water distribution system.
- The Town’s net position for governmental and business-type activities increased by \$2,431,013 during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2020

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, even though the Town has not received the actual cash from those levies.

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

Fund Financial Statements

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

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

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

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

Proprietary Fund: The Town maintains one type of proprietary fund. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2020

statements. The Town uses a proprietary fund to account for its water distribution system. The proprietary fund financial statements can be found on pages 19 - 21 of this report.

Notes to the Financial Statements

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

Required Supplementary Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously noted, net position may serve over time as a useful indicator of the government-wide financial position. In the case of the Town of Ocean View, the net position as of April 30, 2020, was \$22,255,857.

The following table is a summary of the government-wide statement of net position for the years ended April 30, 2020 and 2019:

	Governmental Activities		Business-type Activities		Total Government	
	2020	2019*	2020	2019	2020	2019*
Current and other assets	\$ 9,039,453	\$ 8,111,681	\$ 1,224,867	\$ 1,025,289	\$ 10,264,320	\$ 9,136,970
Capital assets	12,022,804	11,095,901	4,390,500	4,548,243	16,413,304	15,644,144
Total assets	21,062,257	19,207,582	5,615,367	5,573,532	26,677,624	24,781,114
Deferred Charges - refunding debt			129,433	134,056	129,433	134,056
Deferred Outflows - retirement	611,628	523,150	-	-	611,628	523,150
Total deferred outflows	611,628	523,150	129,433	134,056	741,061	657,206
Current and other liabilities	330,295	873,075	30,215	30,991	360,510	904,066
Long-term liabilities	498,193	372,095	4,188,676	4,189,700	4,686,869	4,561,795
Total liabilities	828,488	1,245,170	4,218,891	4,220,691	5,047,379	5,465,861
Deferred Inflows - retirement	115,449	147,615	-	-	115,449	147,615
Net position:						
Net investments in capital assets	12,022,804	11,095,901	201,824	358,543	12,224,628	11,454,444
Restricted	5,536,804	4,811,946	-	-	5,536,804	4,811,946
Unrestricted	3,170,340	2,430,100	1,324,085	1,128,354	4,494,425	3,558,454
Total net position	\$ 20,729,948	\$ 18,337,947	\$ 1,525,909	\$ 1,486,897	\$ 22,255,857	\$ 19,824,844

*2019 has been restated as referenced in the Prior Period Adjustment Footnote

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2020

A significant portion of the Town's net position of \$22,255,857 (55% or \$12,224,628) is not available for future spending as this represents amounts invested in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment). This investment is net of any related debt that was used to acquire those assets that is still outstanding. The Town uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending, and with exception of business type assets, do not generate direct revenue for the Town. They do represent, however, an obligation on the part of the Town to maintain these assets into the future. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Of the remaining \$10,031,229 in net position, \$1,177,464 is restricted by either the grantor (\$1,133,854) or the contributor (\$43,610). Additionally, \$4,359,340 of the net position is held in three trust funds established by ordinance, funded with realty transfer tax funds, the use of which is restricted to cases of emergency, for capital asset repair and replacement, and for street and sidewalk repair and maintenance as described in the ordinances. The unrestricted funds of \$4,494,425 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, 2020 and 2019:

	Governmental Activities		Business-type Activities		Total Government	
	2020	2019*	2020	2019	2020	2019*
Revenues:						
Program Revenues						
Charges for services	\$ 2,025,683	\$ 1,512,492	\$ 595,845	\$ 587,806	\$ 2,621,528	\$ 2,100,298
Operating grants and contributions	300,694	276,867	-	-	300,694	276,867
Capital grants and contributions	55,496	77,503	-	-	55,496	77,503
General revenue						
Property taxes	2,269,545	2,143,350	-	-	2,269,545	2,143,350
Transfer taxes	2,015,627	1,525,844	-	-	2,015,627	1,525,844
Rental gross receipts taxes	366,665	321,007	-	-	366,665	321,007
Investment income	61,301	66,725	10,936	11,933	72,237	78,658
Sale of assets	(25,901)	(28,026)	-	-	(25,901)	(28,026)
Total revenues	7,069,110	5,895,762	606,781	599,739	7,675,891	6,495,501
Expenses:						
General government	1,716,204	1,468,852	-	-	1,716,204	1,468,852
Public safety	1,872,980	1,921,969	-	-	1,872,980	1,921,969
Public works	1,087,925	972,795	-	-	1,087,925	972,795
Water system			567,769	580,758	567,769	580,758
Total expenses	4,677,109	4,363,616	567,769	580,758	5,244,878	4,944,374
Increase in net position	2,392,001	1,532,146	39,012	18,981	2,431,013	1,551,127
Net position - Beginning	18,337,947	16,805,801	1,486,897	1,467,916	19,824,844	18,273,717
Net position - Ending	\$20,729,948	\$18,337,947	\$1,525,909	\$1,486,897	\$22,255,857	\$19,824,844

*2019 has been restated as referenced in the Prior Period Adjustment Footnote

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2020

Government Activities

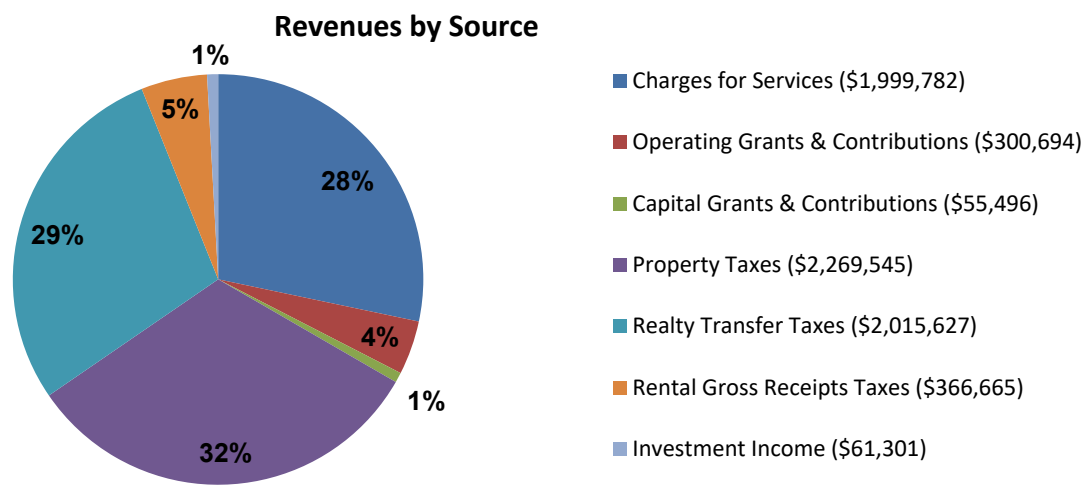
Total government net position increased by \$2,392,001 during fiscal year 2020.

Property taxes, realty transfer taxes, and rental gross receipts taxes received during fiscal year 2020 totaled \$2,269,545, \$2,015,627, and \$366,665, respectively.

2020 Revenues - Governmental Activities

- Realty transfer taxes increased by \$489,783 (32%) over the prior fiscal year. This increase resulted from an increase in the number of new homes constructed in new subdivisions in the Town, increases in other new construction, and increases in property resales. New construction transfer tax increased by \$321,959 (38%) over prior year new construction transfer tax, while resale transfer tax increased \$167,824 (25%). Realty transfer taxes fund restricted trusts such as the Capital Replacement Trust, Street Repair and Replacement Trust and Emergency Reserve Trust and are not used for operations of the Town.
- Property taxes increased by \$126,195 from the prior fiscal year as a result of new construction and home improvements that increased the total assessed value of taxable property.

The following chart shows property taxes as the largest source of governmental revenue comprising 32% of the total revenue (\$7,069,110), followed by realty transfer taxes of 29%, charges for services of 28%, rental gross receipts tax of 5%, and the remaining 6% from other sources including operating and capital grants and contributions.



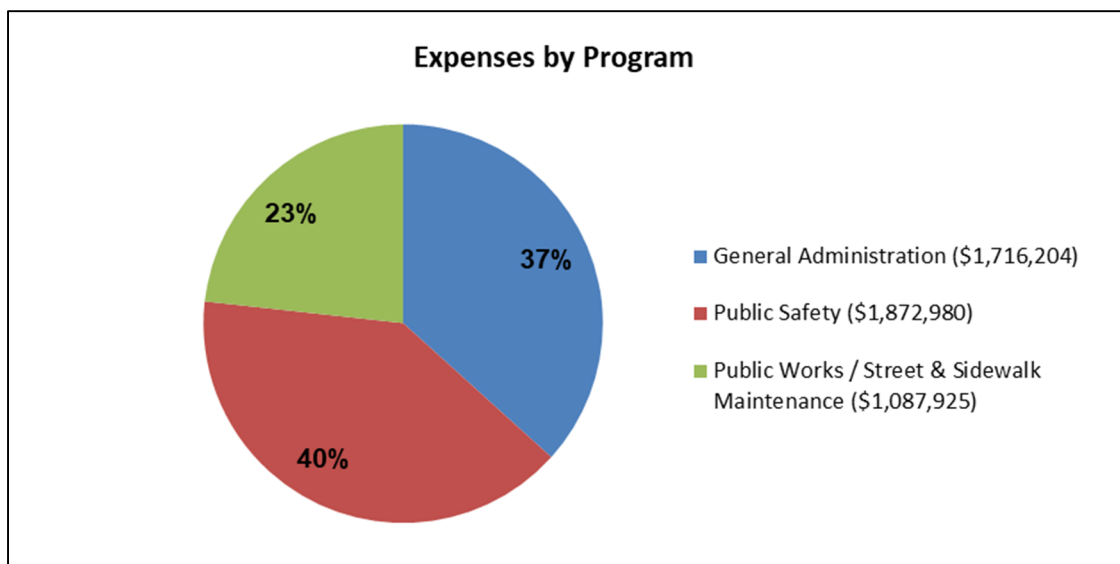
TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2020

There are several other notable changes from fiscal year 2019 to fiscal year 2020

- Building and Sign Permits increased from \$490,034 in fiscal year 2019 to \$714,900 for fiscal year 2020 as a result of new home construction and improvements to existing properties.
- Rental gross receipts revenue increased \$45,658 over the previous year.

2020 Expenses - Governmental Activities

During the fiscal year, the Town continued to provide a fully staffed professional police department focused on community policing (24 hour, 7 days a week). The Town also continued to provide street maintenance of Town owned streets and street lighting for both Town owned streets and for some streets owned by the State of Delaware in association with improved safety. The following chart shows the governmental expenses by program.



Payroll and related personnel costs such as payroll taxes, employee retirement contributions, health insurance, and workers compensation premiums total \$2,379,421 or approximately 51% of the total program expenses of \$4,677,109. Approximately 25% of the remaining \$2,297,688 of total governmental expenditures relates to expenditures for street and sidewalk maintenance, drainage, and lighting. There are several notable changes from fiscal year 2019 to fiscal year 2020.

- There was an 1.018% cost-of-living pay raise granted for fiscal year 2020 based on the Consumer Price Index for the mid-Atlantic region along with up to a 3% merit increase based on performance.
- Street maintenance and repair increased \$138,281 over the previous year.
- Contracted Labor increased over fiscal year 2019 as a result of the outsourcing much of our Public Works duties in the amount of \$31,855 along with the decrease in Public Work's salaries and related personnel costs in the amount of \$75,609 resulted in a net savings of \$43,754.

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2020

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 2020, the Town's governmental fund balance increased by \$1,705,272 to \$8,694,788. The unassigned fund balance component of the General Fund increased by \$255,795 to \$1,493,869.

Several projects were funded in fiscal year 2020 but not completed by year-end, April 30, 2020. For fiscal year 2020, the encumbered amount of the purchase orders (\$1,590,645) is committed for use in fiscal year 2021 which is reflected in the Town's fund balance.

The governmental fund consists of the General Fund. The General Fund includes Town general administration, planning, zoning and development, 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, community events 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 put in service on March 1, 2008. The Town secured financing for this project from the United States Department of Agriculture, Rural Utilities Service, in the amount of \$6,300,000 which consisted of \$4,600,000 in loans and \$1,700,000 in grants. In August 2018, the Town retired the USDA debt by issuing general obligation bonds.

Per town ordinance the refinancing had to result in savings of at least \$100,000. Due to the Town's solid financial position, including Standard & Poor's credit rating of AA+, the result was a savings of \$349,759. The true interest rate on the new debt is 3.445%.

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2020

GENERAL FUND BUDGETARY HIGHLIGHTS

The Fiscal year 2020 Budget attempted to position our community to address near and long-term projects and initiatives as well as maintaining a high level of service delivery from our dedicated staff.

Revenue and Appropriation Budget

The Town made revisions, based on year to date experience, to the original appropriations approved by Town Council. Overall, these changes resulted in an increase in budgeted revenues of \$2,252,230, of which \$1,101,970 were available for operations. Budgeted expenditures increased by \$647,478 (\$345,910 Operating and \$301,568 Capital) providing additional street repairs and traffic analysis, completion of drainage projects, and the new John West Park / Town Hall parking lot.

Budget to Actual – Revenues

General Fund revenues exceeded the amended budget by \$52,454. Realty transfer taxes and gross rental receipts taxes exceeded the amended budget by \$15,627 and \$4,665, respectively, because of increased activity in the local real estate market. Charges for services related to new construction, specifically, expense reimbursements, exceeded the amended budget by \$3,955.

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

Budget to Actual – Expenditures

Total expenditures were under the amended budget by \$1,192,844. The largest variance (\$65,533) is related to sidewalk repair that was being done close to the end of the fiscal year. The work ended up being completed early in the 2021 fiscal year. A similar situation occurred with capital drainage projects (\$812,316).

As a result of outsourcing some of Public Works duties, the amended budget increased Contracted labor by \$32,000. Public Works payroll wages decreased by the same amount but the \$147,375 variance in Payroll and related personnel costs are also as a result of the outsourcing.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Town's investment in capital assets for its governmental and business-type activities as of April 30, 2020 was \$16,413,304 (net of accumulated depreciation). Capital assets include land, land improvements, buildings and improvements, infrastructure, vehicles and equipment, and the water distribution system. Significant capital additions for the year include upgrades to the Town's administrative offices, completion of the Woodland Ave Extended and Woodland Park drainage projects, and one (1) new police vehicle.

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2020

The following table is a summary of the governmental and business-type capital assets for the years ended April 30, 2020 and 2019:

	Governmental Activities		Business-type Activities		Total Government	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,490,621	\$ 1,490,621	\$ -	\$ -	\$ 1,490,621	\$ 1,490,621
Construction in progress	159,391	858,120	-	-	159,391	858,120
Buildings and improvements	3,527,461	3,561,340	-	-	3,527,461	3,561,340
Vehicles and equipment	511,571	577,112	-	-	511,571	577,112
Infrastructure	6,333,761	4,608,708	-	-	6,333,761	4,608,708
Water distribution system	-	-	4,390,500	4,548,243	4,390,500	4,548,243
Total	\$ 12,022,804	\$ 11,095,901	\$ 4,390,500	\$ 4,548,243	\$ 16,413,304	\$ 15,644,144

Long-term Debt

The Town's long-term debt on April 30, 2020, consists of \$4,188,676 remaining principal balance on general obligation bonds used to finance a portion of the water distribution system. The following bonds issued by the United States Department of Agriculture; Rural Utilities Service were retired in fiscal year 2019:

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

On August 15, 2018, the Town retired the USDA debt by issuing general obligation bonds. The issuance did not extend the life of the debt. The true interest rate of the bond issuance is 3.445%, resulting in a savings over the life of the debt of \$349,759.

Payments of the general obligation bonds are due in March and September of each year with the final payment due September 15, 2047. The March 2019 through March 2021 payments are interest only. After that time March payments will be interest only and September payments will be principal and interest.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Fiscal year 2021 Revenue and Appropriation Budgetary Highlights

Budgeted revenue for fiscal year 2021 decreased 20% (\$1,470,515) under the amended fiscal year 2020 budget. The primary factor is that the Town continues to be fiscally conservative with projections for tax collections from real estate transfers and gross rental receipts, as well as services related to construction activity.

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2020

Budgeted appropriations for fiscal year 2021 increased \$16,361 over the amended fiscal year 2020 budget. Council granted an 2.407% cost-of-living pay raise for fiscal year 2021 based on the Consumer Price Index for the mid-Atlantic region along with up to a .9% merit increase based on performance. The Public Safety Department received a 5.1% increase above the cost-of-living and merit increase.

Capital outlay budgeted for fiscal year 2021 is \$1,697,835 and includes funding for the replacement of police vehicles, drainage and street repair projects, bike lane safety, improvements to the Administrative offices and irrigation and playground equipment for John West Park.

Over fiscal year 2021 with reorganization, our goal is to establish the office of Planning and Zoning as its own department and budget as well as, the outsourcing of some of the duties of the Department of Public Works on a permanent basis. These changes will impact our year to year comparisons as we settle into our new normal.

COVID-19 PANDEMIC

Although the full financial and operational impact of the pandemic are uncertain, the Town is continually analyzing the effects of the pandemic on Town finances and operations and is making adjustments accordingly.

REQUEST FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

TOWN OF OCEAN VIEW, DELAWARE

STATEMENT OF NET POSITION

APRIL 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,312,457	\$ 1,139,116	\$ 4,451,573
Receivables, net			
Taxes	3,441		3,441
Water usage		75,460	75,460
Other	158,765	10,971	169,736
Prepaid insurance	73,470		73,470
Internal balances	680	(680)	
Restricted assets			
Cash and cash equivalents	5,484,490		5,484,490
Other receivables	6,150		6,150
Capital assets, net of depreciation			
Land, improvements, and construction in progress	1,650,011		1,650,011
Other capital assets, net of depreciation	10,372,793	4,390,500	14,763,293
Total assets	<u>21,062,257</u>	<u>5,615,367</u>	<u>26,677,624</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges - refunding debt		129,433	129,433
Deferred financing outflows - retirement	611,628		611,628
Total deferred outflows of resources	<u>611,628</u>	<u>129,433</u>	<u>741,061</u>
LIABILITIES			
Accounts payable and other current liabilities	278,780	12,243	291,023
Accrued liabilities	51,515	17,972	69,487
Long-term liabilities			
Due in more than one year	190,357	4,188,676	4,379,033
Net pension liability	307,836		307,836
Total liabilities	<u>828,488</u>	<u>4,218,891</u>	<u>5,047,379</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred financing inflows - retirement	115,449		115,449
NET POSITION			
Net investment in capital assets	12,022,804	201,824	12,224,628
Restricted	5,536,804		5,536,804
Unrestricted	3,170,340	1,324,085	4,494,425
Total net position	<u>\$ 20,729,948</u>	<u>\$ 1,525,909</u>	<u>\$ 22,255,857</u>

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

TOWN OF OCEAN VIEW, DELAWARE

STATEMENT OF ACTIVITIES

YEAR ENDED APRIL 30, 2020

	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	\$ 1,716,204	\$ 1,958,074	\$	\$ 48,809	\$ 290,679	\$	\$ 290,679
Public safety	1,872,980	67,467	184,574	6,687	(1,614,252)		(1,614,252)
Public works	1,087,925	142	116,120		(971,663)		(971,663)
Total governmental activities	4,677,109	2,025,683	300,694	55,496	(2,295,236)		(2,295,236)
BUSINESS-TYPE ACTIVITIES							
Water fund	567,769	595,845				28,076	28,076
Total primary government	<u>\$ 5,244,878</u>	<u>\$ 2,621,528</u>	<u>\$ 300,694</u>	<u>\$ 55,496</u>	<u>(2,295,236)</u>	<u>28,076</u>	<u>(2,267,160)</u>
GENERAL REVENUES							
Taxes							
Property taxes					2,269,545		2,269,545
Transfer taxes - realty					2,015,627		2,015,627
Rental gross receipts					366,665		366,665
Investment earnings					61,301	10,936	72,237
Sale of assets					(25,901)		(25,901)
Total general revenues					4,687,237	10,936	4,698,173
Change in net position					2,392,001	39,012	2,431,013
NET POSITION, BEGINNING OF YEAR, AS RESTATED					18,337,947	1,486,897	19,824,844
NET POSITION, END OF YEAR					<u>\$ 20,729,948</u>	<u>\$ 1,525,909</u>	<u>\$ 22,255,857</u>

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

TOWN OF OCEAN VIEW, DELAWARE

**BALANCE SHEET
GOVERNMENTAL FUND**

APRIL 30, 2020

ASSETS

	General Fund
Cash and cash equivalents	\$ 3,312,157
Taxes receivable	3,441
Accounts receivable, other	158,764
Prepaid insurance	73,470
Due from water fund	680
Restricted assets	
Cash and cash equivalents	5,484,790
Other receivables	6,150
Total assets	<u>\$ 9,039,452</u>

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

LIABILITIES

Accounts payable	\$ 278,780
Accrued liabilities	51,515
Total liabilities	<u>330,295</u>

DEFERRED INFLOWS OF RESOURCES

Unavailable revenues	
Property taxes	14,105
Other	264
Total deferred inflows of resources	<u>14,369</u>

FUND BALANCES

Nonspendable	
Prepays	73,470
Restricted	5,536,804
Committed	1,590,645
Unassigned	1,493,869
Total fund balances	<u>8,694,788</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,039,452</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, 2020

Total fund balances, governmental fund	\$ 8,694,788
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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.	12,022,804
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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	611,628
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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.

Unavailable revenues - property taxes	14,370
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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	(190,357)
Deferred financing inflows - retirement	(115,449)
Net pension liability	(307,836)

Net position of governmental activities in the Statement of Net Position	<u>\$ 20,729,948</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, 2020

	<u>General Fund</u>
REVENUES	
Taxes	\$ 4,875,810
Intergovernmental revenues	316,657
Charges for services	1,959,076
Fines and forfeitures	39,832
Interest	108,401
Miscellaneous	18,948
Total revenues	<u>7,318,724</u>
EXPENDITURES	
Current	
General government	1,655,481
Public safety	1,692,659
Public works	815,357
Capital outlay	1,449,955
Total expenditures	<u>5,613,452</u>
Excess of revenues over expenditures	1,705,272
FUND BALANCE, BEGINNING OF YEAR	<u>6,989,516</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 8,694,788</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, 2020

Net change in fund balance, governmental fund	\$ 1,705,272
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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	\$ 1,449,955	
Depreciation expense	<u>(497,151)</u>	952,804

In the Statement of Activities, the gain or loss on the disposal of capital assets is
reported, whereas in the governmental funds, the proceeds from the sale increase
financial resources. Thus, the change in net assets differs from the change in fund
balances by the book value of the assets sold. (25,901)

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

Change in compensated absences	(39,590)
Change in deferred outflows of resources - retirement	88,479

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	(223,708)
Change in deferred inflows - retirement	32,166
Change in net pension liability	<u>(97,521)</u>

Change in net position of governmental activities	<u><u>\$ 2,392,001</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, 2020

	<u>Water Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,139,116
Receivables	
Water usage, net of allowance for doubtful accounts	75,460
Other	10,971
Total current assets	<u>1,225,547</u>
Noncurrent assets	
Capital assets, net of depreciation	<u>4,390,500</u>
Total assets	<u>5,616,047</u>
DEFERRED OUFLOWS OF RESOURCES	
Deferred charges - refunding debt	<u>129,433</u>
LIABILITIES	
Current liabilities	
Accounts payable and other current liabilities	12,243
Accrued interest payable	17,972
Due to general fund	680
Total current liabilities	<u>30,895</u>
Noncurrent liabilities	
Bonds payable	<u>4,188,676</u>
Total liabilities	<u>4,219,571</u>
NET POSITION	
Net investment in capital assets	201,824
Unrestricted	1,324,085
Total net position	<u><u>\$ 1,525,909</u></u>

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

TOWN OF OCEAN VIEW, DELAWARE

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

YEAR ENDED APRIL 30, 2020

	Water Fund
OPERATING REVENUES	
Charges for services	\$ 568,717
OPERATING EXPENSES	
Advertising	923
Bank fees	219
Depreciation	157,743
Dues and subscriptions	250
Insurance expense	3,360
Meter reading charges	30,256
Miscellaneous	581
Payroll taxes and benefits	10,578
Payroll wages	22,461
Professional fees	7,685
Repairs and maintenance	11,517
Water charges	138,544
Water inspection	1,225
Water management fee	33,492
Total operating expenses	418,834
Operating income	149,883
NON-OPERATING REVENUES (EXPENSES)	
Connection and inspection fees	24,120
Interest income	10,936
Bad debt expense	(2,729)
Miscellaneous income	3,008
Interest expense	(146,206)
Net non-operating revenues (expenses)	(110,871)
Change in net position	39,012
NET POSITION, BEGINNING OF YEAR	1,486,897
NET POSITION, END OF YEAR	\$ 1,525,909

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, 2020

	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 590,710
Payments to suppliers	(228,828)
Payments to employees	(33,039)
Net cash provided by operating activities	<u>328,843</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Inspection and connection fees	24,120
Proceeds from issuance of long-term liabilities	3,599
Interest paid on long-term liabilities	(146,206)
Net cash used by capital and related financing activities	<u>(118,487)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Non-operating revenue	279
Due to general fund	(24,113)
Net cash used by noncapital financing activities	<u>(23,834)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>10,936</u>
Net increase in cash and cash equivalents	197,458
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>941,658</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,139,116</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 149,883
Adjustments to reconcile operating income to net cash provided:	
Depreciation	157,743
(Increase) decrease in assets	
Accounts receivable	21,993
Increase (decrease) in liabilities	
Accounts payable	(776)
Net cash provided by operating activities	<u><u>\$ 328,843</u></u>

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2020

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, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Basic financial statements - fund financial statements

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

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

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

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

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic financial statements - fund financial statements (continued)

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

Basis of accounting

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

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

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

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

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting (continued)

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

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

Deferred inflows of resources

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

Deferred outflows of resources

The Town reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide Statement of Net Position. The Town has two types of items that qualify for reporting in this category: deferred outflows related to retirement and deferred charges related to the refunding of the debt.

Pensions

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

Cash equivalents

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

Restricted cash

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

Receivables are reported at their gross value and, where appropriate, are reduced by an allowance for uncollectible amounts. An allowance is recorded on receivable balances that are based on historical collections experience for the Town. As of April 30, 2020, the balance for the allowance for uncollectible amounts for the proprietary fund is \$3,866.

Property taxes

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

Capital assets

Capital assets purchased or acquired with an original cost of \$2,500 or more are reported at historical cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at the acquisition value. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure consists of streets and drainage projects. The Town has elected to not capitalize infrastructure acquired prior to May 1, 2004.

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

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

Compensated absences

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated absences (Continued)

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

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

Revenues

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

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

Government-wide and proprietary fund net position

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

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund balances

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

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

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

Bear Trap easement	\$ 20,084
Capital replacement	1,143,385
Criminal justice council	6,150
Emergency reserve	848,706
Municipal street aid	125,906
Realty transfer tax	993,510
Recreation/open space	23,527
SALLE / EIDE grant	5,375
Street repair and replacement	2,367,249
Violent crime grant	2,912
	<u>\$ 5,536,804</u>

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

Emergency Service Enhancements	\$ 745,709
Subsequent year's expenditures	844,936
	<u>\$ 1,590,645</u>

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund balances (continued)

- *Assigned fund balance*—this classification reflects the amounts constrained by the Town’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Town Council solely has the authority to specifically assign funds. There were no funds assigned as of the year ended April 30, 2020.
- *Unassigned fund balance*—this fund balance is the residual classification for the General Fund. This represents the resources available for future spending.

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

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

Interfund activity

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

Use of estimates

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary data

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

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

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

CASH AND CERTIFICATES OF DEPOSIT

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

All deposits are carried at cost. Transactions are made directly with the banks; services of brokers or securities dealers are not used. At April 30, 2020, the carrying amount of the Town's deposits was \$9,936,063 and the bank balance was \$10,046,257.

As of April 30, 2020, \$9,545,963 of the Town's bank balances of \$10,046,257 was exposed to custodial risk. Of the \$9,545,963 that was not covered by FDIC, \$9,545,963 was covered through alternative appropriate collateral.

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2020

CASH AND CERTIFICATES OF DEPOSIT (Continued)

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

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

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

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

Cash and cash equivalents	\$ 4,451,573
Cash and cash equivalents - restricted	5,484,490
Total cash and cash equivalents	<u>\$ 9,936,063</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, 2020, based on assessments, was \$0.2478 per \$100 of assessed valuation. The total assessed value of all taxable real property and improvements at May 1, 2019 was \$912,740,808. 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, 2020

CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2020 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	858,120	159,390	(858,120)	159,390
Total capital assets not being depreciated	2,348,741	159,390	(858,120)	1,650,011
<i>Capital assets being depreciated</i>				
Buildings and improvements	4,813,379	117,557	(34,707)	4,896,229
Equipment	1,293,069	66,092	(22,428)	1,336,733
Vehicles	783,824	61,285		845,109
Infrastructure	5,674,032	1,903,750		7,577,782
Total capital assets being depreciated	12,564,304	2,148,684	(57,135)	14,655,853
Less accumulated depreciation for:				
Buildings and improvements	1,252,038	125,536	(8,806)	1,368,768
Equipment	974,755	112,070	(22,428)	1,064,397
Vehicles	525,027	80,847		605,874
Infrastructure	1,065,324	178,697		1,244,021
Total accumulated depreciation	3,817,144	497,150	(31,234)	4,283,060
Total capital assets being depreciated, net	8,747,160	1,651,534	(25,901)	10,372,793
Governmental activity capital assets, net	\$ 11,095,901	\$ 1,810,924	\$ (884,021)	\$ 12,022,804
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
<i>Capital assets</i>				
Water distribution system	\$ 6,309,701	\$	\$	\$ 6,309,701
Less accumulated depreciation for the Water distribution system	1,761,458	157,743		1,919,201
Business-type activities capital assets, net	\$ 4,548,243	\$ (157,743)	\$	\$ 4,390,500

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2020

CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 43,107
Public safety	190,739
Public works	263,305
Total governmental activities	<u>\$ 497,151</u>

Business-type activities:

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

Changes in long-term obligations for the year ended April 30, 2020, are as follows:

	April 30, 2019	Increases	Decreases	April 30, 2020	Due within one year
Governmental activities:					
Compensated absences	<u>\$ 161,780</u>	<u>\$ 28,577</u>	<u>\$</u>	<u>\$ 190,357</u>	<u>\$</u>
Business-type activities:					
General obligation bonds	\$ 4,160,000	\$	\$	\$ 4,160,000	\$
Bond premium	29,700		(1,024)	28,676	
Total business-type activities	<u>\$ 4,189,700</u>	<u>\$</u>	<u>\$ (1,024)</u>	<u>\$ 4,188,676</u>	<u>\$</u>

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

Description of General Obligation Bonds

During April 30, 2020, the business-type activities issued general obligation bonds to advance refund two 2007 USDA loans held by the Town. The \$4,160,000 of bonds were sold at a premium of \$30,212 with interest rates between 3% and 5% and the proceeds were used to advance refund \$4,041,064 of 2007 USDA loans with an interest rate of 4.125%, after the payment of \$149,147 in issuance costs. The final payment is due September 15, 2047. As a result, the 2007 USDA loans have been defeased and the liability for those loans was removed from the government-wide statement of net position.

The general obligation bond series of 2018 are payable in semi-annual payments beginning September 12, 2021 at interest rates between 3% and 5%. The total amount of outstanding general obligation bonds payable at April 30, 2019 was \$4,160,000.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2020

LONG-TERM LIABILITIES (Continued)

Debt service requirements

Debt service requirements on long-term debt for business-type activities at April 30, 2020 are as follows:

Year Ending April 30,	General Obligation Bonds		
	Principal	Interest	Total
2021	\$	\$ 142,608	\$ 142,608
2022	95,000	140,233	235,233
2023	100,000	135,358	235,358
2024	105,000	130,233	235,233
2025	110,000	125,958	235,958
2026-2030	610,000	576,838	1,186,838
2031-2035	415,000	477,106	892,106
2036-2040	950,000	352,395	1,302,395
2041-2045	955,000	196,419	1,151,419
2046-2048	820,000	30,530	850,530
	<u>\$ 4,160,000</u>	<u>\$ 2,307,678</u>	<u>\$ 6,467,678</u>

RETIREMENT AND PENSION PLANS

General information about the pension plans

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

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2020

RETIREMENT AND PENSION PLANS (Continued)

The following are brief descriptions of the plans in effect as of June 30, 2019. For a more complete description, please refer to the DPERS CAFR for each plan. Separately issued financial statements for DPERS are available from the pension office at: McArdle Building, Suite 1, 860 Silver Lake Blvd, Dover, DE 19904.

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

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

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

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

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2020

RETIREMENT AND PENSION PLANS (Continued)

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

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

<u>Ending April 30,</u>	<u>Cost</u>	<u>Funded</u>
2018	\$ 113,384	100%
2019	\$ 115,318	100%
2020	\$ 173,492	100%

In order to provide pension funding for sworn police officers, the State of Delaware collects a special tax equal to 1/4% of certain gross insurance premiums that are collected in the State. These collections are distributed to police agencies in the State based on the average number of paid, full-time sworn officers as of the end of each calendar year. During the year ended April 30, 2020, the Town received \$52,580.

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

At April 30, 2020, the Town reported a liability of \$307,836 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. Update procedures were used to roll forward the total pension liability to June 30, 2019. The Town's proportion of the net pension liability was based on the percentage of actual employee contributions. At June 30, 2019, the Town's proportion for the Police Plan was .7936% and for the General Plan was 1.7440%.

For the year ended April 30, 2020, the Town recognized pension expense of \$153,868. At April 30, 2020, the Town reported deferred outflows of resources or deferred inflows of resources related to pensions from the following sources.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2020

RETIREMENT AND PENSION PLANS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes to assumptions	\$ 79,110	\$ 22,110
Changes to proportion	34,857	22,420
Difference between expected and actual experience	170,679	70,919
Net difference between projected and actual earnings on pension plan investments	3,517	
Contributions subsequent to measurement date	323,465	
	<u>\$ 611,628</u>	<u>\$ 115,449</u>

The Town's contribution of \$323,465 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, 2021. The collective deferred outflows of resources and deferred inflows of resources are being amortized as follows:

	Measurement Period Ended	Amortization Period	
	June 30	General	Police
Difference between expected and actual experience	2015	8 years	11 years
	2016	9 years	10 years
	2017	9 years	10 years
	2018	8 years	10 years
	2019	9 years	10 years
Net Difference between projected and actual earnings on investments	2015	5 years	5 years
	2016	5 years	5 years
	2017	5 years	5 years
	2018	5 years	5 years
	2019	5 years	5 years
Change in proportion	2014	8 years	11 years
	2015	8 years	11 years
	2016	9 years	10 years
	2017	9 years	10 years
	2018	8 years	10 years
	2019	9 years	10 years

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2020

RETIREMENT AND PENSION PLANS (Continued)

Change in assumptions	2016	9 years	10 years
	2017	9 years	10 years
	2018	9 years	10 years
	2019	9 years	10 years

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

Year Ending		Amortization
<u>April 30,</u>		
2021	\$	36,599
2022		15,068
2023		11,597
2024		17,792
2025		21,492
Thereafter		70,166
	\$	<u>172,714</u>

Actuarial assumptions. The collective total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, and update procedures were used to roll forward the total pension liability to June 30, 2019. These actuarial valuations used the following actuarial assumptions:

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

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2019. 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 RP – 2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version of MP-2015 Mortality improvement scale on a fully generational basis.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2020

RETIREMENT AND PENSION PLANS (Continued)

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

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

1% Decrease (6.0%)	\$ 999,294
Current discount rate (7.0%)	\$ 307,836
1% Increase (8.0%)	\$ (307,838)

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

DEFERRED COMPENSATION PLANS

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2020

RISK MANAGEMENT

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

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

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

LEASE AGREEMENTS

The Town of Ocean View entered into operating leases for three copiers which expire between June 2023 and November 2022. Future minimum lease payments under these non-cancelable operating leases that have remaining terms in excess of one year as of April 30, 2020 are as follows:

<u>Year Ending April 30,</u>	
2021	\$ 10,408
2022	10,408
2023	<u>2,186</u>
Total	<u>\$ 23,002</u>

The total rental expense under operating leases for the fiscal year ended April 30, 2020 was \$8,862.

NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended April, 30, 2020, 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.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2020

NEW PRONOUNCEMENTS (Continued)

GASB Statement No. 84, *Fiduciary Activities*, will be effective for the Town beginning with the year ended April 30, 2021, with early application encouraged. This statement establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities.

GASB Statement No. 87, *Leases*, will be effective for the Town beginning with the year ending April 30, 2023. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement will also change the way leases are disclosed in the financial statements.

PRIOR PERIOD ADJUSTMENT

During the year ended April 30, 2020, there was a retrospective change to tax billing assessments for the year ended April 30, 2019. This change resulted in a decrease in beginning net position on the government-wide financial statements as describe below:

Net position at April 30, 2019	\$ 18,641,821
Change to deferred revenue	(303,874)
Net position at April 30, 2019, as restated	<u><u>\$ 18,337,947</u></u>

SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a public health emergency. There have been mandates from federal, state, and local authorities requiring forced closures of schools, businesses, and other facilities. These forced closures could negatively impact the Town's business. While the closures and limitations on movement are expected to be temporary, the related financial impact cannot be estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF OCEAN VIEW, DELAWARE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED APRIL 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
REVENUES				
Taxes:				
Real estate taxes and penalties	\$ 2,219,210	\$ 2,494,210	\$ 2,493,518	\$ (692)
Realty transfer taxes	1,000,000	2,000,000	2,015,627	15,627
Rental gross receipts tax	282,000	362,000	366,665	4,665
Intergovernmental revenues:				
State municipal street aid	118,000	116,000	116,120	120
Public safety grants	64,500	137,550	147,956	10,406
Police pension grant	30,000	52,580	52,580	
Charges for services:				
Building and sign permits	450,000	715,500	715,790	290
Impact fees	300,000	646,000	646,174	174
Business and rental licenses	155,000	150,000	149,651	(349)
Cable TV franchise fee	63,000	79,000	79,277	277
Zoning and other fees	50,000	90,000	91,685	1,685
Millville ambulance fee	91,000	89,900	89,845	(55)
Expense reimbursements	121,000	182,700	186,655	3,955
Miscellaneous, including				
sale of fixed assets	11,000	18,000	18,135	135
Other revenue sources:				
Public safety fines	30,000	38,500	39,832	1,332
Interest	28,830	93,830	108,401	14,571
Donations	500	500	813	313
Total revenues	<u>5,014,040</u>	<u>7,266,270</u>	<u>7,318,724</u>	<u>52,454</u>
EXPENDITURES				
Current:				
General government	1,519,205	1,704,055	1,655,481	48,574
Public safety	1,593,450	1,705,570	1,692,659	12,911
Public works	1,085,460	1,134,400	815,357	319,043
Capital outlay	1,960,703	2,262,271	1,449,955	812,316
Total expenditures	<u>6,158,818</u>	<u>6,806,296</u>	<u>5,613,452</u>	<u>1,192,844</u>
Excess of revenues over (under)				
expenditures	(1,144,778)	459,974	1,705,272	<u>\$ 1,245,298</u>
FUND BALANCE - BEGINNING	<u>6,989,516</u>	<u>6,989,516</u>	<u>6,989,516</u>	
FUND BALANCE - ENDING	<u>\$ 5,844,738</u>	<u>\$ 7,449,490</u>	<u>\$ 8,694,788</u>	

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

YEAR ENDED APRIL 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Amounts	
GENERAL GOVERNMENT				
Payroll wages	\$ 594,155	\$ 594,155	\$ 592,462	\$ 1,693
Payroll wages - council	9,425	9,425	8,131	1,294
Payroll wages - overtime and bonus	11,990	11,990	10,648	1,342
Payroll taxes	49,525	49,525	48,929	596
Payroll and taxes	665,095	665,095	660,170	4,925
Employee retirement	45,490	45,490	43,320	2,170
Medical, dental and life insurance	151,075	151,075	138,250	12,825
Workers compensation insurance	5,275	5,275	3,821	1,454
Personnel related costs	866,935	866,935	845,561	21,374
Advertising	10,000	8,000	7,628	372
Communications - telephone and internet	14,100	14,550	14,163	387
Comprehensive land use plan		7,500	45,617	(38,117)
Computer software, updates, and website	28,100	28,100	22,501	5,599
Contracted labor	1,500	1,500	445	1,055
Contracted services	4,000	9,000	8,862	138
Dues and subscriptions	7,000	7,000	4,504	2,496
Education and training	18,300	18,300	14,101	4,199
Grant award - restricted funds	80,000	80,000	80,000	
Insurance - business	20,370	20,370	16,626	3,744
Maintenance and repairs	31,200	39,200	28,688	10,512
Mileage	3,000	4,700	5,264	(564)
Millville ambulance fees	91,000	91,000	89,845	1,155
Miscellaneous		1,800	4,340	(2,540)
Non-capital equipment	15,000	15,000	11,051	3,949
Postage, printing and office supplies	15,000	18,400	18,185	215
Professional fees	200,500	271,000	252,329	18,671
Property assessment	40,000	110,000	100,126	9,874
Public relations	29,500	37,950	37,877	73
Realty transfer tax fees	12,000	15,500	15,425	75
Supplies	16,050	22,600	19,199	3,401
Uniforms	1,000	1,000	208	792
Utilities	12,900	12,900	11,202	1,698
Vehicles and equipment - fuel	750	750	815	(65)
Vehicles and equipment - repairs	1,000	1,000	919	81
TOTAL GENERAL GOVERNMENT	1,519,205	1,704,055	1,655,481	48,574

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

YEAR ENDED APRIL 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Amounts	
PUBLIC SAFETY				
Payroll wages	\$ 805,500	\$ 813,100	\$ 813,071	\$ 29
Payroll wages - overtime and bonus	79,090	100,090	126,047	(25,957)
Payroll taxes	71,435	74,655	74,593	62
Payroll and taxes	956,025	987,845	1,013,711	(25,866)
Employee retirement	130,360	130,360	128,312	2,048
Medical, dental and life insurance	194,815	216,815	216,000	815
Workers compensation insurance	60,600	69,000	68,917	83
Personnel related costs	1,341,800	1,404,020	1,426,940	(22,920)
Advertising	200	200	112	88
Ammunition	7,000	8,000	7,928	72
Communications - telephone and internet	18,700	18,700	16,689	2,011
Computer software, updates, and website	8,250	11,450	9,910	1,540
Contracted labor	2,500	2,500	445	2,055
Dues and subscriptions	3,800	3,800	2,764	1,036
Education and training	11,000	11,000	13,058	(2,058)
Insurance - business	47,250	47,250	44,508	2,742
K-9 supplies	2,000	2,000	1,503	497
Maintenance and repairs	24,350	24,350	21,974	2,376
Mileage	200	200	45	155
Miscellaneous	1,100	32,200	2,261	29,939
Non-capital equipment	32,000	32,000	27,338	4,662
Postage, printing and office supplies	5,500	5,500	11,331	(5,831)
Professional fees	8,500	10,800	10,171	629
Public relations	1,000	1,000	150	850
Supplies	12,000	12,000	16,042	(4,042)
Uniforms	10,000	11,300	11,214	86
Utilities	13,300	13,300	12,144	1,156
Vehicles and equipment - fuel	28,000	28,000	26,339	1,661
Vehicles and equipment - repairs	15,000	26,000	23,106	2,894
TOTAL PUBLIC SAFETY	1,593,450	1,705,570	1,692,659	12,911

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

YEAR ENDED APRIL 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Amounts	
PUBLIC WORKS				
Payroll wages	\$ 175,280	\$ 143,280	\$ 61,074	\$ 82,206
Payroll wages - overtime and bonus	9,940	9,940	10,746	(806)
Payroll taxes	15,425	15,425	6,101	9,324
Payroll and taxes	200,645	168,645	77,921	90,724
Employee retirement	13,715	13,715	5,360	8,355
Medical, dental and life insurance	75,820	75,820	27,868	47,952
Workers compensation insurance	11,210	11,210	10,866	344
Personnel related costs	301,390	269,390	122,015	147,375
Advertising	1,000	1,000	997	3
Communications - telephone and internet	4,500	5,400	3,680	1,720
Contracted labor	1,000	33,000	31,856	1,144
Drainage	10,000	10,000	17,856	(7,856)
Dues and subscriptions	500	500		500
Education and training	300	300		300
Insurance - business	22,470	22,470	22,096	374
Maintenance and repairs	7,900	8,300	551	7,749
Mileage	200	200		200
Non-capital equipment	10,800	10,800	2,553	8,247
Park expense	28,000	28,000	29,210	(1,210)
Postage, printing and office supplies	300	300		300
Professional fees	30,500	30,500	1,178	29,322
Public relations	500	500	235	265
Sidewalk work, ADA	147,000	147,000	81,467	65,533
Street lighting	84,000	84,000	81,990	2,010
Street maintenance	54,000	41,500	17,388	24,112
Street paving and repair	327,500	387,640	369,082	18,558
Street signs	7,500	7,500	5,968	1,532
Supplies	20,000	20,000	12,444	7,556
Uniforms	2,800	2,800	763	2,037
Utilities	10,800	10,800	7,676	3,124
Vehicles and equipment - fuel	7,000	7,000	3,175	3,825
Vehicles and equipment - repairs	5,500	5,500	3,177	2,323
TOTAL PUBLIC WORKS	1,085,460	1,134,400	815,357	319,043
CAPITAL OUTLAY	1,960,703	2,262,271	1,449,955	812,316
TOTAL EXPENDITURES	\$ 6,158,818	\$ 6,806,296	\$ 5,613,452	\$ 1,192,844

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)**

	2020	2019	2018	2017	2016
<u>County & Municipal Police and Firefighters' Pension Plan</u>					
Town's proportion of the net pension liability (asset)	0.7936%	0.6568%	0.6077%	0.5602%	0.6447%
Town's proportionate share of the net pension liability (asset)	\$ 227,942	\$ 151,261	\$ 61,268	\$ 89,053	\$ (33,979)
Town's covered-employee payroll	\$ 813,071	\$ 747,950	\$ 615,010	\$ 534,890	\$ 527,084
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	28.0347%	20.2234%	9.9621%	16.6488%	-6.4466%
Plan fiduciary net position as a percentage of the total pension liability (asset)	93.3%	94.1%	97.0%	94.7%	102.0%
<u>County & Municipal Other Employees' Pension Plan</u>					
Town's proportion of the net pension liability (asset)	1.7440%	1.8766%	1.7750%	1.7973%	1.7735%
Town's proportionate share of the net pension liability (asset)	\$ 79,894	\$ 59,054	\$ 115,007	\$ 111,359	\$ 757
Town's covered-employee payroll	\$ 653,536	\$ 709,650	\$ 649,861	\$ 553,888	\$ 585,543
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	12.2249%	8.3216%	17.6972%	20.1050%	0.1293%
Plan fiduciary net position as a percentage of the total pension liability (asset)	92.7%	94.4%	87.6%	86.4%	99.9%

TOWN OF OCEAN VIEW, DELAWARE

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE TOWN'S CONTRIBUTIONS

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>County & Municipal Police and Firefighters' Pension Plan</u>					
Contractually required contribution	\$ 117,016	\$ 62,290	\$ 68,759	\$ 56,529	\$ 64,908
Contributions in relation to the contractually required contribution	<u>(117,016)</u>	<u>(62,290)</u>	<u>(68,759)</u>	<u>(56,529)</u>	<u>(64,908)</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered-employee payroll	\$ 813,071	\$ 747,950	\$ 615,010	\$ 534,890	\$ 527,084
Contributions as a percentage of covered-employee payroll	14%	8%	11%	11%	12%
 <u>County & Municipal Other Employees' Pension Plan</u>					
Contractually required contribution	\$ 56,476	\$ 53,028	\$ 44,625	\$ 37,338	\$ 34,068
Contributions in relation to the contractually required contribution	<u>(56,476)</u>	<u>(53,028)</u>	<u>(44,625)</u>	<u>(37,338)</u>	<u>(34,068)</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered-employee payroll	\$ 653,536	\$ 709,650	\$ 649,861	\$ 553,888	\$ 585,543
Contributions as a percentage of covered-employee payroll	9%	7%	7%	7%	6%

***GOVERNMENT AUDITING STANDARDS* REPORT**

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ALLINIAL GLOBAL

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Ocean View, Delaware, as of and for the year ended April 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Ocean View, Delaware's basic financial statements, and have issued our report thereon dated September 8, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
September 8, 2020