

**TOWN OF OCEAN VIEW, DELAWARE**

**FINANCIAL STATEMENTS**

**YEAR ENDED APRIL 30, 2021**

# **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, 2021, 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, 2021, 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 13 and pages 43 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2021, 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.

*PKS & Company, P.A.*

**CERTIFIED PUBLIC ACCOUNTANTS**

Salisbury, Maryland  
September 14, 2021

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

**TOWN OF OCEAN VIEW, DELAWARE**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**APRIL 30, 2021**

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, 2021. 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.gov](http://www.oceanviewde.gov). 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, 2021, governmental activity assets exceeded liabilities by \$22,760,493. Of this amount, \$3,883,694 or 17% was unrestricted and may be used for ongoing obligations to citizens and creditors.
- As of April 30, 2021, business-type activity assets exceeded liabilities by \$1,527,846. Of this amount, \$1,482,739 or 97% 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 \$2,032,482 during the year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Town of Ocean View’s basic financial statements. The Town’s basic financial statements are comprised of four components: (1) government-wide financial statements, (2) fund financial statements, (3) notes to the financial statements, and (4) required supplementary information, which includes this 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, 2021**

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, planning and zoning, 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 14 - 15 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 16 - 19 of this report.

**TOWN OF OCEAN VIEW, DELAWARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**APRIL 30, 2021**

**Proprietary Fund:** The Town maintains one type of proprietary fund. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses a proprietary fund to account for its water distribution system. The proprietary fund financial statements can be found on pages 20 - 22 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 23 - 42 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 43 – 47) and the Town's proportionate share of the net pension liabilities and contributions related to the Delaware Public Employees' Retirement System (pages 48 – 49).

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As previously noted, net position may serve over time as a useful indicator of the government-wide financial position. In the case of the Town of Ocean View, the net position as of April 30, 2021, was \$24,288,339.

The following table is a summary of the government-wide statement of net position for the years ended April 30, 2021 and 2020:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Government</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Current and other assets	\$ 10,414,937	\$ 9,039,453	\$ 1,422,794	\$ 1,224,867	\$ 11,837,731	\$ 10,264,320
Capital assets	12,506,552	12,022,804	4,232,758	4,390,500	16,739,310	16,413,304
<b>Total assets</b>	<b>22,920,989</b>	<b>21,062,257</b>	<b>5,655,552</b>	<b>5,615,367</b>	<b>28,576,541</b>	<b>26,677,624</b>
Deferred Charges - refunding debt			124,810	129,433	124,810	129,433
Deferred Outflows - retirement	606,762	611,628	-	-	606,762	611,628
<b>Total deferred outflows</b>	<b>606,762</b>	<b>611,628</b>	<b>124,810</b>	<b>129,433</b>	<b>731,572</b>	<b>741,061</b>
Current and other liabilities	170,310	330,295	64,865	30,215	235,175	360,510
Long-term liabilities	374,702	498,193	4,187,651	4,188,676	4,562,353	4,686,869
<b>Total liabilities</b>	<b>545,012</b>	<b>828,488</b>	<b>4,252,516</b>	<b>4,218,891</b>	<b>4,797,528</b>	<b>5,047,379</b>
Deferred Inflows - retirement	222,746	115,449	-	-	222,746	115,449
Net position:						
Net investments in capital assets		12,022,804	45,107	201,824	12,551,159	12,224,628
Restricted	6,370,247	5,536,804	-	-	6,370,247	5,536,804
Unrestricted	3,883,694	3,170,340	1,482,739	1,324,085	5,366,433	4,494,425
<b>Total net position</b>	<b>\$ 22,760,493</b>	<b>\$ 20,729,948</b>	<b>\$ 1,527,846</b>	<b>\$ 1,525,909</b>	<b>\$ 24,288,339</b>	<b>\$ 22,255,857</b>

**TOWN OF OCEAN VIEW, DELAWARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**APRIL 30, 2021**

A significant portion of the Town's net position of \$24,288,339 (52% or \$12,551,659) 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 \$11,736,680 in net position, \$296,960 is restricted by either the grantor (\$253,056) or the contributor (\$43,904). Additionally, \$6,073,287 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 \$5,366,433 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, 2021 and 2020:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Government</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Revenues:</b>						
<b>Program Revenues</b>						
Charges for services	\$ 1,558,314	\$ 2,025,683	\$ 623,351	\$ 595,845	\$ 2,181,665	\$ 2,621,528
Operating grants and contributions	310,324	300,694	-	-	310,324	300,694
Capital grants and contributions	24,319	55,496	-	-	24,319	55,496
<b>General revenue</b>						
Property taxes	2,355,825	2,269,545	-	-	2,355,825	2,269,545
Transfer taxes	2,019,393	2,015,627	-	-	2,019,393	2,015,627
Rental gross receipts taxes	420,692	366,665	-	-	420,692	366,665
Investment income	5,615	61,301	4,044	10,936	9,659	72,237
Miscellaneous	15,498				15,498	
Sale of assets	27,687	(25,901)	-	-	27,687	(25,901)
<b>Total revenues</b>	<b>6,737,667</b>	<b>7,069,110</b>	<b>627,395</b>	<b>606,781</b>	<b>7,365,062</b>	<b>7,675,891</b>
<b>Expenses:</b>						
General government	1,035,334	1,936,402	-	-	1,035,334	1,936,402
Planning and zoning	615,357	-	-	-	615,357	-
Public safety	2,077,564	1,725,347	-	-	2,077,564	1,725,347
Public works	978,867	1,015,360	-	-	978,867	1,015,360
Water system			625,458	567,769	625,458	567,769
<b>Total expenses</b>	<b>4,707,122</b>	<b>4,677,109</b>	<b>625,458</b>	<b>567,769</b>	<b>5,333,580</b>	<b>5,244,878</b>
<b>Increase in net position</b>	<b>2,030,545</b>	<b>2,392,001</b>	<b>1,937</b>	<b>39,012</b>	<b>2,032,482</b>	<b>2,431,013</b>
<b>Net position - Beginning</b>	<b>20,729,948</b>	<b>18,337,947</b>	<b>1,525,909</b>	<b>1,486,897</b>	<b>22,255,857</b>	<b>19,824,844</b>
<b>Net position - Ending</b>	<b>\$22,760,493</b>	<b>\$20,729,948</b>	<b>\$1,527,846</b>	<b>\$1,525,909</b>	<b>\$24,288,339</b>	<b>\$22,255,857</b>

**TOWN OF OCEAN VIEW, DELAWARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**APRIL 30, 2021**

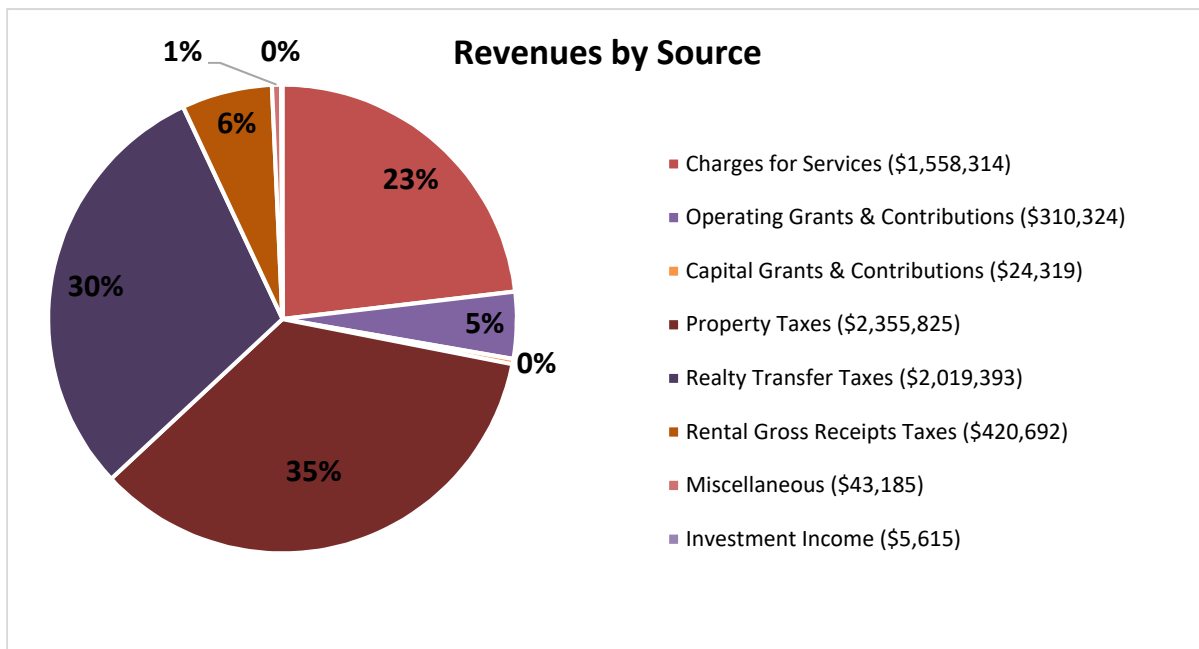
Total governmental net position increased by \$2,030,545 during fiscal year 2021.

Property taxes, realty transfer taxes, and rental gross receipts taxes received during fiscal year 2021 totaled \$2,355,825, \$2,019,393, and \$420,692, respectively.

**2021 Revenues - Governmental Activities**

- Realty transfer taxes had a minor increase of \$3,766 over the prior fiscal year. As anticipated, new construction transfer tax decreased by \$268,027 (29%) from prior year, while resale transfer tax increased \$317,003 (31%). Transfer tax sales were from 44.5% new construction, 6% land sales and 49.5% resales of existing homes. 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 \$86,280 from the prior fiscal year as a result of increased values of new construction and home improvements that increased the total assessed value of taxable property. In fiscal year 2021, for the first time, the Town Council granted a one percent (1%) discount for early payment resulting in 2,061 property owners taking advantage of the early payment discount for a savings of \$16,345.

The following chart shows property taxes as the largest source of governmental revenue comprising 35% of the total revenue (\$6,737,667), followed by realty transfer taxes of 30%, charges for services of 23%, rental gross receipts tax of 6%, and the remaining 6% from other sources including operating and capital grants and contributions.



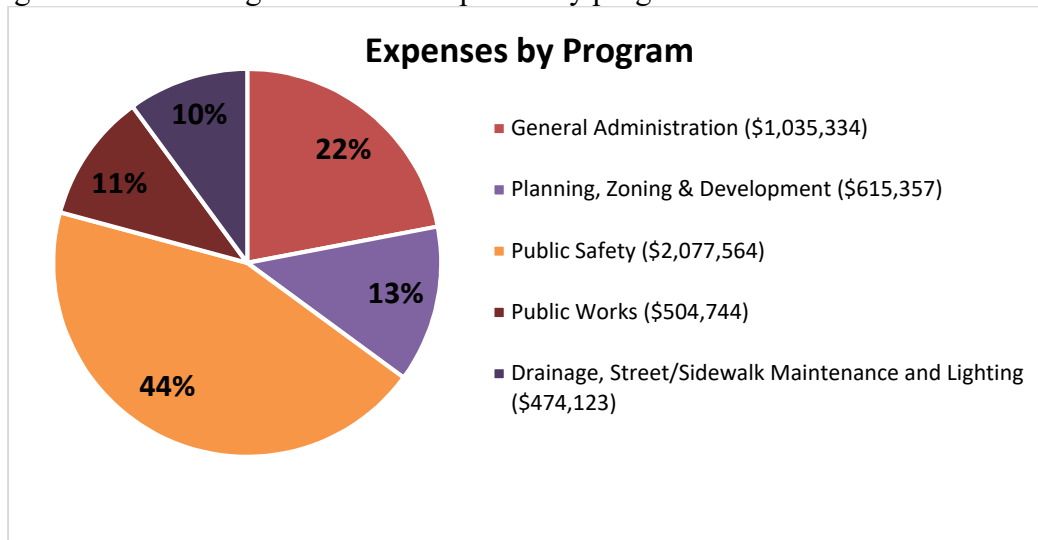
**TOWN OF OCEAN VIEW, DELAWARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**APRIL 30, 2021**

There are several other notable changes from fiscal year 2020 to fiscal year 2021:

- Building and Sign Permits decreased from \$793,440 in fiscal year 2020 to \$619,769 for fiscal year 2021 as a result of a decrease in new home construction and the unanticipated completion of a development in fiscal year 2020.
- Rental gross receipts revenue increased \$54,027 (13%) over the previous year.
- Investment Income decreased significantly from \$61,301 in fiscal year 2020 to \$5,615 in fiscal year 2021.

**2021 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 \$2,570,979 or approximately 55% of the total program expenses of \$4,707,622. Approximately 10% of the total program expenses or 22% of the remaining \$2,136,643 of total governmental expenditures relates to expenditures for drainage, street and sidewalk maintenance and lighting.

There are several notable changes from fiscal year 2020 to fiscal year 2021:

- Fiscal Year 2021 was the first year that Planning, Zoning and Development was independent from General Administration as reflected in the above chart.
- There was an 2.407% cost-of-living pay raise granted for fiscal year 2021 based on the Consumer Price Index for the mid-Atlantic region along with up to a .90% merit increase based on performance. Sworn officers were given an additional 5.1% increase in association with a salary study.

**TOWN OF OCEAN VIEW, DELAWARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**APRIL 30, 2021**

**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 2021, the Town's governmental fund balance increased by \$1,533,730 to \$10,228,518. The unassigned fund balance component of the General Fund increased by \$1,130,075 to \$2,623,944. The fiscal year 2022 Capital Improvement Program commits \$422,842 of the unassigned to the Emerging Projects fund in association with various projects and initiatives that have evolved out of need or that have been identified following our Comprehensive Plan Update.

Several projects were funded in fiscal year 2021 but not completed by year-end, April 30, 2021. For fiscal year 2021, the encumbered amount of the purchase orders (\$228,948) is committed for use in fiscal year 2022 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, 2021**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The fiscal year 2021 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 \$911,550, of which \$676,560 were available for operations. Budgeted expenditures increased by \$244,990 (\$172,370 Operating and \$72,620 Capital) providing an additional patrol car due to the total loss of a vehicle during the line of duty.

Budget to Actual – Revenues

General Fund revenues exceeded the amended budget by \$33,967. Realty transfer taxes exceeded the amended budget by \$69,393 because of increased activity in the local real estate market and Public Safety grants exceeded the amended budget by \$98,495. Interest, impact fees and zoning fees were the hardest hit by the COVID-19 pandemic being under the original and amended budgets by \$47,062, \$118,165 and \$10,780, respectively.

A comparison of budgeted to actual revenues is provided on page 43 of this report.

Budget to Actual – Expenditures

Total expenditures were under the amended budget by \$1,346,703. The largest variance (\$253,672) is related to street paving that was being done close to the end of the fiscal year. The work ended up being completed early in the 2022 fiscal year. A similar situation occurred with capital drainage projects (\$769,565).

A comparison of budgeted to actual expenditures is provided on pages 44 - 47 of this report.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

The Town’s investment in capital assets for its governmental and business-type activities as of April 30, 2021 was \$16,739,310 (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, upgrade to 32 West parking lot (Town Hall), completion of the Bike Lane Pavement Markings project, and four (4) police vehicles (three (3) replacement and one addition to the fleet).

**TOWN OF OCEAN VIEW, DELAWARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**APRIL 30, 2021**

The following table is a summary of the governmental and business-type capital assets for the years ended April 30, 2021 and 2020:

	Governmental Activities		Business-type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,490,621	\$ 1,490,621	\$	\$	\$ 1,490,621	\$ 1,490,621
Construction in progress	248,357	159,391			248,357	159,391
Buildings and improvements	3,935,440	3,527,461			3,935,440	3,527,461
Vehicles and equipment	615,470	511,571			615,470	511,571
Infrastructure	6,216,664	6,333,761			6,216,664	6,333,761
Water distribution system			4,232,758	4,390,500	4,232,758	4,390,500
Total	<u>\$ 12,506,552</u>	<u>\$ 12,022,805</u>	<u>\$ 4,232,758</u>	<u>\$ 4,390,500</u>	<u>\$ 16,739,310</u>	<u>\$ 16,413,305</u>

**Long-term Debt**

The Town's long-term debt on April 30, 2021, consists of \$4,187,651 remaining principal balance on general obligation bonds used to finance a portion of the water distribution system

On August 15, 2018, the Town retired the original 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 were interest only. After that, March payments will be interest only and September payments will be principal and interest.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

**Fiscal year 2022 Revenue and Appropriation Budgetary Highlights**

Budgeted revenue for fiscal year 2022 decreased 15% (\$924,065) under the amended fiscal year 2021 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. With the decrease in new construction due to the Town being almost completely built out, only 30 new construction permits were budgeted compared to 86 in fiscal year 2021 and 185 in fiscal year 2020. This decrease also affects the amount collected from Impact Fees for the Emergency Services Enhancement Fund.



**TOWN OF OCEAN VIEW, DELAWARE**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**APRIL 30, 2021**

Budgeted appropriations for fiscal year 2022 increased \$81,380 over the amended fiscal year 2021 budget. Council granted a 1.088% cost-of-living pay raise for fiscal year 2022 based on the Consumer Price Index for the mid-Atlantic region along with up to a 2.210% merit increase based on performance. Property Assessments increased by \$102,998 over fiscal year 2021 due to the re-evaluation of all properties within Town limits occurring in fiscal year 2022 for the May of 2023 tax billing.

Capital outlay budgeted for fiscal year 2022 is \$1,919,745 and includes funding for two (2) police vehicles, drainage and street repair projects, sidewalk connectivity projects and exercise / playground equipment for John West Park.

**ACHIEVEMENTS / AWARDS**

In September of 2020, the Town renewed a 7-year cable franchise agreement with Mediacom Delaware LLC. As part of this agreement, Mediacom committed to the provision of an annual grant to support continued production of a town government access channel with \$15,500 in startup funding.

Late in fiscal year 2021, the Town participated in and was ultimately recognized for two significant achievements including the American Planning Association Comprehensive Plan Small Town Award for an outstanding plan that addressed the development of a community and the Lexipol Gold Award for excellence in policy and training development for policing. The Town of Ocean View was named the safest City to live in Delaware in 2020 and again for 2021.

**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. Expenses directly related to the pandemic in fiscal year 2021 were \$15,010 for sanitation of the offices and John West Park, of that, the Town was reimbursed \$14,280 from the Coronavirus Relief Fund as created in the CARES (Coronavirus Aid, Relief and Economic Security) act. The Ocean View Police Department received a two (2) year grant in the amount of \$20,400 to be used for overtime and supplies directly related to the pandemic.

On March 11, 2021, the American Rescue Plan Act (ARPA) of 2021 was signed into law to provide economic relief during the coronavirus pandemic. The Town of Ocean View is to be allocated \$1.18 million and has received the first of two installments on June 14, 2021. The Town continues to participate in webinars concerning the acceptable use and reporting of the ARPA funds.

**TOWN OF OCEAN VIEW, DELAWARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**APRIL 30, 2021**

**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, 2021

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,653,623	\$ 1,348,125	\$ 5,001,748
Receivables, net			
Taxes	7,402		7,402
Water usage		74,669	74,669
Other	181,976		181,976
Prepaid insurance	59,144		59,144
Restricted assets			
Cash and cash equivalents	6,502,063		6,502,063
Other receivables	10,729		10,729
Capital assets, net of depreciation			
Land, improvements, and construction in progress	1,738,978		1,738,978
Other capital assets, net of depreciation	10,767,574	4,232,758	15,000,332
Total assets	<u>22,921,489</u>	<u>5,655,552</u>	<u>28,577,041</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges - refunding debt		124,810	124,810
Deferred financing outflows - retirement	606,762		606,762
Total deferred outflows of resources	<u>606,762</u>	<u>124,810</u>	<u>731,572</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	107,959	46,893	154,852
Accrued liabilities	62,351	17,972	80,323
Long-term liabilities			
Due within one year	5,344	95,000	100,344
Due in more than one year	211,855	4,092,651	4,304,506
Net pension liability	157,503		157,503
Total liabilities	<u>545,012</u>	<u>4,252,516</u>	<u>4,797,528</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred financing inflows - retirement	222,746		222,746
<b>NET POSITION</b>			
Net investment in capital assets	12,506,552	45,107	12,551,659
Restricted	6,370,247		6,370,247
Unrestricted	3,883,694	1,482,739	5,366,433
Total net position	<u>\$ 22,760,493</u>	<u>\$ 1,527,846</u>	<u>\$ 24,288,339</u>

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

**TOWN OF OCEAN VIEW, DELAWARE**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED APRIL 30, 2021**

		Program Revenues			Net Revenue (Expense) and Change in Net Position		
		Charges for	Operating	Capital Grants	Governmental	Business-Type	
Expenses		Services	Grants and	and	Activities	Activities	Total
			Contributions	Contributions			
<b>FUNCTIONS/PROGRAMS</b>							
<b>GOVERNMENTAL ACTIVITIES</b>							
General government	\$ 1,035,334	\$ 1,516,998	\$	\$ 15,690	\$ 497,354	\$	\$ 497,354
Planning and zoning	615,357				(615,357)		(615,357)
Public safety	2,077,564	41,230	195,573	8,629	(1,832,132)		(1,832,132)
Public works	978,867	86	114,751		(864,030)		(864,030)
Total governmental activities	4,707,122	1,558,314	310,324	24,319	(2,814,165)		(2,814,165)
<b>BUSINESS-TYPE ACTIVITIES</b>							
Water fund	625,458	623,351				(2,107)	(2,107)
Total primary government	\$ 5,332,580	\$ 2,181,665	\$ 310,324	\$ 24,319	(2,814,165)	(2,107)	(2,816,272)
<b>GENERAL REVENUES</b>							
Taxes							
Property taxes					2,355,825		2,355,825
Transfer taxes - realty					2,019,393		2,019,393
Rental gross receipts					420,692		420,692
Investment earnings					5,615	4,044	9,659
Miscellaneous					15,498		15,498
Sale of assets					27,687		27,687
Total general revenues					4,844,710	4,044	4,848,754
Change in net position					2,030,545	1,937	2,032,482
<b>NET POSITION, BEGINNING OF YEAR</b>					20,729,948	1,525,909	22,255,857
<b>NET POSITION, END OF YEAR</b>					\$ 22,760,493	\$ 1,527,846	\$ 24,288,339

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

**TOWN OF OCEAN VIEW, DELAWARE**

**BALANCE SHEET  
GOVERNMENTAL FUND**

**APRIL 30, 2021**

**ASSETS**

	General Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,653,623
Taxes receivable	7,402
Accounts receivable, other	181,976
Prepaid insurance	59,144
Restricted assets	
Cash and cash equivalents	6,502,063
Other receivables	10,729
Total assets	<u>\$ 10,414,937</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 107,959
Accrued liabilities	67,695
Total liabilities	<u>175,654</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenues	
Property taxes	10,765
Total deferred inflows of resources	<u>10,765</u>
<b>FUND BALANCES</b>	
Nonspendable	
Prepays	59,144
Restricted	6,370,247
Committed	1,175,183
Unassigned	2,623,944
Total fund balances	<u>10,228,518</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,414,937</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, 2021**

Total fund balances, governmental fund	\$ 10,228,518
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.	12,506,552
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	606,762
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	10,765
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	(211,855)
Deferred financing inflows - retirement	(222,746)
Net pension liability	(157,503)
Net position of governmental activities in the Statement of Net Position	<u><u>\$ 22,760,493</u></u>

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, 2021**

	<u>General Fund</u>
<b>REVENUES</b>	
Taxes	\$ 4,799,250
Intergovernmental revenues	332,541
Charges for services	1,500,830
Fines and forfeitures	38,111
Interest	15,863
Miscellaneous	54,677
Total revenues	<u>6,741,272</u>
<b>EXPENDITURES</b>	
Current	
General government	983,021
Planning and zoning	610,019
Public safety	1,909,841
Public works	703,771
Capital outlay	1,000,890
Total expenditures	<u>5,207,542</u>
Excess of revenues over expenditures	1,533,730
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>8,694,788</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 10,228,518</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, 2021**

Net change in fund balance, governmental fund	\$ 1,533,730
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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	\$ 1,000,890	
Depreciation expense	<u>(517,142)</u>	483,748

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	(21,500)
Change in deferred outflows of resources - retirement	(4,866)

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

Change in unavailable revenues	(3,603)
Change in deferred inflows - retirement	(107,297)
Change in net pension liability	<u>150,333</u>

Change in net position of governmental activities	<u><u>\$ 2,030,545</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, 2021**

	<u>Water Fund</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 1,348,125
Receivables	
Water usage, net of allowance for doubtful accounts	74,669
Total current assets	<u>1,422,794</u>
Noncurrent assets	
Capital assets, net of depreciation	<u>4,232,758</u>
Total assets	<u>5,655,552</u>
<b>DEFERRED OUFLOWS OF RESOURCES</b>	
Deferred charges - refunding debt	<u>124,810</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable and other current liabilities	46,893
Accrued interest payable	17,972
Current portion of bonds payable	95,000
Total current liabilities	<u>159,865</u>
Noncurrent liabilities	
Bonds payable	<u>4,092,651</u>
Total liabilities	<u>4,252,516</u>
<b>NET POSITION</b>	
Net investment in capital assets	45,107
Unrestricted	1,482,739
Total net position	<u><u>\$ 1,527,846</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, 2021**

	Water Fund
<b>OPERATING REVENUES</b>	
Charges for services	\$ 572,691
<b>OPERATING EXPENSES</b>	
Bank fees	31
Depreciation	157,742
Dues and subscriptions	250
Insurance expense	3,360
Meter reading charges	31,164
Miscellaneous	1,275
Payroll taxes and benefits	14,986
Payroll wages	19,257
Professional fees	9,297
Repairs and maintenance	52,480
Water charges	148,918
Water inspection	470
Water management fee	34,159
Total operating expenses	473,389
Operating income	99,302
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Connection and inspection fees	39,750
Interest income	4,044
Miscellaneous income	10,909
Bad debt expense	(5,862)
Interest expense	(146,206)
Net non-operating expenses	(97,365)
Change in net position	1,937
<b>NET POSITION, BEGINNING OF YEAR</b>	1,525,909
<b>NET POSITION, END OF YEAR</b>	\$ 1,527,846

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, 2021**

	Water Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 584,453
Payments to suppliers	(246,754)
Payments to employees	(34,243)
Net cash provided by operating activities	<u>303,456</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Inspection and connection fees	39,750
Principal payments on long-term liabilities	(1,025)
Interest paid on long-term liabilities	(141,583)
Net cash used by capital and related financing activities	<u>(102,858)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Non-operating revenue	5,047
Interfund borrowing	(680)
Net cash provided by noncapital financing activities	<u>4,367</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	<u>4,044</u>
Net increase in cash and cash equivalents	209,009
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,139,116</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 1,348,125</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 99,302
Adjustments to reconcile operating income to net cash provided:	
Depreciation	157,742
(Increase) decrease in assets	
Accounts receivable	11,762
Increase (decrease) in liabilities	
Accounts payable	34,650
Net cash provided by operating activities	<u><u>\$ 303,456</u></u>

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

## **TOWN OF OCEAN VIEW, DELAWARE**

### **NOTES TO FINANCIAL STATEMENTS**

**APRIL 30, 2021**

#### **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, planning and zoning, 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, planning and zoning, 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, 2021

#### 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, 2021**

#### **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 and measurement focus

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 the modified accrual basis 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 the modified accrual basis accounting, governmental fund liabilities (and expenses) should be accrued in the absence of applicable modifications. 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, 2021**

#### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### Basis of accounting and measurement focus (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, 2021

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Receivables

Receivables are reported at their gross value and, where appropriate, are reduced by an allowance for doubtful accounts. An allowance is recorded on receivable balances that are based on historical collections experience for the Town. As of April 30, 2021, the balance of the allowance for doubtful accounts for the proprietary fund is \$1,946.

##### 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 are recorded at 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, 2021**

#### **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, 2021

### 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	\$ 20,298
Capital replacement	1,000,330
Criminal justice council	4,039
Emergency reserve	912,257
Municipal street aid	233,784
Recreation/open space	23,606
SALLE / EIDE grant	11,299
Street repair and replacement	4,160,700
Violent crime grant	3,934
	<u>\$ 6,370,247</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	\$ 946,235
Subsequent year's expenditures	228,948
	<u>\$ 1,175,183</u>

## TOWN OF OCEAN VIEW, DELAWARE

### NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2021

#### 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, 2021.
- *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, 2021**

#### **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, 2021, the carrying amount of the Town's deposits was \$11,503,811 and the bank balance was \$11,510,021.

As of April 30, 2021, \$10,986,414 of the Town's bank balances of \$11,510,021 was exposed to custodial risk. The amount was not covered by FDIC, but 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, 2021**

#### **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	\$ 5,001,748
Cash and cash equivalents - restricted	6,502,063
Total cash and cash equivalents	<u>\$ 11,503,811</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, 2021, 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, 2020 was \$958,221,048. 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, 2021

### CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated</i>				
Land	\$ 1,490,621	\$	\$	\$ 1,490,621
Construction in progress	159,390	162,807	(73,840)	248,357
Total capital assets not being depreciated	<u>1,650,011</u>	<u>162,807</u>	<u>(73,840)</u>	<u>1,738,978</u>
<i>Capital assets being depreciated</i>				
Buildings and improvements	4,896,229	540,511		5,436,740
Equipment	1,336,733	45,837		1,382,570
Vehicles	845,109	252,619	(150,635)	947,093
Infrastructure	<u>7,577,782</u>	<u>72,956</u>		<u>7,650,738</u>
Total capital assets being depreciated	<u>14,655,853</u>	<u>911,923</u>	<u>(150,635)</u>	<u>15,417,141</u>
Less accumulated depreciation for:				
Buildings and improvements	1,368,768	132,532		1,501,300
Equipment	1,064,397	99,990		1,164,387
Vehicles	605,874	94,567	(150,635)	549,806
Infrastructure	<u>1,244,021</u>	<u>190,053</u>		<u>1,434,074</u>
Total accumulated depreciation	<u>4,283,060</u>	<u>517,142</u>	<u>(150,635)</u>	<u>4,649,567</u>
Total capital assets being depreciated, net	<u>10,372,793</u>	<u>394,781</u>		<u>10,767,574</u>
Governmental activities capital assets, net	<u>\$ 12,022,804</u>	<u>\$ 557,588</u>	<u>\$ (73,840)</u>	<u>\$ 12,506,552</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
<i>Capital assets</i>				
Water distribution system	\$ 6,309,701	\$	\$	\$ 6,309,701
Less accumulated depreciation for the Water distribution system	<u>1,919,201</u>	<u>157,742</u>		<u>2,076,943</u>
Business-type activities capital assets, net	<u>\$ 4,390,500</u>	<u>\$ (157,742)</u>	<u>\$</u>	<u>\$ 4,232,758</u>

# TOWN OF OCEAN VIEW, DELAWARE

## NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2021

### CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$	44,461
Public safety		199,752
Public works		272,929
Total governmental activities	\$	517,142

Business-type activities:

Water fund	\$	157,742
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### LONG-TERM LIABILITIES

Changes in long-term obligations for the year ended April 30, 2021, are as follows:

	April 30, 2020	Increases	Decreases	April 30, 2021	Due within one year
Governmental activities:					
Compensated absences	\$ 190,357	\$ 26,842	\$	\$ 217,199	\$ 5,344
Business-type activities:					
General obligation bonds	\$ 4,160,000	\$	\$	\$ 4,160,000	\$ 95,000
Bond premium	28,676		(1,025)	27,651	
Total business-type activities	\$ 4,188,676	\$	\$ (1,025)	\$ 4,187,651	\$ 95,000

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, 2021 was \$4,160,000.



## TOWN OF OCEAN VIEW, DELAWARE

### NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2021

#### LONG-TERM LIABILITIES (Continued)

##### Debt service requirements

Debt service requirements on long-term debt for business-type activities at April 30, 2021 are as follows:

<u>Year Ending April 30,</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	115,000	122,583	237,583
2027-2031	495,000	558,238	1,053,238
2032-2036	865,000	454,575	1,319,575
2037-2041	500,000	323,600	823,600
2042-2046	955,000	161,513	1,116,513
2047-2048	820,000	12,780	832,780
	<u>\$ 4,160,000</u>	<u>\$ 2,165,071</u>	<u>\$ 6,325,071</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, 2021

#### RETIREMENT AND PENSION PLANS (Continued)

The following are brief descriptions of the plans in effect as of June 30, 2020. 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 1/60<sup>th</sup> 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, 2021

#### 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.

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, 2021, the Town received \$58,045.

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

At April 30, 2021, the Town reported a liability of \$157,503 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. Update procedures were used to roll forward the total pension liability to June 30, 2020. The Town's proportion of the net pension liability was based on the percentage of actual employee contributions. At June 30, 2020, the Town's proportion for the Police Plan was .8169% and for the General Plan was 1.5054%.

For the year ended April 30, 2021, the Town recognized pension expense of \$156,227. At April 30, 2021, 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, 2021

### RETIREMENT AND PENSION PLANS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes to assumptions	\$ 65,182	\$ 18,965
Changes to proportion	48,275	28,762
Difference between expected and actual experience	147,231	62,108
Net difference between projected and actual earnings on pension plan investments		112,911
Contributions subsequent to measurement date	346,074	
	<u>\$ 606,762</u>	<u>\$ 222,746</u>

The Town's contribution of \$346,074 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, 2022. 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	
	2020	8 years	9 years
Net difference between projected and actual earnings on investments	2016	5 years	5 years
	2017	5 years	5 years
	2018	5 years	5 years
	2019	5 years	5 years
	2020	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
	2020	9 years	10 years

# TOWN OF OCEAN VIEW, DELAWARE

## NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2021

### RETIREMENT AND PENSION PLANS (Continued)

	Measurement Period Ended	<u>Amortization Period</u>	
	June 30	General	Police
Change in assumptions	2016	9 years	10 years
	2017	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	
<u>April 30,</u>	<u>Amortization</u>
2021	\$ (25,185)
2022	(11,131)
2023	(1,371)
2024	(6,324)
2025	15,701
Thereafter	66,252
	<u>\$ 37,942</u>

*Actuarial assumptions.* The collective total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019, and update procedures were used to roll forward the total pension liability to June 30, 2020. 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 2020. 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, 2021

#### 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%)	\$ 892,936
Current discount rate (7.0%)	\$ 157,503
1% Increase (8.0%)	\$ (443,463)

*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, 2021**

#### **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 November 2022 and June 2023. Future minimum lease payments under these non-cancelable operating leases that have remaining terms in excess of one year as of April 30, 2021 are as follows:

<u>Year Ending April 30,</u>	
2022	\$ 10,408
2023	<u>2,186</u>
Total	<u><u>\$ 12,594</u></u>

The total rental expense under operating leases for the fiscal year ended April 30, 2021 was \$10,790.

## **TOWN OF OCEAN VIEW, DELAWARE**

### **NOTES TO FINANCIAL STATEMENTS**

**APRIL 30, 2021**

#### **NEW PRONOUNCEMENTS**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended April, 30, 2021, that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the new standards may have on the financial statements.

GASB Statement No. 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.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, will be effective for the Town beginning with the year ending April 30, 2023. This statement changes the reporting and accounting of component units.

#### **IMPACT OF COVID-19**

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a global pandemic. There were mandates from federal, state, and local authorities requiring forced closures of schools, businesses, and other facilities. Most states and local governments have begun to ease restrictions on closures and movement, however, the COVID-19 pandemic remains a rapidly evolving situation. It is possible a resurgence in COVID-19 cases could prompt a return to tighter restrictions. Furthermore, the economic recession brought on by the pandemic may have an adverse impact on the Town's business. Therefore, significant uncertainty remains regarding the ongoing impact of the COVID-19 outbreak on the Town's financial condition.

#### **SUBSEQUENT EVENT**

The American Rescue Plan Act of 2021 (ARPA) was signed into legislation on March 11, 2021 and allocates \$1.9 trillion to COVID-19 relief and economic recovery, with \$350 billion in funding for state and local government. Eligible uses of these funds include lost revenue replacement, COVID-19 expenditures or negative economic impact programs, premium pay for essential workers, and investments in certain infrastructure.

In June of 2021, the Town received \$591,171 from the American Rescue Plan Act. This is the first of two installments. The Town is working on a plan for the use of this funding.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF OCEAN VIEW, DELAWARE**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**

**YEAR ENDED APRIL 30, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes:				
Real estate taxes and penalties	\$ 2,398,220	\$ 2,347,720	\$ 2,359,165	\$ 11,445
Realty transfer taxes	1,250,000	1,950,000	2,019,393	69,393
Rental gross receipts tax	310,200	420,200	420,692	492
Intergovernmental revenues:				
State municipal street aid	115,000	115,000	114,751	(249)
Public safety grants	61,500	61,250	159,745	98,495
Police pension grant	45,000	58,000	58,045	45
Charges for services:				
Building and sign permits	506,875	571,875	574,575	2,700
Impact fees	519,650	519,650	401,485	(118,165)
Business and rental licenses	127,000	141,000	153,815	12,815
Cable TV franchise fee	70,000	70,000	81,298	11,298
Zoning and other fees	68,500	68,500	57,720	(10,780)
Millville ambulance fee	90,000	97,000	96,983	(17)
Expense reimbursements	121,500	159,300	134,954	(24,346)
Other revenue sources:				
Public safety fines	37,000	37,000	38,111	1,111
Interest	62,925	62,925	15,863	(47,062)
Donations	500	500	1,148	648
Miscellaneous, including sale of fixed assets	11,885	27,385	53,529	26,144
Total revenues	<u>5,795,755</u>	<u>6,707,305</u>	<u>6,741,272</u>	<u>33,967</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,077,685	1,141,750	983,021	158,729
Planning and zoning	652,460	707,380	610,019	97,361
Public safety	1,921,730	1,938,815	1,909,841	28,974
Public works	959,545	995,845	703,771	292,074
Capital outlay	<u>1,697,835</u>	<u>1,770,455</u>	<u>1,000,890</u>	<u>769,565</u>
Total expenditures	<u>6,309,255</u>	<u>6,554,245</u>	<u>5,207,542</u>	<u>1,346,703</u>
Excess of revenues over (under) expenditures	(513,500)	153,060	1,533,730	<u>\$ 1,380,670</u>
<b>FUND BALANCE - BEGINNING</b>	<u>8,694,788</u>	<u>8,694,788</u>	<u>8,694,788</u>	
<b>FUND BALANCE - ENDING</b>	<u>\$ 8,181,288</u>	<u>\$ 8,847,848</u>	<u>\$ 10,228,518</u>	

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

**YEAR ENDED APRIL 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Favorable (Unfavorable)
<b>GENERAL GOVERNMENT</b>				
Payroll wages	\$ 366,610	\$ 366,610	\$ 328,207	\$ 38,403
Payroll wages - council	4,530	4,770	3,903	867
Payroll wages - overtime and bonus	3,095	3,095	2,977	118
Payroll taxes	29,800	29,800	25,535	4,265
Payroll and taxes	404,035	404,275	360,622	43,653
Employee retirement	26,085	26,085	23,072	3,013
Medical, dental and life insurance	60,260	73,165	73,005	160
Workers compensation insurance	1,070	1,070	(445)	1,515
Personnel related costs	491,450	504,595	456,254	48,341
Advertising	8,000	9,200	9,150	50
Communications - telephone and internet	13,200	14,500	14,452	48
Computer software, updates, and website	32,000	32,850	22,266	10,584
Contracted labor	7,400	7,400	4,799	2,601
Contracted services	5,000	5,000	4,527	473
Dues and subscriptions	5,200	5,200	4,494	706
Education and training	18,000	18,000	2,293	15,707
Grant award - restricted funds	80,000	80,000	80,000	
Insurance - business	21,500	21,500	16,071	5,429
Maintenance and repairs	36,630	36,630	24,046	12,584
Mileage	2,500	2,500	110	2,390
Millville ambulance fees	90,000	97,000	97,440	(440)
Miscellaneous	3,780	19,380	20,002	(622)
Non-capital equipment	13,750	13,750	5,644	8,106
Postage, printing and office supplies	9,000	17,000	17,927	(927)
Professional fees	78,000	81,500	59,453	22,047
Property assessment	73,965	73,965	67,464	6,501
Public relations	39,000	39,000	18,616	20,384
Realty transfer tax fees	12,000	17,200	17,187	13
Supplies	21,310	28,580	26,781	1,799
Uniforms	500	500		500
Utilities	14,500	15,500	12,950	2,550
Vehicles and equipment - fuel	1,000	1,000	1,095	(95)
<b>TOTAL GENERAL GOVERNMENT</b>	<b>1,077,685</b>	<b>1,141,750</b>	<b>983,021</b>	<b>158,729</b>

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

**YEAR ENDED APRIL 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Amounts	
<b>PLANNING AND ZONING</b>				
Payroll wages	\$ 305,500	\$ 305,500	\$ 295,100	\$ 10,400
Payroll wages - overtime and bonus	14,410	14,410	2,595	11,815
Payroll taxes	26,460	26,460	20,317	6,143
Payroll and taxes	346,370	346,370	318,012	28,358
Employee retirement	23,010	23,010	20,228	2,782
Medical, dental and life insurance	58,880	62,105	60,382	1,723
Workers compensation insurance	6,950	5,240	1,850	3,390
Personnel related costs	435,210	436,725	400,472	36,253
Advertising	10,000	10,000	4,427	5,573
Communications - telephone and internet	1,200	1,200	1,154	46
Computer programming	2,400	2,400		2,400
Council and committees	5,000	2,600	2,010	590
Dues and subscriptions	2,500	2,500	239	2,261
Education and training	14,700	14,700	96	14,604
Maintenance and repairs	3,200	3,700	1,995	1,705
Mileage	750	750	51	699
Non-capital equipment	3,500	3,500	1,382	2,118
Postage, printing and office supplies	11,000	11,000	7,335	3,665
Professional fees	156,000	208,305	186,951	21,354
Public relations	5,000	5,000		5,000
Supplies			82	(82)
Uniforms	1,000	1,000		1,000
Vehicles and equipment - fuel	1,000	4,000	3,825	175
<b>TOTAL PLANNING AND ZONING</b>	<b>652,460</b>	<b>707,380</b>	<b>610,019</b>	<b>97,361</b>

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

**YEAR ENDED APRIL 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Amounts	
<b>PUBLIC SAFETY</b>				
Payroll wages	\$ 917,165	\$ 979,165	\$ 977,362	\$ 1,803
Payroll wages - overtime and bonus	115,410	81,910	121,817	(39,907)
Payroll taxes	84,070	87,630	87,364	266
Payroll and taxes	1,116,645	1,148,705	1,186,543	(37,838)
Employee retirement	149,255	149,255	145,213	4,042
Medical, dental and life insurance	252,475	218,075	217,087	988
Workers compensation insurance	68,105	68,105	45,748	22,357
Personnel related costs	1,586,480	1,584,140	1,594,591	(10,451)
Advertising	1,000	1,000		1,000
Ammunition	10,000	11,500	11,506	(6)
Communications - telephone and internet	26,400	26,400	19,136	7,264
Computer software, updates, and website	10,050	14,850	13,172	1,678
Contracted labor	9,900	9,900	4,791	5,109
Dues and subscriptions	4,000	4,000	2,784	1,216
Education and training	25,000	25,000	17,944	7,056
Insurance - business	50,500	53,500	53,321	179
K-9 supplies	2,000	2,000	1,682	318
Maintenance and repairs	19,900	19,900	15,479	4,421
Mileage	200	200		200
Miscellaneous	3,000	3,000	2,123	877
Non-capital equipment	45,000	45,000	66,374	(21,374)
Postage, printing and office supplies	5,500	5,500	4,248	1,252
Professional fees	32,000	32,000	14,275	17,725
Supplies	16,500	16,500	16,096	404
Uniforms	11,000	11,000	9,597	1,403
Utilities	13,300	13,300	8,602	4,698
Vehicles and equipment - fuel	32,000	32,000	23,266	8,734
Vehicles and equipment - repairs	18,000	28,125	25,757	2,368
<b>TOTAL PUBLIC SAFETY</b>	<b>1,921,730</b>	<b>1,938,815</b>	<b>1,909,841</b>	<b>28,974</b>

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

**YEAR ENDED APRIL 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Amounts	
<b>PUBLIC WORKS</b>				
Payroll wages	\$ 83,025	\$ 83,025	\$ 76,133	\$ 6,892
Payroll wages - overtime and bonus	6,410	8,010	8,021	(11)
Payroll taxes	7,725	7,725	6,150	1,575
Payroll and taxes	97,160	98,760	90,304	8,456
Employee retirement	6,550	6,550	5,884	666
Medical, dental and life insurance	24,305	24,305	23,119	1,186
Workers compensation insurance	5,240	5,240	355	4,885
Personnel related costs	133,255	134,855	119,662	15,193
Advertising	500	500	605	(105)
Communications - telephone and internet	3,200	5,200	4,889	311
Contracted labor	30,200	30,200	20,793	9,407
Drainage	40,250	40,250	38,857	1,393
Dues and subscriptions	500	500	110	390
Education and training	300	300	20	280
Insurance - business	23,595	23,595	22,606	989
Maintenance and repairs	2,350	5,350	3,490	1,860
Mileage	200	200		200
Mosquito control	11,000	11,000	10,775	225
Non-capital equipment	6,050	6,050	3,990	2,060
Park expense	20,000	20,000	15,236	4,764
Postage, printing and office supplies	300	300	39	261
Professional fees			98	(98)
Public relations	500	500		500
Sidewalk work, ADA	150,000	150,000	166,113	(16,113)
Street lighting	90,000	90,000	77,021	12,979
Street maintenance	1,000	19,000	20,159	(1,159)
Street paving and repair	416,345	425,645	171,973	253,672
Street signs	4,500	4,500	4,269	231
Supplies	6,000	6,000	4,619	1,381
Uniforms	1,200	1,200	1,254	(54)
Utilities	10,600	10,600	7,571	3,029
Vehicles and equipment - fuel	3,500	3,900	4,060	(160)
Vehicles and equipment - repairs	4,200	6,200	5,562	638
<b>TOTAL PUBLIC WORKS</b>	<b>959,545</b>	<b>995,845</b>	<b>703,771</b>	<b>292,074</b>
<b>CAPITAL OUTLAY</b>	<b>1,697,835</b>	<b>1,770,455</b>	<b>1,000,890</b>	<b>769,565</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 6,309,255</b>	<b>\$ 6,554,245</b>	<b>\$ 5,207,542</b>	<b>\$ 1,346,703</b>

**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)**

	2021		2020		2019		2018		2017		2016
<u>County &amp; Municipal Police and Firefighters' Pension Plan</u>											
Town's proportion of the net pension liability (asset)	0.8169%		0.7936%		0.6568%		0.6077%		0.5602%		0.6447%
Town's proportionate share of the net pension liability (asset)	\$ 125,539	\$ 227,942	\$ 151,261	\$ 61,268	\$ 89,053	\$ (33,979)					
Town's covered-employee payroll	\$ 977,362	\$ 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	12.8447%		28.0347%		20.2234%		9.9621%		16.6488%		-6.4466%
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.7%		93.3%		94.1%		97.0%		94.7%		102.0%
<u>County &amp; Municipal Other Employees' Pension Plan</u>											
Town's proportion of the net pension liability (asset)	1.5054%		1.7440%		1.8766%		1.7750%		1.7973%		1.7735%
Town's proportionate share of the net pension liability (asset)	\$ 31,964	\$ 79,894	\$ 59,054	\$ 115,007	\$ 111,359	\$ 757					
Town's covered-employee payroll	\$ 699,440	\$ 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	4.5699%		12.2249%		8.3216%		17.6972%		20.1050%		0.1293%
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.9%		92.7%		94.4%		87.6%		86.4%		99.9%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information is available to present a ten-year trend.

**TOWN OF OCEAN VIEW, DELAWARE**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS**

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

	2021	2020	2019	2018	2017	2016
<u>County &amp; Municipal Police and Firefighters' Pension Plan</u>						
Contractually required contribution	\$ 125,426	\$ 117,016	\$ 62,290	\$ 68,759	\$ 56,529	\$ 64,908
Contributions in relation to the contractually required contribution	<u>(125,426)</u>	<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>	<u>\$</u>
Town's covered-employee payroll	\$ 977,362	\$ 813,071	\$ 747,950	\$ 615,010	\$ 534,890	\$ 527,084
Contributions as a percentage of covered-employee payroll	13%	14%	8%	11%	11%	12%
<u>County &amp; Municipal Other Employees' Pension Plan</u>						
Contractually required contribution	\$ 53,710	\$ 56,476	\$ 53,028	\$ 44,625	\$ 37,338	\$ 34,068
Contributions in relation to the contractually required contribution	<u>(53,710)</u>	<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>	<u>\$</u>
Town's covered-employee payroll	\$ 699,440	\$ 653,536	\$ 709,650	\$ 649,861	\$ 553,888	\$ 585,543
Contributions as a percentage of covered-employee payroll	8%	9%	7%	7%	7%	6%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information is available to present a ten-year trend.



***GOVERNMENT AUDITING STANDARDS* REPORT**

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MARYLAND ASSOCIATION OF  
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CERTIFIED PUBLIC ACCOUNTANTS

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, 2021, 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 14, 2021.

**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.

*PKS & Company, P.A.*

**CERTIFIED PUBLIC ACCOUNTANTS**

Salisbury, Maryland  
September 14, 2021