

TOWN OF OCEAN VIEW, DELAWARE

FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2022

TOWN OF OCEAN VIEW, DELAWARE

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INDEPENDENT AUDITORS' REPORT

ANDREW M. HAYNIE, CPA
SUSAN P. KEEN, CPA
MICHAEL C. KLEGER, CPA
JAMES D. MAYBURY, CPA
E. LEE McCABE, CPA
JEFFREY A. MICHALIK, CPA
ROBERT L. MOORE, CPA
DANIEL M. O'CONNELL II, CPA
ASHLEY M. STERN, CPA
JOHN M. STERN, JR., CPA

PKScpa.com

Salisbury

1801 SWEETBAY DRIVE
P.O. Box 72
SALISBURY, MD 21803
TEL: 410.546.5600
FAX: 410.548.9576

Ocean City

12216 OCEAN GATEWAY
SUITE 800
OCEAN CITY, MD 21842
TEL: 410.213.7185
FAX: 410.213.7638

Lewes

1143 SAVANNAH ROAD
SUITE 1
P.O. Box 192
LEWES, DE 19958
TEL: 302.645.5757
FAX: 302.645.1757

MEMBERS OF:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MARYLAND ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

DELAWARE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited 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, 2022, 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.

In our opinion, the accompanying financial statements 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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Ocean View, Delaware and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Town of Ocean View, Delaware's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Ocean View, Delaware's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Ocean View, Delaware's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Ocean View, Delaware's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 4 through 13 and pages 43 through 49 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 13, 2022, 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 13, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2022

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, 2022. 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. 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, 2022, governmental activity assets exceeded liabilities by \$23,858,863. Of this amount, \$3,351,061 or 14% was unrestricted and may be used for ongoing obligations to citizens and creditors.
- As of April 30, 2022, business-type activity assets exceeded liabilities by \$1,650,225. Of this amount, \$1,541,993 or 93% 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 \$1,104,718 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, 2022

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

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

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

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2022

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, 2022, was \$25,509,088.

The following table is a summary of the government-wide statement of net position for the years ended April 30, 2022 and 2021:

	Governmental Activities		Business-type Activities		Total Government	
	2022	2021	2022	2021*	2022	2021*
Current and other assets	\$ 12,230,357	\$ 10,414,937	\$ 1,462,965	\$ 1,422,794	\$ 13,693,322	\$ 11,837,731
Capital assets	13,716,972	12,506,552	4,199,859	4,348,789	17,916,831	16,855,341
Total assets	25,947,329	22,921,489	5,662,824	5,771,583	31,610,153	28,693,072
Deferred Charges - refunding debt	-	-	120,188	124,810	120,188	124,810
Deferred Outflows - retirement	635,904	606,762	-	-	635,904	606,762
Total deferred outflows	635,904	606,762	120,188	124,810	756,092	731,572
Current and other liabilities	657,641	170,310	41,160	64,865	698,801	235,175
Long-term liabilities	231,686	374,702	4,091,627	4,187,651	4,323,313	4,562,353
Total liabilities	889,327	545,012	4,132,787	4,252,516	5,022,114	4,797,528
Deferred Inflows - grants	328,522	-	-	-	328,522	-
Deferred Inflows - retirement	1,506,521	222,746	-	-	1,506,521	222,746
Total Deferred Inflows	1,835,043	222,746	-	-	1,835,043	222,746
Net position:						
Net investments in capital assets	13,716,972	12,506,552	108,232	161,138	13,825,204	12,667,690
Restricted	6,790,830	6,370,247	-	-	6,790,830	6,370,247
Unrestricted	3,351,061	3,883,694	1,541,993	1,482,739	4,893,054	5,366,433
Total net position	\$ 23,858,863	\$ 22,760,493	\$ 1,650,225	\$ 1,643,877	\$ 25,509,088	\$ 24,404,370

*2021 has been restated as referenced in the Prior Period Adjustment Footnote

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2022

A significant portion of the Town’s net position of \$25,509,088 (54% or \$13,825,204) 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 \$11,683,884 in net position, \$257,456 is restricted by either the grantor (\$213,529) or the contributor (\$43,927). Additionally, \$6,533,374 of the net position is held in three trust funds established by ordinances, funded with realty transfer tax funds, the use of which is restricted to cases of emergency, capital asset repair and replacement, and street repair and maintenance as described in the ordinances. The unrestricted funds of \$4,893,054 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, 2022 and 2021:

	Governmental Activities		Business-type Activities		Total Government	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues						
Charges for services	\$ 1,108,373	\$ 1,558,314	\$ 636,602	\$ 623,351	\$ 1,744,975	\$ 2,181,665
Operating grants and contributions	545,639	310,324	-	-	545,639	310,324
Capital grants and contributions	96,455	24,319	-	-	96,455	24,319
General revenue						
Property taxes	2,684,580	2,355,825	-	-	2,684,580	2,355,825
Transfer taxes	1,764,150	2,019,393	-	-	1,764,150	2,019,393
Rental gross receipts taxes	627,125	420,692	-	-	627,125	420,692
Investment income	4,069	5,615	355	4,044	4,424	9,659
Miscellaneous	3,002	15,498	-	-	3,002	15,498
Sale of assets	36,323	27,687	-	-	36,323	27,687
Total revenues	6,869,716	6,737,667	636,957	627,395	7,506,673	7,365,062
Expenses:						
General government	1,510,542	1,035,334	-	-	1,510,542	1,035,334
Planning and Zoning	682,846	615,357	-	-	682,846	615,357
Public safety	1,863,353	2,077,564	-	-	1,863,353	2,077,564
Public works	1,714,605	978,867	-	-	1,714,605	978,867
Water system			630,609	616,646	630,609	616,646
Total expenses	5,771,346	4,707,122	630,609	616,646	6,401,955	5,323,768
Increase in net position	1,098,370	2,030,545	6,348	10,749	1,104,718	2,041,294
Net position - Beginning	22,760,493	20,729,948	1,643,877	1,633,128	24,404,370	22,363,076
Net position - Ending	\$23,858,863	\$22,760,493	\$1,650,225	\$1,643,877	\$25,509,088	\$24,404,370

*2021 has been restated as referenced in the Prior Period Adjustment Footnote

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2022

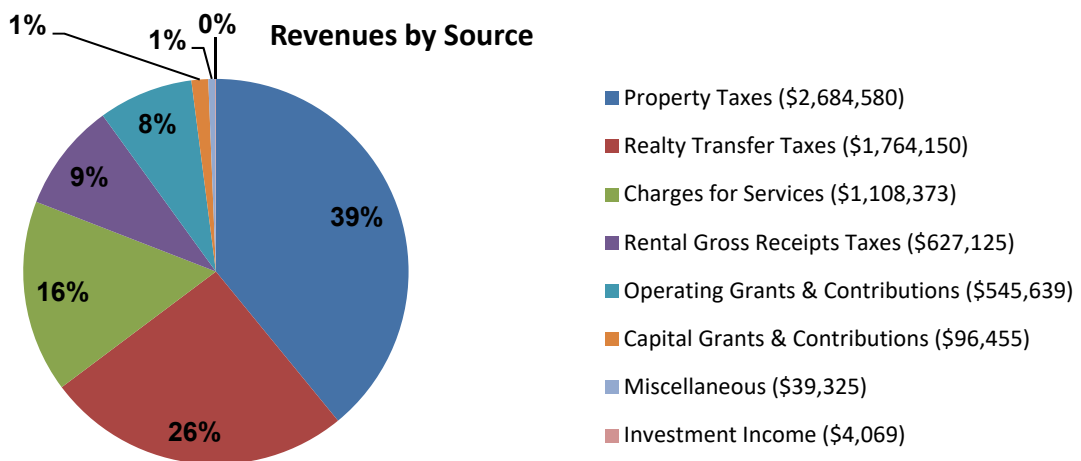
Total government net position increased by \$1,104,718 during fiscal year 2022.

Property taxes, realty transfer taxes, and rental gross receipts taxes received during fiscal year 2022 totaled \$2,684,580, \$1,764,150, and \$627,125, respectively.

2022 Revenues - Governmental Activities

- Realty transfer taxes had a decrease of \$255,243 (13%) under the prior fiscal year. As anticipated, new construction and land sales transfer tax decreased by \$415,514 (40%) under the prior year new construction and land sales transfer tax, while resale transfer tax increased by \$160,271 (16%). Transfer tax sales were from 33.5% new construction, .7% land sales and 65.8% 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 \$328,755 from the prior fiscal year as a result of a two (2) cent increase along with increased values of new construction and home improvements that increased the total assessed value of taxable property. For fiscal year 2022, the Town Council granted a one percent (1%) discount for early payment resulting in 2,548 property owners taking advantage of the early payment discount for a savings of \$22,168.

The following chart shows property taxes as the largest source of governmental revenue comprising 39% of the total revenue (\$6,869,716), followed by realty transfer taxes of 26%, charges for services of 16%, rental gross receipts tax of 9%, and the remaining 10% from other sources including operating and capital grants and contributions.



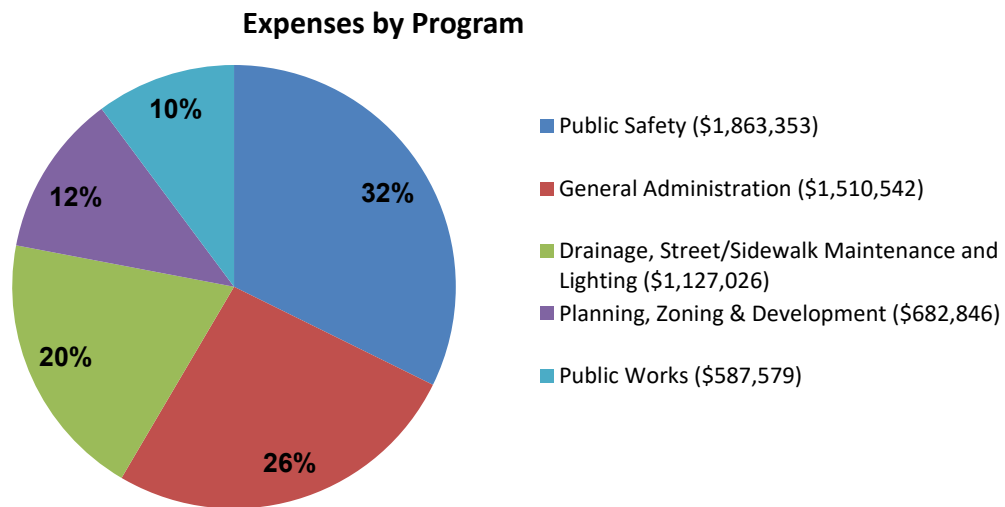
TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2022

There are other notable changes from fiscal year 2021 to fiscal year 2022:

- Building and sign permits decreased from \$619,769 in fiscal year 2021 to \$315,645 for fiscal year 2022 as a result of a decrease in new home construction.
- Rental gross receipts revenue increased \$206,433 (49%) over the previous year.
- Investment earnings decreased from \$15,498 in fiscal year 2021 to \$4,069 in fiscal year 2022.

2021 Expenditures - 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 \$2,773,649 or approximately 48% of the total program expenses of \$5,771,346. Approximately 19% of the total program expenses or 37% of the remaining \$2,997,697 of total governmental expenditures relates to expenditures for drainage, street and sidewalk maintenance and lighting.

There are several notable changes from fiscal year 2021 to fiscal year 2022.

- For fiscal year 2022, Council adopted a 3.30% raise for employees which was comprised of an 1.0880% cost-of-living pay raise based on the Consumer Price Index for the mid-Atlantic region along with up to a 2.212% merit increase based on performance.
- In December 2021, the Town’s property assessor completed the full-town reassessment for the May 2022 (fiscal year 2023) property tax billing. The Town Charter requires a full-town reassessment every five (5) years. The cost of the reassessment resulted in a \$183,554 increase over fiscal year 2021.

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2022

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 2022, the Town's governmental fund balance decreased by \$529,888 to \$9,698,630. The unassigned fund balance component of the General Fund decreased by \$813,657 to \$1,810,287. There are three (3) main causes for the reduction in unassigned fund balance. First, the fiscal year 2022 Capital Improvement Program committed \$422,842 from the start of year unassigned to the Emerging Projects fund in association with various projects and initiatives that evolved out of need or that have been identified following our Comprehensive Plan Update. Secondly, Council approved the increase to the Department of Public Works budget in the amount of \$342,500 for the Savannah's Landing sidewalk project. Finally, the Charter required Town assessment revaluation was \$79,218 more than originally expected due to the unanticipated increase to the housing market which caused the new homes constructed and assessed in the beginning of the year to have to be reassessed as part of the full-town reassessment.

Several projects were funded in fiscal year 2022 but not completed by year-end April 30, 2022. For fiscal year 2022, the encumbered amount of the purchase orders (\$17,989) is committed for use in fiscal year 2023 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.

TOWN OF OCEAN VIEW, DELAWARE
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APRIL 30, 2022

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%.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Fiscal year 2022 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 \$1,143,870, of which \$422,800 were available for operations. Budgeted expenditures increased by \$990,960 (\$644,295 Operating and \$346,665 Capital) providing the purchase of 33 West Avenue, the addition of the vestibule at 201 Central, DPW equipment purchase, Police Department Evidence Storage Garage/Vehicle Impound area and Savannah's Landing Sidewalk improvements.

Budget to Actual – Revenues

General Fund revenues fell short of the amended budget by \$37,279. Rental gross receipts taxes exceeded the amended budget by \$216,625 because of increased activity in the local real estate market and Public Safety grants exceeded the amended budget by \$86,896. Interest, Impact Fees, and Building Permits were under the amended budget by \$9,614, \$7,176 and \$93,812, respectively. The largest variance, general and administrative grants, is a result of the ARPA (American Rescue Plan Act) funding received but not spent being reported as a Deferred Inflow of Resources.

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 \$356,156. One of the larger variances (\$229,856) is related to the Council approved ARPA (American Rescue Plan Act) expenditures which included \$100,000 to the MVFD Capital Improvement Fund, \$7,813 to the MVFD for equipment and \$121,486 towards the pandemic employee premium pay. These expenditures were included in the capital outlay budget causing that to be \$490,104 under the amended budget.

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

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2022

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Town’s investment in capital assets for its governmental and business-type activities as of April 30, 2022 was \$17,916,831 (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 the purchase of 33 West Avenue, upgrades to John West Park and Playground, security upgrades and two (2) police vehicles.

The following table is a summary of the governmental and business-type capital assets for the years ended April 30, 2022 and 2021:

	Governmental Activities		Business-type Activities		Total Government	
	2022	2021	2022	2021*	2022	2021*
Land	\$ 1,788,323	\$ 1,490,621	\$ -	\$ -	\$ 1,788,323	\$ 1,490,621
Construction in progress	1,457,594	248,357	-	-	1,457,594	248,357
Buildings and improvements	3,799,745	3,935,440	-	-	3,799,745	3,935,440
Vehicles and equipment	641,518	615,470	-	-	641,518	615,470
Infrastructure	6,029,792	6,216,664	-	-	6,029,792	6,216,664
Water distribution system	-	-	4,199,859	4,348,789	4,199,859	4,348,789
Total	\$ 13,716,972	\$ 12,506,552	\$ 4,199,859	\$ 4,348,789	\$ 17,916,831	\$ 16,855,341

*2021 has been restated as referenced in the Prior Period Adjustment Footnote

Long-term Debt

The Town’s long-term debt on April 30, 2022, consists of \$4,091,627 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 time March payments will be interest only and September payments will be principal and interest.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

Fiscal year 2023 Revenue and Appropriation Budgetary Highlights

Budgeted revenue for fiscal year 2023 increased 10% (\$556,045) over the amended fiscal year 2022 budget. The primary factor is that though 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, the Town completed the Charter required 5-year property assessment revaluation resulting in increased overall values. The revaluation also resulted in a two-cent rate reduction for fiscal year 2023.

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2022

With the decrease in new construction due to the Town being almost completely built out, only 40 new construction permits were budgeted in fiscal year 2023 compared to 30 in fiscal year 2022, 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.

Budgeted appropriations for fiscal year 2023 decreased \$24,008 under the amended fiscal year 2022 budget as a result of one-time increases to the fiscal year 2022 amended budget to facilitate a sidewalk project and efforts associated with the revaluation of all properties within Town limits occurring in fiscal year 2022 for the May of 2023 tax billing.

Capital outlay budgeted for fiscal year 2023 is \$2,001,850 and includes funding for four (4) police vehicles, drainage and street repair projects, sidewalk connectivity projects and playground equipment for John West Park.

ACHIEVEMENTS / AWARDS

In fiscal year 2022, the Town’s Police Department following a year-long process was formally accredited by the Delaware Accreditation Commission, was awarded the Lexipol Gold Award for excellence in policy and training development for policing for the 2nd consecutive year and for the fourth year the Town of Ocean View was recognized as the safest Town to live in Delaware.

AMERICAN RESCUE PLAN ACT

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 was allocated \$1.18 million and received the first of two installments on June 14, 2021 and the second installment on June 23, 2022.

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:

Carol S. Houck
Town Manager
Town of Ocean View
201 Central Avenue
Ocean View, DE 19970
Telephone: (302) 539-9797 Ext. 104
Email: chouck@oceanviewde.gov

Dawn Mitchell Parks
Director of Finance
Town of Ocean View
201 Central Avenue
Ocean View, DE 19970
Telephone: (302) 539-9797 Ext. 103
Email: dparks@oceanviewde.gov

BASIC FINANCIAL STATEMENTS

TOWN OF OCEAN VIEW, DELAWARE

STATEMENT OF NET POSITION

APRIL 30, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,426,548	\$ 1,426,371	\$ 4,852,919
Receivables, net			
Taxes	2,229		2,229
Water usage		72,476	72,476
Other	148,582		148,582
Prepaid insurance	57,473		57,473
Internal balances	35,882	(35,882)	
Restricted assets			
Cash and cash equivalents	7,016,635		7,016,635
Other receivables	7,513		7,513
Capital assets, net of depreciation			
Land, improvements, and construction in progress	3,245,917		3,245,917
Other capital assets, net of depreciation	10,471,055	4,199,859	14,670,914
Net pension asset	1,535,495		1,535,495
Total assets	25,947,329	5,662,824	31,610,153
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges - refunding debt		120,188	120,188
Deferred financing outflows - retirement	635,904		635,904
Total deferred outflows of resources	635,904	120,188	756,092
LIABILITIES			
Accounts payable and other current liabilities	589,613	23,598	613,211
Accrued liabilities	68,028	17,562	85,590
Long-term liabilities			
Due within one year	3,845	100,000	103,845
Due in more than one year	227,841	3,991,627	4,219,468
Total liabilities	889,327	4,132,787	5,022,114
DEFERRED INFLOWS OF RESOURCES			
Deferred financing inflows - grants	328,522		328,522
Deferred financing inflows - retirement	1,506,521		1,506,521
Total deferred inflows of resources	1,835,043		1,835,043
NET POSITION			
Net investment in capital assets	13,716,972	108,232	13,825,204
Restricted	6,790,830		6,790,830
Unrestricted	3,351,061	1,541,993	4,893,054
Total net position	\$ 23,858,863	\$ 1,650,225	\$ 25,509,088

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

TOWN OF OCEAN VIEW, DELAWARE

STATEMENT OF ACTIVITIES

YEAR ENDED APRIL 30, 2022

	Program Revenues				Net Revenue (Expense) and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
GOVERNMENTAL ACTIVITIES							
General government	\$ 1,510,542	\$ 1,042,946	\$ 221,486	\$ 52,662	\$ (193,448)		\$ (193,448)
Planning and zoning	682,846				(682,846)		(682,846)
Public safety	1,863,353	50,272	196,645	43,793	(1,572,643)		(1,572,643)
Public works	1,714,605	15,155	127,508		(1,571,942)		(1,571,942)
Total governmental activities	<u>5,771,346</u>	<u>1,108,373</u>	<u>545,639</u>	<u>96,455</u>	<u>(4,020,879)</u>		<u>(4,020,879)</u>
BUSINESS-TYPE ACTIVITIES							
Water fund	630,609	636,602				5,993	5,993
Total primary government	<u>\$ 6,401,955</u>	<u>\$ 1,744,975</u>	<u>\$ 545,639</u>	<u>\$ 96,455</u>	<u>(4,020,879)</u>	<u>5,993</u>	<u>(4,014,886)</u>
GENERAL REVENUES							
Taxes							
Property taxes					2,684,580		2,684,580
Transfer taxes - realty					1,764,150		1,764,150
Rental gross receipts					627,125		627,125
Investment earnings					4,069	355	4,424
Miscellaneous					3,002		3,002
Gain on sale of assets					36,323		36,323
Total general revenues					<u>5,119,249</u>	<u>355</u>	<u>5,119,604</u>
Change in net position					1,098,370	6,348	1,104,718
NET POSITION, BEGINNING OF YEAR, RESTATED					<u>22,760,493</u>	<u>1,643,877</u>	<u>24,404,370</u>
NET POSITION, END OF YEAR					<u>\$ 23,858,863</u>	<u>\$ 1,650,225</u>	<u>\$ 25,509,088</u>

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

TOWN OF OCEAN VIEW, DELAWARE

**BALANCE SHEET
GOVERNMENTAL FUND**

APRIL 30, 2022

ASSETS

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 3,426,548
Taxes receivable	2,229
Accounts receivable, other	148,582
Prepaid insurance	57,473
Due from water fund	35,882
Restricted assets	
Cash and cash equivalents	7,016,635
Other receivables	7,513
	<u> </u>
Total assets	<u><u>\$ 10,694,862</u></u>
LIABILITIES	
Accounts payable	\$ 589,613
Accrued liabilities	71,873
Total liabilities	<u><u>661,486</u></u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues	
Property taxes	6,224
Grants	328,522
Total deferred inflows of resources	<u><u>334,746</u></u>
FUND BALANCES	
Nonspendable	
Prepays	57,473
Restricted	6,790,830
Committed	1,040,040
Unassigned	1,810,287
Total fund balances	<u><u>9,698,630</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 10,694,862</u></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, 2022

Total fund balances, governmental fund	\$ 9,698,630
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.	13,716,972
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	635,904
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	6,224
Certain long-term liabilities, assets, and deferred inflows are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.	
Compensated absences	(227,841)
Deferred financing inflows - retirement	(1,506,521)
Net pension asset	<u>1,535,495</u>
Net position of governmental activities in the Statement of Net Position	<u><u>\$ 23,858,863</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, 2022

	<u>General Fund</u>
REVENUES	
Taxes	\$ 5,080,397
Intergovernmental revenues	640,143
Charges for services	1,038,011
Fines and forfeitures	43,824
Interest	7,786
Miscellaneous	79,670
Total revenues	<u>6,889,831</u>
EXPENDITURES	
Current	
General government	1,497,656
Planning and zoning	613,721
Public safety	1,992,076
Public works	1,539,960
Capital outlay	1,776,306
Total expenditures	<u>7,419,719</u>
Excess of expenditures over revenues	(529,888)
FUND BALANCE, BEGINNING OF YEAR	<u>10,228,518</u>
FUND BALANCE, END OF YEAR	<u>\$ 9,698,630</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, 2022

Net change in fund balance, governmental fund \$ (529,888)

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	\$ 1,776,306	
Depreciation expense	<u>(550,310)</u>	1,225,996

In the Statement of Activities, the gain or loss on the disposal of capital assets is
reported, whereas in the governmental funds, the proceeds from the sale increase
financial resources. Thus, the change in net position differs from the change in fund
balances by the book value of the assets sold. (15,576)

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		(15,986)
Change in deferred outflows of resources - retirement		29,142

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		(4,541)
Change in deferred inflows of resources - retirement		(1,283,775)
Change in net pension asset		<u>1,692,998</u>

Change in net position of governmental activities \$ 1,098,370

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

TOWN OF OCEAN VIEW, DELAWARE

**STATEMENT OF NET POSITION
PROPRIETARY FUND**

APRIL 30, 2022

	<u>Water Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,426,371
Receivables	
Water usage, net of allowance for doubtful accounts	72,476
Total current assets	<u>1,498,847</u>
Noncurrent assets	
Capital assets, net of depreciation	<u>4,199,859</u>
Total assets	<u>5,698,706</u>
DEFERRED OUFLOWS OF RESOURCES	
Deferred charges - refunding debt	<u>120,188</u>
LIABILITIES	
Current liabilities	
Accounts payable and other current liabilities	23,598
Accrued interest payable	17,562
Due to general fund	35,882
Current portion of bonds payable	100,000
Total current liabilities	<u>177,042</u>
Noncurrent liabilities	
Bonds payable	<u>3,991,627</u>
Total liabilities	<u>4,168,669</u>
NET POSITION	
Net investment in capital assets	108,232
Unrestricted	1,541,993
Total net position	<u>\$ 1,650,225</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, 2022

	Water Fund
OPERATING REVENUES	
Charges for services	\$ 575,732
OPERATING EXPENSES	
Bank fees	127
Depreciation	148,930
Dues and subscriptions	250
Meter reading charges	32,100
Miscellaneous	1,578
Payroll taxes and benefits	14,493
Payroll wages	21,250
Professional fees	14,367
Repairs and maintenance	77,400
Water charges	141,090
Water inspection	1,629
Water management fee	34,068
Total operating expenses	487,282
Operating income	88,450
NON-OPERATING REVENUES (EXPENSES)	
Connection and inspection fees	54,175
Interest income	355
Miscellaneous income	6,695
Bad debt recovery	94
Interest expense	(143,421)
Net non-operating expenses	(82,102)
Change in net position	6,348
NET POSITION, BEGINNING OF YEAR, RESTATED	1,643,877
NET POSITION, END OF YEAR	\$ 1,650,225

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, 2022

	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 577,925
Payments to suppliers	(325,904)
Payments to employees	(35,743)
Net cash provided by operating activities	<u>216,278</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Inspection and connection fees	54,175
Principal payments on long-term liabilities	(96,024)
Interest paid on long-term liabilities	(139,209)
Net cash used by capital and related financing activities	<u>(181,058)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Non-operating revenue	6,789
Interfund borrowing	35,882
Net cash provided by noncapital financing activities	<u>42,671</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>355</u>
Net increase in cash and cash equivalents	78,246
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,348,125</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,426,371</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 88,450
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	148,930
(Increase) decrease in assets	
Accounts receivable	2,193
Increase (decrease) in liabilities	
Accounts payable	(23,295)
Net cash provided by operating activities	<u><u>\$ 216,278</u></u>

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022

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, 2022

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, 2022

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, 2022

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 three types of items that qualify for reporting in this category: deferred property taxes, which are not recognized in the governmental funds until available (collected not later than 60 days after the end of the Town's fiscal year) and deferred inflows related to retirement and grants, 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, 2022

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, 2022, the balance of the allowance for doubtful accounts for the proprietary fund is \$1,852.

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, 2022

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, 2022

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	\$ 20,318
Capital replacement	1,078,747
Criminal justice council	582
Emergency reserve	971,944
Municipal street aid	194,222
Recreation/open space	23,609
SALLE / EIDE grant	9,378
Realty transfer tax	303,915
Street repair and replacement	4,053,642
Emerging projects	125,176
Violent crime grant	9,297
	<hr/>
	\$ 6,790,830

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund balances (continued)

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

Emergency Service Enhancements	\$	1,022,051
Subsequent year’s expenditures		17,989
	<u>\$</u>	<u>1,040,040</u>

- *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, 2022.
- *Unassigned fund balance*—this fund balance is the residual classification for the General Fund. This represents the resources available for future spending.

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

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund activity

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

Use of estimates

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

Budgetary data

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

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

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

CASH AND CERTIFICATES OF DEPOSIT

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022

CASH AND CERTIFICATES OF DEPOSIT (Continued)

All deposits are carried at cost. Transactions are made directly with the banks; services of brokers or securities dealers are not used. At April 30, 2022, the carrying amount of the Town's deposits was \$11,869,554 and the bank balance was \$12,220,285.

As of April 30, 2022, \$11,696,676 of the Town's bank balances of \$12,220,285 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.

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

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

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

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

Cash and cash equivalents	\$ 4,852,919
Cash and cash equivalents - restricted	7,016,635
Total cash and cash equivalents	<u>\$ 11,869,554</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. Taxes paid prior to July 31st are eligible for a 1% discount. 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, 2022, based on assessments, was \$0.2678 per \$100 of assessed valuation. The total assessed value of all taxable real property and improvements at May 1, 2021 was \$999,777,448. 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, 2022

CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
<i>Capital assets not being depreciated</i>				
Land	\$ 1,490,621	\$ 297,702	\$	\$ 1,788,323
Construction in progress	248,357	1,213,553	(4,316)	1,457,594
Total capital assets not being depreciated	1,738,978	1,511,255	(4,316)	3,245,917
 <i>Capital assets being depreciated</i>				
Buildings and improvements	5,436,740	8,500		5,445,240
Equipment	1,382,570	131,598	(261,074)	1,253,094
Vehicles	947,093	124,669	(26,808)	1,044,954
Infrastructure	7,650,738	4,600		7,655,338
Total capital assets being depreciated	15,417,141	269,367	(287,882)	15,398,626
Less accumulated depreciation for:				
Buildings and improvements	1,501,300	144,194		1,645,494
Equipment	1,164,387	85,498	(245,498)	1,004,387
Vehicles	549,806	129,145	(26,808)	652,143
Infrastructure	1,434,074	191,473		1,625,547
Total accumulated depreciation	4,649,567	550,310	(272,306)	4,927,571
Total capital assets being depreciated, net	10,767,574	(280,943)	(15,576)	10,471,055
Governmental activities capital assets, net	\$ 12,506,552	\$ 1,230,312	\$ (19,892)	\$ 13,716,972

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
<i>Capital assets</i>				
Water distribution system	\$ 6,309,701	\$	\$	\$ 6,309,701
Less accumulated depreciation for the Water distribution system	1,960,912	148,930		2,109,842
Business-type activities capital assets, net	\$ 4,348,789	\$ (148,930)	\$	\$ 4,199,859

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022

CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$	50,053
Public safety		231,502
Public works		268,755
Total governmental activities	\$	550,310

Business-type activities:

Water fund	\$	148,930
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LONG-TERM LIABILITIES

Changes in long-term obligations for the year ended April 30, 2022, are as follows:

	April 30, 2021	Increases	Decreases	April 30, 2022	Due within one year
Governmental activities:					
Compensated absences	\$ 217,199	\$ 14,487	\$	\$ 231,686	\$ 3,845
Business-type activities:					
General obligation bonds	\$ 4,160,000	\$	\$ (95,000)	\$ 4,065,000	\$ 100,000
Bond premium	27,651		(1,024)	26,627	
Total business-type activities	\$ 4,187,651	\$	\$ (96,024)	\$ 4,091,627	\$ 100,000

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, 2022 was \$4,065,000.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022

LONG-TERM LIABILITIES (Continued)

Debt service requirements

Debt service requirements on long-term debt for business-type activities at April 30, 2022 are as follows:

<u>Year Ending April 30,</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	120,000	119,058	239,058
2028-2032	375,000	539,038	914,038
2033-2037	865,000	430,950	1,295,950
2038-2042	500,000	293,555	793,555
2043-2047	955,000	125,176	1,080,176
2048	820,000	2,929	822,929
	<u>\$ 4,065,000</u>	<u>\$ 2,024,838</u>	<u>\$ 6,089,838</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, 2022

RETIREMENT AND PENSION PLANS (Continued)

General information about the pension plans (continued)

The following are brief descriptions of the plans in effect as of June 30, 2021. For a more complete description, please refer to the DPERS CAFR for each plan. Separately issued financial statements for DPERS are available from the pension office at: McArdle Building, Suite 1, 860 Silver Lake Blvd, Dover, DE 19904.

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

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

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

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

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022

RETIREMENT AND PENSION PLANS (Continued)

General information about the 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, 2022, the Town received \$67,028.

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

At April 30, 2022, the Town reported an asset of \$1,535,495 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2020. Update procedures were used to roll forward the total pension asset to June 30, 2021. The Town's proportion of the net pension asset was based on the percentage of actual employee contributions. At June 30, 2021, the Town's proportion for the Police Plan was .8900% and for the General Plan was 1.4906%.

For the year ended April 30, 2022, the Town recognized pension revenue of \$224,028. At April 30, 2022, 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, 2022

RETIREMENT AND PENSION PLANS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes to assumptions	\$ 56,616	\$ 98,497
Changes to proportion	65,006	32,042
Difference between expected and actual experience	133,202	69,656
Net difference between projected and actual earnings on pension plan investments		1,306,326
Contributions subsequent to measurement date	381,080	
	\$ 635,904	\$ 1,506,521

The Town's contribution of \$381,080 subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension asset in the year ended April 30, 2023. 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
	2021	8 years	10 years
Net difference between projected and actual earnings on investments	2017	5 years	5 years
	2018	5 years	5 years
	2019	5 years	5 years
	2020	5 years	5 years
	2021	5 years	5 years
Change in proportion	2014	8 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
2021	8 years	9 years	

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022

RETIREMENT AND PENSION PLANS (Continued)

	Measurement	<u>Amortization Period</u>	
	Period Ended	<u>General</u>	<u>Police</u>
	<u>June 30</u>		
Change in assumptions	2016	9 years	10 years
	2017	9 years	10 years
	2021	8 years	

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

Year Ending	Amortization
<u>April 30,</u>	<u></u>
2023	\$ (335,137)
2024	(325,377)
2025	(330,327)
2026	(307,840)
2027	21,911
Thereafter	25,073
	<u><u>\$ (1,251,697)</u></u>

Actuarial assumptions. The collective total pension asset for the June 30, 2021 measurement date was determined by an actuarial valuation as of June 30, 2020, and update procedures were used to roll forward the total pension liability to June 30, 2021. 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 assets 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 2021. 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, 2022

RETIREMENT AND PENSION PLANS (Continued)

Discount rate: The discount rate for all plans used to measure the total pension asset 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 asset.

Sensitivity of the net pension asset to changes in the discount rate: The following presents the collective net pension asset of the plan, calculated using the discount rate of 7.0%, as well as what the plan's net pension 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%)	\$ (700,424)
Current discount rate (7.0%)	\$ (1,535,495)
1% Increase (8.0%)	\$ (2,252,036)

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, 2022

RISK MANAGEMENT

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

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

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

LEASE AGREEMENTS

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

<u>Year Ending April 30,</u>		
2023	\$	2,186

The total rental expense under operating leases for the fiscal year ended April 30, 2022 was \$10,808.

NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended April 30, 2022, that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the new standards may have on the financial statements.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022

NEW PRONOUNCEMENTS (Continued)

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.

GASB Statement No. 101, *Compensated Absences*, will be effective for the Town beginning with the year ending April 30, 2025. This statement updates the recognition and measurement guidance for compensated absences.

SUBSEQUENT EVENTS

In June of 2022, the Town received \$586,561 from the American Rescue Plan Act. This is the second of two installments. 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. The Town has developed a plan to allocate the funding among a variety of areas such as town roads.

In July of 2022, the Town council approved an annex of 29 acres into the Town.

PRIOR PERIOD ADJUSTMENT

During the year ended April 30, 2022, there were retrospective changes made to the accounting for accumulated depreciation for the water fund for the year ended April 30, 2021. This change resulted in a change to the water fund beginning net position on the fund financial statements as described below:

	Water fund net position
Original balance at April 30, 2021	\$ 1,527,846
Change to accumulated depreciation balance	116,031
Balance at April 30, 2021, as restated	<u>\$ 1,643,877</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF OCEAN VIEW, DELAWARE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED APRIL 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes:				
Real estate taxes and penalties	\$ 2,733,330	\$ 2,686,140	\$ 2,689,121	\$ 2,981
Realty transfer taxes	1,250,000	1,764,150	1,764,150	
Rental gross receipts tax	410,500	410,500	627,125	216,625
Intergovernmental revenues:				
General and administrative grants		619,730	291,211	(328,519)
State municipal street aid	115,000	127,500	127,508	8
Public safety grants	78,000	67,500	154,396	86,896
Police pension grant	58,000	67,000	67,028	28
Charges for services:				
Building and sign permits	391,940	391,940	298,128	(93,812)
Impact fees	174,570	210,520	203,344	(7,176)
Business and rental licenses	181,000	181,000	205,755	24,755
Cable TV franchise fee	80,000	80,000	92,060	12,060
Zoning and other fees	25,000	25,000	45,468	20,468
Millville ambulance fee	95,000	102,620	102,620	
Expense reimbursements	123,500	107,110	90,636	(16,474)
Other revenue sources:				
Public safety fines	37,000	37,000	43,824	6,824
Interest	17,400	17,400	7,786	(9,614)
Donations	500	500	9,485	8,985
Miscellaneous, including sale of fixed assets	12,500	31,500	70,186	38,686
Total revenues	<u>5,783,240</u>	<u>6,927,110</u>	<u>6,889,831</u>	<u>(37,279)</u>
EXPENDITURES				
Current:				
General government	1,186,065	1,263,757	1,497,656	(233,899)
Planning and zoning	629,890	642,252	613,721	28,531
Public safety	1,967,420	1,968,192	1,992,076	(23,884)
Public works	1,081,795	1,635,264	1,539,960	95,304
Capital outlay	1,919,745	2,266,410	1,776,306	490,104
Total expenditures	<u>6,784,915</u>	<u>7,775,875</u>	<u>7,419,719</u>	<u>356,156</u>
Excess of revenues over (under) expenditures	(1,001,675)	(848,765)	(529,888)	<u>\$ 318,877</u>
FUND BALANCE - BEGINNING	<u>10,228,518</u>	<u>10,228,518</u>	<u>10,228,518</u>	
FUND BALANCE - ENDING	<u>\$ 9,226,843</u>	<u>\$ 9,379,753</u>	<u>\$ 9,698,630</u>	

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

YEAR ENDED APRIL 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Favorable (Unfavorable)
GENERAL GOVERNMENT				
Payroll wages	\$ 375,435	\$ 373,635	\$ 373,129	\$ 506
Payroll wages - council	4,580	4,580	4,195	385
Payroll wages - overtime and bonus	2,720	4,520	4,517	3
Payroll taxes	30,655	33,455	33,399	56
Payroll and taxes	413,390	416,190	415,240	950
Employee retirement	25,525	26,275	26,276	(1)
Medical, dental and life insurance	67,265	72,330	72,165	165
Workers compensation insurance	640	640	1,353	(713)
Personnel related costs	506,820	515,435	515,034	401
Advertising	8,000	8,000	12,593	(4,593)
American rescue plan act grant			229,856	(229,856)
Communications - telephone and internet	13,200	13,200	15,235	(2,035)
Computer software, updates, and website	32,350	32,350	30,874	1,476
Contracted labor	8,000	8,000	9,170	(1,170)
Contracted services	5,000	5,000	4,527	473
Dues and subscriptions	5,000	5,000	4,146	854
Education and training	14,000	8,935	8,325	610
Grant award - restricted funds	80,000	80,000	80,000	
Insurance - business	22,895	22,895	22,891	4
Maintenance and repairs	32,330	32,330	28,641	3,689
Mileage	2,000	2,000	1,081	919
Millville ambulance fees	95,000	102,620	102,620	
Miscellaneous	9,860	9,860	4,215	5,645
Non-capital equipment	6,000	8,572	2,944	5,628
Postage, printing and office supplies	16,000	16,000	19,547	(3,547)
Professional fees	62,000	58,450	44,574	13,876
Property assessment	171,800	239,300	251,019	(11,719)
Public relations	40,000	40,000	47,420	(7,420)
Realty transfer tax fees	12,000	12,000	17,354	(5,354)
Supplies	27,310	27,310	29,107	(1,797)
Uniforms	500	500		500
Utilities	15,500	15,500	14,910	590
Vehicles and equipment - fuel	500	500	1,573	(1,073)
TOTAL GENERAL GOVERNMENT	1,186,065	1,263,757	1,497,656	(233,899)

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

YEAR ENDED APRIL 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
PLANNING AND ZONING				
Payroll wages	\$ 307,300	\$ 301,600	\$ 299,679	\$ 1,921
Payroll wages - overtime and bonus	7,665	5,115	4,511	604
Payroll taxes	26,220	29,020	28,965	55
Payroll and taxes	<u>341,185</u>	<u>335,735</u>	<u>333,155</u>	<u>2,580</u>
Employee retirement	20,745	23,645	23,634	11
Medical, dental and life insurance	57,950	60,500	60,466	34
Workers compensation insurance	1,360	1,360	1,067	293
Personnel related costs	<u>421,240</u>	<u>421,240</u>	<u>418,322</u>	<u>2,918</u>
Advertising	12,000	12,000	5,599	6,401
Communications - telephone and internet	1,200	1,200	1,200	
Computer programming	2,400	2,400	2,343	57
Council and committees	5,000	5,000	3,060	1,940
Dues and subscriptions	2,500	2,500	677	1,823
Education and training	14,700	14,700	3,517	11,183
Maintenance and repairs	5,500	5,500	8,116	(2,616)
Mileage	750	750	98	652
Non-capital equipment	3,500	5,104	3,327	1,777
Postage, printing and office supplies	11,000	11,000	6,979	4,021
Professional fees	140,000	150,758	153,987	(3,229)
Public relations	5,000	5,000	859	4,141
Supplies	200	200	331	(131)
Uniforms	1,000	1,000		1,000
Vehicles and equipment - fuel	<u>3,900</u>	<u>3,900</u>	<u>5,306</u>	<u>(1,406)</u>
TOTAL PLANNING AND ZONING	<u>629,890</u>	<u>642,252</u>	<u>613,721</u>	<u>28,531</u>

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

YEAR ENDED APRIL 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Favorable (Unfavorable)
PUBLIC SAFETY				
Payroll wages	\$ 1,035,390	\$ 1,035,390	\$ 1,035,286	\$ 104
Payroll wages - overtime and bonus	67,625	67,625	134,129	(66,504)
Payroll taxes	88,050	98,850	98,795	55
Payroll and taxes	1,191,065	1,201,865	1,268,210	(66,345)
Employee retirement	158,465	158,465	156,137	2,328
Medical, dental and life insurance	240,375	229,575	203,117	26,458
Workers compensation insurance	53,290	53,290	49,418	3,872
Personnel related costs	1,643,195	1,643,195	1,676,882	(33,687)
Advertising	1,000	1,000	100	900
Ammunition	12,000	12,000	8,479	3,521
Communications - telephone and internet	26,400	26,400	18,293	8,107
Computer software, updates, and website	14,050	14,050	14,200	(150)
Contracted labor	9,900	9,900	9,062	838
Contracted services	2,500	2,500	45	2,455
Dues and subscriptions	4,500	4,500	5,816	(1,316)
Education and training	28,000	28,000	26,876	1,124
Insurance - business	56,780	56,780	57,886	(1,106)
Investigative expenses			1,000	(1,000)
K-9 supplies	2,000	2,000	1,179	821
Maintenance and repairs	20,150	20,150	14,511	5,639
Mileage	200	200		200
Non-capital equipment	24,245	24,245	37,276	(13,031)
Postage, printing and office supplies	5,500	5,500	4,538	962
Professional fees	8,500	8,500	11,488	(2,988)
Public relations	3,000	3,000	2,717	283
Supplies	16,500	17,272	14,292	2,980
Uniforms	11,000	11,000	13,786	(2,786)
Utilities	13,000	13,000	11,162	1,838
Vehicles and equipment - fuel	32,000	32,000	40,008	(8,008)
Vehicles and equipment - repairs	33,000	33,000	22,480	10,520
TOTAL PUBLIC SAFETY	1,967,420	1,968,192	1,992,076	(23,884)

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

YEAR ENDED APRIL 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
PUBLIC WORKS				
Payroll wages	\$ 96,480	\$ 96,480	\$ 96,802	\$ (322)
Payroll wages - overtime and bonus	7,350	12,350	12,351	(1)
Payroll taxes	8,835	8,835	9,800	(965)
Payroll and taxes	<u>112,665</u>	<u>117,665</u>	<u>118,953</u>	<u>(1,288)</u>
Employee retirement	7,275	7,275	8,291	(1,016)
Medical, dental and life insurance	31,915	31,915	32,165	(250)
Workers compensation insurance	4,830	4,830	4,002	828
Personnel related costs	<u>156,685</u>	<u>161,685</u>	<u>163,411</u>	<u>(1,726)</u>
Advertising	500	500		500
Communications - telephone and internet	3,200	3,200	5,231	(2,031)
Contracted labor	24,000	24,000	18,904	5,096
Drainage	60,000	60,000	59,013	987
Dues and subscriptions	300	300		300
Education and training	300	300	17	283
Insurance - business	25,130	25,130	24,997	133
Maintenance and repairs	2,350	2,350	2,918	(568)
Mileage	200	200		200
Mosquito control	10,500	10,500	10,097	403
Non-capital equipment	6,750	6,750	28,468	(21,718)
Park expense	26,500	22,678	13,915	8,763
Postage, printing and office supplies	300	300	173	127
Professional fees			145	(145)
Public relations	500	500		500
Sidewalk work, ADA	150,000	492,915	406,328	86,587
Street lighting	90,000	90,000	76,675	13,325
Street maintenance	80,000	80,000	113,330	(33,330)
Street paving and repair	416,180	625,556	585,011	40,545
Street signs	4,500	4,500	5,263	(763)
Supplies	2,000	2,000	2,004	(4)
Uniforms	1,200	1,200	938	262
Utilities	10,500	10,500	11,886	(1,386)
Vehicles and equipment - fuel	5,500	5,500	7,060	(1,560)
Vehicles and equipment - repairs	4,700	4,700	4,176	524
TOTAL PUBLIC WORKS	<u>1,081,795</u>	<u>1,635,264</u>	<u>1,539,960</u>	<u>95,304</u>
CAPITAL OUTLAY	<u>1,919,745</u>	<u>2,266,410</u>	<u>1,776,306</u>	<u>490,104</u>
TOTAL EXPENDITURES	<u>\$ 6,784,915</u>	<u>\$ 7,775,875</u>	<u>\$ 7,419,719</u>	<u>\$ 356,156</u>

TOWN OF OCEAN VIEW, DELAWARE

REQUIRED SUPPLEMENTARY INFORMATION

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

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

	2022	2021	2020	2019	2018	2017	2016
<u>County & Municipal Police and Firefighters' Pension Plan</u>							
Town's proportion of the net pension liability (asset)	0.8900%	0.8169%	0.7936%	0.6568%	0.6077%	0.5602%	0.6447%
Town's proportionate share of the net pension liability (asset)	\$ (1,223,287)	\$ 125,539	\$ 227,942	\$ 151,261	\$ 61,268	\$ 89,053	\$ (33,979)
Town's covered-employee payroll	\$ 1,035,286	\$ 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	-118.1593%	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)	128.2%	96.7%	93.3%	94.1%	97.0%	94.7%	102.0%
<u>County & Municipal Other Employees' Pension Plan</u>							
Town's proportion of the net pension liability (asset)	1.4906%	1.5054%	1.7440%	1.8766%	1.7750%	1.7973%	1.7735%
Town's proportionate share of the net pension liability (asset)	\$ (312,208)	\$ 31,964	\$ 79,894	\$ 59,054	\$ 115,007	\$ 111,359	\$ 757
Town's covered-employee payroll	\$ 769,610	\$ 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	-40.5670%	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)	127.6%	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)

	2022	2021	2020	2019	2018	2017	2016
<u>County & Municipal Police and Firefighters' Pension Plan</u>							
Contractually required contribution	\$ 143,022	\$ 125,426	\$ 117,016	\$ 62,290	\$ 68,759	\$ 56,529	\$ 64,908
Contributions in relation to the contractually required contribution	<u>(143,022)</u>	<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>	<u>\$</u>
Town's covered-employee payroll	\$ 1,035,286	\$ 977,362	\$ 813,071	\$ 747,950	\$ 615,010	\$ 534,890	\$ 527,084
Contributions as a percentage of covered-employee payroll	14%	13%	14%	8%	11%	11%	12%
<u>County & Municipal Other Employees' Pension Plan</u>							
Contractually required contribution	\$ 56,363	\$ 53,710	\$ 56,476	\$ 53,028	\$ 44,625	\$ 37,338	\$ 34,068
Contributions in relation to the contractually required contribution	<u>(56,363)</u>	<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>	<u>\$</u>
Town's covered-employee payroll	\$ 769,610	\$ 699,440	\$ 653,536	\$ 709,650	\$ 649,861	\$ 553,888	\$ 585,543
Contributions as a percentage of covered-employee payroll	7%	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

ANDREW M. HAYNIE, CPA
SUSAN P. KEEN, CPA
MICHAEL C. KLEGER, CPA
JAMES D. MAYBURY, CPA
E. LEE McCABE, CPA
JEFFREY A. MICHALIK, CPA
ROBERT L. MOORE, CPA
DANIEL M. O'CONNELL II, CPA
ASHLEY M. STERN, CPA
JOHN M. STERN, JR., CPA

PKScpa.com

Salisbury

1801 SWEETBAY DRIVE
P.O. Box 72
SALISBURY, MD 21803
TEL: 410.546.5600
FAX: 410.548.9576

Ocean City

12216 OCEAN GATEWAY
SUITE 800
OCEAN CITY, MD 21842
TEL: 410.213.7185
FAX: 410.213.7638

Lewes

1143 SAVANNAH ROAD
SUITE 1
P.O. Box 192
LEWES, DE 19958
TEL: 302.645.5757
FAX: 302.645.1757

MEMBERS OF:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' 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, 2022, 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 13, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
September 13, 2022