

TOWN OF OCEAN VIEW, DELAWARE

FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2023

TOWN OF OCEAN VIEW, DELAWARE

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

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

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, 2023, 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, 2023, 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.

Responsibilities of Management for the Financial Statements (continued)

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 14 and pages 45 through 51 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 12, 2023, 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 solely 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 the effectiveness of 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 12, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2023

The management team of the Town of Ocean View, Delaware (the “Town”) is pleased to present to 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, 2023. 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 necessarily been updated for events that may have occurred subsequent to the issuance of the respective reports.

FINANCIAL HIGHLIGHTS

- As of April 30, 2023, governmental activity assets exceeded liabilities by \$25,554,455. Of this amount, \$4,187,430 or 16% was unrestricted and may be used to meet the Town’s ongoing obligations to citizens and creditors.
- As of April 30, 2023, business-type activity assets exceeded liabilities by \$1,666,129. Of this amount, \$1,605,803 or 96% was unrestricted and may be used to meet the Town’s ongoing obligations of the Town’s water distribution system.
- The Town’s net position for governmental and business-type activities increased by \$1,711,496 during the year.

Overall, the Town is in good financial condition and has the policies and focus to stay in sound fiscal shape.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2023

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 above 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 15 - 16 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 17 - 20 of this report.

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2023

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

The basic proprietary fund financial statements can be found on pages 21 - 23 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 - 44 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 45 – 49) and the Town’s proportionate share of the net pension liabilities and contributions related to the Delaware Public Employees’ Retirement System (pages 50 – 51).

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table is a summary of the government-wide statement of net position compared to the prior year:

| | Governmental Activities | | Business-type Activities | | Total Government | |
|-----------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Current and other assets | \$ 10,909,803 | \$ 12,230,357 | \$ 1,537,665 | \$ 1,462,965 | \$ 12,447,468 | \$ 13,693,322 |
| Capital assets | 15,729,187 | 13,716,972 | 4,050,929 | 4,199,859 | 19,780,116 | 17,916,831 |
| Total assets | 26,638,990 | 25,947,329 | 5,588,594 | 5,662,824 | 32,227,584 | 31,610,153 |
| Deferred Charges - refunding debt | | | 115,565 | 120,188 | 115,565 | 120,188 |
| Deferred Outflows - retirement | 906,376 | 635,904 | - | - | 906,376 | 635,904 |
| Total deferred outflows | 906,376 | 635,904 | 115,565 | 120,188 | 1,021,941 | 756,092 |
| Current and other liabilities | 890,469 | 657,641 | 47,427 | 41,160 | 937,896 | 698,801 |
| Long-term liabilities | 287,880 | 231,686 | 3,990,603 | 4,091,627 | 4,278,483 | 4,323,313 |
| Total liabilities | 1,178,349 | 889,327 | 4,038,030 | 4,132,787 | 5,216,379 | 5,022,114 |
| Deferred Inflows - grants | 615,922 | 328,522 | - | - | 615,922 | 328,522 |
| Deferred Inflows - retirement | 196,640 | 1,506,521 | - | - | 196,640 | 1,506,521 |
| Total Deferred Inflows | 812,562 | 1,835,043 | - | - | 812,562 | 1,835,043 |
| Net position: | | | | | | |
| Net investments in capital assets | 15,703,749 | 13,716,972 | 60,326 | 108,232 | 15,764,075 | 13,825,204 |
| Restricted | 5,663,276 | 6,790,830 | - | - | 5,663,276 | 6,790,830 |
| Unrestricted | 4,187,430 | 3,351,061 | 1,605,803 | 1,541,993 | 5,793,233 | 4,893,054 |
| Total net position | \$ 25,554,455 | \$ 23,858,863 | \$ 1,666,129 | \$ 1,650,225 | \$ 27,220,584 | \$ 25,509,088 |

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2023

As noted earlier, 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, 2023, was \$27,220,584.

A significant portion of the Town’s net position, \$15,764,075 (58%), represents investments in capital assets (e.g., land, buildings, infrastructure, vehicles, and equipment). This investment is net of any related debt that was used to acquire those assets that are still outstanding. The Town uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending, and apart from 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 \$11,456,509 in net position, \$341,837 is restricted by either the grantor (\$297,507) or the contributor (\$44,330). Additionally, \$5,321,439 of the net position is held in three (3) 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 \$5,793,233 may be used to meet the Town’s ongoing obligations to citizens and creditors.

The following table is a summary of the government-wide statement of activities compared to the prior year:

| | Governmental Activities | | Business-type Activities | | Total Government | |
|------------------------------------|-------------------------|---------------------|--------------------------|--------------------|---------------------|---------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenues: | | | | | | |
| Program Revenues | | | | | | |
| Charges for services | \$ 1,155,924 | \$ 1,108,373 | \$ 656,633 | \$ 636,602 | \$ 1,812,557 | \$ 1,744,975 |
| Operating grants and contributions | 378,687 | 545,639 | - | - | 378,687 | 545,639 |
| Capital grants and contributions | 671,884 | 96,455 | - | - | 671,884 | 96,455 |
| General revenue | | | | | | |
| Property taxes | 3,133,417 | 2,684,580 | - | - | 3,133,417 | 2,684,580 |
| Transfer taxes | 1,183,926 | 1,764,150 | - | - | 1,183,926 | 1,764,150 |
| Rental gross receipts taxes | 676,376 | 627,125 | - | - | 676,376 | 627,125 |
| Investment income | 64,474 | 4,069 | 12,735 | 355 | 77,209 | 4,424 |
| Miscellaneous | 3,001 | 3,002 | - | - | 3,001 | 3,002 |
| Sale of assets | 12,559 | 36,323 | - | - | 12,559 | 36,323 |
| Total revenues | 7,280,248 | 6,869,716 | 669,368 | 636,957 | 7,949,616 | 7,506,673 |
| Expenses: | | | | | | |
| General government | 1,051,653 | 1,510,542 | - | - | 1,051,653 | 1,510,542 |
| Planning and Zoning | 550,891 | 682,846 | - | - | 550,891 | 682,846 |
| Public safety | 2,590,869 | 1,863,353 | - | - | 2,590,869 | 1,863,353 |
| Public works | 1,391,243 | 1,714,605 | - | - | 1,391,243 | 1,714,605 |
| Water system | | | 653,464 | 630,609 | 653,464 | 630,609 |
| Total expenses | 5,584,656 | 5,771,346 | 653,464 | 630,609 | 6,238,120 | 6,401,955 |
| Increase in net position | 1,695,592 | 1,098,370 | 15,904 | 6,348 | 1,711,496 | 1,104,718 |
| Net position - Beginning | 23,858,863 | 22,760,493 | 1,650,225 | 1,643,877 | 25,509,088 | 24,404,370 |
| Net position - Ending | \$25,554,455 | \$23,858,863 | \$1,666,129 | \$1,650,225 | \$27,220,584 | \$25,509,088 |

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2023

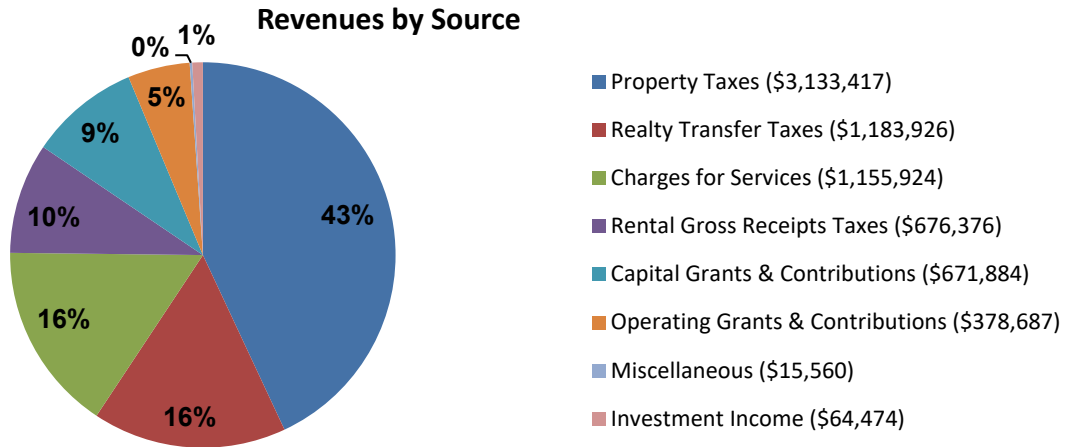
Total government net position increased by \$1,711,496 during fiscal year 2023.

Property taxes, realty transfer taxes, and rental gross receipts taxes received during fiscal year 2023 totaled \$3,133,417, \$1,183,926, and \$676,376 respectively.

2023 Revenues - Governmental Activities

- Realty transfer taxes had a decrease of \$580,224 (33%) under the prior fiscal year, as anticipated. Transfer tax sales were from 29.1% new construction, 2.6% land sales and 68.3% 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 \$448,837 from the prior fiscal year as a result of the outcome of the full Town Reassessment that was completed in accordance with the Town Charter as well as a three (3) cent reduction in the tax rate. Fiscal year 2023, the Town Council again granted a one percent (1%) discount for early payment resulting in 2,662 property owners taking advantage of the early payment discount for a savings of \$26,242.

The following chart shows property taxes as the largest source of governmental revenue comprising 43% of the total revenue (\$7,280,248), followed by realty transfer taxes of 16%, charges for services of 16%, rental gross receipts tax of 9%, and the remaining 16% from other sources including operating and capital grants and contributions.



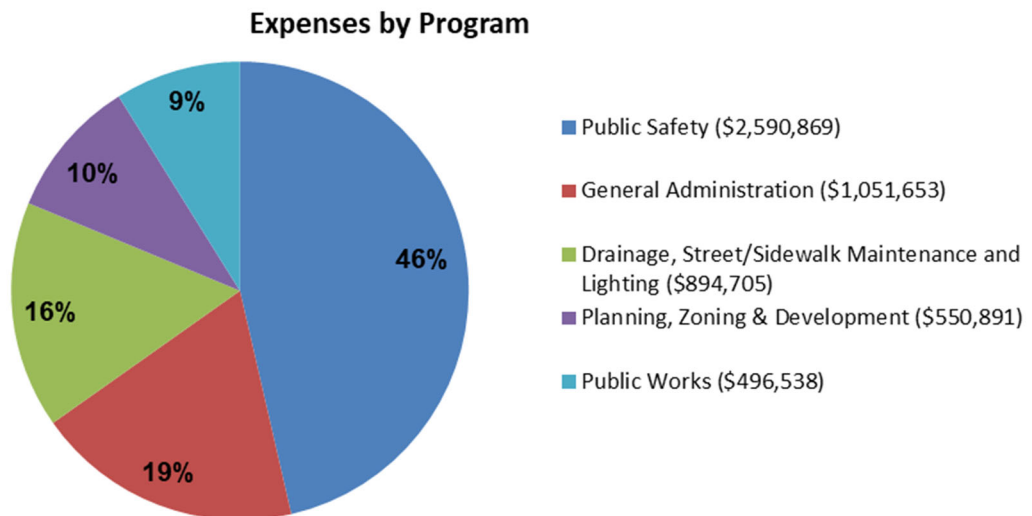
TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2023

There are other notable changes from fiscal year 2022 to fiscal year 2023.

- Building and Sign Permits decreased from \$298,128 in fiscal year 2022 to \$206,802 for fiscal year 2023 because of a decrease in new home construction.
- Rental gross receipts revenue increased \$49,251 (8%) over the previous year.
- Investment income increased from \$4,069 in fiscal year 2022 to \$64,474 in fiscal year 2023.

2023 Expenses - Governmental Activities

During the fiscal year, the Town continued to provide a fully staffed professional police department focused on community policing (24 hours, 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 \$2,878,095 or approximately 52% of the total program expenses of \$5,584,656. Approximately 16% of the total program expenses or 31% of the remaining \$2,706,561 of total governmental expenditures relates to expenditures for drainage, street and sidewalk maintenance and lighting.

There are other notable changes from fiscal year 2022 to fiscal year 2023.

- For fiscal year 2023, Council adopted a 6.605% cost-of-living adjustment (COLA) based on the December 2021 Consumer Price Index for the mid-Atlantic region and COLA of 3.105% for Contractual employees (Chief of Police and Town Manager).
- The fiscal year 2023 budget includes significant increases to the Gas & Diesel budgets for Planning and Zoning (28.2%), Public Safety (25%), and Public Works (9.1%).

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2023

- Public Safety’s budget saw significant increases in the costs of professional services and supplies and maintenance such as uniforms and ammunition.

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.

The Town ended fiscal year 2023 with a decrease to its governmental fund balance of \$419,769 to \$9,278,861. The unassigned fund balance component of the General Fund increased by \$318,002 to \$2,128,289 and finally, the restricted fund balance decreased by \$1,127,554 to \$5,663,276 (after funding all annual required contributions to our trusts), as a direct result of our commitment to infrastructure improvement projects within the community (streets, drainage, etc.).

Several projects were funded in fiscal year 2023 but not completed by year-end, April 30, 2023. For fiscal year 2023, the encumbered amount of the purchase orders (\$369,264) is committed for use in fiscal year 2024 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
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2023

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 savings of \$349,759. The true interest rate on the new debt is 3.445%.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Fiscal year 2023 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 the Town Council. Overall, these changes resulted in an increase in budgeted revenues of \$415,735, of which revenues available for operations decreased by \$44,720. The largest increase to the original budget (\$250,000) was to Gross Rental Receipt Tax while the most significant decreases to the original budget were for Real Estate Transfer Tax (\$66,075), Permits (\$72,000), Impact fees (\$17,235) and Business License (\$12,175) which are, once again, as a result of the decline in new construction.

Budgeted expenditures increased by \$824,630 (decrease of \$49,740 in Operating and increase of \$874,370 in Capital) providing the purchase of the Berzins Property and additional funding for two (2) drainage projects (Country Village / Country Estates and Hudson Avenue).

Budget to Actual – Revenues

General Fund revenues exceeded the amended budget by \$169,043. Public Safety grants exceeded the amended budget by \$16,679 as well as the Cable TV franchise fee in the amount of \$19,662 and zoning fees in the amount of \$12,020.

A comparison of budgeted to actual revenues is provided on page 45 of this report.

Budget to Actual – Expenditures

Total expenditures were under the amended budget at \$655,183. The largest variance (\$22,328) is related to Professional Fees (Legal). With the retirement of the Town’s long-time solicitor, the rates were increased as well as a learning curve as the newly appointed Town Solicitor becomes more acquainted with the Town’s procedures and policies.

A comparison of budgeted to actual expenditures is provided on pages 46 - 49 of this report.

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2023

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Town’s investment in capital assets for its governmental and business-type activities as of April 30, 2023, was \$19,780,116 (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 the Berzins Property, drainage, and sidewalk improvements, and four (4) police vehicles.

The following table is a summary of the governmental and business-type capital assets compared to the prior year:

| | Governmental Activities | | Business-type Activities | | Total Government | |
|----------------------------|-------------------------|----------------------|--------------------------|--------------------|----------------------|---------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Land | \$ 2,299,263 | \$ 1,788,323 | \$ - | \$ - | \$ 2,299,263 | \$ 1,788,323 |
| Construction in progress | 1,972,832 | 1,457,594 | - | - | 1,972,832 | 1,457,594 |
| Buildings and improvements | 3,839,707 | 3,799,745 | - | - | 3,839,707 | 3,799,745 |
| Vehicles and equipment | 872,152 | 641,518 | - | - | 872,152 | 641,518 |
| Infrastructure | 6,745,233 | 6,029,792 | - | - | 6,745,233 | 6,029,792 |
| Water distribution system | - | - | 4,050,929 | 4,199,859 | 4,050,929 | 4,199,859 |
| Total | \$ 15,729,187 | \$ 13,716,972 | \$ 4,050,929 | \$4,199,859 | \$ 19,780,116 | \$17,916,831 |

Long-term Debt

The Town’s long-term debt on April 30, 2023, consists of \$3,885,603 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 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. March 2019 through March 2021 payments were interest only. After that time March payments became interest only and September payments are principal and interest.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

Fiscal year 2024 Revenue and Appropriation Budgetary Highlights

Budgeted revenue for fiscal year 2024 decreased 1% (\$62,645) over the amended fiscal year 2023 budget. The primary factor is that the Town continues to be fiscally conservative with projections for tax collections from real estate transfers and gross rental receipts, as well as services related to construction activity. With the decrease in new construction due to the Town being almost completely built out, only 20 new construction permits were budgeted for in fiscal year 2024

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2023

compared to 40 in fiscal year 2023, 30 in fiscal year 2022 and 86 in fiscal year 2021. This decrease also affects the amount collected from Impact Fees for the Emergency Services Enhancement Fund.

Budgeted appropriations for fiscal year 2024 increased \$448,060 over the amended fiscal year 2023 budget because of one-time reduction to the fiscal year 2023 amended budget associated with the street paving projects that were not completed by April 30, 2023. The budget for the projects is encumbered and is committed for use in fiscal year 2024.

Capital outlay budgeted for fiscal year 2024 is \$4,577,540 and includes funding for one (1) police vehicle, drainage and street repair projects, sidewalk connectivity projects, playground equipment for John West Park and the Berzins Natural Area and Park project.

ACHIEVEMENTS / AWARDS

The Town’s Police Department following a year-long process in fiscal year 2022 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 3rd consecutive year and has again been recognized as one of the safest Towns to live in Delaware.

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the Town of Ocean View for its Annual Budget for the fiscal year 2024 beginning May 1, 2023. In order to receive this award, a government unit must publish a budget document that meets the program criteria as a policy document, as a financial plan, as an operations guide, and as a communication device.

Town Clerk, Donna Schwartz, was granted Master Municipal Clerk (MMC) designation, making her the sixth Town Clerk in the state to achieve this status by the International Institute of Municipal Clerks (IIMC).

The Town purchased open space property at the corner of Muddy Neck Road and Double Bridges Road with grant funding thereby eliminating the opportunity for it to be considered for residential housing. Plans are now being developed for the Berzins Natural Area and Park, complete with walking trails and scenic boardwalk overlooks. To date, staff and consulting engineers have been awarded grant funds for the development of the site including a Delaware Outdoor Recreation, Parks, and Trail grant of \$60,000 and a Transportation Alternatives Program (TAP) grant of approximately \$1 million (will be a percentage of development cost).

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.

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2023

REQUEST FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

TOWN OF OCEAN VIEW, DELAWARE

STATEMENT OF NET POSITION

APRIL 30, 2023

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|---------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 3,569,211 | \$ 1,523,460 | \$ 5,092,671 |
| Receivables, net | | | |
| Taxes | 5,000 | | 5,000 |
| Water usage | | 67,048 | 67,048 |
| Other | 279,401 | | 279,401 |
| Prepaid insurance | 56,662 | | 56,662 |
| Internal balances | 52,843 | (52,843) | |
| Restricted assets | | | |
| Cash and cash equivalents | 6,814,542 | | 6,814,542 |
| Other receivables | 21,502 | | 21,502 |
| Capital assets, net of depreciation | | | |
| Land, improvements, and construction in progress | 4,272,095 | | 4,272,095 |
| Other capital assets, net of depreciation | 11,457,092 | 4,050,929 | 15,508,021 |
| Net pension asset | 110,642 | | 110,642 |
| Total assets | 26,638,990 | 5,588,594 | 32,227,584 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred charges - refunding debt | | 115,565 | 115,565 |
| Deferred financing outflows - retirement | 906,376 | | 906,376 |
| Total deferred outflows of resources | 906,376 | 115,565 | 1,021,941 |
| LIABILITIES | | | |
| Accounts payable and other current liabilities | 815,933 | 30,297 | 846,230 |
| Accrued liabilities | 74,536 | 17,130 | 91,666 |
| Long-term liabilities | | | |
| Accrued compensated absences, leases payable, and bonds payable, due within one year | 9,829 | 105,000 | 114,829 |
| Accrued compensated absences, leases payable, and bonds payable, due in more than one year | 278,051 | 3,885,603 | 4,163,654 |
| Total liabilities | 1,178,349 | 4,038,030 | 5,216,379 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred financing inflows - grants | 615,922 | | 615,922 |
| Deferred financing inflows - retirement | 196,640 | | 196,640 |
| Total deferred inflows of resources | 812,562 | | 812,562 |
| NET POSITION | | | |
| Net investment in capital assets | 15,703,749 | 60,326 | 15,764,075 |
| Restricted | 5,663,276 | | 5,663,276 |
| Unrestricted | 4,187,430 | 1,605,803 | 5,793,233 |
| Total net position | \$ 25,554,455 | \$ 1,666,129 | \$ 27,220,584 |

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

TOWN OF OCEAN VIEW, DELAWARE

STATEMENT OF ACTIVITIES

YEAR ENDED APRIL 30, 2023

| | 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 | \$ 1,051,653 | \$ 1,052,067 | \$ | \$ 660,003 | \$ 660,417 | \$ | \$ 660,417 |
| Planning and zoning | 550,891 | | | | (550,891) | | (550,891) |
| Public safety | 2,590,869 | 103,857 | 248,921 | 11,881 | (2,226,210) | | (2,226,210) |
| Public works | 1,391,243 | | 129,766 | | (1,261,477) | | (1,261,477) |
| Total governmental activities | <u>5,584,656</u> | <u>1,155,924</u> | <u>378,687</u> | <u>671,884</u> | <u>(3,378,161)</u> | | <u>(3,378,161)</u> |
| BUSINESS-TYPE ACTIVITIES | | | | | | | |
| Water fund | 653,464 | 656,633 | | | | 3,169 | 3,169 |
| Total primary government | <u>\$ 6,238,120</u> | <u>\$ 1,812,557</u> | <u>\$ 378,687</u> | <u>\$ 671,884</u> | <u>(3,378,161)</u> | <u>3,169</u> | <u>(3,374,992)</u> |
| GENERAL REVENUES | | | | | | | |
| Taxes | | | | | | | |
| Property taxes | | | | | 3,133,417 | | 3,133,417 |
| Transfer taxes - realty | | | | | 1,183,926 | | 1,183,926 |
| Rental gross receipts | | | | | 676,376 | | 676,376 |
| Investment income | | | | | 64,474 | 12,735 | 77,209 |
| Miscellaneous | | | | | 3,001 | | 3,001 |
| Gain on sale of assets | | | | | 12,559 | | 12,559 |
| Total general revenues | | | | | <u>5,073,753</u> | <u>12,735</u> | <u>5,086,488</u> |
| Change in net position | | | | | 1,695,592 | 15,904 | 1,711,496 |
| NET POSITION, BEGINNING OF YEAR | | | | | <u>23,858,863</u> | <u>1,650,225</u> | <u>25,509,088</u> |
| NET POSITION, END OF YEAR | | | | | <u>\$ 25,554,455</u> | <u>\$ 1,666,129</u> | <u>\$ 27,220,584</u> |

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

TOWN OF OCEAN VIEW, DELAWARE

**BALANCE SHEET
GOVERNMENTAL FUND**

APRIL 30, 2023

ASSETS

| | <u>General Fund</u> |
|---|-------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 3,569,211 |
| Taxes receivable | 5,000 |
| Accounts receivable, other | 279,401 |
| Prepaid insurance | 56,662 |
| Due from water fund | 52,843 |
| Restricted assets | |
| Cash and cash equivalents | 6,814,542 |
| Other receivables | 21,502 |
| Total assets | <u>\$ 10,799,161</u> |
| LIABILITIES | |
| Accounts payable | \$ 815,933 |
| Accrued liabilities | 74,536 |
| Total liabilities | <u>890,469</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Unavailable revenues | |
| Property taxes | 13,909 |
| Grants | 615,922 |
| Total deferred inflows of resources | <u>629,831</u> |
| FUND BALANCES | |
| Nonspendable | |
| Prepays | 56,662 |
| Restricted | 5,663,276 |
| Committed | 1,430,634 |
| Unassigned | 2,128,289 |
| Total fund balances | <u>9,278,861</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 10,799,161</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, 2023

| | | |
|--|----|------------|
| Total fund balances, governmental fund | \$ | 9,278,861 |
| 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. | | |
| | | 15,729,187 |
| 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 | | 906,376 |
| 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 | | 13,909 |
| 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 and leases payable | | (287,880) |
| Deferred financing inflows - retirement | | (196,640) |
| Net pension asset | | 110,642 |
| | | 110,642 |
| Net position of governmental activities in the Statement of Net Position | \$ | 25,554,455 |

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, 2023

| | <u>General Fund</u> |
|--|---------------------|
| REVENUES | |
| Taxes | \$ 4,986,034 |
| Intergovernmental revenues | 1,018,547 |
| Charges for services | 1,021,436 |
| Fines and forfeitures | 36,981 |
| Interest | 114,879 |
| Miscellaneous | 96,521 |
| Total revenues | <u>7,274,398</u> |
| EXPENDITURES | |
| Current | |
| General government | 1,122,817 |
| Planning and zoning | 658,369 |
| Public safety | 2,168,209 |
| Public works | 1,179,494 |
| Capital outlay | 2,559,761 |
| Debt service - leases | 5,517 |
| Total expenditures | <u>7,694,167</u> |
| Excess of expenditures over revenues | (419,769) |
| FUND BALANCE, BEGINNING OF YEAR | <u>9,698,630</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 9,278,861</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, 2023

Net change in fund balance, governmental fund \$ (419,769)

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 | \$ 2,559,760 | |
| Depreciation expense | <u>(575,971)</u> | 1,983,789 |

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. (1,836)

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 | (34,601) |
| Change in deferred outflows of resources - retirement | 270,472 |

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 | 7,686 |
| Change in deferred inflows of resources - retirement | 1,309,881 |
| Change in net pension asset | (1,424,853) |

Governmental funds report repayment of debt principal as an expenditure. In
contrast, the Statement of Activities treats such repayments as a reduction in
long-term liabilities. 4,823

Change in net position of governmental activities \$ 1,695,592

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

TOWN OF OCEAN VIEW, DELAWARE

**STATEMENT OF NET POSITION
PROPRIETARY FUND**

APRIL 30, 2023

| | <u>Water Fund</u> |
|---|-----------------------|
| ASSETS | |
| Current assets | |
| Cash and cash equivalents | \$ 1,523,460 |
| Receivables | |
| Water usage, net of allowance for doubtful accounts | 67,048 |
| Total current assets | <u>1,590,508</u> |
| Noncurrent assets | |
| Capital assets, net of depreciation | <u>4,050,929</u> |
| Total assets | <u>5,641,437</u> |
| DEFERRED OUFLOWS OF RESOURCES | |
| Deferred charges - refunding debt | <u>115,565</u> |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable | 30,297 |
| Accrued interest payable | 17,130 |
| Due to general fund | 52,843 |
| Current portion of bonds payable | 105,000 |
| Total current liabilities | <u>205,270</u> |
| Noncurrent liabilities | |
| Bonds payable | <u>3,885,603</u> |
| Total liabilities | <u>4,090,873</u> |
| NET POSITION | |
| Net investment in capital assets | 60,326 |
| Unrestricted | 1,605,803 |
| Total net position | <u>\$ 1,666,129</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, 2023

| | <u>Water Fund</u> |
|--|----------------------------|
| OPERATING REVENUES | |
| Charges for services | \$ 594,448 |
| OPERATING EXPENSES | |
| Advertising | 1,581 |
| Bank fees | 945 |
| Depreciation | 148,930 |
| Dues and subscriptions | 350 |
| Insurance expense | 3,360 |
| Meter reading charges | 33,064 |
| Miscellaneous | 1,662 |
| Payroll taxes and benefits | 12,529 |
| Payroll wages | 36,954 |
| Professional fees | 32,162 |
| Repairs and maintenance | 55,983 |
| Water charges | 150,181 |
| Water inspection | 4,002 |
| Water management fee | 33,536 |
| Total operating expenses | <u>515,239</u> |
| Operating income | <u>79,209</u> |
| NON-OPERATING REVENUES (EXPENSES) | |
| Connection and inspection fees | 58,575 |
| Interest income | 12,735 |
| Miscellaneous income | 3,612 |
| Bad debt recovery | 297 |
| Interest expense | (138,524) |
| Net non-operating expenses | <u>(63,305)</u> |
| Change in net position | 15,904 |
| NET POSITION, BEGINNING OF YEAR | <u>1,650,225</u> |
| NET POSITION, END OF YEAR | <u><u>\$ 1,666,129</u></u> |

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, 2023

| | <u>Water Fund</u> |
|--|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers | \$ 599,876 |
| Payments to suppliers | (310,127) |
| Payments to employees | (49,483) |
| Net cash provided by operating activities | <u>240,266</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Inspection and connection fees | 58,575 |
| Principal payments on long-term liabilities | (101,024) |
| Interest paid on long-term liabilities | (134,333) |
| Net cash used by capital and related financing activities | <u>(176,782)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Non-operating revenue | 3,909 |
| Interfund borrowing | 16,961 |
| Net cash provided by noncapital financing activities | <u>20,870</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest income | <u>12,735</u> |
| Net increase in cash and cash equivalents | 97,089 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>1,426,371</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 1,523,460</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Operating income | \$ 79,209 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 148,930 |
| (Increase) decrease in assets | |
| Accounts receivable | 5,428 |
| Increase (decrease) in liabilities | |
| Accounts payable | 6,699 |
| Net cash provided by operating activities | <u>\$ 240,266</u> |

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

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, 2023

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, 2023

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, 2023

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, 2023

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, 2023, the balance of the allowance for doubtful accounts for the proprietary fund is \$1,555.

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> |
|---------------------------------|-------------------------------|
| Building and improvements | 5 - 40 years |
| Equipment | 3 - 40 years |
| Vehicles | 5 years |
| Infrastructure | 15 - 40 years |
| Leased equipment (Right-to-use) | Life of lease |

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, 2023

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, 2023

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 | \$ | 20,386 |
| Capital replacement | | 1,186,020 |
| Criminal justice council | | 410 |
| Emergency reserve | | 1,038,765 |
| Municipal street aid | | 272,365 |
| Recreation/open space | | 23,944 |
| SALLE / EIDE grant | | 14,095 |
| Realty transfer tax | | 670,750 |
| Street repair and replacement | | 2,318,127 |
| Emerging projects | | 107,777 |
| Violent crime grant | | 6,737 |
| SLEAF grant | | 3,900 |
| | \$ | <u>5,663,276</u> |

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund balances (continued)

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 | \$ | 1,061,370 |
| Subsequent year's expenditures | | 369,264 |
| | \$ | <u>1,430,634</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, 2023.
- *Unassigned fund balance*—this fund balance is the residual classification for the General Fund. This represents the resources available for future spending.

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

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

Interfund activity

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Adoption of GASB Statement No. 87, *Leases*

Effective May 1, 2022, the Town adopted the new lease accounting guidance in GASB Statement No. 87, *Leases*. The new guidance requires recognition of certain lease assets and liabilities that were previously classified as operating leases. As a result of the adoption of the new guidance, the Town recognized the following as of May 1, 2022:

- a) Leases payable of \$30,262 which represents the present value of the remaining lease payments discounted using the Town's incremental borrowing rate.
- b) Right-to-use assets which represent the original lease payable of \$30,262.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

CASH AND CERTIFICATES OF DEPOSIT

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

All deposits are carried at cost. Transactions are made directly with the banks; services of brokers or securities dealers are not used. At April 30, 2023, the carrying amount of the Town's deposits was \$11,907,213 and the bank balance was \$11,942,783.

As of April 30, 2023, \$11,418,839 of the Town's bank balances of \$11,942,783 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 | \$ 5,092,671 |
| Cash and cash equivalents - restricted | 6,814,542 |
| Total cash and cash equivalents | <u>\$ 11,907,213</u> |

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

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, 2023, based on assessments, was \$0.2378 per \$100 of assessed valuation. The total assessed value of all taxable real property and improvements at May 1, 2022 was \$1,317,582,244. The Town does not have an allowance for delinquent taxes because all taxes are considered collectible.

CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2023 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|---------------------|---------------------|----------------------|
| Governmental activities: | | | | |
| <i>Capital assets not being depreciated</i> | | | | |
| Land | \$ 1,788,323 | \$ 510,940 | \$ | \$ 2,299,263 |
| Construction in progress | 1,457,594 | 775,426 | (260,188) | 1,972,832 |
| Total capital assets not being depreciated | <u>3,245,917</u> | <u>1,286,366</u> | <u>(260,188)</u> | <u>4,272,095</u> |
| <i>Capital assets being depreciated</i> | | | | |
| Buildings and improvements | 5,445,240 | 188,171 | | 5,633,411 |
| Equipment | 1,253,094 | 176,358 | (94,642) | 1,334,810 |
| Vehicles | 1,044,954 | 262,037 | (99,246) | 1,207,745 |
| Infrastructure | 7,655,338 | 907,017 | | 8,562,355 |
| Right-to-use assets | | 30,262 | | 30,262 |
| Total capital assets being depreciated | <u>15,398,626</u> | <u>1,563,845</u> | <u>(193,888)</u> | <u>16,768,583</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 1,645,494 | 148,333 | | 1,793,827 |
| Equipment | 1,004,387 | 89,884 | (92,807) | 1,001,464 |
| Vehicles | 652,143 | 139,677 | (99,245) | 692,575 |
| Infrastructure | 1,625,547 | 191,575 | | 1,817,122 |
| Right-to-use assets | | 6,502 | | 6,502 |
| Total accumulated depreciation | <u>4,927,571</u> | <u>575,971</u> | <u>(192,052)</u> | <u>5,311,490</u> |
| Total capital assets being depreciated, net | <u>10,471,055</u> | <u>987,874</u> | <u>(1,836)</u> | <u>11,457,092</u> |
| Governmental activities capital assets, net | <u>\$ 13,716,972</u> | <u>\$ 2,274,240</u> | <u>\$ (262,024)</u> | <u>\$ 15,729,187</u> |

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

CAPITAL ASSETS (Continued)

| | 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 | 2,109,842 | 148,930 | | 2,258,772 |
| Business-type activities capital assets, net | <u>\$ 4,199,859</u> | <u>\$ (148,930)</u> | <u>\$</u> | <u>\$ 4,050,929</u> |

Depreciation expense was charged to functions as follows:

Governmental activities:

| | |
|-------------------------------|-------------------|
| General government | \$ 63,981 |
| Planning and zoning | 2,568 |
| Public safety | 260,796 |
| Public works | 248,626 |
| Total governmental activities | <u>\$ 575,971</u> |

Business-type activities:

| | |
|------------|-------------------|
| Water fund | <u>\$ 148,930</u> |
|------------|-------------------|

LONG-TERM LIABILITIES

Changes in long-term obligations for the year ended April 30, 2023, are as follows:

| | April 30, 2022 | Increases | Decreases | April 30, 2023 | Due within one year |
|--------------------------------|---------------------|------------------|---------------------|---------------------|---------------------------|
| Governmental activities: | | | | | |
| Compensated absences | \$ 231,686 | \$ 30,756 | \$ | \$ 262,442 | \$ |
| Operating leases payable | | 30,262 | (4,824) | 25,438 | 9,829 |
| Total governmental activities | <u>\$ 231,686</u> | <u>\$ 61,018</u> | <u>\$ (4,824)</u> | <u>\$ 287,880</u> | <u>\$ 9,829</u> |
| Business-type activities: | | | | | |
| General obligation bonds | \$ 4,065,000 | \$ | \$ (100,000) | \$ 3,965,000 | \$ 105,000 |
| Bond premium | 26,627 | | (1,024) | 25,603 | |
| Total business-type activities | <u>\$ 4,091,627</u> | <u>\$</u> | <u>\$ (101,024)</u> | <u>\$ 3,990,603</u> | <u>\$ 105,000</u> |

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

LONG-TERM LIABILITIES (Continued)

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

Governmental activities

The Town is leasing four copiers under non-cancellable operating lease agreements expiring in 2026. The asset and liability are recorded at the present value of the future lease payments of \$25,438. The assets are amortized over the life of the lease using the straight-line method. Amortization of the assets under operating leases is included in depreciation expense.

Business-type activities

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, 2023 was \$3,990,603.

Maturities of long-term debt

| <u>Year Ending April 30,</u> | <u>Governmental Activities</u> | | |
|------------------------------|--------------------------------|-----------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Totals</u> |
| 2024 | \$ 9,829 | \$ 1,049 | \$ 10,878 |
| 2025 | 10,332 | 546 | 10,878 |
| 2026 | 5,277 | 83 | 5,360 |
| | <u>\$ 25,438</u> | <u>\$ 1,678</u> | <u>\$ 27,116</u> |

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

LONG-TERM LIABILITIES (Continued)

| <u>Year Ending April 30,</u> | Business-Type Activities | | |
|------------------------------|--------------------------|---------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 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 | 120,000 | 115,458 | 235,458 |
| 2029-2033 | 670,000 | 519,238 | 1,189,238 |
| 2034-2038 | 450,000 | 406,041 | 856,041 |
| 2039-2043 | 500,000 | 262,353 | 762,353 |
| 2044-2048 | 1,775,000 | 88,559 | 1,863,559 |
| | <u>\$ 3,965,000</u> | <u>\$ 1,889,481</u> | <u>\$ 5,854,481</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.

The following are brief descriptions of the plans in effect as of June 30, 2022. 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.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

RETIREMENT AND PENSION PLANS (Continued)

General information about the pension plans (continued)

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.

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.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

RETIREMENT AND PENSION PLANS (Continued)

General information about the pension plans (continued)

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, 2023, the Town received \$86,328.

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

At April 30, 2023, the Town reported an asset of \$110,642 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2021. Update procedures were used to roll forward the total pension asset to June 30, 2022. The Town's proportion of the net pension asset was based on the percentage of actual employee contributions. At June 30, 2022, the Town's proportion for the Police Plan was .9490% and for the General Plan was 1.6009%.

For the year ended April 30, 2023, the Town recognized pension expense of \$18,598. At April 30, 2023, the Town reported deferred outflows of resources or deferred inflows of resources related to pensions from the following sources.

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Changes to assumptions | \$ 47,190 | \$ 89,672 |
| Changes to proportion | 75,148 | 47,952 |
| Difference between expected and actual experience | 211,532 | 59,016 |
| Net difference between projected and actual earnings on pension plan investments | 214,207 | |
| Contributions subsequent to measurement date | 358,299 | |
| | <u>\$ 906,376</u> | <u>\$ 196,640</u> |

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

RETIREMENT AND PENSION PLANS (Continued)

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

The Town's contribution of \$358,299 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 | <u>Amortization Period</u> | | |
|---|--|----------------------------|----------|---------|
| | 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 | |
| | 2022 | 8 years | 9 years | |
| | Net difference between projected and actual earnings on investments | 2018 | 5 years | 5 years |
| | | 2019 | 5 years | 5 years |
| 2020 | | 5 years | 5 years | |
| 2021 | | 5 years | 5 years | |
| 2022 | | 5 years | 5 years | |
| Change in proportion | 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 | |
| | 2022 | 8 years | 8 years | |
| Change in assumptions | 2016 | 9 years | 10 years | |
| | 2017 | 9 years | 10 years | |
| | 2021 | 8 years | | |

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

RETIREMENT AND PENSION PLANS (Continued)

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

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

| Year Ending | Amortization |
|------------------|-------------------|
| <u>April 30,</u> | <u></u> |
| 2024 | 61,088 |
| 2025 | 56,224 |
| 2026 | 78,657 |
| 2027 | 89,967 |
| 2028 | 31,138 |
| Thereafter | 34,363 |
| | <u>\$ 351,437</u> |

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

| | |
|----------------------------|--------------|
| Investment rate of return | 7.0% |
| Projected salary increases | 2.5% + merit |
| Inflation | 0.0% |

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 2022. 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 assumptions were based on the Pub-2010 mortality tables with gender adjustments for employees, healthy annuitants and disabled retirees and an adjusted version of MP-2020 mortality improvement scale on a fully generational basis.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

RETIREMENT AND PENSION PLANS (Continued)

Pension assets, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (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) liability 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%) | \$ 458,606 |
| Current discount rate (7.0%) | \$ (110,642) |
| 1% Increase (8.0%) | \$ (909,481) |

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, 2023

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.

NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended April 30, 2023, that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the new standards may have on the financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending April 30, 2024. This statement changes the reporting and accounting for software subscription payments.

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, 2024. 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.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF OCEAN VIEW, DELAWARE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED APRIL 30, 2023

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | Favorable (Unfavorable) |
| REVENUES | | | | |
| Taxes: | | | | |
| Real estate taxes and penalties | \$ 3,137,720 | \$ 3,137,720 | \$ 3,125,732 | \$ (11,988) |
| Realty transfer taxes | 1,250,000 | 1,183,925 | 1,183,926 | 1 |
| Rental gross receipts tax | 422,815 | 672,815 | 676,376 | 3,561 |
| Intergovernmental revenues: | | | | |
| General and administrative grants | 591,170 | 619,225 | 619,224 | (1) |
| State municipal street aid | 115,000 | 130,000 | 129,766 | (234) |
| Public safety grants | 69,000 | 166,550 | 183,229 | 16,679 |
| Police pension grant | 60,000 | 60,000 | 86,328 | 26,328 |
| Charges for services: | | | | |
| Building and sign permits | 283,500 | 211,500 | 206,802 | (4,698) |
| Impact fees | 162,440 | 145,205 | 154,864 | 9,659 |
| Business and rental licenses | 227,500 | 215,325 | 215,325 | |
| Cable TV franchise fee | 70,000 | 70,000 | 89,662 | 19,662 |
| Zoning and other fees | 25,000 | 25,000 | 37,020 | 12,020 |
| Millville ambulance fee | 105,000 | 105,000 | 105,105 | 105 |
| Expense reimbursements | 114,500 | 158,000 | 212,658 | 54,658 |
| Other revenue sources: | | | | |
| Public safety fines | 37,000 | 37,000 | 36,981 | (19) |
| Interest | 3,475 | 101,125 | 114,879 | 13,754 |
| Donations | 500 | 50,500 | 50,800 | 300 |
| Miscellaneous, including sale of fixed assets | 15,000 | 16,465 | 45,721 | 29,256 |
| Total revenues | <u>6,689,620</u> | <u>7,105,355</u> | <u>7,274,398</u> | <u>169,043</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,204,770 | 1,217,880 | 1,122,817 | 95,063 |
| Planning and zoning | 700,885 | 700,885 | 658,369 | 42,516 |
| Public safety | 2,016,270 | 2,172,040 | 2,168,209 | 3,831 |
| Public works | 1,600,945 | 1,257,270 | 1,179,494 | 77,776 |
| Capital outlay | 2,001,850 | 3,001,275 | 2,559,761 | 441,514 |
| Debt service - leases | | | 5,517 | (5,517) |
| Total expenditures | <u>7,524,720</u> | <u>8,349,350</u> | <u>7,694,167</u> | <u>655,183</u> |
| Excess of revenues over (under) expenditures | (835,100) | (1,243,995) | (419,769) | <u>\$ 824,226</u> |
| FUND BALANCE - BEGINNING | <u>9,698,630</u> | <u>9,698,630</u> | <u>9,698,630</u> | |
| FUND BALANCE - ENDING | <u>\$ 8,863,530</u> | <u>\$ 8,454,635</u> | <u>\$ 9,278,861</u> | |

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

YEAR ENDED APRIL 30, 2023

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|------------------|------------------|-------------------|-------------------------------|
| | Original | Final | | Favorable (Unfavorable) |
| GENERAL GOVERNMENT | | | | |
| Payroll wages | \$ 412,035 | \$ 412,035 | \$ 383,584 | \$ 28,451 |
| Payroll wages - council | 5,335 | 5,335 | 6,726 | (1,391) |
| Payroll wages - overtime and bonus | 4,855 | 4,855 | 5,060 | (205) |
| Payroll taxes | 32,785 | 32,785 | 30,774 | 2,011 |
| Payroll and taxes | <u>455,010</u> | <u>455,010</u> | <u>426,144</u> | <u>28,866</u> |
| Employee retirement | 22,315 | 22,315 | 21,434 | 881 |
| Medical, dental and life insurance | 76,500 | 76,500 | 72,461 | 4,039 |
| Workers compensation insurance | 1,685 | 1,685 | 1,391 | 294 |
| Personnel related costs | <u>555,510</u> | <u>555,510</u> | <u>521,430</u> | <u>34,080</u> |
| Advertising | 15,000 | 15,000 | 14,329 | 671 |
| American rescue plan act grant | | 4,610 | 4,610 | |
| Communications - telephone and internet | 19,200 | 19,200 | 17,601 | 1,599 |
| Computer software, updates, and website | 34,500 | 34,500 | 34,138 | 362 |
| Contracted labor | 12,700 | 12,700 | 9,816 | 2,884 |
| Contracted services | 5,000 | 5,000 | 1,718 | 3,282 |
| Dues and subscriptions | 5,000 | 5,000 | 3,523 | 1,477 |
| Education and training | 14,000 | 14,000 | 9,723 | 4,277 |
| Grant award - restricted funds | 80,000 | 80,000 | 80,000 | |
| Insurance - business | 14,040 | 21,540 | 21,432 | 108 |
| Maintenance and repairs | 32,400 | 32,400 | 27,903 | 4,497 |
| Mileage | 2,000 | 2,000 | 1,896 | 104 |
| Millville ambulance fees | 105,000 | 105,000 | 105,105 | (105) |
| Miscellaneous | 8,110 | 8,110 | 1,907 | 6,203 |
| Non-capital equipment | 8,500 | 8,500 | 726 | 7,774 |
| Postage, printing and office supplies | 18,000 | 18,000 | 21,933 | (3,933) |
| Professional fees | 62,500 | 62,500 | 67,599 | (5,099) |
| Property assessment | 75,000 | 75,000 | 56,088 | 18,912 |
| Public relations | 45,500 | 54,000 | 52,422 | 1,578 |
| Realty transfer tax fees | 12,000 | 12,000 | 11,495 | 505 |
| Supplies | 61,310 | 53,810 | 37,932 | 15,878 |
| Uniforms | 500 | 500 | 377 | 123 |
| Utilities | 18,000 | 18,000 | 17,952 | 48 |
| Vehicles and equipment - fuel | 1,000 | 1,000 | 1,162 | (162) |
| TOTAL GENERAL GOVERNMENT | <u>1,204,770</u> | <u>1,217,880</u> | <u>1,122,817</u> | <u>95,063</u> |

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

YEAR ENDED APRIL 30, 2023

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|---|------------------|----------------|-------------------|---|
| | Original | Final | | |
| PLANNING AND ZONING | | | | |
| Payroll wages | \$ 331,460 | \$ 331,460 | \$ 323,032 | \$ 8,428 |
| Payroll wages - overtime and bonus | 4,790 | 4,790 | 5,446 | (656) |
| Payroll taxes | 27,700 | 27,700 | 25,607 | 2,093 |
| Payroll and taxes | <u>363,950</u> | <u>363,950</u> | <u>354,085</u> | <u>9,865</u> |
| Employee retirement | 17,915 | 17,915 | 18,458 | (543) |
| Medical, dental and life insurance | 63,665 | 63,665 | 64,043 | (378) |
| Workers compensation insurance | 1,305 | 1,305 | 1,374 | (69) |
| Personnel related costs | <u>446,835</u> | <u>446,835</u> | <u>437,960</u> | <u>8,875</u> |
| Advertising | 12,000 | 12,000 | 5,070 | 6,930 |
| Communications - telephone and internet | 1,200 | 1,200 | 1,200 | |
| Computer programming | 9,400 | 9,400 | 4,881 | 4,519 |
| Council and committees | 5,000 | 5,000 | 3,030 | 1,970 |
| Dues and subscriptions | 2,500 | 2,500 | 1,387 | 1,113 |
| Education and training | 14,700 | 14,700 | 6,687 | 8,013 |
| Insurance - business | 10,000 | 10,000 | 11,065 | (1,065) |
| Maintenance and repairs | 10,500 | 10,500 | 2,978 | 7,522 |
| Mileage | 750 | 750 | 552 | 198 |
| Non-capital equipment | 5,000 | 5,000 | 73 | 4,927 |
| Postage, printing and office supplies | 11,000 | 11,000 | 6,073 | 4,927 |
| Professional fees | 160,500 | 160,500 | 165,259 | (4,759) |
| Public relations | 5,000 | 5,000 | | 5,000 |
| Supplies | 500 | 500 | 17 | 483 |
| Uniforms | 1,000 | 1,000 | 368 | 632 |
| Vehicles and equipment - fuel | <u>5,000</u> | <u>5,000</u> | <u>11,769</u> | <u>(6,769)</u> |
| TOTAL PLANNING AND ZONING | <u>700,885</u> | <u>700,885</u> | <u>658,369</u> | <u>42,516</u> |

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

YEAR ENDED APRIL 30, 2023

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|------------------|------------------|-------------------|-------------------------------|
| | Original | Final | | Favorable (Unfavorable) |
| PUBLIC SAFETY | | | | |
| Payroll wages | \$ 1,086,655 | \$ 1,126,655 | \$ 1,117,401 | \$ 9,254 |
| Payroll wages - overtime and bonus | 91,940 | 148,195 | 150,439 | (2,244) |
| Payroll taxes | 95,945 | 95,945 | 99,240 | (3,295) |
| Payroll and taxes | <u>1,274,540</u> | <u>1,370,795</u> | 1,367,080 | 3,715 |
| Employee retirement | 121,110 | 121,110 | 127,956 | (6,846) |
| Medical, dental and life insurance | 209,550 | 209,550 | 216,022 | (6,472) |
| Workers compensation insurance | 51,660 | 51,660 | 45,321 | 6,339 |
| Personnel related costs | <u>1,656,860</u> | <u>1,753,115</u> | 1,756,379 | (3,264) |
| Advertising | 1,000 | 1,000 | 530 | 470 |
| Ammunition | 18,000 | 18,000 | 14,316 | 3,684 |
| Communications - telephone and internet | 23,500 | 23,500 | 18,203 | 5,297 |
| Computer software, updates, and website | 14,500 | 14,500 | 23,425 | (8,925) |
| Contracted labor | 10,000 | 10,000 | 9,145 | 855 |
| Contracted services | 1,000 | 1,000 | 377 | 623 |
| Dues and subscriptions | 4,500 | 4,500 | 4,889 | (389) |
| Education and training | 30,000 | 33,050 | 42,229 | (9,179) |
| Insurance - business | 60,560 | 65,060 | 65,048 | 12 |
| Investigative expenses | | | 5,526 | (5,526) |
| K-9 supplies | 2,000 | 2,000 | 2,894 | (894) |
| Maintenance and repairs | 20,550 | 20,550 | 15,556 | 4,994 |
| Mileage | 200 | 200 | 122 | 78 |
| Non-capital equipment | 33,000 | 87,465 | 80,352 | 7,113 |
| Postage, printing and office supplies | 5,300 | 5,300 | 4,940 | 360 |
| Professional fees | 14,000 | 9,500 | 21,549 | (12,049) |
| Public relations | 8,300 | 8,300 | 3,171 | 5,129 |
| Supplies | 12,000 | 14,000 | 8,902 | 5,098 |
| Uniforms | 15,000 | 15,000 | 15,291 | (291) |
| Utilities | 19,000 | 19,000 | 10,674 | 8,326 |
| Vehicles and equipment - fuel | 40,000 | 40,000 | 41,199 | (1,199) |
| Vehicles and equipment - repairs | <u>27,000</u> | <u>27,000</u> | <u>23,492</u> | <u>3,508</u> |
| TOTAL PUBLIC SAFETY | <u>2,016,270</u> | <u>2,172,040</u> | <u>2,168,209</u> | <u>3,831</u> |

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

YEAR ENDED APRIL 30, 2023

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| PUBLIC WORKS | | | | |
| Payroll wages | \$ 106,530 | \$ 106,530 | \$ 96,731 | \$ 9,799 |
| Payroll wages - overtime and bonus | 11,530 | 11,530 | 12,238 | (708) |
| Payroll taxes | 9,705 | 9,705 | 8,188 | 1,517 |
| Payroll and taxes | <u>127,765</u> | <u>127,765</u> | <u>117,157</u> | <u>10,608</u> |
| Employee retirement | 6,555 | 6,555 | 6,250 | 305 |
| Medical, dental and life insurance | 35,515 | 35,515 | 34,603 | 912 |
| Workers compensation insurance | 4,550 | 4,550 | 4,316 | 234 |
| Personnel related costs | <u>174,385</u> | <u>174,385</u> | <u>162,326</u> | <u>12,059</u> |
| Advertising | 500 | 500 | 209 | 291 |
| Communications - telephone and internet | 4,700 | 4,700 | 4,999 | (299) |
| Contracted labor | 24,150 | 24,150 | 19,649 | 4,501 |
| Drainage | 60,000 | 60,000 | 45,981 | 14,019 |
| Dues and subscriptions | 300 | 300 | 110 | 190 |
| Education and training | 300 | 300 | | 300 |
| Insurance - business | 26,385 | 26,385 | 26,632 | (247) |
| Maintenance and repairs | 5,350 | 5,350 | 1,393 | 3,957 |
| Mileage | 200 | 200 | 12 | 188 |
| Mosquito control | 10,000 | 10,000 | 10,477 | (477) |
| Non-capital equipment | 5,800 | 5,800 | 7,084 | (1,284) |
| Park expense | 28,675 | 28,675 | 21,450 | 7,225 |
| Postage, printing and office supplies | 300 | 300 | 156 | 144 |
| Professional fees | | | 421 | (421) |
| Public relations | 500 | 500 | 17 | 483 |
| Sidewalk work, ADA | 334,100 | 334,100 | 361,178 | (27,078) |
| Street lighting | 90,000 | 90,000 | 81,293 | 8,707 |
| Street maintenance | 105,000 | 105,000 | 77,411 | 27,589 |
| Street paving and repair | 697,000 | 353,325 | 328,842 | 24,483 |
| Street signs | 4,200 | 4,200 | 4,496 | (296) |
| Supplies | 3,300 | 3,300 | 4,701 | (1,401) |
| Uniforms | 800 | 800 | 1,809 | (1,009) |
| Utilities | 13,500 | 13,500 | 9,445 | 4,055 |
| Vehicles and equipment - fuel | 6,000 | 6,000 | 7,281 | (1,281) |
| Vehicles and equipment - repairs | 5,500 | 5,500 | 2,122 | 3,378 |
| TOTAL PUBLIC WORKS | <u>1,600,945</u> | <u>1,257,270</u> | <u>1,179,494</u> | <u>77,776</u> |
| CAPITAL OUTLAY | <u>2,001,850</u> | <u>3,001,275</u> | <u>2,559,761</u> | <u>441,514</u> |
| DEBT SERVICE - LEASES | | | 5,517 | (5,517) |
| TOTAL EXPENDITURES | <u>\$ 7,524,720</u> | <u>\$ 8,349,350</u> | <u>\$ 7,694,167</u> | <u>\$ 655,183</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)

| | 2023 | 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) | 0.9490% | 0.8900% | 0.8169% | 0.7936% | 0.6568% | 0.6077% | 0.5602% | 0.6447% |
| Town's proportionate share of the net pension liability (asset) | \$ (99,777) | \$ (1,223,287) | \$ 125,539 | \$ 227,942 | \$ 151,261 | \$ 61,268 | \$ 89,053 | \$ (33,979) |
| Town's covered-employee payroll | \$ 1,117,401 | \$ 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 | -8.9294% | -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) | 102.0% | 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) | 1.6009% | 1.4906% | 1.5054% | 1.7440% | 1.8766% | 1.7750% | 1.7973% | 1.7735% |
| Town's proportionate share of the net pension liability (asset) | \$ (10,865) | \$ (312,208) | \$ 31,964 | \$ 79,894 | \$ 59,054 | \$ 115,007 | \$ 111,359 | \$ 757 |
| Town's covered-employee payroll | \$ 803,347 | \$ 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 | -1.3525% | -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) | 100.8% | 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)

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|------------------|------------------|------------------|------------------|-----------------|-----------------|-----------------|-----------------|
| <u>County & Municipal Police and Firefighters' Pension Plan</u> | | | | | | | | |
| Contractually required contribution | \$ 158,341 | \$ 143,022 | \$ 125,426 | \$ 117,016 | \$ 62,290 | \$ 68,759 | \$ 56,529 | \$ 64,908 |
| Contributions in relation to the contractually required contribution | <u>(158,341)</u> | <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> | <u>\$</u> |
| Town's covered-employee payroll | \$ 1,117,401 | \$ 1,035,286 | \$ 977,362 | \$ 813,071 | \$ 747,950 | \$ 615,010 | \$ 534,890 | \$ 527,084 |
| Contributions as a percentage of covered-employee payroll | 14% | 14% | 13% | 14% | 8% | 11% | 11% | 12% |
| <u>County & Municipal Other Employees' Pension Plan</u> | | | | | | | | |
| Contractually required contribution | \$ 65,824 | \$ 56,363 | \$ 53,710 | \$ 56,476 | \$ 53,028 | \$ 44,625 | \$ 37,338 | \$ 34,068 |
| Contributions in relation to the contractually required contribution | <u>(65,824)</u> | <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> | <u>\$</u> |
| Town's covered-employee payroll | \$ 803,347 | \$ 769,610 | \$ 699,440 | \$ 653,536 | \$ 709,650 | \$ 649,861 | \$ 553,888 | \$ 585,543 |
| Contributions as a percentage of covered-employee payroll | 8% | 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

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 CERTIFIED PUBLIC ACCOUNTANTS

MARYLAND ASSOCIATION OF
 CERTIFIED PUBLIC ACCOUNTANTS

DELAWARE SOCIETY OF
 CERTIFIED PUBLIC ACCOUNTANTS

ALLINIAL GLOBAL

**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, 2023, and the related notes to the financial statements, which collectively comprise the Town of Ocean View, Delaware's basic financial statements, and have issued our report thereon dated September 12, 2023.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
September 12, 2023