

TOWN OF OCEAN VIEW, DELAWARE

FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2024

TOWN OF OCEAN VIEW, DELAWARE

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 14
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of Net Position	15
Statement of Activities	16
Fund financial statements	
Governmental fund	
Balance Sheet	17
Reconciliation of the governmental fund Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balance	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of governmental fund to the Statement of Activities	20
Proprietary Fund	
Statement of Net Position	21
Statement of Revenues, Expenses and Changes in Net Position	22
Statement of Cash Flows	23
Notes to financial statements	24 - 43

TOWN OF OCEAN VIEW, DELAWARE

**TABLE OF CONTENTS
(CONTINUED)**

	<u>Page(s)</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedule – general fund	44
Budgetary comparison schedule – general fund by department	45 – 48
Delaware Public Employees’ Retirement System	
Schedule of the Town’s proportionate share of the net pension liability (asset)	49
Schedule of the Town’s contributions	50
 GOVERNMENT AUDITING STANDARDS REPORT	
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 <i>Government Auditing Standards</i>	51 – 52

INDEPENDENT AUDITORS' REPORT

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

PKScpa.com

Salisbury

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

Ocean City

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

Lewes

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

MEMBERS OF:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MARYLAND ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

DELAWARE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

ALLINIAL GLOBAL

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, 2024, 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, 2024, 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* (GAS), 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

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 and GAS, 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 44 through 50 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 October 8, 2024, 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
October 8, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2024

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, 2024. 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, 2024, governmental activity assets exceeded liabilities by \$26,994,907. Of this amount, \$4,221,778 or 16% was unrestricted and may be used to meet the Town’s ongoing obligations to citizens and creditors.
- As of April 30, 2024, business-type activity assets exceeded liabilities by \$1,618,266. Of this amount, \$1,600,846 or 99% 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 \$1,392,589 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, 2024

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, 2024

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 - 43 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 44 – 48) and the Town’s proportionate share of the net pension liabilities and contributions related to the Delaware Public Employees’ Retirement System (pages 49 – 50).

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	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 9,034,746	\$ 10,909,803	\$ 1,538,592	\$ 1,537,665	\$ 10,573,338	\$ 12,447,468
Capital assets	18,333,063	15,729,187	3,901,999	4,050,929	22,235,062	19,780,116
Total assets	27,367,809	26,638,990	5,440,591	5,588,594	32,808,400	32,227,584
Deferred Charges - refunding debt			110,943	115,565	110,943	115,565
Deferred Outflows - retirement	1,066,157	906,376	-	-	1,066,157	906,376
Total deferred outflows	1,066,157	906,376	110,943	115,565	1,177,100	1,021,941
Current and other liabilities	436,357	890,469	32,013	47,427	468,370	937,896
Long-term liabilities	576,596	287,880	3,901,255	3,990,603	4,477,851	4,278,483
Total liabilities	1,012,953	1,178,349	3,933,268	4,038,030	4,946,221	5,216,379
Deferred Inflows - grants	256,757	615,922	-	-	256,757	615,922
Deferred Inflows - retirement	169,349	196,640	-	-	169,349	196,640
Total Deferred Inflows	426,106	812,562	-	-	426,106	812,562
Net position:						
Net investments in						
capital assets	18,317,454	15,703,749	17,420	60,326	18,334,874	15,764,075
Restricted	4,455,675	5,663,276	-	-	4,455,675	5,663,276
Unrestricted	4,221,778	4,187,430	1,600,846	1,605,803	5,822,624	5,793,233
Total net position	\$ 26,994,907	\$ 25,554,455	\$ 1,618,266	\$ 1,666,129	\$ 28,613,173	\$ 27,220,584

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2024

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, 2024, was \$28,613,173.

A significant portion of the Town’s net position, \$18,334,874 (64%), 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 \$10,278,299 in net position, \$253,592 is restricted by either the grantor (\$208,329) or the contributor (\$45,263). Additionally, \$4,202,083 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 \$5,822,624 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	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program Revenues						
Charges for services	\$ 1,190,656	\$ 1,155,924	\$ 629,564	\$ 656,633	\$ 1,820,220	\$ 1,812,557
Operating grants and contributions	343,317	378,687	-	-	343,317	378,687
Capital grants and contributions	1,191,427	671,884	-	-	1,191,427	671,884
General revenue						
Property taxes	3,187,069	3,133,417	-	-	3,187,069	3,133,417
Transfer taxes	1,134,700	1,183,926	-	-	1,134,700	1,183,926
Rental gross receipts taxes	668,950	676,376	-	-	668,950	676,376
Investment income	170,090	64,474	34,532	12,735	204,622	77,209
Miscellaneous	3,001	3,001	-	-	3,001	3,001
Sale of assets	3,929	12,559	-	-	3,929	12,559
Total revenues	7,893,139	7,280,248	664,096	669,368	8,557,235	7,949,616
Expenses:						
General government	1,313,439	1,051,653	-	-	1,313,439	1,051,653
Planning and Zoning	733,436	550,891	-	-	733,436	550,891
Public safety	2,858,698	2,590,869	-	-	2,858,698	2,590,869
Public works	1,547,114	1,391,243	-	-	1,547,114	1,391,243
Water system	-	-	711,959	653,464	711,959	653,464
Total expenses	6,452,687	5,584,656	711,959	653,464	7,164,646	6,238,120
Increase in net position	1,440,452	1,695,592	(47,863)	15,904	1,392,589	1,711,496
Net position - Beginning	25,554,455	23,858,863	1,666,129	1,650,225	27,220,584	25,509,088
Net position - Ending	\$26,994,907	\$25,554,455	\$1,618,266	\$1,666,129	\$28,613,173	\$27,220,584

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2024

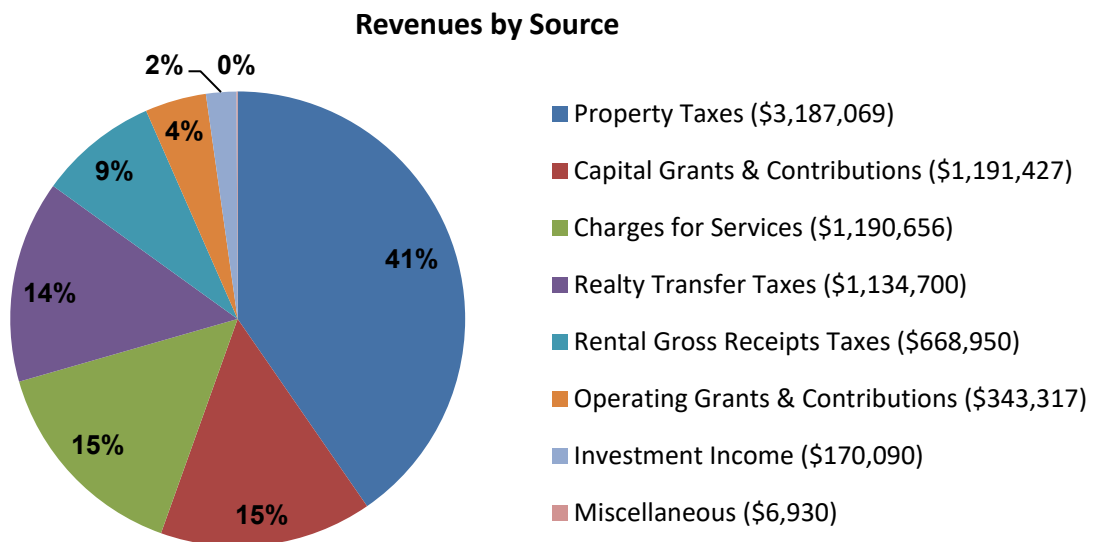
Total government net position increased by \$1,392,589 during fiscal year 2024.

Property taxes, realty transfer taxes, and rental gross receipts taxes received during fiscal year 2024 totaled \$3,187,069, \$1,134,700, and \$668,950 respectively.

2024 Revenues - Governmental Activities

- Property tax revenues increased by \$53,652 from the prior fiscal year. There was no change to the tax rate and in fiscal year 2024, the Town Council again granted a one percent (1%) discount for early payment, resulting in 2,715 property owners taking advantage of the early payment discount for a savings of \$27,772.
- Realty transfer tax revenues saw a decrease of \$49,226 (4%) under the prior fiscal year, as anticipated. Transfer tax sales were from 19.5% new construction, 1.7% land sales and 78.8% resales of existing homes. Realty transfer taxes fund restricted trusts such as the Capital Replacement Trust, Street Repair and Replacement Trust and Emergency Reserve Trust and are not used for operations of the Town.

The following chart shows property taxes as the largest source of governmental revenue comprising 41% of the total revenue (\$7,893,139), followed by capital grants / contributions of 15%, charges for services of 15% and realty transfer taxes of 14%, and the remaining 15% from other sources including rental gross receipts, operating grants / contributions, investment income and miscellaneous (sale of assets).



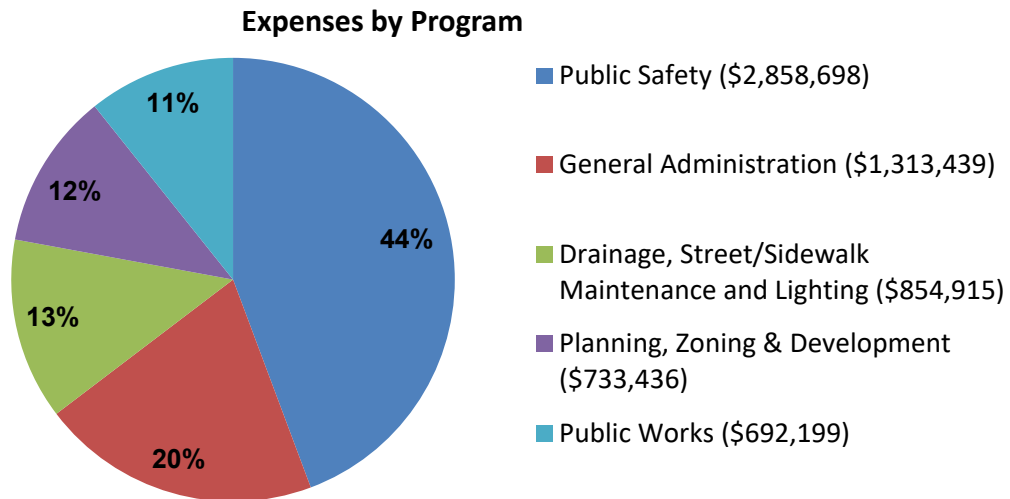
TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2024

Other notable changes from fiscal year 2023 to fiscal year 2024 include:

- Investment Income increased from \$64,474 in fiscal year 2023 to \$170,090 in fiscal year 2024.
- Capital Grants / Contributions increased from \$671,884 in fiscal year 2023 to \$1,191,427 in fiscal year 2024 with the awarding of TAP (Transportation Alternative Program), ARPA (American Rescue Plan Act), OHS (Office of Highway Safety), ORPT (Outdoor, Recreation, Parks and Trails) grants and Bond CRF (Community Redevelopment / Reinvestment Fund) award.

2024 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 \$3,318,544 or approximately 51% of the total program expenses of \$6,452,687. Approximately 27% of the remaining \$3,134,143 of total governmental expenditures relates to expenditures for drainage, street and sidewalk maintenance and lighting.

Other notable changes from fiscal year 2023 to fiscal year 2024 include:

- For fiscal year 2024, Council adopted a 6.393% cost-of-living adjustment (COLA) based on the December 2023 Consumer Price Index for the mid-Atlantic region and COLA of 2.893% for Contractual employees (Chief of Police and Town Manager).
- The fiscal year 2024 budget included significant increases to the Gas & Diesel budgets for Planning and Zoning (50%), Public Safety (13%), and Public Works (42%).

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2024

- Public Safety’s budget saw significant increases in the costs of Contracted Services for software maintenance and subscriptions of 48% for increased camera back up, cloud storage and speed signs.
- Planning and Zoning’s Professional Services budget had an increase of 41% due to increased rates and five (5) pending annexations.

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 2024 with a decrease to its governmental fund balance of \$1,039,158 to \$8,239,703. Likewise, the unassigned fund balance component of the General Fund decreased by \$126,246 to \$2,002,043 and finally, the restricted fund balance decreased by \$1,207,601 to \$4,455,675 (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 2024 but not completed by year-end, April 30, 2024. For fiscal year 2024, the encumbered amount of the purchase orders (\$581,267) is committed for use in fiscal year 2025 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, 2024

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%.

The proprietary fund (Town’s water distribution system) ended fiscal year 2024 with a decrease to its net position of \$47,863 to \$1,618,266 due to the increase in professional services associated with the pending sale of the water distribution system.

Additional information on the sale of the water distribution system is provided on page 43, Subsequent Events.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Fiscal year 2024 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 \$1,448,115, of which revenues available for operations increased by \$61,160. The largest increase to the original budget was to Grant Proceeds (\$1,034,945) and Interest (\$230,475) while the only decrease to the original budget was for Real Estate Tax, Penalties and Discount (\$80,000), which is, as a result of a delay in the new construction of two (2) developments.

Budgeted expenditures increased by \$676,160 (decrease of \$23,640 in Operating and increase of \$699,800 in Capital) providing the purchase/construction of the 8 Oakwood Avenue Parking Lot and the Generator upgrade at 201 Central Avenue (Wallace A. Melson Municipal Complex).

Budget to Actual – Revenues

General Fund revenues exceeded the amended budget by \$317,236. Public Safety grants exceeded the amended budget by \$207,818 as well as the Business / Rental license fee in the amount of \$52,125, and interest in the amount of \$101,425 while seeing a decrease in Building / Sign Permits of \$85,698.

A comparison of budgeted to actual revenues is provided on page 44 of this report.

Budget to Actual – Expenditures

Total current expenditures were under the amended budget at \$238,785. The largest variance (\$79,821) is related to grant reimbursed Public Safety Investigative expenses (\$57,418) and Non-capital Equipment (\$48,500).

A comparison of budgeted to actual expenditures is provided on pages 45 - 48 of this report.

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2024

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Town’s investment in capital assets for its governmental and business-type activities as of April 30, 2024, was \$22,235,062 (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 8 Oakwood Avenue, drainage, and sidewalk improvements, and two (2) 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	
	2024	2023	2024	2023	2024	2023
Land	\$ 2,299,263	\$ 2,299,263	\$ -	\$ -	\$ 2,299,263	\$ 2,299,263
Construction in progress	4,620,298	1,972,832	-	-	4,620,298	1,972,832
Buildings and improvements	3,703,024	3,839,707	-	-	3,703,024	3,839,707
Vehicles and equipment	926,439	872,152	-	-	926,439	872,152
Infrastructure	6,784,039	6,745,233	-	-	6,784,039	6,745,233
Water distribution system	-	-	3,901,999	4,050,929	3,901,999	4,050,929
Total	\$ 18,333,063	\$ 15,729,187	\$ 3,901,999	\$ 4,050,929	\$ 22,235,062	\$ 19,780,116

Long-term Debt

The Town’s long-term debt on April 30, 2024, consists of \$3,860,000 remaining principal balance on general obligation bonds used to finance a portion of the water distribution system.

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 2025 Revenue and Appropriation Budgetary Highlights

Budgeted revenue for fiscal year 2025 decreased 14% (\$1,060,085) under the amended fiscal year 2024 budget. The primary factor is that the Town continues to be fiscally conservative with projections of grant proceeds and only budgets for grants that are awarded annually and not for grants that the Town intends to apply for during the fiscal year such as the TAP (Transportation Alternative Program) grant, ORPT (Outdoor Recreation, Parks and Trails Program) grant and the Delaware CRF (Community Reinvestment Fund) grant.

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2024

Budgeted appropriations for fiscal year 2025 decreased \$27,305 under the amended fiscal year 2024 budget because of the reduction to the fiscal year 2025 budget associated with the completion of a significant portion of the street paving projects.

Capital outlay budgeted for fiscal year 2025 is \$1,995,595 and includes funding for one (1) police vehicle, Evidence Storage Building plans, drainage and street repair projects, sidewalk connectivity projects, and Solar Array Repairs and Replacement at 201 Central Avenue (Wallace A. Melson Municipal Complex).

The Town had several significant changes to personnel and personnel related costs in the fiscal year 2025 budget. The Town budgeted for and hired a Director of Public Works and will transition project management associated with sidewalks, streets and infrastructure improvements from the Planning and Zoning department. Also, based on information from the State Office of Benefits, health insurance was budgeted at an increase of 22.8% affecting the Town as well as the employee share.

ACHIEVEMENTS / AWARDS

The Town’s Police Department following a year-long process in fiscal year 2022 was formally accredited by the Delaware Accreditation Commission and was awarded the Lexipol Gold Award for excellence in policy and training development for policing for the 4th consecutive year. The Town 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 2025 beginning May 1, 2024. 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. This is the second Distinguished Budget Presentation Award received by the Town.

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. All ARPA funds must be spent/encumbered by December 31, 2024.

TOWN OF OCEAN VIEW, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2024

REQUEST FOR INFORMATION

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

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

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

BASIC FINANCIAL STATEMENTS

TOWN OF OCEAN VIEW, DELAWARE

STATEMENT OF NET POSITION

APRIL 30, 2024

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,728,613	\$ 1,468,105	\$ 5,196,718
Receivables, net			
Taxes	5,285		5,285
Water usage		70,487	70,487
Other	158,547		158,547
Prepaid insurance	73,806		73,806
Restricted assets			
Cash and cash equivalents	4,731,226		4,731,226
Other receivables	337,269		337,269
Capital assets, net of depreciation			
Land, improvements, and construction in progress	6,919,561		6,919,561
Other capital assets, net of depreciation	11,413,502	3,901,999	15,315,501
Total assets	27,367,809	5,440,591	32,808,400
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges - refunding debt		110,943	110,943
Deferred financing outflows - retirement	1,066,157		1,066,157
Total deferred outflows of resources	1,066,157	110,943	1,177,100
LIABILITIES			
Accounts payable and other current liabilities	436,357	32,013	468,370
Accrued liabilities	99,339	16,676	116,015
Long-term liabilities			
Accrued compensated absences, leases payable, and bonds payable, due within one year	10,332	110,000	120,332
Accrued compensated absences, leases payable, and bonds payable, due in more than one year	308,701	3,774,579	4,083,280
Net pension liability	158,224		158,224
Total liabilities	1,012,953	3,933,268	4,946,221
DEFERRED INFLOWS OF RESOURCES			
Deferred financing inflows - grants	256,757		256,757
Deferred financing inflows - retirement	169,349		169,349
Total deferred inflows of resources	426,106		426,106
NET POSITION			
Net investment in capital assets	18,317,454	17,420	18,334,874
Restricted	4,455,675		4,455,675
Unrestricted	4,221,778	1,600,846	5,822,624
Total net position	\$ 26,994,907	\$ 1,618,266	\$ 28,613,173

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

TOWN OF OCEAN VIEW, DELAWARE

STATEMENT OF ACTIVITIES

YEAR ENDED APRIL 30, 2024

	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	\$ 1,313,439	\$ 1,088,157	\$	\$ 1,102,247	\$ 876,965	\$	\$ 876,965
Planning and zoning	733,436				(733,436)		(733,436)
Public safety	2,858,698	102,499	215,274	89,180	(2,451,745)		(2,451,745)
Public works	1,547,114		128,043		(1,419,071)		(1,419,071)
Total governmental activities	<u>6,452,687</u>	<u>1,190,656</u>	<u>343,317</u>	<u>1,191,427</u>	<u>(3,727,287)</u>		<u>(3,727,287)</u>
BUSINESS-TYPE ACTIVITIES							
Water fund	711,959	629,564				(82,395)	(82,395)
Total primary government	<u>\$ 7,164,646</u>	<u>\$ 1,820,220</u>	<u>\$ 343,317</u>	<u>\$ 1,191,427</u>	<u>(3,727,287)</u>	<u>(82,395)</u>	<u>(3,809,682)</u>
GENERAL REVENUES							
Taxes							
Property taxes					3,187,069		3,187,069
Transfer taxes - realty					1,134,700		1,134,700
Rental gross receipts					668,950		668,950
Investment income					170,090	34,532	204,622
Miscellaneous					3,001		3,001
Gain on sale of assets					3,929		3,929
Total general revenues					<u>5,167,739</u>	<u>34,532</u>	<u>5,202,271</u>
Change in net position					1,440,452	(47,863)	1,392,589
NET POSITION, BEGINNING OF YEAR					<u>25,554,455</u>	<u>1,666,129</u>	<u>27,220,584</u>
NET POSITION, END OF YEAR					<u>\$ 26,994,907</u>	<u>\$ 1,618,266</u>	<u>\$ 28,613,173</u>

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

TOWN OF OCEAN VIEW, DELAWARE

**BALANCE SHEET
GOVERNMENTAL FUND**

APRIL 30, 2024

ASSETS

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 3,728,613
Taxes receivable	5,285
Accounts receivable, other	158,547
Prepaid insurance	73,806
Restricted assets	
Cash and cash equivalents	4,731,226
Other receivables	337,269
Total assets	<u>\$ 9,034,746</u>
LIABILITIES	
Accounts payable	\$ 436,357
Accrued liabilities	99,339
Total liabilities	<u>535,696</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues	
Property taxes	2,590
Grants	256,757
Total deferred inflows of resources	<u>259,347</u>
FUND BALANCES	
Nonspendable	
Prepaid insurance	73,806
Restricted	4,455,675
Committed	1,708,179
Unassigned	2,002,043
Total fund balances	<u>8,239,703</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,034,746</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, 2024

Total fund balances, governmental fund	\$ 8,239,703
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.	18,333,063
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	1,066,157
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	2,590
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	(319,033)
Deferred financing inflows - retirement	(169,349)
Net pension liability	<u>(158,224)</u>
Net position of governmental activities in the Statement of Net Position	<u><u>\$ 26,994,907</u></u>

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

TOWN OF OCEAN VIEW, DELAWARE

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND**

YEAR ENDED APRIL 30, 2024

	<u>General Fund</u>
REVENUES	
Taxes	\$ 5,002,037
Intergovernmental revenues	1,528,538
Charges for services	957,116
Fines and forfeitures	26,897
Interest	355,900
Miscellaneous	41,053
Total revenues	<u>7,911,541</u>
EXPENDITURES	
Current	
General government	1,213,675
Planning and zoning	697,360
Public safety	2,484,418
Public works	1,263,579
Capital outlay	3,280,789
Debt service - leases	10,878
Total expenditures	<u>8,950,699</u>
Excess of expenditures over revenues	(1,039,158)
FUND BALANCE, BEGINNING OF YEAR	<u>9,278,861</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 8,239,703</u></u>

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

TOWN OF OCEAN VIEW, DELAWARE

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF
ACTIVITIES**

YEAR ENDED APRIL 30, 2024

Net change in fund balance, governmental fund \$ (1,039,158)

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	3,280,789	
Depreciation expense	<u>(643,732)</u>	2,637,057

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. (33,180)

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	(40,982)
Change in deferred outflows of resources - retirement	159,781

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	(11,319)
Change in deferred inflows of resources - retirement	27,291
Change in net pension liability	(268,867)

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. 9,829

Change in net position of governmental activities \$ 1,440,452

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

TOWN OF OCEAN VIEW, DELAWARE

**STATEMENT OF NET POSITION
PROPRIETARY FUND**

APRIL 30, 2024

	<u>Water Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,468,105
Receivables	
Water usage, net of allowance for doubtful accounts	70,487
Total current assets	<u>1,538,592</u>
Noncurrent assets	
Capital assets, net of depreciation	<u>3,901,999</u>
Total assets	<u>5,440,591</u>
DEFERRED OUFLOWS OF RESOURCES	
Deferred charges - refunding debt	<u>110,943</u>
LIABILITIES	
Current liabilities	
Accounts payable	32,013
Accrued interest payable	16,676
Current portion of bonds payable	110,000
Total current liabilities	<u>158,689</u>
Noncurrent liabilities	
Bonds payable	<u>3,774,579</u>
Total liabilities	<u>3,933,268</u>
NET POSITION	
Net investment in capital assets	17,420
Unrestricted	1,600,846
Total net position	<u>\$ 1,618,266</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, 2024

	Water Fund
OPERATING REVENUES	
Charges for services	\$ 614,353
OPERATING EXPENSES	
Advertising	740
Bank fees	89
Depreciation	148,930
Dues and subscriptions	350
Insurance expense	3,530
Meter reading charges	34,716
Miscellaneous	1,967
Payroll taxes and benefits	12,104
Payroll wages	39,047
Professional fees	100,403
Repairs and maintenance	36,876
Water charges	156,718
Water inspection	1,771
Water management fee	41,341
Total operating expenses	<u>578,582</u>
Operating income	<u>35,771</u>
NON-OPERATING REVENUES (EXPENSES)	
Connection and inspection fees	12,050
Interest income	34,532
Miscellaneous income	3,161
Interest expense	(133,377)
Net non-operating expenses	<u>(83,634)</u>
Change in net position	(47,863)
NET POSITION, BEGINNING OF YEAR	<u>1,666,129</u>
NET POSITION, END OF YEAR	<u>\$ 1,618,266</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, 2024

	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 610,914
Payments to suppliers	(376,785)
Payments to employees	(51,151)
Net cash provided by operating activities	<u>182,978</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Inspection and connection fees	12,050
Principal payments on long-term liabilities	(106,024)
Interest paid on long-term liabilities	(129,209)
Net cash used by capital and related financing activities	<u>(223,183)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Non-operating revenue	3,161
Interfund borrowing	(52,843)
Net cash used by noncapital financing activities	<u>(49,682)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>34,532</u>
Net decrease in cash and cash equivalents	(55,355)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,523,460</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,468,105</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 35,771
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	148,930
(Increase) decrease in assets	
Accounts receivable	(3,439)
Increase (decrease) in liabilities	
Accounts payable	1,716
Net cash provided by operating activities	<u><u>\$ 182,978</u></u>

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

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2024

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, 2024

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 any non-major funds. 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, 2024

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 the 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 of 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 of 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, 2024

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, 2024

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 based on historical collection experience for the Town. As of April 30, 2024, 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, 2024

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, 2024

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	\$	20,899
Capital replacement		1,314,223
Emergency reserve		1,209,434
Municipal street aid		184,447
Recreation/open space		24,364
SALLE / EIDE grant		13,108
Realty transfer tax		180,544
Street repair and replacement		1,389,742
Emerging projects		108,140
Violent crime grant		7,799
SLEAF grant		2,975
	\$	<u>4,455,675</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, 2024

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	\$	1,126,912
Subsequent year's expenditures		581,267
	\$	<u>1,708,179</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, 2024.
- *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, 2024

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. 96, *Subscription Based Information Technology Arrangements*

Effective May 1, 2023, the Town adopted the new subscription-based information technology arrangements accounting guidance in GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The new guidance requires recognition of certain subscription-based information technology arrangements that were previously classified as operating expenses. The adoption of the new guidance had no financial impact to the Town's financial statements for the year ended April 30, 2024.

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2024

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, 2024, the carrying amount of the Town's deposits was \$9,927,944 and the bank balance was \$10,150,550.

As of April 30, 2024, \$4,650,185 of the Town's bank balances of \$10,150,550 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	\$ 5,196,718
Cash and cash equivalents - restricted	4,731,226
Total cash and cash equivalents	<u>\$ 9,927,944</u>

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2024

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, 2024, 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, 2023 was \$1,347,860,600. 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, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
<i>Capital assets not being depreciated</i>				
Land	\$ 2,299,263	\$	\$	\$ 2,299,263
Construction in progress	1,972,832	2,745,070	(97,604)	4,620,298
Total capital assets not being depreciated	4,272,095	2,745,070	(97,604)	6,919,561
 <i>Capital assets being depreciated</i>				
Buildings and improvements	5,633,411	16,843		5,650,254
Equipment	1,334,810	172,987	(34,496)	1,473,301
Vehicles	1,207,745	175,974	(88,642)	1,295,077
Infrastructure	8,562,355	241,423		8,803,778
Right-to-use assets	30,262			30,262
Total capital assets being depreciated	16,768,583	607,227	(123,138)	17,252,672
Less accumulated depreciation for:				
Buildings and improvements	1,793,827	153,403		1,947,230
Equipment	1,001,464	99,301	(34,496)	1,066,269
Vehicles	692,575	164,651	(81,556)	775,670
Infrastructure	1,817,122	216,290		2,033,412
Right-to-use assets	6,502	10,087		16,589
Total accumulated depreciation	5,311,490	643,732	(116,052)	5,839,170
Total capital assets being depreciated, net	11,457,093	(36,505)	(7,086)	11,413,502
Governmental activities capital assets, net	\$ 15,729,188	\$ 2,708,565	\$ (104,690)	\$ 18,333,063

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2024

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	2,258,772	148,930		2,407,702
Business-type activities capital assets, net	\$ 4,050,929	\$ (148,930)	\$	\$ 3,901,999

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 78,014
Planning and zoning	3,852
Public safety	278,785
Public works	283,081
Total governmental activities	\$ 643,732

Business-type activities:

Water fund	\$ 148,930
------------	------------

LONG-TERM LIABILITIES

Changes in long-term obligations for the year ended April 30, 2024, are as follows:

	April 30, 2023	Increases	Decreases	April 30, 2024	Due within one year
Governmental activities:					
Compensated absences	\$ 262,442	\$ 40,982	\$	\$ 303,424	\$
Operating leases payable	25,438		(9,829)	15,609	10,332
Total governmental activities	\$ 287,880	\$ 40,982	\$ (9,829)	\$ 319,033	\$ 10,332
Business-type activities:					
General obligation bonds	\$ 3,965,000	\$	\$ (105,000)	\$ 3,860,000	\$ 110,000
Bond premium	25,603		(1,024)	24,579	
Total business-type activities	\$ 3,990,603	\$	\$ (106,024)	\$ 3,884,579	\$ 110,000

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2024

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 \$15,609. 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, 2024 was \$3,884,579.

Maturities of long-term debt

<u>Year Ending April 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2025	\$ 10,332	\$ 546	\$ 10,878
2026	5,277	83	5,360
	<u>\$ 15,609</u>	<u>\$ 629</u>	<u>\$ 16,238</u>

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2024

LONG-TERM LIABILITIES (Continued)

<u>Year Ending April 30,</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 110,000	\$ 125,958	\$ 235,958
2026	115,000	122,582	237,582
2027	120,000	119,058	239,058
2028	120,000	115,457	235,457
2029	125,000	111,783	236,783
2030-2034	545,000	498,656	1,043,656
2035-2039	950,000	379,850	1,329,850
2040-2044	955,000	229,989	1,184,989
2045-2048	820,000	55,912	875,912
	<u>\$ 3,860,000</u>	<u>\$ 1,759,245</u>	<u>\$ 5,619,245</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, 2023. 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, 2024

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, 2024

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, 2024, the Town received \$98,325.

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

At April 30, 2024, the Town reported a liability of \$158,224 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. Update procedures were used to roll forward the total pension asset to June 30, 2023. The Town's proportion of the net pension liability was based on the percentage of actual employee contributions. At June 30, 2023, the Town's proportion for the Police Plan was .9021% and for the General Plan was 1.3805%.

For the year ended April 30, 2024, the Town recognized pension expense of \$278,718. At April 30, 2024, 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	\$ 31,564	\$ 69,837
Changes to proportion	104,327	57,936
Difference between expected and actual experience	276,798	41,576
Net difference between projected and actual earnings on pension plan investments	319,887	
Contributions subsequent to measurement date	333,581	
	<u>\$ 1,066,157</u>	<u>\$ 169,349</u>

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2024

RETIREMENT AND PENSION PLANS (Continued)

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

The Town's contribution of \$333,581 subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended April 30, 2024. The collective deferred outflows of resources and deferred inflows of resources are being amortized as follows:

	Measurement Period	Amortization Period	
	Ended June 30	General	Police
Difference between expected and actual experience	2015		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
	2023	8 years	8 years
	Net difference between projected and actual earnings on investments	2019	5 years
2020		5 years	5 years
2021		5 years	5 years
2022		5 years	5 years
2023		5 years	5 years
Change in proportion	2015		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
	2023	8 years	8 years
	Change in assumptions	2016	9 years
2017		9 years	10 years
2021		8 years	

TOWN OF OCEAN VIEW, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2024

RETIREMENT AND PENSION PLANS (Continued)

Pension liabilities, 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	
<u>April 30,</u>	<u>A m o r t i z a t i o n</u>
2025	\$ 101,009
2026	124,424
2027	143,636
2028	85,251
2029	33,670
Thereafter	75,237
	<u>\$ 563,227</u>

Actuarial assumptions. The collective total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of June 30, 2022, and update procedures were used to roll forward the total pension liability to June 30, 2023. 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 liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2023. 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, 2024

RETIREMENT AND PENSION PLANS (Continued)

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

Sensitivity of the net pension liability to changes in the discount rate: The following presents the collective net pension liability 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%)	\$	1,158,782
Current discount rate (7.0%)	\$	158,224
1% Increase (8.0%)	\$	(659,829)

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, 2024

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 PRONOUNCEMENT

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

SUBSEQUENT EVENTS

After four (4) years of negotiations, the Town signed an APA (Asset Purchase Agreement) in June 2024 with Tidewater Utilities, Inc. for the sale of the Water Supply Distribution/Conveyance System. At the July 2024 Town Council meeting, the Mayor and Council voted unanimously in favor of the sale of its Water Supply Distribution/Conveyance System. Resolution 24-06 was signed into action pending the final approval of the National USDA and the Delaware Public Service Commission. The Town anticipates the sale of the Water Supply Distribution/Conveyance System to be completed during fiscal year 2025.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF OCEAN VIEW, DELAWARE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED APRIL 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes:				
Real estate taxes, penalties, and discount	\$ 3,275,855	\$ 3,195,855	\$ 3,198,387	\$ 2,532
Realty transfer taxes	1,000,000	1,134,700	1,134,700	
Rental gross receipts tax	601,140	666,140	668,950	2,810
Intergovernmental revenues:				
General and administrative grants		598,760	601,167	2,407
State municipal street aid	130,000	130,000	128,043	(1,957)
Public safety grants	57,000	493,185	701,003	207,818
Police pension grant	90,000	90,000	98,325	8,325
Charges for services:				
Building and sign permits	235,500	235,500	149,802	(85,698)
Impact fees	88,720	88,720	97,559	8,839
Business and rental licenses	205,000	205,000	257,125	52,125
Cable TV franchise fee	80,000	80,000	84,076	4,076
Zoning and other fees	20,000	20,000	20,375	375
Millville ambulance fee	107,975	152,250	152,250	
Expense reimbursements	175,000	190,720	195,929	5,209
Other revenue sources:				
Public safety fines	40,000	40,000	26,897	(13,103)
Interest	24,000	254,475	355,900	101,425
Donations	500	3,500	3,600	100
Miscellaneous, including sale of fixed assets	15,500	15,500	37,453	21,953
Total revenues	<u>6,146,190</u>	<u>7,594,305</u>	<u>7,911,541</u>	<u>317,236</u>
EXPENDITURES				
Current:				
General government	1,292,935	1,339,130	1,213,675	125,455
Planning and zoning	767,675	772,075	697,360	74,715
Public safety	2,346,035	2,404,597	2,484,418	(79,821)
Public works	1,514,545	1,382,015	1,263,579	118,436
Capital outlay	4,577,540 *	4,577,540 *	3,280,789	1,296,751
Debt service - leases			10,878	(10,878)
Total expenditures	<u>10,498,730</u>	<u>10,475,357</u>	<u>8,950,699</u>	<u>1,524,658</u>
Excess of revenues over (under) expenditures	(4,352,540)	(2,881,052)	(1,039,158)	<u>\$ 1,841,894</u>
FUND BALANCE - BEGINNING	<u>9,278,861</u>	<u>9,278,861</u>	<u>9,278,861</u>	
FUND BALANCE - ENDING	<u>\$ 4,926,321</u>	<u>\$ 6,397,809</u>	<u>\$ 8,239,703</u>	

*this budget includes the full capital budget, including amounts intended to be funded by other funds

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

YEAR ENDED APRIL 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Favorable (Unfavorable)
GENERAL GOVERNMENT				
Payroll wages	\$ 441,553	\$ 441,553	\$ 417,163	\$ 24,390
Payroll wages - council	6,672	6,672	5,511	1,161
Payroll wages - overtime and bonus	4,325	12,525	11,631	894
Payroll taxes	36,200	36,200	33,051	3,149
Payroll and taxes	488,750	496,950	467,356	29,594
Employee retirement	23,920	23,920	22,734	1,186
Medical, dental and life insurance	82,570	82,570	66,613	15,957
Workers compensation insurance	1,700	1,700	753	947
Personnel related costs	596,940	605,140	557,456	47,684
Advertising	18,000	18,000	12,457	5,543
Communications - telephone and internet	19,200	19,200	20,087	(887)
Computer software, updates, and website	35,500	38,100	37,824	276
Contracted labor	10,000	10,000	10,637	(637)
Contracted services	4,500	4,500		4,500
Dues and subscriptions	10,300	10,300	3,968	6,332
Education and training	14,000	14,000	9,119	4,881
Grant award - restricted funds	80,000	80,000	80,000	
Insurance - business	26,000	26,000	20,386	5,614
Maintenance and repairs	32,150	36,350	29,758	6,592
Mileage	1,500	1,500	1,137	363
Millville ambulance fees	107,975	152,250	152,250	
Miscellaneous	7,960	8,220	6,588	1,632
Non-capital equipment	6,000	6,000	3,385	2,615
Postage, printing and office supplies	22,000	22,000	22,678	(678)
Professional fees	60,500	65,050	51,829	13,221
Property assessment	75,000	75,000	70,341	4,659
Public relations	74,000	77,500	60,803	16,697
Realty transfer tax fees	12,000	12,000	11,137	863
Supplies	60,410	35,670	32,977	2,693
Uniforms	500	500	95	405
Utilities	17,000	20,350	18,404	1,946
Vehicles and equipment - fuel	1,500	1,500	359	1,141
TOTAL GENERAL GOVERNMENT	1,292,935	1,339,130	1,213,675	125,455

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

YEAR ENDED APRIL 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
PLANNING AND ZONING				
Payroll wages	\$ 359,575	\$ 359,575	\$ 346,443	\$ 13,132
Payroll wages - overtime and bonus	7,000	11,400	10,492	908
Payroll taxes	29,795	29,795	27,296	2,499
Payroll and taxes	396,370	400,770	384,231	16,539
Employee retirement	19,300	19,300	18,969	331
Medical, dental and life insurance	72,165	72,165	68,871	3,294
Workers compensation insurance	1,390	1,390	1,246	144
Personnel related costs	489,225	493,625	473,317	20,308
Advertising	12,000	12,000	4,982	7,018
Communications - telephone and internet	1,200	1,200	1,265	(65)
Computer programming	5,000	5,000	5,031	(31)
Council and committees	5,000	5,000	2,340	2,660
Dues and subscriptions	2,500	2,500	2,018	482
Education and training	15,000	5,000	4,536	464
Insurance - business	11,500	21,500	22,650	(1,150)
Maintenance and repairs	12,500	13,700	5,298	8,402
Mileage	750	750	692	58
Non-capital equipment	5,000	5,000		5,000
Postage, printing and office supplies	10,500	10,500	7,397	3,103
Professional fees	185,500	185,500	164,439	21,061
Public relations	1,000	1,000		1,000
Supplies	500	500	248	252
Uniforms	500	500		500
Vehicles and equipment - fuel	10,000	8,800	3,147	5,653
TOTAL PLANNING AND ZONING	767,675	772,075	697,360	74,715

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

YEAR ENDED APRIL 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Favorable (Unfavorable)
PUBLIC SAFETY				
Payroll wages	\$ 1,279,800	\$ 1,279,800	\$ 1,279,738	\$ 62
Payroll wages - overtime and bonus	101,250	152,530	176,902	(24,372)
Payroll taxes	107,030	114,530	111,881	2,649
Payroll and taxes	<u>1,488,080</u>	<u>1,546,860</u>	<u>1,568,521</u>	<u>(21,661)</u>
Employee retirement	153,950	152,550	148,036	4,514
Medical, dental and life insurance	258,280	239,180	234,490	4,690
Workers compensation insurance	58,775	58,775	38,032	20,743
Personnel related costs	<u>1,959,085</u>	<u>1,997,365</u>	<u>1,989,079</u>	<u>8,286</u>
Advertising	1,000	1,000	449	551
Ammunition	20,000	24,295	25,199	(904)
Communications - telephone and internet	23,500	23,500	18,439	5,061
Computer software, updates, and website	28,500	28,500	28,406	94
Contracted labor	10,000	10,000	10,554	(554)
Contracted services	1,000	1,000		1,000
Dues and subscriptions	6,500	6,500	5,121	1,379
Education and training	35,000	32,400	37,922	(5,522)
Insurance - business	67,000	69,600	69,593	7
Investigative expenses			57,418	(57,418)
K-9 supplies	4,000	4,000	4,498	(498)
Maintenance and repairs	18,950	24,750	20,745	4,005
Mileage	200	200	207	(7)
Non-capital equipment	35,000	23,267	71,767	(48,500)
Postage, printing and office supplies	5,300	5,300	2,619	2,681
Professional fees	9,000	11,800	16,032	(4,232)
Public relations	9,500	9,500	8,164	1,336
Supplies	12,000	12,000	9,779	2,221
Uniforms	15,000	18,400	18,382	18
Utilities	18,500	18,500	10,967	7,533
Vehicles and equipment - fuel	45,000	45,000	45,805	(805)
Vehicles and equipment - repairs	22,000	37,720	33,273	4,447
TOTAL PUBLIC SAFETY	<u>2,346,035</u>	<u>2,404,597</u>	<u>2,484,418</u>	<u>(79,821)</u>

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

YEAR ENDED APRIL 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
PUBLIC WORKS				
Payroll wages	\$ 121,905	\$ 121,905	\$ 117,437	\$ 4,468
Payroll wages - overtime and bonus	13,070	13,070	15,463	(2,393)
Payroll taxes	11,010	11,010	10,346	664
Payroll and taxes	<u>145,985</u>	<u>145,985</u>	<u>143,246</u>	<u>2,739</u>
Employee retirement	7,545	7,545	7,184	361
Medical, dental and life insurance	58,105	58,105	46,115	11,990
Workers compensation insurance	5,210	5,210	4,183	1,027
Personnel related costs	<u>216,845</u>	<u>216,845</u>	<u>200,728</u>	<u>16,117</u>
Advertising	500	500		500
Communications - telephone and internet	5,200	5,200	4,856	344
Contracted labor	33,700	33,700	21,406	12,294
Drainage	75,000	75,000	78,203	(3,203)
Dues and subscriptions	300	300		300
Education and training	300	300	23	277
Insurance - business	28,000	28,000	27,848	152
Maintenance and repairs	2,400	2,400	1,820	580
Mileage	200	200	23	177
Mosquito control	12,500	12,500	12,482	18
Non-capital equipment	3,200	3,200	3,830	(630)
Park expense	25,000	25,000	17,736	7,264
Postage, printing and office supplies	300	300	229	71
Professional fees			195	(195)
Public relations	100	100		100
Sidewalk work, ADA	100,000	120,000	119,767	233
Street lighting	90,000	90,000	88,279	1,721
Street maintenance	135,000	135,000	98,127	36,873
Street paving and repair	745,000	592,470	548,742	43,728
Street signs	9,000	9,000	8,289	711
Supplies	3,300	3,300	5,794	(2,494)
Uniforms	1,200	1,200	1,135	65
Utilities	13,500	13,500	11,933	1,567
Vehicles and equipment - fuel	8,500	8,500	7,425	1,075
Vehicles and equipment - repairs	5,500	5,500	4,709	791
TOTAL PUBLIC WORKS	<u>1,514,545</u>	<u>1,382,015</u>	<u>1,263,579</u>	<u>118,436</u>
CAPITAL OUTLAY	<u>4,577,540</u>	<u>4,577,540</u>	<u>3,280,789</u>	<u>1,296,751</u>
DEBT SERVICE - LEASES			10,878	(10,878)
TOTAL EXPENDITURES	<u>\$ 10,498,730</u>	<u>\$ 10,475,357</u>	<u>\$ 8,950,699</u>	<u>\$ 1,524,658</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)

	2024	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)	0.9021%	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)	\$ 129,684	\$ (99,777)	\$ (1,223,287)	\$ 125,539	\$ 227,942	\$ 151,261	\$ 61,268	\$ 89,053	\$ (33,979)
Town's covered-employee payroll	\$ 1,279,738	\$ 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	10.1336%	-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)	97.6%	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)	1.3805%	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)	\$ 28,540	\$ (10,865)	\$ (312,208)	\$ 31,964	\$ 79,894	\$ 59,054	\$ 115,007	\$ 111,359	\$ 757
Town's covered-employee payroll	\$ 881,043	\$ 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	3.2393%	-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)	97.8%	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)

	2024	2023	2022	2021	2020	2019	2018	2017	2016
<u>County & Municipal Police and Firefighters' Pension Plan</u>									
Contractually required contribution	\$ 117,518	\$ 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>(117,518)</u>	<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>	<u>\$ _____</u>
Town's covered-employee payroll	\$ 1,279,738	\$ 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	9%	14%	14%	13%	14%	8%	11%	11%	12%
<u>County & Municipal Other Employees' Pension Plan</u>									
Contractually required contribution	\$ 51,368	\$ 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>(51,368)</u>	<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>	<u>\$ _____</u>
Town's covered-employee payroll	\$ 881,043	\$ 803,347	\$ 769,610	\$ 699,440	\$ 653,536	\$ 709,650	\$ 649,861	\$ 553,888	\$ 585,543
Contributions as a percentage of covered-employee payroll	6%	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

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

PKScpa.com

Salisbury

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

Ocean City

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

Lewes

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

MEMBERS OF:

AMERICAN INSTITUTE OF
 CERTIFIED PUBLIC ACCOUNTANTS

MARYLAND ASSOCIATION OF
 CERTIFIED PUBLIC ACCOUNTANTS

DELAWARE SOCIETY OF
 CERTIFIED PUBLIC ACCOUNTANTS

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, 2024, and the related notes to the financial statements, which collectively comprise the Town of Ocean View, Delaware's basic financial statements, and have issued our report thereon dated October 8, 2024.

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 Town'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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
October 8, 2024