

Town of Ocean City, Maryland

Comprehensive Annual Financial Report

For Fiscal Year Ended
June 30, 2009

O.C. Air Show
(cover photo by Bryan Lilley)

Hamill Skytypers perform at the Ocean City Air Show. See page 4 for the complete article.

(Facing Page)

Play It Safe Volleyball Event on the beach at North Division Street. See page 4 for the complete article on the 20th anniversary of the Play It Safe Program.

Town of Ocean City, Maryland
Comprehensive Annual Financial Report
For Fiscal Year Ended
June 30, 2009



Prepared by:
Finance Department

Dennis Dare, PE
City Manager

Martha J. Bennett, CPA
Finance Administrator



**Town of Ocean City, Maryland
Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2009**

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INTRODUCTORY SECTION

LOCATION MAP

LETTER OF TRANSMITTAL

GFOA CERTIFICATE OF ACHIEVEMENT

ORGANIZATIONAL CHART

OFFICIALS AND DIRECTORS



BINGHAMTON, NY

CONNECTICUT

HARTFORD, CT

NEW YORK
PENNSYLVANIA

WILLIAMSPORT, PA

SCRANTON, PA



PITTSBURGH, PA



HARRISBURG, PA



ALLENTOWN, PA

NEW YORK

PHILADELPHIA, PA



WILMINGTON, DE

PENNSYLVANIA
MARYLAND

BALTIMORE, MD



WEST VIRGINIA
VIRGINIA



WASHINGTON
D.C.



OCEAN CITY, MD

ROANOKE, VA



Location Map

RICHMOND, VA



HAMPTON ROADS, VA

NORTH CAROLINA



RALEIGH, NC



TOWN OF
OCEAN CITY

The White Marlin Capital of the World

September 28, 2009

***To the Citizens, Honorable Mayor,
and City Council of the Town of Ocean City***

The current global recession and crisis in financial markets has impacted individuals, businesses and governments at all levels. As a tourist destination and second home community, Ocean City is particularly sensitive to economic volatility and changes in discretionary spending. However, Ocean City remains convenient to major metropolitan areas and decreases in visitor spending for the year was much less than at other, more distant tourist destinations. Hotel room sales declined 4.8% for 2009 in comparison to reported declines of 15-20% in southern resorts. In the 2009 fiscal year, Town officials focused early to reduce spending, services, and capital expenditures to prepare for an expected three-year downturn. At the same time, advertising was increased and special events such as the air show were supported to promote tourism development.

I respectfully submit the Comprehensive Annual Financial Report (CAFR) for the Town of Ocean City (the Town) for the fiscal year ended June 30, 2009. The purpose of this report is to provide citizens, the Mayor and City Council, management, representatives of financial institutions and others with detailed information about the financial condition and performance of the Town. The CAFR is produced to comply with Section 717 of the Town charter and Article 19, Section 40 of the Annotated Code of Maryland. The financial statements are presented in conformity with accounting principles generally accepted in the United States (GAAP).

In addition, the CAFR provides assurances that the Town fairly presents its financial position and results of operations as verified by SB & Company, LLC, independent public accountants, in accordance with auditing standards and accounting principles generally accepted in the United States. The independent public accountant concluded that the Town of Ocean City's financial statements for the year ended June 30, 2009, are fairly presented in conformity with GAAP. Their report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Town was part of a broader, federally mandated "Single Audit" designed to meet the needs of federal grantor agencies. The standards governing Single Audit engagements require the independent public accountant to report not only on the fair presentation of the financial statements, but also on the government's internal controls and compliance with legal requirements, particularly with regard to the administration of federal awards. These reports are available in the Town's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the report of the independent public accountants.

This report consists of management's representations concerning the finances of the Town. Therefore, the Town's management takes full responsibility for both the completeness and accuracy of the information in this report, including all disclosures. We believe the data as

MAYOR & CITY COUNCIL
P.O. BOX 158
OCEAN CITY,
MARYLAND 21843-0158

www.town.ocean-city.md.us

MAYOR
RICHARD W. MEEHAN

CITY COUNCIL MEMBERS
JOSEPH M. MITRECIC
President

LLOYD MARTIN
Secretary

DOUGLAS S. CYMEK
JAMES S. HALL
JOSEPH T. HALL, II
MARY P. KNIGHT
MARGARET PILLAS

DENNIS W. DARE
City Manager

CAROL L. JACOBS
City Clerk

Ocean City, MD



2001

*Town of Ocean City
Letter of Transmittal*

presented is correct in all material respects and is reported to fairly present the financial position and results of operations of the various funds of the Town.

This CAFR includes all funds of the Town. The Town has no component units. The Town provides a full range of services including: police protection; solid waste removal; the construction and maintenance of streets and infrastructure; water and wastewater treatment services; recreational activities and cultural events; bus service; airport; golf course and convention center.

The financial statements of the Trustees for the Employees of Ocean City, Maryland Pension Plan, the Town of Ocean City, Maryland Public Employees Pension Plan, and the Other Post-Employment Benefits Trust are included in the CAFR as fiduciary funds of the Town. The Town's reporting entity is explained in Note 1.A. to the financial statements.

THE TOWN AND TOWN GOVERNMENT

Population, Location, and Government. Ocean City is a barrier island founded as a fishing village over 134 years ago. Today, the Town has 7,562 permanent residents and hosts millions of visitors annually to its beautiful beaches, bays and natural resources. The Town also offers a wide variety of activities including festivals, fishing tournaments, amusement parks, golf courses, restaurants, and nightclubs.

Incorporated by the State of Maryland in 1880, Ocean City is located approximately 150 miles from Washington, D.C., and 135 miles from Baltimore, Maryland. It is bordered on the north by Fenwick Island, Delaware, on the south by an inlet which separates Ocean City from Assateague Island State and National Seashore Parks, on the west by wide shallow bays and on the east by the Atlantic Ocean.

Ocean City is one of the premier seaside resorts on America's east coast due to a variety of attributes including its convenience to major metropolitan areas and access by automobile using US Route 50 to the west and US Route 13 and Delaware Route 1 to the north.

The Town operates under a council-manager form of government. Policymaking and legislative authority are vested with the seven-member City Council. The Mayor has the power to veto ordinances, nominate appointments to Town boards, and represent the Town before other governmental authorities. The Council is responsible for passing ordinances, adopting the budget, appointing committees, and hiring the Town's manager, attorney, clerk, and chief of police. The Town's manager is responsible for carrying out the ordinances and policies of the City Council, for overseeing day-to-day operations of Town departments, and for appointing heads of the departments. The Mayor and City Council are elected on a non-partisan, at large basis. Council members serve four-year staggered terms with three to four elected every two years. The Mayor is elected to serve a two-year term.



The annual budget serves as the foundation for the Town's financial planning and control. The City Manager and Finance Administrator may approve transfers of appropriations within a department or

between departments. Transfers between funds or utilization of contingencies require approval of the Mayor and City Council. A budget-to actual comparison for general fund is presented in the financial section of this report.

ECONOMIC CONDITIONS

New Development. The 2009 fiscal year saw a decline in the number of construction permits and a substantial decline in the estimated value of that construction. Investors and developers are understandably applying more conservative strategies during this economic downturn. Still, as noted below, the Town issued 5,360 permits in the past three years totaling over \$284 million dollars in new construction.

<u>Fiscal Year</u>	<u>Number of Permits</u>	<u>Estimated Value of Construction</u>
2007	2,065	\$164,614,258
2008	1,795	69,597,628
2009	<u>1,500</u>	<u>49,851,387</u>
	5,360	<u>\$284,063,273</u>

One development project with 10 multi-family units is currently under construction at 211 St. Louis Avenue. The following are some of the luxury projects completed this year:

<u>Condominium</u>	<u>Address</u>	<u>Number of units</u>
Miramar Hotel	2 - 15 th Street	100
Seaside Escape	18 - 79 th Street	15
Sleep Inn	11 Baltimore Ave	86
10 th Street	107 – 10 th Street	26

Economy. A destination resort, Ocean City is nationally recognized as a clean and safe community for its residents, vacation homeowners and visitors with tourism as the basis of its economy. The tourism industry can be broken down into three classifications: 1) hotels, motels, and condominium rentals 2) restaurants and nightclubs and 3) retail shops, the boardwalk and malls. It is estimated that over eight million people visit the resort each year. Although the peak months are June, July and August, tourism is also strong in April, May, September and October. Depending on the weekend weather, these off-season months may average over 150,000 people.

The Town government, in conjunction with local businesses and non-profit groups, has sought to increase off-season business with the use of festivals, entertainment, and sporting events. The largest events such as Sunfest, Winter Festival of Lights, Springfest, the Ocean City Air Show and auto rallies attract thousands of visitors. The Town also sponsors weekly bonfire storytelling sessions, family activities and movies on the beach, concerts, both on and off the beach, and various entertainment venues at Northside Park on 125th Street and at Sunset Park located on the bay front in downtown Ocean City. There are 19 golf courses in the Ocean City area. Group business, meetings, and events held at the Convention Center have also increased room occupancy and retail sales in the spring, fall, and winter months.

*Town of Ocean City
Letter of Transmittal*

The Town relies on property taxes for 58% of its general fund revenues. Property tax revenues are directly impacted by the value of homes and new construction. Although the Town has a 3% assessment increase cap for owner-occupied homes, only 5% of properties are eligible for the cap. The assessed value of the remaining business properties, second homes and condominiums is at full market value and is highly sensitive to changing market conditions. As properties in the State of Maryland are assessed on a triennial system, property tax decreases are anticipated for a number of years and will lag behind other improvements in the economy.

MAJOR INITIATIVES

OC Air Show

The Ocean City beach and boardwalk was bustling with people as the 2nd Annual OC Air Show came to Town in June. Over 200,000 people turned out to enjoy the spectacular display of aerial acrobatics and death defying parachute jumps.



The two-day event included military aircraft demonstrations, flyovers, parachute team jumps and civilian aerobatic performances. In addition, there were other interactive and simulated demonstrations featured, such as NASA Exploration Experience, The Virtual Army Experience, and The U.S. Air Force “Be Inspired” Tour. The U.S. Air Force Thunderbirds rounded out the day’s performance. Their jaw-dropping display of precision moves proved to be a demonstration of their superior degree of skill needed to maneuver such high performance aircrafts. At times this precision placed the planes less than two feet apart. The Thunderbirds perform in shows across the world – thrilling their audiences wherever they go. The Town contributed \$50,000 to the Air Show in addition to in-kind services.

Picture retrieved from www.octhebeach.com/ocean-city-air-show

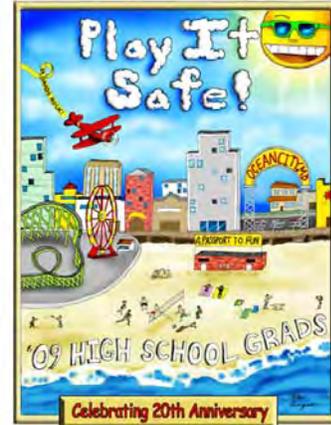
Play It Safe

In 1989, under former Mayor Roland Powell, The Ocean City Drug Alcohol Abuse Prevention task force was formed in an effort to fight underage abuse of alcohol and drugs. The task force works with state and local government, area businesses and citizens who volunteer many hours to this cause and it’s successful program known as Play It Safe. Their mission is “to encourage high school graduates to make informed, healthy choices while having responsible fun without the use of alcohol and other drugs.” Play It Safe provides many free entertainment alternatives such as: paintball, karaoke and dance, windsurfing and kayaking, bowling, miniature golf, volleyball, pancake and pizza eating contests, basketball, workout and dodge ball, laser tag, rock climbing, tennis, and trips to Splash Mountain in Jolly Roger Amusement Park.

This year, Play It Safe celebrated its 20th year of providing a safe and fun atmosphere for recent high school graduates. Over 13,000 students participate annually in these events.

Ocean City's Play It Safe Program was recognized in *Parks & Recreation* magazine, an official publication of the National Recreation and Parks Association. Additionally, over the years, the Play It Safe Program has won several awards, such as:

- The Ocean City Police Department was a finalist in the International Association of Chiefs of Police 2008 Community Policing Award for Play It Safe.
- The Maryland Recreation and Parks Association's Showcase Video Award, 2006.
- To become an All-America City, Ocean City presented three programs where local business, government and non-profit organizations have worked together to tangibly improve the lives of residents and visitors, Play It Safe/RAAM was one of those programs, 2001.
- The Maryland Recreation and Parks Association's Innovative Program Award, 1999.



Life Saving Museum



The Ocean City Station was built at the northern edge of Ocean City in 1891. Twenty-four years later, the U.S. Life Saving Service and the Revenue Cutter Service formed the U.S. Coast Guard who utilized the building until 1964 when they moved into a new home near the inlet. From 1965 to 1977, the Town of Ocean City used the building for various government departments. When it was scheduled for demolition, citizens wanting to preserve Ocean City's heritage, formed the Ocean City Museum Society. This group was instrumental in having the building moved to its present location and dedicated on Christmas day 1978. Since that time, the Ocean City Life Saving Museum added many exhibits, and the building has undergone several renovations.

Most recently, a two-phase renovation was completed for \$307,541. The first phase was completed in the winter of 2007/2008 and consisted of the north wall and window system. The second phase was completed in June 2009, which included the east, west, south, cupola, and replacement of the building's roof. During the second phase, insulation was added and window frames were rebuilt which included copper flashings and storm windows as well as many decorative features. The cupola was removed, sandblasted and repainted. Features were added so the museum is more handicap accessible. Adjacent to the museum, the historic Coast Guard watchtower was also repaired and painted.

*Town of Ocean City
Letter of Transmittal*

Today, the museum maintains and continues to preserve the history of Ocean City, Maryland. Through exhibits, educational programs and stories handed down from generation to generation, the Ocean City Life Saving Museum is a valuable asset to the Town.

Public Safety Building Expansion

The Ocean City Public Safety Building was opened in 1994 and houses the Town's Police, Emergency Services, Emergency Communications and Information Technology (IT) departments. It is also home for Maryland District Courts, States Attorney and Juvenile Service Offices. Increased security demands since the 9/11 disasters along with residential and departmental growth led to significant increases in the size of Public Safety and IT and to the expansion of this building.

Funded by the 2007 Municipal Bonds at a cost of \$1,271,633, the two-year expansion project completed in 2009. Two floors were added over the one-story portion of the west face to increase the building area by 3,600 square feet. Half of the additional space is designated for the IT Department for offices and equipment on the second floor. The Police use the remaining 1,800 square feet on the third floor for offices, storage and training. The project also included replacement of the entire building roof system and funds to reseal and caulk the exterior of the original building.

FINANCIAL INFORMATION AND PLANNING

Capital planning. The Town has adopted a capital improvement plan that includes a ten-year plan to repair 75 miles of town streets. Year 4 of the plan was accomplished in this fiscal year and \$1.3 million was spent on street improvements. Improvements to the Town's infrastructure have been continuous for over 30 years. Of high priority and in design are a new fire station, St Louis Avenue improvements, 3rd Street park, new water and wastewater mains and plant improvements, a mid-island boat ramp, beach patrol headquarters, and additional undergrounding of utilities on the island.

Fiscal policies. The Town has incorporated the above capital plan in its fiscal policies that encourage the use of surpluses in excess of reserve and cash flow requirements in the governmental activities to be invested in capital assets or to retire outstanding debt. The policy for business type activities is for their unrestricted net assets to be maintained at sufficient levels for working capital needs and to fund system improvements.

Tax base. The State of Maryland Department of Assessments and Taxation is responsible for assessing property values in Ocean City. Reassessments are made on a triennial basis and real property is assessed at market value. Assessments were \$12.2 billion dollars for fiscal year 2009, a 17% increase from 2008.

Commitment to funding of Pension Trust Funds. Assets for the General Employees Pension Plan and the Public Safety Employees Pension Plan are invested and managed by Morgan Stanley. Due to the financial crisis, the plans had a negative rate of return of (29%) for the plan year ended March 31, 2009. The Town contributed 100% of its annual required contribution to each of the plans in 2009 as it has since their inception in 1972. Additional information on the Town's pension funds can be found in Note 10 in the notes to the financial statements on page 73.

General fund reserve. The Town has a policy of maintaining a reserve of 10% of general fund expenditures to handle potential revenue shortfalls, cash flows for the peak employment in the summer season, and for emergencies. At June 30, 2009 that reserve, unassigned fund balance, was 16.9% or \$13,005,682.

Bond ratings. The Town's bonds are insured and as such are designated with a AAA credit rating. For the Town's bonds sold in December 2007, the Town received underlying rates of A+ from Fitch Ratings, A1 from Moody's Investors Service and A from Standard and Poor's.

AWARDS AND ACKNOWLEDGEMENTS

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Ocean City for its comprehensive annual financial report for the fiscal year ended June 30, 2008. This is the 21st consecutive year that the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we will be submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgments. I would like to thank the Mayor and City Council and City Manager, Dennis Dare, for their leadership and support in planning and conducting the financial operations of the Town. Additionally, I appreciate each department head and their staff members for prudently managing and recording the Town's revenues and expenses. With their help and the efforts of the entire finance department, we strive to maintain strong internal financial controls and accurate financial reporting to inform the public and provide a foundation for the Town's future.

Respectfully submitted,



Martha Bennett Lucey, CPA, CGFM
Finance Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Ocean City
Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

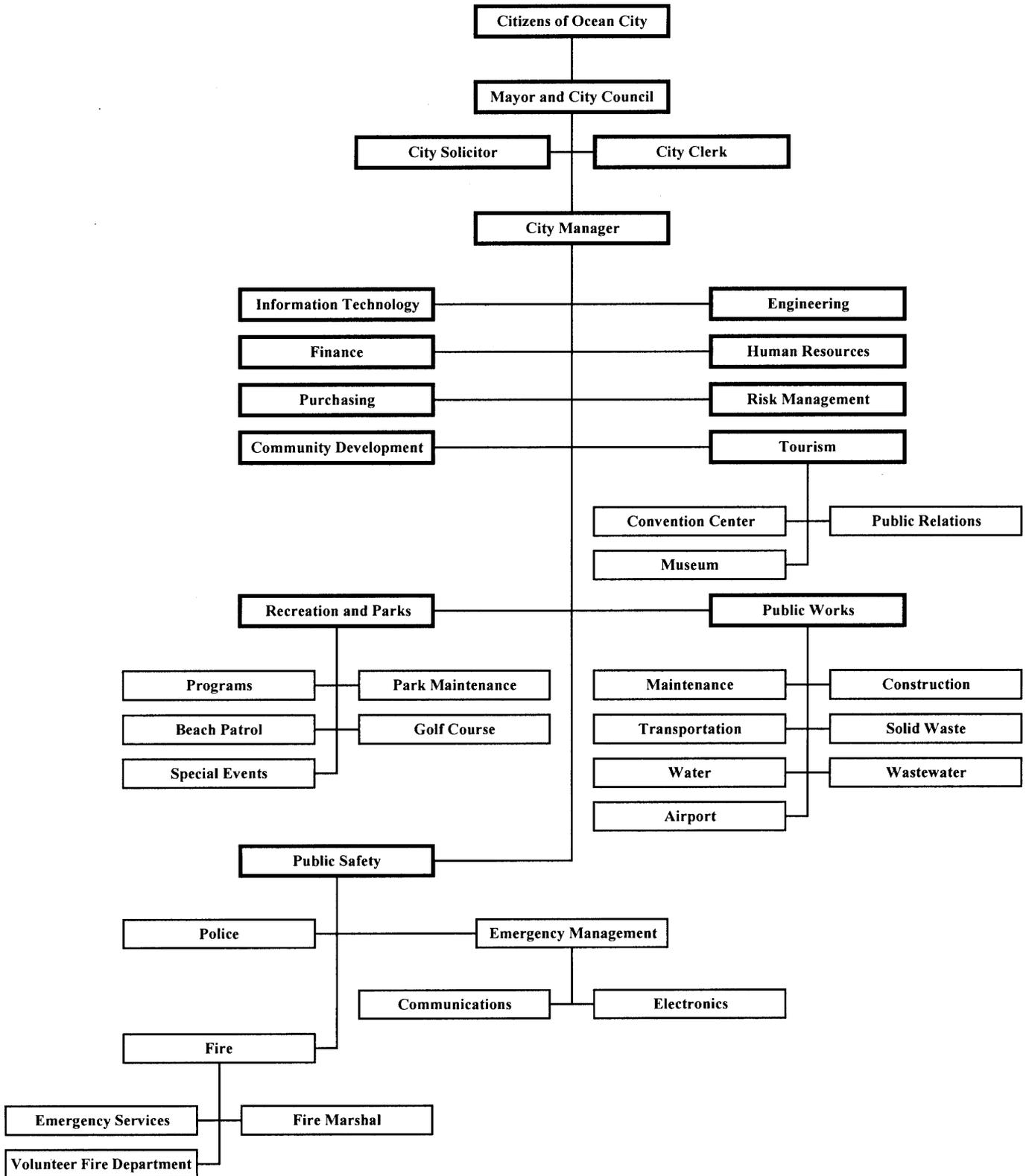
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Town of Ocean City Organizational Chart



Town of Ocean City
List of Principal Officials and Directors
June 30, 2009

<u>Title</u>	<u>Name</u>
Mayor	Richard W. Meehan
President of Council	Joseph M. Mitrecic
Secretary of Council	Lloyd Martin
Council Member	Doug Cymek
Council Member	James S. Hall
Council Member	Joe Hall
Council Member	Mary P. Knight
Council Member	Margaret L. Pillas
City Manager	Dennis W. Dare, PE
Assistant to the City Manager	Kathleen A. P. Mathias
City Solicitor	Guy R. Ayres III
City Clerk	Carol L. Jacobs, MMC
Finance Administrator	Martha Bennett Lucey, CPA
City Engineer	Terence J. McGean, PE
Emergency Services Director	Joseph J. Theobald
Chief of Police	BernadetteA. DiPino
Fire Chief	Christopher Larmore
Fire Marshal	Samuel E. Villani, Jr., CFI
Public Works Director	Hal O. Adkins
Planning/Community Dev Director	Jesse C. Houston
Recreation and Parks Director	Thomas J. Shuster, CPRP

General Employees of Ocean City, Maryland Pension Plan
Public Safety Employees of Ocean City, Maryland Pension Plan

<u>Trustees</u>	<u>Employee Trustees</u>
Guy R. Ayres III	Pamela W. Marshall
Reese Cropper III	Thomas F. Kane
Timothy J. King	
Richard W. Meehan	
Joseph M. Mitrecic	
Geoffrey Robbins	

FINANCIAL SECTION





REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Honorable Mayor
and City Council of the Town of Ocean City

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ocean City, Maryland (the Town), as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements, schedules and supplementary information are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and Pension Trust Funds- Required Supplementary Information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standard Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying introductory section, combining and individual fund statements and schedules, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections of this report have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2009, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

SB & Company, LLC

Hunt Valley, Maryland
September 25, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS



Town of Ocean City
Management's Discussion and Analysis
June 30, 2009

This section of the Comprehensive Annual Financial Report provides discussion and analysis of the financial performance of the Town of Ocean City (the Town) and an overview of the Town's financial activities for the fiscal year ended June 30, 2009. This information is best understood if read in conjunction with the transmittal letter at the front of this report and the Town's financial statements, which follow this section.

Financial highlights for FY 2009

- The assets of the Town exceeded its liabilities at the close of the 2009 fiscal year resulting in net assets of \$137,974,666. Of this amount, \$23,683,855 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors, \$9,406,011 is restricted for future debt service, \$1,293,521 is restricted for capital projects, \$250,000 is restricted for advances to other funds, and \$103,341,279 is invested in capital assets, net of related debt.
- Although the recession started in 2008, the Town's overall financial position improved slightly over the prior year by \$1,528,054 or 1.1%. This increase was primarily from gains from governmental activities of \$7,065,518 before transfers of \$5,145,366 to other funds. Due to increases in assessments before the economic downturn and new construction, revenue from property taxes increased \$3,704,541 or 8.4%. Revenue from service charges increased \$86,475, only 0.2% from the prior year. Revenue from grants and contributions was (\$987,573) below 2008. Total revenues were stable, increasing 1.3% while total expenses increased \$6,410,536 or 6.1%.
- As of June 30, 2009, the Town's governmental funds reported combined ending fund balances of \$15,312,201 an increase of \$676,711 from the prior year. The increase was due to increases in property taxes due to assessment increases although the tax rate was decreased from \$0.41 to \$0.38 and keeping expenditures during the year under the amount budgeted. Capital projects, a nonmajor governmental fund, had a net change in fund balance of (\$2,829,972) as bond proceeds unspent at prior year-end were spent in 2009. The general fund had an increase of \$3,506,683 in fund balance compared to a decrease of (\$6,996) in 2008 as expenses were reduced due to the uncertainty of how the recession would impact the Ocean City economy. Of the total amount in fund balance, \$13,005,682 is available to meet the Town's current and future needs, and is unassigned fund balance. Unassigned general fund balance at year-end was 16.9% of general fund expenditures, well above the percentage in FY-2008 of 12.8%.
- The Town's net debt decreased by \$6,617,195 during the current fiscal year. The key factors in this change were a \$139,716 reduction in a state loan issued in 2008 for the construction of a bulkhead on South Ocean Drive and scheduled principal retirements of general obligation bonds, loans and on capital leases of \$6,521,813.

Overview of the financial statements

The Town's basic financial statements have three components: government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of Town finances as a whole in a manner similar to a private sector business.

The *statement of net assets* presents information on all the Town's assets and liabilities, with the difference between the two reported as *net assets*. Increases or decreases in net assets, over time, are indicators as to whether the financial position of the Town is improving or declining.

The *statement of activities* presents information showing how the Town's assets changed during the past fiscal year. All changes in net assets are reported when the underlying event or transaction 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 a future fiscal period such as uncollected income taxes and earned, but unused, vacation leave.

Both of these government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues, *governmental activities*, from other functions that are intended to cover their costs primarily from user fees and charges and are *business-type activities*. The governmental activities of the Town include general government, public safety, general public works and beach, sanitation and waste removal, highways and streets, economic development, recreation and culture, and construction of capital assets. The business-type activities of the Town include water, transportation, wastewater, the Roland E. Powell Convention Center, the Ocean City Municipal Airport and Eagle's Landing Golf Course.

The government-wide statements can be found on pages 37-39 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 of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are 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 a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* 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 governmental fund statement

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of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town has five governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Capital projects funds comprise the other four governmental funds. Data for these funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* on pages 88 - 89 of this report.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 40-43 of this report.

Proprietary funds. The Town maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water and wastewater utilities, convention center, and transportation system, which are major funds, and for two non-major funds, which account for the operations of the airport and golf course. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses internal service funds to account for its fleet of vehicles, their maintenance, management information systems, and risk management. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the major funds and combined information for the non-major funds. Internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for non-major enterprise funds and the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 44-51 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs. The Town has three fiduciary funds, the General Employees Pension Fund, the Public Safety Employees Pension Fund, and the Other Post-employment Benefits Trust Fund. The accounting used for these funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 52-53 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 54-77 of this report.

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Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 80-81 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor proprietary funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 84-103 of this report.

Government-wide Financial Analysis

The following tables, graphs and analysis discuss the financial position and changes to the financial position for the town as a whole as of and for the year ended June 30, 2009 with comparative information for the previous year.

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position and condition. In the case of the Town, assets exceeded liabilities by \$137,974,666 at the close of the fiscal year for June 30, 2009, compared to \$136,446,612 for the year ended June 30, 2008, an increase of \$1,528,054.

By far the largest portion of the Town's net assets (74.9%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. 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.

	Governmental Activities		Business-type Activities		Total Primary Government		% Change
	2009	2008	2009	2008	2009	2008	
Current and other assets	\$ 30,319,869	\$ 29,842,388	\$ 21,799,773	\$ 26,331,246	\$ 52,119,642	\$ 56,173,634	(7.2)
Capital assets	77,041,968	78,853,873	104,218,146	104,112,026	181,260,114	182,965,899	(0.9)
Total assets	107,361,837	108,696,261	126,017,919	130,443,272	233,379,756	239,139,533	(2.4)
Long-term liabilities outstanding	31,813,306	33,483,562	41,859,368	45,677,124	73,672,674	79,160,686	(6.9)
Other liabilities	12,330,023	13,914,343	9,402,393	9,617,892	21,732,416	23,532,235	(7.6)
Total liabilities	44,143,329	47,397,905	51,261,761	55,295,016	95,405,090	102,692,921	(7.1)
Net assets:							
Invested in capital assets, net of debt	44,851,930	43,313,477	58,489,349	55,116,392	103,341,279	98,429,869	5.0
Restricted	1,543,521	4,383,493	9,406,011	8,199,752	10,949,532	12,583,245	(13.0)
Unrestricted	16,823,057	13,601,386	6,860,798	11,832,112	23,683,855	25,433,498	(6.9)
Total net assets	\$ 63,218,508	\$ 61,298,356	\$ 74,756,158	\$ 75,148,256	\$ 137,974,666	\$ 136,446,612	1.1

A portion of the Town's net assets, \$10,949,532, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$23,683,855, may be used to meet the Town's ongoing obligations to citizens and creditors. This is a \$1,749,643 decrease from 2008.

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The following table indicates the changes in net assets for governmental and business-type activities:

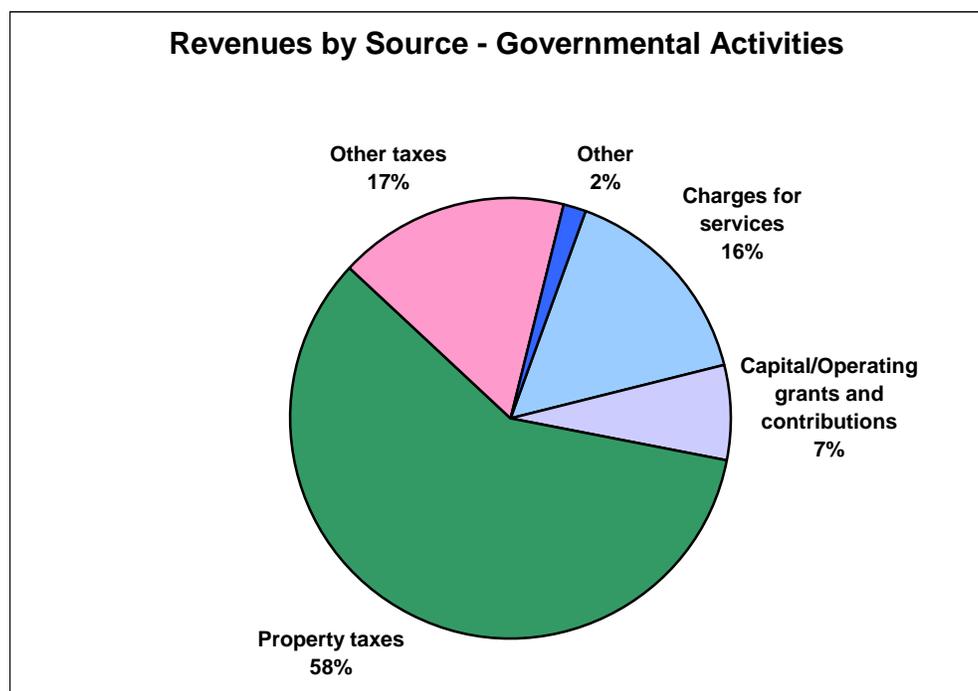
	Governmental Activities		Business-type Activities		Primary Government		%
	2009	2008	2009	2008	2009	2008	
REVENUES							
Program Revenues:							
Charges for current services	\$ 12,712,954	\$ 13,145,744	\$ 25,766,728	\$ 25,247,463	\$ 38,479,682	\$ 38,393,207	0.2%
Operating grants and contributions	2,932,577	2,810,084	4,539,925	4,606,116	7,472,502	7,416,200	0.8
Capital grants and contributions	218,551	292,244	756,286	3,607,552	974,837	3,899,796	(75.0)
General revenues:							
Property taxes	48,025,233	44,320,692	-	-	48,025,233	44,320,692	8.4
Other taxes	13,757,540	13,789,976	-	-	13,757,540	13,789,976	(0.2)
Grants and contributions not restricted to specific programs	2,509,917	628,833	-	-	2,509,917	628,833	299.1
Other revenue	1,304,437	2,111,478	410,228	879,826	1,714,665	2,991,304	(42.7)
Total revenues	<u>81,461,209</u>	<u>77,099,051</u>	<u>31,473,167</u>	<u>34,340,957</u>	<u>112,934,376</u>	<u>111,440,008</u>	1.3
EXPENSES:							
General government	1,673,926	2,299,373	-	-	1,673,926	2,299,373	(27.2)
Public safety	34,517,293	32,345,385	-	-	34,517,293	32,345,385	6.7
General public works and beach	6,675,942	6,090,271	-	-	6,675,942	6,090,271	9.6
Sanitation and waste removal	7,587,896	7,127,947	-	-	7,587,896	7,127,947	6.5
Highways and streets	8,008,372	7,338,573	-	-	8,008,372	7,338,573	9.1
Economic development - Tourism	5,739,043	5,600,101	-	-	5,739,043	5,600,101	2.5
Recreation and culture	8,795,235	8,109,675	-	-	8,795,235	8,109,675	8.5
Interest on long-term debt	1,397,984	1,449,018	-	-	1,397,984	1,449,018	(3.5)
Water	-	-	7,333,521	7,193,221	7,333,521	7,193,221	2.0
Transportation	-	-	8,324,858	8,036,740	8,324,858	8,036,740	3.6
Wastewater	-	-	11,075,781	9,622,464	11,075,781	9,622,464	15.1
Convention Center	-	-	6,265,962	6,003,335	6,265,962	6,003,335	4.4
Other enterprise operations	-	-	4,010,509	3,779,683	4,010,509	3,779,683	6.1
Total expenses	<u>74,395,691</u>	<u>70,360,343</u>	<u>37,010,631</u>	<u>34,635,443</u>	<u>111,406,322</u>	<u>104,995,786</u>	6.1
Increase in net assets before transfers	7,065,518	6,738,708	(5,537,464)	(294,486)	1,528,054	6,444,222	(76.3)
Transfers	<u>(5,145,366)</u>	<u>(5,340,728)</u>	<u>5,145,366</u>	<u>5,340,728</u>	<u>-</u>	<u>-</u>	
Increase in net assets	1,920,152	1,397,980	(392,098)	5,046,242	1,528,054	6,444,222	(76.3)
Net assets prior year	<u>61,298,356</u>	<u>59,900,376</u>	<u>75,148,256</u>	<u>70,102,014</u>	<u>136,446,612</u>	<u>130,002,390</u>	
Net assets current year	<u>\$ 63,218,508</u>	<u>\$ 61,298,356</u>	<u>\$ 74,756,158</u>	<u>\$ 75,148,256</u>	<u>\$ 137,974,666</u>	<u>\$ 136,446,612</u>	1.1

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For the year ended June 30, 2009, the Town reported positive balances in all three categories of net assets, both for the Town as a whole, as well as its separate governmental activities. For business-type activities, balances were positive as a whole, except in the Transportation Fund, which reported unrestricted net deficit of (\$124,282) and two non-major funds, the airport fund and the golf course fund, which reported unrestricted net deficits of (\$54,154) and (\$190,560) respectively. This was a decrease from the prior year for these funds although transfers from the general fund were increased to cover transportation losses from operations. As a whole, the Town's net assets increased \$1,528,054 for the year ending June 30, 2009. The majority of the increase is due to increases in revenues from property taxes and county grants. Total revenues for governmental activities increased \$4,362,158 while expenses increased \$4,035,348.

Governmental activities: Key elements in the revenue increase of \$4,362,158 for governmental activities are as follows:

- Most of the revenue increase was from property taxes. Property tax revenues increased 8.4% or \$3,704,541 as a result of assessment increases of 17% and new construction, although the tax rate was decreased from \$0.41 to \$0.38 per \$100 of assessed value in FY-09. The tax rate has been reduced \$0.14 since 2003. Property taxes comprise 59% of revenue for governmental activities and 42.5% of all Town revenues.
- Revenues in the category, "Other Taxes" decreased (\$32,436) or (.2%). This category includes admissions taxes, income taxes, highway user taxes, and room taxes. Room taxes, the largest revenue source in this category with receipts of \$11,016,045 had an increase of \$296,367, or 2.8% from the prior year due to a rate increase from 4.0% to 4.5% in January 2008. Income taxes were (\$177,660) below 2008 and highway user taxes decreased (\$67,733). Admissions taxes decreased (\$83,662).



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- Revenue for current services decreased (\$432,790) in governmental activities. This was primarily due to a decline in fees from licenses and building permits of (\$261,857). Also, revenue from departmental service fees and sales declined due to a decrease in parking fees of (\$159,609), liquor board sales (\$89,835), waste collection and recycling sales (\$122,329), and revenues from fines and forfeitures, (\$20,123). These decreases were offset by increased revenue from special event fees of \$208,352.
- The revenue recognized from operating and capital grants and other contributions increased 51.7%, or \$1,929,884 primarily due to an increase of \$2,050,000 in the Worcester County grant in lieu of tax differential. The grant reimburses the town for services the town provides in lieu of Worcester County providing the services or reducing the county tax rate for municipal taxpayers. Grants were below the prior year for Program Open Space, (\$182,879), police and security programs, (\$207,450), fire company (\$87,000). FEMA grants increased \$125,192 and there was a \$194,603 private contribution received in 2009 for the trash transfer station.
- Other revenue includes investment earnings, (\$479,935) below the prior year due to lower interest rates, decreasing from a weighted average of 4.0% in FY-2008 to 1.85% in FY-2009. There was also revenue of (\$350,000) less in 2009 due to the sale of land in 2008.

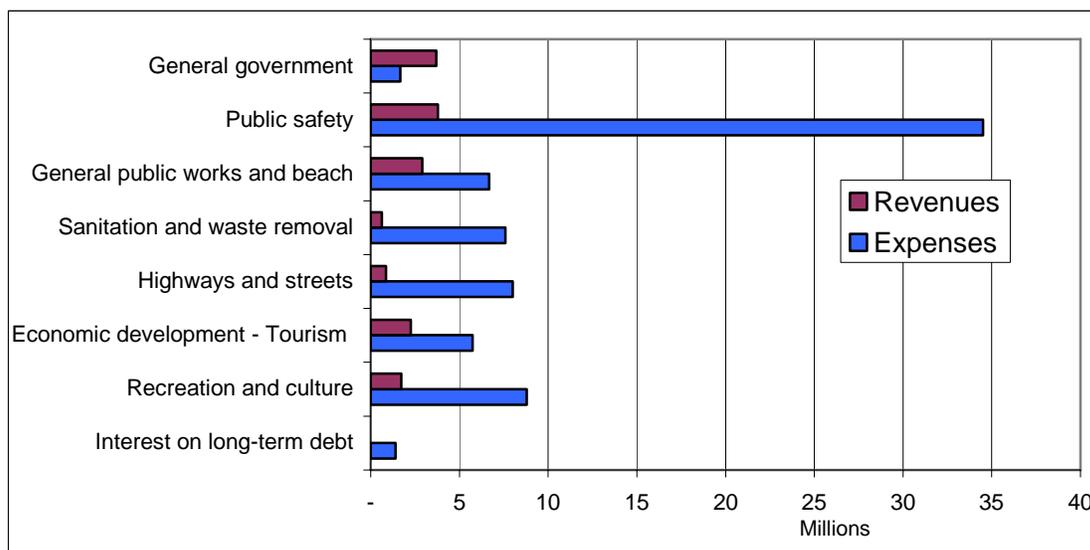
Expenses for governmental activities increased 5.7% or \$4,035,348 in FY-2009 compared to FY-2008 primarily due to the following:

- Wages and employee benefits, which are 58.1% of total expenses, increased 7.4% from the prior year. Wages rose 3.8%, or \$1,140,677, due to salary increases received before July 2008. The cost of employee benefits increased \$2,117,542 or 16.6%. This was due to the increase of \$1,654,213 to fund the liability for retiree health insurance, a change from the prior years of expensing only the cost for current retirees. There were also increases for health insurance of \$91,605, pension contributions of \$94,611, unemployment insurance of \$134,005, and workers compensation insurance costs of \$46,684.
- Other operating expenses increased \$811,675 or 3.0%. The largest increase, \$773,641, was for repair and maintenance of buildings and street repairs including \$577,537 to underground electric lines. There was an increase of \$396,368 for depreciation and \$638,364 for internal and contracted services. The Town defended itself in lawsuits and paid legal fees for union contract negotiations in 2008 which were not incurred in 2009, a reduction of (\$609,400). Vehicle parts, labor and fuel decreased (\$346,687) or 10.7%. Energy costs were (\$40,590) less than 2008 or (3.0%).
- There were percentage increases above 8% in three functional areas: general public works, 9.6%; highways and streets 9.1%; and recreation and culture, 8.5%. The increases were for the above benefits and repairs and maintenance and for recreation and culture, the air show and concerts, expanded events in 2009. Expenses for general government decreased (27.2%) or (\$625,447) due to the reduction in legal fees.

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The following graph indicates the functional revenues and expenses of governmental activities to demonstrate the extent which the governmental functions produce revenues to offset program costs. Expenses not covered by direct program revenues are covered primarily by taxes, licenses, and state and county-shared revenues. Functional revenues covered 21.3% of governmental expenses in FY-2009 compared to 23.1% in FY-2008 and 26.2% in FY-2007.

**GOVERNMENTAL ACTIVITIES
EXPENSES AND PROGRAM REVENUES**



Business-type activities. There was a decrease of (\$392,098) in the Town’s net assets in FY-2009 attributed to business-type activities compared to an increase of \$5,046,242 in FY-2008. Key elements of this decrease are as follows:

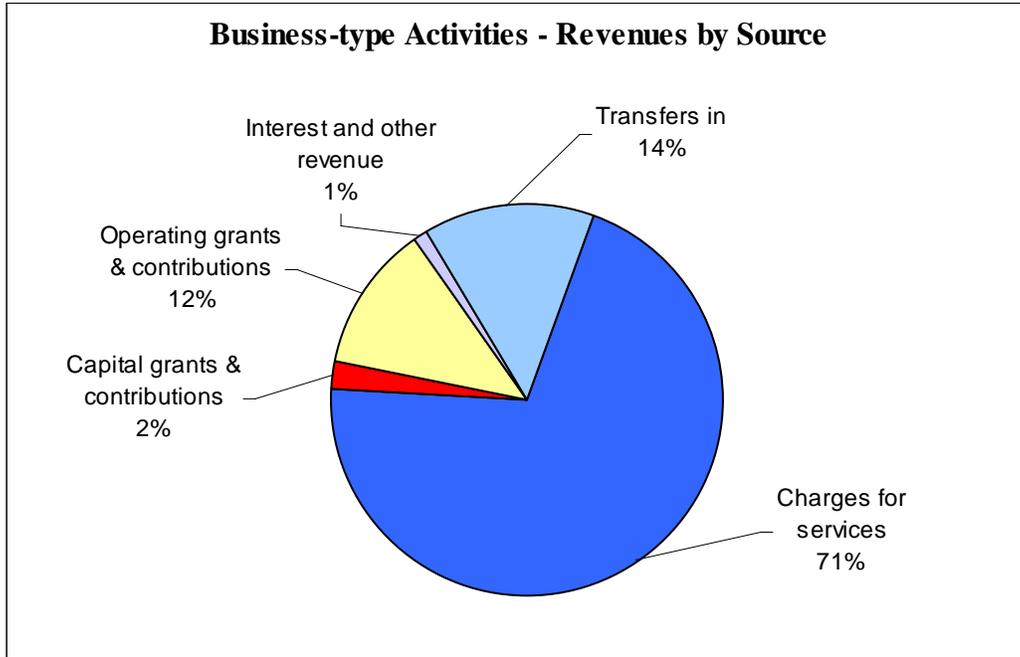
- Service fees for business-type activities increased 2.1%. Scheduled rate increases to cover capital improvement and debt service for water and wastewater utilities yielded \$766,942 above the prior year, but fees for new service connections were (\$197,654) below last year due to a slow down in new construction. Bus and tram revenue decreased (\$166,248) or 4.6%, but operating grants remained the same as 2008. Revenue increased \$52,922 at the convention center for hall rentals. Sales at the golf course were (\$37,405) below the prior year due to a decline in golf packaged travel.
- Airport fuel prices varied widely over the year reducing sales in July through September 2008, peak travel months for general aviation. However, sales stabilized and by year end were \$5,168 above the prior year. Sales for an auxiliary business operation on airport property, concrete recycling, increased \$68,109. Capital grants decreased (\$1,443,729) as in 2008, the airport received \$1,612,190 in federal and state aviation capital grants for improvements.

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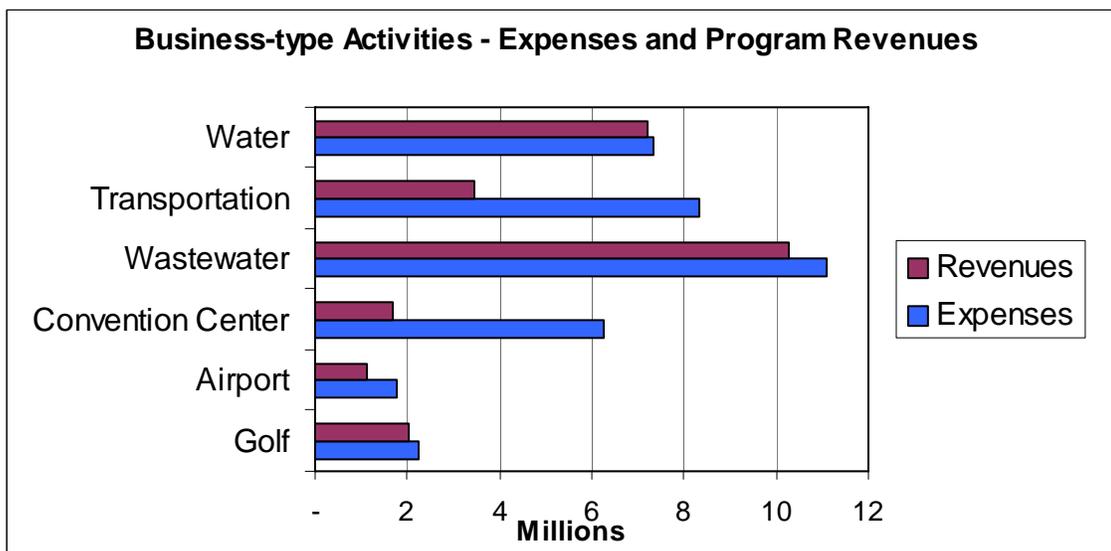
- Expenses increased \$2,375,188 or 6.8% for business-type operations above 2008. Of this, \$573,115 resulted from the increase in the charge to business-type operations for their related losses in internal service funds. Other operating expenses increased \$1,725,884 of which \$637,063 was the increase in the expense for retiree health insurance, now expensed and amortized over the employee's career rather than when paid after retirement.
- In the water fund, operating expenses other than the retiree health insurance noted above were (\$26,929) below the prior year. However, operating expenses for the wastewater fund increased \$1,224,513 or 14.1%. Most of the increase was attributed to an increase in salaries of \$85,995 and benefits of \$364,841, which includes the above increase for retiree health insurance expense of \$354,601. Contracted services increased \$227,311 for electrical repairs and operating supplies cost \$142,734 above 2008 for sensing and control software and chemicals.
- The convention center operating expenses increased \$123,885 or 2%. While the largest increase was for retiree health insurance of \$115,134, energy costs for the building increased \$104,587. There were repairs to the stair rails and the heat and air conditioning control system \$43,044 above the prior year. These increases were offset by reductions in expenses for supplies of (\$188,421).
- The transportation fund received capital grants of \$1,377,385 in 2008. Only \$49,797 was received in 2009 for bus parts and shelters. Operating expenses increased \$288,118 or 3.5%, primarily due to bus depreciation \$197,008, retiree health insurance \$53,340, and unemployment insurance \$28,432 above the prior year. Transfers-in from the General Fund used to subsidize transportation operations were required to be increased \$328,609 from FY-2008.
- Expenses increased \$230,826 in 2009 for non-major funds. Expenses increased \$135,079 for the airport fund. Although the cost of salaries and benefits decreased (\$28,088), costs to purchase fuel increased \$31,817, and repairs to hangars and lighting were \$13,174 above 2008. To subsidize airport operations and provide a 5% match of state and federal capital grants for the navigational system of \$2,220, there was a transfer from the general fund of \$254,229. This is a decrease of (\$253,09) from 2008.
- Operating expenses at the other non-major fund, the golf course, increased \$95,747. Salaries and benefits increased \$70,787, including \$27,727 for retiree health insurance. There was an increase of \$28,791 for the lease of new golf carts. Golf course operating loss, net of depreciation was (\$51,555). To help cover these costs and debt service payments of \$143,336, \$250,000 was transferred from the general fund. The general fund also advanced the golf course \$260,000 in the prior year. \$10,000 was returned to the general fund in 2009.

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As shown in the following graph, 71% of revenues for business-type activities are from service charges:



The following graph indicates the portion of expenses that are covered by service charges to customers for business-type activities. The water and wastewater funds are self-supporting and users or reserves cover all costs. The operations of the transportation, airport, golf course and convention center recovered 49% of expenses from user charges.



Financial Analysis of the Town's Funds

As noted previously, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town's governmental funds is to provide information on current inflows, outflows, and balances of available, spendable resources. Such information is useful in assessing the Town's financing requirements. The amount of unassigned fund balance is a measure of the Town's net resources available at fiscal year end. Unassigned fund balance provides a reserve for emergencies, enables the City Council to stabilize tax rates, and provides working capital from which to pay Town bills between tax collection due dates.

At June 30, 2009, the Town's governmental funds reported a combined ending fund balance of \$15,312,201 compared to \$14,635,490 in 2008. The change in fund balance for the governmental funds was \$676,711. The key factors in this increase were:

- Although the tax rate was decreased 3-cents from \$.41 to \$.38 per \$100 of valuation, assessment increases of 17% resulted in an increase in tax revenues of \$3,769,537.
- Other taxes increased \$90,398 due to a .5% higher tax rate for room taxes. It offset decreases in amounts received for income taxes, highway user taxes, admissions taxes. Room taxes increased of \$296,367, income taxes received were (\$54,826) below 2008, highway user taxes decreased (\$67,733), and admissions tax receipts decreased (\$83,662).
- Revenue from other agencies was \$1,816,078 above receipts in 2008. Grants were below the prior year for Program Open Space, (\$138,283), police and emergency preparedness, (\$147,727), and a county fire company grant (\$87,000). The Town received \$125,192 in FEMA grants above the prior year. In lieu of a county tax differential for Ocean City taxpayers for the cost of services provided by the town instead of Worcester County, the county gave the town a grant of \$2,400,000; which was \$2,050,000 above the amount in 2008. The funds were used to reduce the town tax rate 2-cents, an immediate savings for Ocean City taxpayers.
- The revenue category licenses and permits decreased (\$261,857) from 2008. The decreases were for business licenses (\$57,359), zoning and hearing fees (\$68,056), building permits (\$83,628) and stormwater mitigation fees (\$36,162). The vehicle franchise revenue decreased (\$21,500) from 2008.
- Charges for current services was (\$124,226) less than in 2008. There were decreases in liquor board sales (\$89,835), parking fees (\$159,609), and waste collection and recycling revenue (\$122,329). One category, special event fees, increased \$208,352 as the town strove to promote tourism and lengthen visitor stays.
- Other revenue was (\$703,932) less than in 2008. Interest on investments, the largest component of the other revenue category, was (\$418,325) less than in 2008 as short term interest rates were 2.15% lower on average for the year. Also, in 2008, land was sold for \$350,000. A reimbursement from Nextel for rebanding of radio systems resulted in an increase of \$88,808 above the prior year for radio antennas rental revenue.

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- General Fund expenditures increased \$1,839,638 or 2.7% in 2009. \$1,537,393 of the increase was due to the expense for retiree health insurance, which is now expensed and amortized over the employee's career rather than expensed when paid after retirement. As stated previously, all other expenses and services were tightly controlled and increased only \$302,245 or 0.4%.
- Public Safety comprises 45.8% of all general fund expenditures. The cost of Public Safety increased \$1,289,582, or 70% of the total \$1,839,638 increase in general fund expenditures with \$1,054,083 for retiree health insurance. Other increases were funded by homeland security grants of \$315,531 for an emergency radio station, communication equipment and cameras; and federal and state grants for drug related law enforcement efforts of \$51,950.
- Expenses in the category of general government decreased (\$532,392) primarily for legal and professional services, (\$543,593) below the prior year. Employee benefits in this category increased \$166,355.
- The three categories of public works had an overall increase of \$582,221; general public works and beach, \$272,691, sanitation and waste removal, \$138,672, and highways and streets, \$170,858. Decreases from the prior year offsetting retiree health benefit were for vehicle maintenance and fuel, (\$160,484), maintenance and repairs (\$37,646), and energy costs for buildings (\$35,852). Capital purchases included a land easement of \$151,060, a generator, \$38,120, and a bulkhead \$22,409. No capital equipment was expensed in 2008.
- Expenses for the category recreation and culture increased \$490,818. Major repairs and improvements totaling \$307,541 were made to preserve the historic Coast Guard watch tower and life saving station which houses the Ocean City museum.
- Economic development and tourism was a major focus in 2009 due to the recession and changes in vacation trends. In FY-2008, community leaders in the hotel industry supported an increase in the hotel room tax of .5% to be dedicated to advertising and promotion of the Ocean City as a tourist destination. An additional \$1,330,954 was spent in this category in 2008, an increase of 32.7%, and it was increased an additional \$126,940 in 2009.
- Debt service was (\$43,153) less in 2009 than in 2008. Also, the Town incurred issuance costs of \$70,733 expensed to the general fund in 2008, which was not an expense in 2009. The average interest rate on general fund debt is 4.1%.
- Transfers to other funds were \$6,019,382 in 2009 compared to \$7,405,672 in 2008. This was a decrease of (\$1,386,290). Transfers to capital projects were decreased (\$1,190,928) reducing pay-as-you-go projects. Also, there was a transfer to the vehicle equipment fund of \$386,290 made in 2008 to purchase additional vehicles that was not made in 2009.

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The fund balance for non-major funds, capital projects, decreased (\$2,829,972) as remaining proceeds from the 2007 Municipal Purpose Bonds were spent to complete ongoing projects. In 2009, revenues of \$539,852 were received from capital contributions, service charges, and interest income. A transfer from the general fund of \$874,016 was dedicated to the following pay-as-you-go improvements:

Street paving	\$ 301,436
South Ocean drive boardwalk	80,000
Undergrounding utilities	492,580

By year-end, expenditures were made of \$4,243,840, which resulted in the (\$2,829,972) change in fund balance. Remaining fund balance of \$1,293,521 is anticipated to be expensed in the next fiscal year to complete the projects and is dedicated as follows:

Restricted for capital projects	\$ 166,068
Committed for contracts and purchase orders	118,881
Committed for capital projects	1,008,572

The general fund is the chief operating fund of the Town and accounts for major functions of the government including public safety, highways and streets, solid waste disposal, parks and recreation, economic development and general administrative services. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. At June 30, 2009, unassigned general fund balance was \$13,005,682, which represents 16.9% of general fund expenditures and other uses. Total general fund balance represents 18.2% of total expenditures and other uses at year-end. At the end of the prior year, the percentage was 13.7%.

Proprietary funds. The Town's proprietary funds provide the same information found in the government-wide financial statements but in more detail. Two major funds, transportation and wastewater, and a non-major fund, the airport fund, reported deficits in unrestricted net assets of (\$82,736), (\$216,696), and (\$187,328). The transportation fund receives operating grants from the state and federal governments, but the grants have not increased in proportion to increases in wages, fuel and vehicle maintenance. The wastewater fund had a large expense increase of \$354,601 for retiree health insurance, which resulted in its loss. Due to high fuel prices nationwide, private air travel was down which reduced profits from fuel sales at the airport.

A gain of \$150,576 was reported in the water fund. The water fund made \$1,605,910 of infrastructure improvements on a pay-as-you-go basis in FY-09, which was \$23,435 above the \$1,582,475 charge to depreciation.

As noted above, the wastewater fund had a loss of (\$216,696), however, investment in capital assets of \$3,548,895 was more than 1.4 times the charge to depreciation indicating the continual improvements to the plant and collection system.

The convention center had an operating loss of (\$4,021,587) compared to a loss of (\$3,950,624) in 2008. However, the convention center received subsidies of \$1,703,108 by both the Maryland Stadium Authority and the Town, limiting the decrease in the unrestricted net assets of the convention center to (\$178,745). Debt service for the fund is supported by a tax on food and beverages in Ocean City. The debt sinking fund had a balance of \$9,406,011 at year-end and is

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shown as a restricted net asset. Other factors concerning proprietary funds are addressed in the discussion of the Town's business-type activities.

Fiduciary funds. Due to the global recession and the crises in financial markets in 2008 and 2009, the pension plans had combined investment losses of (\$12,066,775) or (29.1%) based on the fair value of the investments. To calculate the value of assets for pension funding, the pension trustees approved changing the actuarial value of assets from fair value to a 5-year average actuarial valuation of assets that reflects a five-year phase-in of actual versus expected return. This reduces large fluctuations in the contributions due to temporary or one-year changes in the market value of investments and is both rational and responsible for pension plans, which have both long-term investments and long-term liabilities. Also for 2009, the pension trustees changed the required contribution calculation methodology from a 10-year, level percent of pay, closed gain/loss basis to contributing on a 10-year, level percent of pay, open gain/loss basis. This resulted in a smoothing of payments compared to the previous methodology by netting actuarial gains and losses.

Using the 5-year average actuarial valuation of assets, the General Employees Pension Plan had an actuarial loss of (\$1,867,067). Investment returns were below actuarial assumptions by (\$2,157,205). There were actuarial gains from retirements, terminations, expense assumptions, and salary changes below assumptions of \$678,974, and additional actuarial losses due to fewer new entrants and the change in the contribution policy of (\$388,836). The Public Safety Employees Pension Plan experienced an actuarial loss of (\$3,200,336). Fewer new entrants, retirements and terminations resulted in an actuarial loss of (\$727,931). Investment returns were (\$2,085,988) lower than assumed and there was a loss of (\$543,212) due to the change in the contribution policy. There was an actuarial gain of \$30,074 as expenses were less than anticipated.

The General Employees Pension Plan funded ratio, an indicator of funding status, decreased from 72.0% to 71.8% due to the above actuarial losses. Employees contribute 5% of pay to the plan and the Town contributed \$2,474,479, or 11.2% of pay, to the plan with a ten-amortization of the unfunded actuarial liability with the exception of plan improvements made in 2004 that are being amortized over 20 years.

The funded ratio decreased from 69.4% to 68.1% for the Public Safety Employees Pension Plan due to the above investment losses. Employees contribute 8-8.5% of pay to the plan. The Town contributed \$2,721,333 to the plan, or 23.9% of pay, which includes a 10-year amortization of the unfunded liabilities for the plans. Additional information on the pension plans can be found on pages 73-77 of this report.

In 2009, the Town established a trust fund to provide for retiree health insurance benefits. The Other Post employment Benefits Trust (OPEB Trust) is a defined benefit healthcare plan whose assets may be expended solely to pay for post employment benefits and the costs of administering the trust fund. The Town had an actuarial study prepared in March 2009. The accrued liability for the plan is \$28,958,000 and it is being amortized over 30 years. The Town made the annual required contribution of \$3,104,000 to the plan in 2009. Additional information on the OBEB Trust can be found on pages 71-72 of this report.

General Fund Budgetary Highlights

Amendments to the adopted budget may occur during the year in a legally permissible procedure (see Note 3.A. on page 60). Two amendments were made in FY-2009. Differences between the original budget and final amended budget for the general fund resulted in recognition of \$581,707 in additional revenues, a \$109,199 increase in appropriations for operations, and an increase of \$472,508 for transfers to other funds. Significant appropriation changes were made as follows:

- To recognize state and federal grants of \$554,981 and to expend grant proceeds of \$315,531 from Homeland Security, \$51,950 from the US Justice Department and \$187,500 from the State for tourism development.
- To decrease anticipated revenue from building permits and fire inspection fees (\$297,629); room taxes (\$547,803); income, highway user, and admissions taxes (\$187,992); parking and waste collection fees (\$273,893) and interest (\$224,055). To increase budgeted revenue from property taxes of \$735,162, recreation and event fees of \$274,719 and donations of \$168,896 for boardwalk benches, wheelchairs, and trees.
- To approve additional expenditures of \$151,060 for a non-tidal wetlands easement and boardwalk benches for \$90,310. To reduce appropriations for street repairs and decorative brick pavers of (\$356,436), for advertising of (\$133,843), for tipping fees (\$114,716), and recreation services and supplies of (\$97,000).
- To increase transfers to the Capital Improvement fund; \$20,000, for railings on the bulkhead on South Ocean Drive; \$301,148 for street paving; \$28,220 to the Airport fund for local contribution for the navigation system and unemployment costs; and \$250,000 to the golf course fund due to projected revenue shortfalls. To decrease the transfer to the Transportation Fund (\$127,148) to decrease local contribution for capital equipment not approved for federal grant funding this fiscal year and due to less hiring of part-time employees.

During the year, revenues were less than final budgetary estimates by (\$425,343) and expenditures were (\$3,169,028) less than anticipated, resulting in a favorable variance from the budget of \$2,743,685 or 3.6% of budgeted expenditures. The key elements of this variation were:

- The category of revenue from other agencies was (\$427,405) less than anticipated for FEMA grant funded projects not completed by year-end of \$376,262. Funds to install the revetment on South Ocean Drive were \$139,716 less than anticipated as the project was completed under budget.
- The largest variances for expenditures were for public safety, which was (\$1,235,146) under budget for the following divisions, police (\$869,459), fire department (\$167,815) and communications and emergency services (\$197,872). As the financial crises deepened over the fiscal year, cost cutting measures were made which froze hiring, reduced expenditures for repairs and supplies. Capital equipment for the grant funded expenditures is anticipated to be purchased in the next fiscal year.
- Other functional divisions were restricted from hiring, saving (\$458,893), and also limited spending for repairs (\$403,516), supplies (\$360,126), and purchased services (\$512,779).

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Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2009, was \$181,260,114 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, streets, infrastructure, machinery and equipment. The total decrease in capital assets for the current fiscal year was (0.9%) comprised of a (2.3%) decrease for governmental activities and a 0.1% increase for business-type activities. Depreciation exceeded additions of \$11,173,637 in FY-2009 by \$1,015,495 or 9%. The total value of all capital assets has been reduced 47.3% by depreciation.

Major capital asset additions for the year ending June 30, 2009, included the following:

Addition to public safety building	\$ 66,429
Lifesaving Museum	87,355
Wetlands easement	151,060
South Ocean Drive revetment	502,127
Public works shops	590,273
St Louis Avenue design	362,248
Street paving	1,164,023
Jamestown road improvements	1,404,434
Northside Park restrooms and press box	531,914
Subaqueous water mains	1,115,495
Wight Street water main	793,586
38 th Street well	434,235
Artic Avenue pumping station	698,495
Upgrade of wastewater influent pumps	2,969,552
Jamestown Road pumping station	1,118,920
Aeration basin	910,421
Airport navigation system	51,014
Vehicles and heavy equipment	1,339,424

A table of the Town's capital assets by type, net of depreciation, is listed below. Additional information can be found in Note 6 on page 64 of this report.

TOWN OF OCEAN CITY'S Capital Assets

	Governmental Activities		Business-type Activities		Total Primary Government		% Change
	2009	2008	2009	2008	2009	2008	
Land	\$ 14,739,346	\$ 14,588,286	\$ 16,390,595	\$ 16,390,595	\$ 31,129,940	\$ 30,978,881	0.5%
Buildings	24,072,690	23,759,035	45,045,714	46,384,638	69,118,403	70,143,673	(1.5)
Other improvements	6,049,129	6,357,125	1,988,507	1,667,880	8,037,636	8,025,005	0.2
Streets and infrastructure	13,560,378	13,505,580	15,178,645	13,217,239	28,739,023	26,722,819	7.5
Machinery and equipment	16,663,289	18,749,316	23,909,286	22,121,674	40,572,576	40,870,990	(0.7)
Construction in progress	1,957,136	1,894,531	1,705,399	4,330,000	3,662,536	6,224,531	(41.2)
	<u>\$ 77,041,968</u>	<u>\$ 78,853,873</u>	<u>\$ 104,218,146</u>	<u>\$ 104,112,026</u>	<u>\$ 181,260,114</u>	<u>\$ 182,965,899</u>	(0.9)

Debt Administration. At June 30, 2009, the Town had total general obligation bonded debt, backed by the full faith and credit of the Town, outstanding of \$75,925,127, net of deferred amounts. The remainder of the Town's debt is comprised of notes payable to the State of Maryland for \$534,461, mortgage notes payable of \$1,000,000 and capital leases for equipment with the present value of future minimum lease payments totaling \$459,247.

An interest free loan from the Maryland Department of Natural Resources to build a revetment on South Ocean Drive was reduced by \$139,716. The Town also paid current maturities of \$6,521,813.

Outstanding general obligation debt represents 0.62% of the assessed valuation of property in the Town. The debt limit is 5.2% of assessments, leaving a legal debt margin of \$560 million dollars.

The Town's bonds are insured by the Municipal Bond Insurance Association (MBIA) or the Financial Guaranty Insurance Company (FGIC). On January 31, 2008, S&P downgraded FGIC's rating from AAA to AA. Moody's downgraded FGIC's rating on February 14, 2008 from AAA to A3. On June 19, 2008, Moody's downgraded MBIA's rating from AAA to A2.

The Town has obtained underlying ratings on its bonds in 2007 from Moody's Investor Services Inc, "A1", Standard and Poor's Corporation, "A", and Fitch Ratings, "A+". Additional information on the Town's debt can be found in Note 8 on pages 66-70 of this report.

Economic Factors and Next Year's Budget and Rates

- The Town has experienced a four-year rise in assessments of 212% from 2005 to 2009. However, the market value of property in the resort decreased 13% for the 2010 fiscal year and is expected to decline further in 2011 due to national economic conditions.
- Hotel and rental sales decreased (4.76%) in 2009, but are anticipated to be stable in 2010 as Ocean City remains a convenient travel destination from metropolitan areas. The Town will continue to dedicate a portion of hotel room taxes to increased advertising of Ocean City as a resort destination.
- Non-union employees did not receive wage increases or cost-of-living adjustments in fiscal year 2010. Also, the police and fire fighter unions voluntarily agreed to forgo contracted wage increases and a 3% cost-of-living adjustment for the 2010 fiscal year.
- The Town will continue to encourage events and festivals in the off-season to attract visitors. These events have greatly improved business in the spring and fall.
- Legislation was passed by the General Assembly to permit the Town to borrow \$5 million dollars for convention center improvements with debt service paid from food tax receipts. The Town has requested that the State of Maryland participate in the convention center improvements through the oversight of the Maryland Stadium Authority.

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- The demand for Town services has changed from being primarily seasonal to year round, but the focus in the 2010 budget was to reduce or stabilize costs and all hiring was frozen.

All of these factors were considered in preparing the Town's budget for the 2010 fiscal year. To maintain service levels, the real property tax rate was increased from \$0.38 per \$100 of valuation to \$0.395 per \$100 of valuation. However, assessment decreases of 13% decreased anticipated tax revenues (\$3,302,325).

Request for Information

This financial report is designed to provide a general overview of the Town of Ocean City's finances for all those with an interest in the town's finances. Questions concerning any information provided in this report or requests for additional information should be addressed to the Finance Administrator, Town of Ocean City, PO Box 158, Ocean City, Maryland, 21843.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide an overview of the various financial schedules in this report. The information can be used to obtain a summary of the Town's financial transactions.



TOWN OF OCEAN CITY
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 5,046,710	\$ 3,581,274	\$ 8,627,984
Investments	15,431,671	3,520,843	18,952,514
Receivables, net	3,014,480	2,612,341	5,626,821
Interest receivable	63,046	93,498	156,544
Intergovernmental receivable	4,103,243	942,735	5,045,978
Internal balances	1,439,383	(1,439,383)	-
Inventories	966,936	517,836	1,484,772
Other	4,400	2,500	6,900
Total current assets	<u>30,069,869</u>	<u>9,831,644</u>	<u>39,901,513</u>
Noncurrent assets:			
Restricted investments	-	12,218,129	12,218,129
Advances to other funds	250,000	(250,000)	-
Capital assets:			
Land	14,739,346	16,390,595	31,129,941
Buildings	36,298,526	92,831,691	129,130,217
Other improvements	20,683,148	4,851,362	25,534,510
Streets and infrastructure	38,769,111	31,674,861	70,443,972
Machinery and equipment	41,557,023	42,569,240	84,126,263
Construction in progress	1,957,136	1,705,398	3,662,534
Less accumulated depreciation	<u>(76,962,322)</u>	<u>(85,805,001)</u>	<u>(162,767,323)</u>
Total noncurrent assets	<u>77,291,968</u>	<u>116,186,275</u>	<u>193,478,243</u>
Total assets	<u>107,361,837</u>	<u>126,017,919</u>	<u>233,379,756</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,641,987	1,061,577	2,703,564
Accrued expenses	1,651,143	839,864	2,491,007
Compensated absences	1,973,515	451,166	2,424,681
Unearned Revenue	1,047,806	3,021,326	4,069,132
Claims and judgments	868,925	-	868,925
Other	2,163,142	159,031	2,322,173
Current portion of long-term debt	2,983,505	3,869,429	6,852,934
Total current liabilities	<u>12,330,023</u>	<u>9,402,393</u>	<u>21,732,416</u>
Noncurrent liabilities:			
Bonds, notes, and loans payable	29,206,533	41,859,368	71,065,901
Other noncurrent liabilities	2,606,773	-	2,606,773
Total noncurrent liabilities	<u>31,813,306</u>	<u>41,859,368</u>	<u>73,672,674</u>
Total liabilities	<u>44,143,329</u>	<u>51,261,761</u>	<u>95,405,090</u>
NET ASSETS			
Invested in capital assets, net of related debt	44,851,930	58,489,349	103,341,279
Restricted for debt service	-	9,406,011	9,406,011
Restricted for capital projects	1,293,521	-	1,293,521
Restricted for other purposes	250,000	-	250,000
Unrestricted	16,823,057	6,860,798	23,683,855
Total net assets	<u>\$ 63,218,508</u>	<u>\$ 74,756,158</u>	<u>\$ 137,974,666</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF OCEAN CITY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 6,347,181	\$ (4,673,255)	\$ 3,699,975	\$ -
Public safety	33,219,125	1,298,168	1,696,096	2,081,756
General public works and beach	6,652,633	23,309	2,888,571	20,858
Sanitation and waste removal	7,212,669	375,227	430,535	-
Highways and streets	7,629,342	379,030	715,568	142,463
Economic development - Tourism	5,514,284	224,759	1,675,547	587,500
Recreation and culture	8,435,610	359,625	1,606,662	100,000
Interest on long-term debt	1,397,984	-	-	-
Total governmental activities	<u>76,408,828</u>	<u>(2,013,137)</u>	<u>12,712,954</u>	<u>2,932,577</u>
Business-type activities:				
Water	6,769,533	563,988	7,204,163	-
Transportation	7,879,844	445,014	3,439,218	825,502
Wastewater	10,464,756	611,025	10,274,178	-
Convention Center	6,067,979	197,983	1,691,850	3,714,423
Airport	1,676,376	73,583	1,139,331	-
Golf Course	2,139,006	121,544	2,017,988	-
Total business-type activities	<u>34,997,494</u>	<u>2,013,137</u>	<u>25,766,728</u>	<u>4,539,925</u>
Total primary government	<u>\$ 111,406,322</u>	<u>\$ -</u>	<u>\$ 38,479,682</u>	<u>\$ 7,472,502</u>

General revenues:
Property taxes
Property tax penalties and interest
Sales and income taxes
Grants and contributions not restricted to specific programs
Investment earnings
Other revenue

Transfers
Total general revenues and transfers
Increase (decrease) in net assets
Net assets - beginning
Net assets - ending

The notes to the financial statements are an integral part of this statement.

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ 2,026,049	\$ -	\$ 2,026,049
-	(30,739,441)	-	(30,739,441)
-	(3,766,513)	-	(3,766,513)
194,903	(6,962,458)	-	(6,962,458)
-	(7,150,341)	-	(7,150,341)
-	(3,475,996)	-	(3,475,996)
23,648	(7,064,925)	-	(7,064,925)
-	(1,397,984)	-	(1,397,984)
218,551	(58,531,609)	-	(58,531,609)
108,380	-	(20,978)	(20,978)
49,797	-	(4,010,341)	(4,010,341)
379,647	-	(421,956)	(421,956)
50,000	-	(809,689)	(809,689)
168,462	-	(442,166)	(442,166)
-	-	(242,562)	(242,562)
756,286	-	(5,947,692)	(5,947,692)
\$ 974,837	(58,531,609)	(5,947,692)	(64,479,301)
	47,641,429	-	47,641,429
	383,804	-	383,804
	13,757,540	-	13,757,540
	2,509,917	-	2,509,917
	683,113	410,228	1,093,341
	621,324	-	621,324
	(5,145,366)	5,145,366	-
	60,451,761	5,555,594	66,007,355
	1,920,152	(392,098)	1,528,054
	61,298,356	75,148,256	136,446,612
	\$ 63,218,508	\$ 74,756,158	\$ 137,974,666

TOWN OF OCEAN CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	Major Fund	Nonmajor Funds	Total Governmental Funds
	General	Capital Projects	
ASSETS			
Cash and cash equivalents	\$ 4,974,047	\$ 34,678	\$ 5,008,725
Investments	9,778,675	1,426,216	11,204,891
Accounts receivable, net of allowances for uncollectibles	3,013,375	1,105	3,014,480
Intergovernmental receivable	4,103,243	-	4,103,243
Due from other funds	670,000	-	670,000
Interest receivable	16,373	310	16,683
Other	4,400	-	4,400
Advances to other funds	250,000	-	250,000
	<u>\$ 22,810,113</u>	<u>\$ 1,462,309</u>	<u>\$ 24,272,422</u>
LIABILITIES			
Accounts payable	\$ 4,398,946	\$ 168,788	\$ 4,567,734
Other	2,163,142	-	2,163,142
Deferred revenue	2,229,345	-	2,229,345
	<u>8,791,433</u>	<u>168,788</u>	<u>8,960,221</u>
FUND BALANCES			
Fund balance: Restricted for capital projects	-	166,068	166,068
Committed for encumbrances		118,881	118,881
Committed for capital projects	-	1,008,572	1,008,572
Assigned for advances	250,000	-	250,000
Assigned for encumbrances	762,998		762,998
Unassigned	13,005,682	-	13,005,682
	<u>14,018,680</u>	<u>1,293,521</u>	<u>15,312,201</u>
Total liabilities and fund balances	<u>\$ 22,810,113</u>	<u>\$ 1,462,309</u>	

Adjustments for the Statement of Net Assets:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	64,973,187
Other long-term assets are not available to pay for current-period expenditures and therefore are offset by deferred revenue in the governmental funds. (Note 5)	1,181,539
Internal service funds are used by management to charge the costs of equipment replacement; and, therefore, the assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets, net of portion credited to business-type activities, \$979,383	13,753,561
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. (Note 2)	<u>(32,001,980)</u>
Net assets of governmental activities	<u>\$ 63,218,508</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF OCEAN CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Major Fund	Nonmajor Funds	Total Governmental Funds
	General	Capital Projects	
REVENUES			
Property taxes	\$ 47,881,933	\$ -	\$ 47,881,933
Other taxes	13,922,143	-	13,922,143
Licenses and permits	3,811,003	-	3,811,003
Fines and forfeitures	612,431	-	612,431
Charges for current services	7,996,752	292,768	8,289,520
Revenue from other agencies	5,521,329	-	5,521,329
Other revenue	881,064	247,084	1,128,148
Total revenues	80,626,655	539,852	81,166,507
EXPENDITURES			
Current:			
General government	3,869,464	-	3,869,464
Public safety	32,529,629	108,620	32,638,249
General public works and beach	5,255,801	1,111,830	6,367,631
Sanitation and waste removal	6,780,645	3,591	6,784,236
Highways and streets	5,491,548	2,304,510	7,796,058
Economic development - Tourism	5,524,269	-	5,524,269
Recreation and culture	8,135,528	662,789	8,798,317
Debt service			
Principal	2,164,178	-	2,164,178
Interest	1,349,528	52,500	1,402,028
Total expenditures	71,100,590	4,243,840	75,344,430
Excess (deficiency) of revenues over expenditures	9,526,065	(3,703,988)	5,822,077
OTHER FINANCING SOURCES (USES)			
Transfers in	-	916,016	916,016
Transfers out	(6,019,382)	(42,000)	(6,061,382)
Total other financing sources and (uses)	(6,019,382)	874,016	(5,145,366)
Net change in fund balance	3,506,683	(2,829,972)	676,711
Fund balance at beginning of year	10,511,997	4,123,493	14,635,490
Fund balance at end of year	<u>\$ 14,018,680</u>	<u>\$ 1,293,521</u>	<u>\$ 15,312,201</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF OCEAN CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Amounts reported for governmental activities in the statement of activities
(pages 38 and 39) are different because:

Net change in fund balances for total governmental funds (page 41) \$ 676,711

Governmental funds report capital outlays as expenditures. However, in the statement
of activities the costs of capital assets are allocated over their useful life and reported
as depreciation expense.

Capital outlay	\$ 3,718,203	
Depreciation expense	(3,634,935)	
Depreciation expense exceeded capital outlay in the current period by:		83,268

Revenues in the statement of activities that do not provide current financial resources
are not reported as revenues in governmental funds.

Accrued local income tax	\$ (164,603)	
Property taxes deferred in prior year	143,301	(21,302)

The issuance of long-term debt provides current financial resources to governmental
funds, while the repayment of the principal of long term debt consumes the current
financial resources of governmental funds. Neither transaction has any effect on net
assets. Also, governmental funds report the effect of issuance costs, premiums,
discounts, and similar items when debt is first issued, whereas these amounts are
deferred and amortized in the statement of activities. This amount is the net effect of
these differences in the treatment of long-term debt and related items.

Principal payments on general obligation debt	\$ 2,164,178	
Reduction in state loan	139,713	
Amortization of loss on refunding of debt	7,339	2,311,230

Some expenses reported in the statement of activities do not require the use of current
financial resources and are not reported as expenditures in governmental funds.

Accrued interest on debt	\$ 26,051	26,051
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Internal service funds are used by management to charge the costs of certain activities
to individual funds. The net revenue of internal service funds is reported with
governmental activities.

(1,155,806)

Change in net assets of governmental activities (page 39)

\$ 1,920,152

The notes to the financial statements are an integral part of this statement.

TOWN OF OCEAN CITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual	Encumbrances	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final				
REVENUES						
Property taxes	\$ 47,146,932	\$ 47,882,094	\$ 47,881,933	\$ -	\$ 47,881,933	\$ (161)
Other taxes	14,657,241	13,921,446	13,922,143	-	13,922,143	697
Licenses and permits	4,000,340	3,811,829	3,811,003	-	3,811,003	(826)
Fines and forfeitures	653,400	608,712	612,431	-	612,431	3,719
Charges for current services	8,130,254	7,980,369	7,996,752	-	7,996,752	16,383
Revenue from other agencies	4,858,498	5,753,831	5,521,329	-	5,521,329	(232,502)
Other revenue	1,023,626	1,093,717	881,064	-	881,064	(212,653)
Total revenues	80,470,291	81,051,998	80,626,655	-	80,626,655	(425,343)
EXPENDITURES						
Current:						
General government	4,168,340	4,170,058	3,869,464	8,925	3,878,389	291,669
Public safety	33,490,061	34,191,534	32,529,629	426,759	32,956,388	1,235,146
General public works and beach	5,798,847	5,859,261	5,255,801	101,994	5,357,795	501,466
Sanitation and waste removal	7,438,885	7,324,169	6,780,645	59,667	6,840,312	483,857
Highways and streets	5,976,339	5,718,167	5,491,548	24,308	5,515,856	202,311
Economic development - Tourism	5,777,860	5,644,017	5,524,269	90,172	5,614,441	29,576
Recreation and culture	8,546,104	8,398,429	8,135,528	51,173	8,186,701	211,728
Debt service	3,726,981	3,726,981	3,513,706	-	3,513,706	213,275
Total expenditures	74,923,417	75,032,616	71,100,590	762,998	71,863,588	3,169,028
Excess (deficiency) of revenues over expenditures	5,546,874	6,019,382	9,526,065	(762,998)	8,763,067	2,743,685
OTHER FINANCING USES						
Transfers out	(5,546,874)	(6,019,382)	(6,019,382)	-	(6,019,382)	-
Total other financing uses	(5,546,874)	(6,019,382)	(6,019,382)	-	(6,019,382)	-
Net change in fund balances	-	-	3,506,683	(762,998)	2,743,685	2,743,685
Fund balance, beginning of year	10,511,997	10,511,997	10,511,997	-	10,511,997	-
Fund balance, end of year	<u>\$ 10,511,997</u>	<u>\$ 10,511,997</u>	<u>\$ 14,018,680</u>	<u>\$ (762,998)</u>	<u>\$ 13,255,682</u>	<u>\$ 2,743,685</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF OCEAN CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Business-type Activities - Enterprise Funds		
	Water	Transportation	Wastewater
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 36,583	\$ 6,981	\$ 3,486,372
Investments	2,337,046	-	376,059
Receivables, net	1,363,510	77,088	907,685
Interest receivable	-	-	20
Intergovernmental receivable	-	142,151	17
Inventories	-	-	391,187
Other	-	-	-
Total current assets	<u>3,737,139</u>	<u>226,220</u>	<u>5,161,340</u>
Noncurrent assets:			
Restricted investments	-	-	-
Capital assets:			
Land	755,019	-	420,345
Buildings	18,432,672	3,009,327	40,957,526
Other improvements	3,245,712	81,837	836,673
Streets and infrastructure	21,499,378	-	4,275,103
Machinery and equipment	4,831,773	270,459	35,680,278
Construction in progress	-	-	1,654,384
Less accumulated depreciation	(29,590,698)	(1,939,581)	(37,332,549)
Total noncurrent assets	<u>19,173,856</u>	<u>1,422,042</u>	<u>46,491,760</u>
Total assets	<u>22,910,995</u>	<u>1,648,262</u>	<u>51,653,100</u>
LIABILITIES			
Current liabilities:			
Accounts payable	84,285	24,894	654,054
Accrued expenses	146,169	150,866	302,002
Compensated absences	82,757	39,742	159,293
Due to other funds	-	135,000	-
Deferred revenue	-	-	-
Claims and judgments	-	-	-
Other	133,232	-	25,799
Current portion of long-term debt	1,067,328	-	1,663,382
Total current liabilities	<u>1,513,771</u>	<u>350,502</u>	<u>2,804,530</u>
Noncurrent liabilities:			
Claims and judgments	-	-	-
Advanced from other funds	-	-	-
Bonds, notes, and loans payable	7,623,841	-	22,977,225
Total noncurrent liabilities	<u>7,623,841</u>	<u>-</u>	<u>22,977,225</u>
Total liabilities	<u>9,137,612</u>	<u>350,502</u>	<u>25,781,755</u>
NET ASSETS			
Invested in capital assets, net of related debt	10,482,687	1,422,042	21,851,153
Restricted for debt service	-	-	-
Unrestricted	3,290,696	(124,282)	4,020,192
Total net assets	<u>\$ 13,773,383</u>	<u>\$ 1,297,760</u>	<u>\$ 25,871,345</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.
Net assets of business-type activities

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds			Governmental Activities
Convention Center	Nonmajor Enterprise Funds	Total	Internal Service
\$ 9,509	\$ 41,829	\$ 3,581,274	\$ 37,985
807,738	-	3,520,843	4,226,780
92,474	171,584	2,612,341	-
92,275	1,203	93,498	46,363
743,784	56,783	942,735	-
-	126,649	517,836	966,936
-	2,500	2,500	-
<u>1,745,780</u>	<u>400,548</u>	<u>11,271,027</u>	<u>5,278,064</u>
9,406,011	2,812,118	12,218,129	-
7,456,616	7,758,615	16,390,595	-
25,937,286	4,494,880	92,831,691	1,447,083
59,266	627,874	4,851,362	31,545
-	5,900,380	31,674,861	-
1,141,924	644,806	42,569,240	37,130,425
-	51,014	1,705,398	-
(10,419,122)	(6,523,051)	(85,805,001)	(26,540,272)
<u>33,581,981</u>	<u>15,766,636</u>	<u>116,436,275</u>	<u>12,068,781</u>
<u>35,327,761</u>	<u>16,167,184</u>	<u>127,707,302</u>	<u>17,346,845</u>
75,297	223,047	1,061,577	232,395
160,626	80,201	839,864	80,860
123,439	45,935	451,166	114,466
325,000	-	460,000	210,000
163,129	2,858,197	3,021,326	-
-	-	-	868,925
-	-	159,031	-
938,934	199,785	3,869,429	365,869
<u>1,786,425</u>	<u>3,407,165</u>	<u>9,862,393</u>	<u>1,872,515</u>
-	-	-	2,606,773
-	250,000	250,000	-
6,436,609	4,821,693	41,859,368	93,379
<u>6,436,609</u>	<u>5,071,693</u>	<u>42,109,368</u>	<u>2,700,152</u>
<u>8,223,034</u>	<u>8,478,858</u>	<u>51,971,761</u>	<u>4,572,667</u>
16,800,427	7,933,040	58,489,349	11,609,533
9,406,011	-	9,406,011	-
898,289	(244,714)	7,840,181	1,164,645
<u>\$ 27,104,727</u>	<u>\$ 7,688,326</u>	<u>75,735,541</u>	<u>\$ 12,774,178</u>
		(979,383)	
		<u>\$ 74,756,158</u>	

TOWN OF OCEAN CITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Business-type Activities - Enterprise Funds	
	Water	Transportation
Operating revenues:		
Charges for sales and services	\$ 7,204,163	\$ 3,439,218
Miscellaneous	-	-
Total operating revenues	<u>7,204,163</u>	<u>3,439,218</u>
Operating expenses:		
Personal services	2,103,701	3,820,311
Contractual services	244,261	120,617
Utilities	479,368	89,609
Repairs and maintenance	912,777	2,228,330
Other supplies and expenses	679,509	53,235
Internal services	817,317	903,214
Insurance claims and expenses	-	-
Depreciation	1,582,475	84,385
Total operating expenses	<u>6,819,408</u>	<u>7,299,701</u>
Operating income (loss)	<u>384,755</u>	<u>(3,860,483)</u>
Nonoperating revenues (expenses)		
Interest and investment revenue	59,357	1,333
Operating grants	-	825,502
Interest expense	(401,916)	-
Gain (loss) on disposal of assets	-	-
Total nonoperating revenues (expenses)	<u>(342,559)</u>	<u>826,835</u>
Income (loss) before contributions and transfers	42,196	(3,033,648)
Capital contributions	108,380	49,797
Transfers in	-	2,901,115
Change in net assets	<u>150,576</u>	<u>(82,736)</u>
Total net assets - beginning	<u>13,622,807</u>	<u>1,380,496</u>
Total net assets - ending	<u>\$ 13,773,383</u>	<u>\$ 1,297,760</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.
Change in net assets of business-type activities (page 39)

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds				Governmental Activities
Wastewater	Convention Center	Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 10,274,178	\$ 1,691,850	\$ 3,157,319	\$ 25,766,728	\$ 12,602,293
-	-	-	-	102
<u>10,274,178</u>	<u>1,691,850</u>	<u>3,157,319</u>	<u>25,766,728</u>	<u>12,602,395</u>
3,920,620	3,011,702	1,397,394	14,253,728	3,056,619
530,697	261,134	522,631	1,679,340	1,092,316
632,801	716,355	106,734	2,024,867	94,183
669,016	321,993	145,504	4,277,620	736,073
677,230	205,172	932,657	2,547,803	3,537,194
937,821	458,699	368,433	3,485,484	913,763
-	-	-	-	2,730,120
2,528,638	738,382	343,735	5,277,615	3,276,583
<u>9,896,823</u>	<u>5,713,437</u>	<u>3,817,088</u>	<u>33,546,457</u>	<u>15,436,851</u>
<u>377,355</u>	<u>(4,021,587)</u>	<u>(659,769)</u>	<u>(7,779,729)</u>	<u>(2,834,456)</u>
90,028	258,901	609	410,228	176,289
-	3,714,423	-	4,539,925	-
(1,052,149)	(375,935)	(193,421)	(2,023,421)	(29,350)
(11,577)	-	-	(11,577)	102,535
<u>(973,698)</u>	<u>3,597,389</u>	<u>(192,812)</u>	<u>2,915,155</u>	<u>249,474</u>
(596,343)	(424,198)	(852,581)	(4,864,574)	(2,584,982)
379,647	50,000	168,462	756,286	-
-	1,740,022	504,229	5,145,366	-
(216,696)	1,365,824	(179,890)	1,037,078	(2,584,982)
<u>26,088,041</u>	<u>25,738,903</u>	<u>7,868,216</u>		<u>15,359,160</u>
<u>\$ 25,871,345</u>	<u>\$ 27,104,727</u>	<u>\$ 7,688,326</u>		<u>\$ 12,774,178</u>
			(1,429,176)	
			<u>\$ (392,098)</u>	

TOWN OF OCEAN CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Business-type Activities	
	Water	Transportation
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 7,183,285	\$ 3,421,401
Payments to suppliers	(2,332,630)	(2,528,632)
Payments to employees	(2,093,028)	(3,770,544)
Payments for interfund services used	(817,317)	(903,214)
Net cash provided (used) by operating activities	<u>1,940,310</u>	<u>(3,780,989)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Advances from other funds	-	50,000
Advances to other funds	-	-
Subsidy from county, state and federal grants	-	777,650
Transfers from other funds	-	2,901,115
Net cash provided by noncapital financing activities	<u>-</u>	<u>3,728,765</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from capital grant	-	49,797
Capital contributions	108,380	-
Purchases of capital assets	(1,605,910)	-
Acquisition and construction of capital assets	-	-
Principal paid on capital debt	(969,003)	-
Interest paid on capital debt and leases	(410,398)	-
Capital lease payment	-	-
Proceeds from sales of capital assets	-	-
Net cash provided (used) by capital and related financing activities	<u>(2,876,931)</u>	<u>49,797</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	907,000	-
Purchase of investments	-	-
Interest and dividends received	59,357	1,333
Net cash provided (used) by investing activities	<u>966,357</u>	<u>1,333</u>
Net increase (decrease) in cash and cash equivalents	29,736	(1,094)
Cash and cash equivalents at beginning of the year	<u>6,847</u>	<u>8,075</u>
Cash and cash equivalents at end of the year	<u>\$ 36,583</u>	<u>\$ 6,981</u>

(Continued)

The notes to the financial statements are an integral part of this statement.

Enterprise Funds				Governmental
Wastewater	Convention Center	Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 10,221,430	\$ 1,724,338	\$ 3,076,197	\$ 25,626,651	\$ 12,602,395
(2,582,343)	(1,615,107)	(1,705,212)	(10,763,924)	(6,571,417)
(3,893,758)	(2,989,816)	(1,380,840)	(14,127,986)	(3,029,593)
(937,821)	(458,699)	(368,433)	(3,485,484)	(913,763)
<u>2,807,508</u>	<u>(3,339,284)</u>	<u>(378,288)</u>	<u>(2,750,743)</u>	<u>2,087,622</u>
-	325,000	-	375,000	210,000
-	-	(75,000)	(75,000)	-
-	3,681,161	-	4,458,811	-
-	1,740,022	504,229	5,145,366	-
-	5,746,183	429,229	9,904,177	210,000
-	50,000	53,086	152,883	-
191,440	-	-	299,820	-
(3,548,895)	(258,003)	(73,806)	(5,486,614)	-
-	-	-	-	(1,386,547)
(1,402,790)	(913,758)	(32,959)	(3,318,510)	-
(1,066,012)	(343,236)	(194,491)	(2,014,137)	(33,234)
-	-	-	-	(1,039,124)
-	-	-	-	94,465
<u>(5,826,257)</u>	<u>(1,464,997)</u>	<u>(248,170)</u>	<u>(10,366,558)</u>	<u>(2,364,440)</u>
6,402,439	5,397,000	220,638	12,927,077	3,254,189
-	(6,720,941)	-	(6,720,941)	(3,367,284)
91,835	384,196	5,268	541,989	147,941
<u>6,494,274</u>	<u>(939,745)</u>	<u>225,906</u>	<u>6,748,125</u>	<u>34,846</u>
3,475,525	2,157	28,677	3,535,001	(31,972)
10,847	7,352	13,152	46,273	69,957
<u>\$ 3,486,372</u>	<u>\$ 9,509</u>	<u>\$ 41,829</u>	<u>\$ 3,581,274</u>	<u>\$ 37,985</u>

TOWN OF OCEAN CITY
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Business-type Activities	
	Water	Transportation
RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATIONS		
Operating income (loss)	\$ 384,755	\$ (3,860,483)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,582,475	84,385
EFFECT OF CHANGES IN OPERATING ASSETS & LIABILITIES:		
Accounts Receivable	53,631	(17,817)
Inventories	-	-
Compensated absences	(3,536)	4,690
Customer deposits	(74,509)	-
Accounts payable	(16,715)	(36,841)
Accrued expenses	14,209	45,077
Deferred revenue	-	-
Claims liability	-	-
Total adjustments	1,555,555	79,494
Net cash provided (used) by operating activities	\$ 1,940,310	\$ (3,780,989)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Increase (Decrease) in fair value of investments	\$	-	\$	-
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The notes to the financial statements are an integral part of this statement.

Enterprise Funds				Governmental Activities
Wastewater	Convention Center	Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 377,355	\$ (4,021,587)	\$ (659,769)	\$ (7,779,729)	(2,834,456)
2,528,638	738,382	343,735	5,277,615	3,276,583
(52,748)	34,664	(82,265)	(64,535)	-
(22,414)	1,131	56,412	35,129	(32,775)
2,260	611	5,578	9,603	6,200
-	-	-	(74,509)	-
(50,185)	(111,584)	(54,098)	(269,423)	86,327
24,602	21,275	10,976	116,139	20,826
-	(2,176)	1,143	(1,033)	-
-	-	-	-	1,564,917
2,430,153	682,303	281,481	5,028,986	4,922,078
\$ 2,807,508	\$ (3,339,284)	\$ (378,288)	\$ (2,750,743)	\$ 2,087,622

\$ - \$ (104,663) \$ - \$ (104,663) \$ 38,223

TOWN OF OCEAN CITY
 COMBINED STATEMENT OF PLAN NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2009

	Pension Trust Funds	OPEB Trust Fund	Total
ASSETS			
Cash and cash equivalents	\$ 365,709	\$ -	\$ 365,709
Interest and dividends receivable	191,818	496	192,314
Investments, at fair value:			
U.S. Government obligations	8,379,203	-	8,379,203
Certificates of deposit	252,376		252,376
State investment pool	-	2,750,781	2,750,781
Mutual bond fund	2,427,079	-	2,427,079
Domestic equities	14,735,386	-	14,735,386
Domestic fixed income	5,668,084	-	5,668,084
Real estate investment trusts	990,017	-	990,017
International equities	10,015,492	-	10,015,492
International fixed income	2,895,101	-	2,895,101
Private equity	473,646	-	473,646
Natural resources	2,703,879	-	2,703,879
Total investments	<u>48,540,263</u>	<u>2,750,781</u>	<u>51,291,044</u>
Total assets	<u>49,097,790</u>	<u>2,751,277</u>	<u>51,849,067</u>
LIABILITIES			
Accrued liabilities	<u>369,145</u>	-	<u>369,145</u>
Total liabilities	<u>369,145</u>	-	<u>369,145</u>
NET ASSETS			
Held in trust for pension benefits or other postemployment benefits	<u>\$ 48,728,645</u>	<u>\$ 2,751,277</u>	<u>\$ 51,479,922</u>

The schedule of funding process for pension funds is presented on pages 80 and 81.

The notes to the financial statements are an integral part of this statement.

TOWN OF OCEAN CITY
 COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS
 FIDUCIARY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Pension Trust Funds	OPEB Trust Fund	Total
Additions			
Contributions:			
Employer	\$ 5,195,812	\$ 3,104,000	\$ 8,299,812
Members	1,959,851	72,074	2,031,925
Total contributions	7,155,663	3,176,074	10,331,737
Investment earnings:			
Net depreciation in fair value of investments	(13,627,911)	-	(13,627,911)
Interest	1,079,444	496	1,079,940
Dividends	804,639	-	804,639
Total investment income (loss)	(11,743,828)	496	(11,743,332)
Less investment expense	322,947	-	322,947
Net investment income (loss)	(12,066,775)	496	(12,066,279)
Total additions (deductions)	(4,911,112)	3,176,570	(1,734,542)
Deductions			
Benefits and refunds paid	2,198,209	425,293	2,623,502
Administrative expenses	167,448	-	167,448
Total deductions	2,365,657	425,293	2,790,950
Changes in net assets	(7,276,769)	2,751,277	(4,525,492)
Total net assets - beginning	56,005,414	-	56,005,414
Total net assets - ending	\$ 48,728,645	\$ 2,751,277	\$ 51,479,922

The schedule of funding process for pension funds is presented on pages 80 and 81.

The notes to the financial statements are an integral part of this statement.

TOWN OF OCEAN CITY
Notes to the Financial Statements
June 30, 2009

Note 1: Summary of Significant Accounting Policies

The financial statements of the Town of Ocean City ("the Town") have been prepared in conformity with accounting principles generally accepted in the United States (US GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below. These policies should be recognized by the reader as integral to the preparation and use of the accompanying financial statements.

A. Reporting Entity

The "Mayor and City Council of Ocean City" is the corporate name for the inhabitants of the Town of Ocean City, Maryland, under the laws of the State of Maryland. The "Town of Ocean City" shall be construed to mean both the Town and its inhabitants.

The Town is governed by an elected seven-member City Council and operates under a Council-Manager form of government. The Town provides the following services as authorized by its charter: Public Safety, Public Works and Utilities, Solid Waste, Highways and Streets, Recreation and Culture, Planning, Zoning, Economic Development, and General Administrative Services. Schools, libraries, courts, and social services are operated by Worcester County.

For financial reporting purposes, in conformance with accounting principles generally accepted in the United States, the reporting entity includes the Mayor and City Council of Ocean City, the primary government, its proprietary funds and the following fiduciary funds.

Employees of Ocean City, Maryland Pension Plan and Trust. The Town of Ocean City provides a single-employer defined benefit plan for its general employees which is governed by a seven-member Board of Trustees appointed by the Mayor and Council. The Town is authorized to establish benefit levels and approves the actuarial assumptions used in determination of contribution levels.

Ocean City, Maryland Public Safety Employees Pension Plan and Trust. The Town's public safety employees participate in the Public Safety Employees Pension Plan (PSEPP). PSEPP functions for the benefit of these employees and is governed by a seven-member Board of Trustees appointed by the Mayor and Council. The Town and PSEPP participants are obligated to fund all PSEPP costs based upon actuarial valuations. The Town is authorized to establish benefit levels and approves the actuarial assumptions used in determination of contribution levels.

Ocean City, Maryland Other Post-Employment Benefits Trust. The Town provides a defined benefit healthcare plan whose assets may be expended solely to pay for post-employment health care benefits and the costs of administering the trust fund. The operation of the trust is governed by a Board of Trustees whose members are the Trustees of the Town's Pension Plans. The Town is authorized to establish benefit levels and approves the actuarial assumptions used in determination of contribution levels.

The Town participates in a multiple employer cost sharing pension plan with Worcester County for wastewater employees transferred to the Town from the County in 1994, under the "Sewerage Treatment Facilities Transfer Agreement" between the Town and the Worcester County Commissioners. The pension plan is not included in this report because it is completely managed by Worcester County. Additional financial information and actuarial reports for each of the pension

and trust plans may be obtained at the City Clerk's office, City Hall Room 220, 301 Baltimore Avenue, Ocean City, Maryland 21842.

The Town is not financially accountable for the Ocean City Development Corporation and it has not been included in the Town's financial statements. There are no organizations for which the Town is financially accountable or would be described as a component unit or a discretely presented component unit of the Town during the fiscal year.

B. Government-wide and fund financial statements

The statement of net assets and the statement of changes in net assets report information on all of the non-fiduciary activities of the Town. Eliminations have been made to remove the effect of interfund activity from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities that are supported primarily by customer service charges.

The statement of activities presents a comparison between direct expenses and program revenues for each of the business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those specifically associated with a program or function. Program revenues include charges to customers and grants and contributions restricted to the capital or operational requirements of particular programs. Revenues that are not classified as program revenues, such as taxes, are reported as general revenues.

Separate financial statements are shown for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year of levy. Grants are recognized as revenue when all eligibility requirements are met. For pension trust funds, employee and employer contributions are recognized as revenues in the period in which employee services are performed. The Town has elected not to follow private-sector standards of accounting and financial reporting pronouncements issued by the Financial Accounting Standards Board (FASB) issued after November 30, 1989, generally followed in both government-wide and proprietary fund financial statements if those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation and the town has elected not to follow subsequent private sector guidance.

Governmental fund statements are presented using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collected within 60 days of year end. Expenditures are recorded when the related liability is incurred as under accrual accounting. Principal and interest on general long-term debt and expenditures for compensated absences are recorded when the payments are due.

Those revenues susceptible to accrual are property taxes, taxes collected by the state and county on behalf of the Town, franchise taxes, special assessments, revenue from other agencies, interest revenue and charges for services. Fines and forfeitures, licenses, permits, penalties and interest (on property taxes) and other revenues become measurable and available when cash is received by the

Town of Ocean City
Notes to the Financial Statements

Town and are recognized as revenue at that time.

The Town has one major governmental fund, the general fund. It is used to account for and report all financial resources of the government not accounted for and reported in another fund. The General Fund accounts for the normal recurring activities of the Town such as police, public works, recreation and parks, and general government, etc. These activities are financed primarily by property taxes, other taxes, service charges, and grants from other governmental units.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and delivering goods in connection with the fund's principal ongoing operations such as charges to customers for sales and services and expenses such as salaries, product costs, administrative expenses, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town has four major proprietary funds. The Water Fund operates the water treatment plants and distribution system. The Wastewater Fund operates the sewage treatment plant, pumping stations and collection system. The Convention Center Fund accounts for the activities of the Roland E. Powell Convention Center. The Transportation Fund accounts for the operations of the Town's bus system and boardwalk trams. The Town has two non-major proprietary funds, the Airport Fund and Golf Course Fund, which account for the operations of the Ocean City Municipal Airport and Eagle's Landing Golf Course.

The Town also reports internal service funds, capital improvement funds and pension and other post employment benefit trust funds. The Town maintains four Internal Service Funds: the Information Technology Fund accounts for the Town's computer operations; the Service Center Fund accounts for the maintenance of Town vehicles and operates a central purchasing warehouse; the Vehicle and Equipment Trust Fund accounts for the purchase and use (lease) of Town vehicles, equipment and radios; and the Risk Management Fund accounts for insurance expenses and claims liabilities for worker's compensation, vehicle and general claims.

The Town utilizes capital improvement funds to account for all financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of major capital facilities and other capital assets not financed by proprietary funds and are non-major governmental funds. The Town has three fiduciary funds; the Employees of Ocean City, Maryland Pension Plan and Trust and the Ocean City, Maryland Public Safety Employees Pension Plan and Trust, and the Ocean City, Maryland Other Post-employment Benefits Trust. As fiduciary funds, these funds are used to account for assets held on behalf of outside parties under the terms of a formal trust agreement.

The effect of interfund activity has been eliminated from the government-wide financial statements except for charges between the water, transportation, wastewater, and convention center funds and the general fund for indirect services. Elimination of these charges would distort the costs and program revenues reported for the various services. Amounts reported as program revenues include charges to customers for goods and services, operating grants and contributions and capital grants. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

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

D. Assets, liabilities, and net assets or equity

1. *Cash equivalents and investments*

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of purchase. Cash deposits of the Town are made in accordance with the Annotated Code of Maryland (the Code), which requires depositories to give security in the form of collateral as provided for in the Code, for the safekeeping and forthcoming, when required, of these deposits.

Excess funds are also permitted to be invested either in bonds or other obligations for the payment of principal and interest of which the faith and credit of the United States of America are pledged, or in obligations of Federal governmental agencies issued pursuant to acts of Congress, or in the local government investment pool created by the State of Maryland. The fiduciary funds are also authorized to invest in corporate bonds and notes, preferred stocks, common stocks, real estate investment trusts and commodities. Investments are reported at fair value. Net assets available for benefits used to calculate the unfunded pension benefit obligation in the Pension Trust Funds are reported at their actuarial value that reflects a five-year phase-in of actual versus expected return.

For the purposes of the statement of cash flows, the Town considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents. Cash resources of each of the individual funds, except the pension funds and cash held by fiscal agents are required to be segregated by law or policy, are combined to form a pool of cash and investments to maximize interest earnings. Income from pooled investments is allocated to funds on the basis of their equity in pooled cash.

2. *Receivables and Payables*

Property taxes are reported at their estimated collectible value. The following summarizes the property tax calendar:

	<u>Real</u>	<u>Personal and Corporate</u>
Assessment Roll Validated:	Dec. 31	Jan. 1
Tax Rate Ordinance Approved:	June 30	June 30
Beginning of fiscal year for which taxes have been levied:	July 1	July 1
Tax bills Rendered and Due:	July 1	On State
Owner-occupied residential:	July 1 and Jan. 1	Notification
Property Taxes Payable:		
Delinquent	Oct. 1& Feb. 1	After 30 days
Terms	60 days	30 days
Delinquent Interest	18%	18%

Information presented is for "full year" levy. "Half year" levy dates are each six months later, and relate to new construction in the first six months of the calendar year. A lien is attached to property on the billing date, becomes delinquent October 1, and is sold at tax sale by the end of 18 months. Allowances for uncollectible accounts are maintained on all types of receivables that historically experience bad debt. Receivables are shown net of such an allowance for uncollectibles. Real property taxes are generally fully collectible.

The non-current portion of interfund loans are classified as "advances to/from other funds". Advances between funds reported in the fund financial statements are offset by a fund balance reserve account in the general fund to indicate that they are not available for appropriation and are not expendable financial resources.

Town of Ocean City
Notes to the Financial Statements

3. *Inventories*

Inventories are recorded in proprietary funds and are valued at the lower of average cost or market, adjusted for obsolescence. These inventories consist of spare parts, fuel, and merchandise for resale to the public. Internal service funds maintain inventories of auto parts, water meters and connections, gasoline, and diesel fuel, which are maintained for consumption by other Town departments.

4. *Restricted assets*

Food tax receipts collected by Worcester County and granted to the Town for the sole purpose of paying debt service on bonds issued to renovate the convention center are invested at the Maryland Local Government Investment Pool and in fixed income securities and are recorded in the Convention Center fund. Proceeds from the sale of airport land restricted by the Federal Aviation Administration for future airport improvements are recorded in a non-major fund, the Airport Fund, and are invested at the Maryland Local Government Investment Pool.

5. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure such as roads, storm drains, and pipe systems are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town defines capital assets as assets that cost more than \$10,000 and have an estimated useful life in excess of three years. Infrastructure acquired prior to implementation of GASB Statement 34 has been reported. Such assets are valued at historical or estimated historical cost if actual historical cost was not available. Donated assets are stated at their fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or extend asset lives are not capitalized.

Expenditures for major assets and improvements are capitalized as projects are constructed. Interest on debt during the construction period is capitalized. The amount of interest to be capitalized is offset by interest income earned on invested proceeds over the same period. Exhaustible capital assets of the general fund and proprietary funds are depreciated, which is charged as an expense against their operations. Accumulated depreciation is reported in the statement of net assets.

Depreciation has been provided over the estimated useful lives using the straight-line method. Estimated useful lives are generally as follows:

Buildings	20 - 40 years
Infrastructure	40 - 50 years
Water distribution system	40 - 50 years
Land improvements	25 - 50 years
Equipment and vehicles	4 - 10 years

6. *Compensated absences*

Vested or accumulated vacation leave is accrued when earned by employees and a liability is recorded in the government-wide and business-type activities statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits, as the Town does not pay these amounts when employees separate from service.

Full-time, permanent employees earn annual vacation leave at the following rates: 1-5 years service, 10 days; 6-10 years service, 15 days; 11-19 years service, 20 days; 20 years service and over, 25 days. A maximum of 10 days accumulated and/or current vacation leave may be carried forward into the next year. All other vacation leave must be used by the employee in the current year or forfeited. The Town pays all outstanding vacation leave at separation on a one-for-one basis. The accrual in each fund type is included in "Compensated absences" in the government-wide statements and is \$1,973,515 for governmental activities funds and \$451,166 for business-type activities, respectively, as of June 30, 2009. Compensated absences related to governmental activities for current and prior years are generally liquidated from the general fund. A liability for vacation pay is recorded in governmental funds only if they have matured as the result of retirement or resignation.

7. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums, discounts, issuance costs, and losses on refunding of debt are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of deferred amounts.

In the governmental fund financial statements, the face amount of the debt issued is reported as other financing sources. Issuance costs are reported as expenditures.

8. Fund Equity

The government-wide and business-type activities fund financial statements utilize a net asset presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- *Invested in capital assets, net of related debt* – This category groups all capital assets including infrastructure into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributed to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted net assets* – This category presents external restrictions imposed by creditors, grantors, or laws and regulations of other governments.
- *Unrestricted net assets* – This category presents the net assets of the Town, not restricted for any purpose.

In the fund financial statements, governmental funds report limitations of fund balance for amounts that are nonspendable and are not available for appropriation or are legally restricted by outside parties or creditors for use for a specific purpose. Commitments of fund balance represent limitations placed on spending that are imposed by and may be removed by formal action of the City Council. Assignments of fund balance reflect tentative plans by management that may be subject to change. Residual net resources are reported as unassigned fund balance and are the excess of nonspendable, restricted, committed, and assigned fund balance.

Note 2: Reconciliation of government-wide statement of net assets and governmental fund balance sheet

The governmental fund balance sheet includes a reconciliation between *fund balances – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One aspect of that reconciliation is long-term liabilities. Long-term liabilities applicable to the Town’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets. The summary of the \$32,001,980 difference is as follows:

Bonds and loans payable	\$31,564,050
Add deferred amounts (to be amortized and credited to interest expense)	
Deferred gain on refunding	114,907
Issuance premium	51,834
Accrued interest payable	<u>271,189</u>
Net adjustment to reduce fund balance- total governmental funds to arrive at net assets – governmental activities	<u>\$ 32,001,980</u>

Note 3: Stewardship, compliance, and accountability

A. Budgetary information

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before January 15 of each year, all agencies of the Town submit requests for appropriations to the City Manager. The budget is prepared by Fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.
2. On or before May 28, the proposed budget is presented to the City Council for review.
3. The City Council holds two public hearings on the proposed budget and may insert new line items into the budget and increase or decrease the amounts in existing line items.
4. Prior to July 1, the budget is legally enacted through passage of an ordinance.
5. The annual appropriated budget is adopted on a non-GAAP basis as it includes lawfully encumbered amounts. All annual appropriations lapse at fiscal year-end to the extent that they have not been expended or lawfully encumbered. Each year the original annual appropriated budget is amended by ordinance to include lawfully encumbered appropriations from the previous year.
6. Transfers of budgeted amounts between line items or departments within a Fund may be accomplished with the approval of the City Manager and Finance Administrator such that the net effect on total expenditures for the Fund equals zero. Budget amendments, which establish additional revenue, equal to or in excess of new appropriations or move appropriations from one Fund to another must be approved by the City Council after holding public hearings by a two-thirds vote. For year ending June 30, 2009, the Council approved two budget amendments to increase appropriations by \$581,707.
7. The budget information presented in the accompanying financial statements includes all budget ordinances and amendments as approved by the Mayor and City Council for the fiscal year ending June 30, 2009 for the General Fund, the governmental fund type for which an annual budget is adopted. No annual budget and actual comparisons are presented in the financial statements for governmental funds utilizing project ordinances.
8. Encumbrances represent intentions related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other obligations for the expenditure of resources are recorded to disclose that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as commitments or assignments of fund balances and do not constitute expenditures or liabilities because the obligation will be honored during the subsequent year.

B. Reconciliation of expenditures-budgetary basis and GAAP basis

Expenditures – budgetary basis	\$ 71,100,590
Encumbrances	(762,998)
Expenditures – GAAP basis	<u>\$ 71,863,588</u>

Note 4: Deposits and Investments

A. Cash on Hand.

At year-end, cash on hand for petty cash and change funds was \$48,443.

B. Deposits.

At year-end, the carrying amount of the Town's deposits was \$685,934 and the bank balance was \$1,013,929. The deposits of the Town were not exposed to custodial credit risk at June 30, 2009.

The Town has a contractual arrangement with the bank for funds to be transferred daily from investment in a repurchase agreement to cover checks as presented.

C. Investments.

At June 30, 2009, the Town's investment balances by type and maturity were as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			Interest Rate At June 30
		Less than 1	1-5	6-10	
Certificates of deposit	\$ 743,552	\$ 743,552	\$ -	\$ -	1.65%
Repurchase agreements	1,381,044	1,381,044	-	-	0.31%
State investment pool	16,416,972	16,416,972	-	-	0.38%
U.S. government money market	6,925,982	6,925,982	-	-	0.40%
Mutual bond funds	2,427,079	2,427,079	-	-	0.40%
U.S. Treasuries	5,294,621	939,535	3,297,105	1,057,981	4.39%
U.S. agencies	20,050,148	5,006,280	12,952,067	2,091,801	2.64%
Domestic equities	14,735,386	14,733,386	-	-	-
Domestic fixed income	5,668,084	-	3,105,639	2,562,445	5.65%
International equities	10,015,492	10,015,492	-	-	-
International fixed income	2,895,101	-	2,895,101	-	8.56%
Natural resources	2,703,879	2,703,879	-	-	-
Private equity	473,646	-	-	473,646	-
Real estate investment trust	990,017	990,017	-	-	-
	<u>\$ 90,721,003</u>	<u>\$ 62,285,218</u>	<u>\$ 22,249,912</u>	<u>\$ 6,185,873</u>	

Reconciliation of cash and investments as shown on Statement of Net Assets:

Cash on hand	\$ 48,443
Carrying amount of deposits	685,934
Carrying amount of investments-above	<u>90,721,003</u>
Total cash and investments	91,455,380
Less: amounts in fiduciary funds	<u>(51,656,753)</u>
Total cash and investments per statement of net assets	<u>\$ 39,798,627</u>
Cash and cash equivalents	\$ 8,627,984
Investments	18,952,514
Restricted investments	<u>12,218,129</u>
Total cash and investments per statement of net assets	<u>\$ 39,798,627</u>

Town of Ocean City
Notes to the Financial Statements

Investment Rate Risk. Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the Town's exposure to fair value losses arising from increasing interest rates, the Town's investment policy limits the term of investment maturities except for funds in the risk management fund and fiduciary funds, for which longer term maturities are allowed to match the cash flow of liabilities. For other Town funds, the policy requires that 70% of investments mature in less than one year and permits 30% to be invested from one to five years. Town management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the Town from having to sell investments below original cost for that purpose. The investments at June 30, 2009, met the Town's investment policy as of that date.

Investment income includes the following for the year ended June 30, 2009:

Net interest and dividends	\$ 3,010,649
Net decrease in fair value of investments	<u>(13,660,640)</u>
Total net investment income	(10,649,991)
Less: net investment loss in fiduciary funds	<u>(11,743,332)</u>
Total net investment income per statement of activities	\$ <u><u>1,093,341</u></u>

Credit Risk. Town investment policy does not permit investments in commercial paper or corporate bonds except in fiduciary funds or if they are permitted under state law in the state investment pool. The Town invests in the Maryland Local Government Investment Pool (MLGIP) which is under the administration of the State Treasurer. The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is rated AAAM by Standard and Poors, their highest rating for money market mutual funds. The MLGIP seeks to maintain a constant unit value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value. In the fiduciary funds, fixed income securities must be rated "BBB" or above, with no more than 20% rated less than single "A" quality. Of the Town's debt investments as of June 30, 2009, \$5,294,621 was in US Treasuries that do not require disclosure of credit quality. The remaining \$32,421,456 in investments are listed below using the Standard and Poor's rating scale:

<u>Investment Type and Fair Value</u>	<u>Credit Rating</u>	<u>Amount</u>
Repurchase agreements	Unrated	\$ 1,381,044
Mutual bond funds	Unrated	2,427,079
US agencies	AAA	20,050,148
Corporate and international bonds	AAA	816,030
	AA	1,331,801
	A	3,347,549
	BBB	1,641,288
	BB	336,188
	B	804,541
	Unrated	<u>285,788</u>
Totals		<u><u>\$ 32,421,456</u></u>

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. The Town's policy to control custodial risk on investments requires collateralization at 102%. For the Town's \$1,381,044 in repurchase agreements, \$7,993,873 of underlying securities were held by the Bankers Trust Company in the Town's name. At June 30, 2009 all of the Town's investments were insured or registered, or for which the securities were held by the Town or its agent in the Town's name or were invested the MLGIP.

Foreign Currency Risk. The investment policy for the fiduciary, pension trust funds permits up to 65% of total investments in foreign currency denominated equities, fixed income and natural resource investments. The investment position was 30.4% at year-end, or \$15,614,472. The investments were in 170 international firms with 23.8% of the value of these investments in firms that are rated A- to AAA and 33.3% in firms that are rated B to BBB by Standard and Poor's and the remainder in firms that are unrated.

Note 5: Receivables

A. Property Taxes Receivable

Property taxes are reported at their estimated collectible value. Total assessed value on which levies were made for the year ended June 30, 2009, was \$12,242,196,332. The Town's real property tax rate was \$0.38 per \$100 of assessed value. The Town tax rate for personal and corporate property was \$1.29 per \$100 of assessed value. The Town collected 97.03% of current year property taxes levied in the current year. Total property tax collections were 99.04% of current taxes levied.

Receivables

Receivables as of year end for the government's major and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental</u>	<u>Water</u>	<u>Transportation</u>	<u>Wastewater</u>	<u>Convention Center</u>	<u>Non-major Funds</u>	<u>Total</u>
Taxes	\$ 1,535,332	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,535,332
Emergency Medical Accounts	442,143	-	-	-	-	-	442,143
	1,296,389	1,410,191	77,088	907,685	92,474	171,584	3,955,411
Gross Receivables	3,273,864	1,410,191	77,088	907,685	92,474	171,584	5,932,886
Less Allowance	(259,384)	(46,681)	-	-	-	-	(306,065)
	<u>\$ 3,014,480</u>	<u>\$ 1,363,510</u>	<u>\$ 77,088</u>	<u>\$ 907,685</u>	<u>\$ 92,474</u>	<u>\$ 171,584</u>	<u>\$ 5,626,821</u>

The allowance for uncollectibles for governmental activities is for emergency medical transport receivables.

Town of Ocean City
Notes to the Financial Statements

Governmental funds report deferred revenue in relation to receivables for revenues that are not considered to be available to liquidate liabilities of the current period such as property taxes not collected within 60 days after fiscal year end. Deferred revenue also includes rental and program advances, franchise fees and similar prepayments received by the Town, grant revenue received prior to the incurrence of qualifying expenditures, and governmental fund nonexchange contributions which did not meet the GASB Statement No. 33 time restriction. Deferred revenue for governmental activities, general fund at June 30, 2009 is summarized as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property tax receivables	\$ 992,259	\$ 23,729	\$ 1,015,988
Income tax	189,280	-	189,280
Grants	-	12,435	12,435
Mitigation fees	-	254,074	254,074
Rental and program advances	-	267,734	267,734
Franchise payments	-	489,834	489,834
	<u>\$ 1,181,539</u>	<u>\$ 1,047,806</u>	<u>\$ 2,229,345</u>

Note 6: Capital Assets

The following is a summary of governmental capital assets activity for the year ended June 30, 2009:

	<u>Beginning Balance</u>	<u>Transfers and Increases</u>	<u>Transfers and Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 14,588,286	\$ 151,060	\$ -	\$ 14,739,346
Construction in progress	1,894,531	1,675,928	(1,613,323)	1,957,136
Total capital assets, not being depreciated	16,482,817	1,826,988	(1,613,323)	16,696,482
<i>Capital assets, being depreciated:</i>				
Buildings	34,939,539	1,590,374	(231,387)	36,298,526
Other Improvements	20,158,612	524,536	-	20,683,148
Streets and infrastructure	37,478,059	1,291,052	-	38,769,111
Machinery and equipment	41,032,535	1,485,728	(961,240)	41,557,023
Total capital assets, being depreciated	133,608,745	4,891,690	(1,192,627)	137,307,808
<i>Less accumulated depreciation for:</i>				
Buildings	(11,180,504)	(1,276,720)	231,387	(12,225,837)
Other Improvements	(13,801,487)	(832,531)	-	(14,634,018)
Streets and infrastructure	(23,972,479)	(1,236,254)	-	(25,208,733)
Machinery and equipment	(22,283,219)	(3,566,013)	955,498	(24,893,734)
Total accumulated depreciation	(71,237,689)	(6,911,518)	1,186,885	(76,962,322)
Total capital assets being depreciated, net	62,371,056	(2,019,828)	(5,742)	60,345,486
Governmental activities capital assets, net	<u>\$ 78,853,873</u>	<u>\$ (192,840)</u>	<u>\$ (1,619,065)</u>	<u>\$ 77,041,968</u>

Town of Ocean City
Notes to the Financial Statements

The following is a summary of business-type capital assets activity for the year ended June 30, 2009:

	<u>Beginning Balance</u>	<u>Transfers and Increases</u>	<u>Transfers and Deletions</u>	<u>Ending Balance</u>
Business-type activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 16,390,595	\$ -	\$ -	\$ 16,390,595
Construction in progress	<u>4,330,000</u>	<u>1,693,319</u>	<u>(4,317,921)</u>	<u>1,705,398</u>
Total capital assets, not being depreciated	20,720,595	1,693,319	(4,317,921)	18,095,993
<i>Capital assets, being depreciated:</i>				
Buildings	91,712,771	1,118,920	-	92,831,691
Other improvements	4,417,127	434,235	-	4,851,362
Infrastructure	28,656,620	3,018,241	-	31,674,861
Machinery and equipment	<u>39,158,800</u>	<u>3,448,517</u>	<u>(38,077)</u>	<u>42,569,240</u>
Total capital assets, being depreciated	<u>163,945,318</u>	<u>8,019,913</u>	<u>(38,077)</u>	<u>171,927,154</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(45,328,133)	(2,457,843)	-	(47,785,976)
Other Improvements	(2,749,247)	(113,608)	-	(2,862,855)
Infrastructure	(15,439,381)	(1,056,836)	-	(16,496,217)
Machinery and equipment	<u>(17,037,126)</u>	<u>(1,649,328)</u>	<u>26,501</u>	<u>(18,659,953)</u>
Total accumulated depreciation	<u>(80,553,887)</u>	<u>(5,277,615)</u>	<u>26,501</u>	<u>(85,805,001)</u>
Total capital assets being depreciated, net	<u>83,391,431</u>	<u>2,742,299</u>	<u>(11,577)</u>	<u>86,122,153</u>
Business-type activities capital assets, net	<u>\$ 104,112,026</u>	<u>\$ 4,435,618</u>	<u>\$ 4,329,498</u>	<u>\$104,218,146</u>

Depreciation expense was charged to functions/programs in governmental activities as follows:

General government	\$ 346,812
Public safety	434,713
General public works and beach	1,125,709
Highways and streets	1,187,409
Sanitation and waste removal	317,240
Economic Development	485
Recreation and culture	<u>222,567</u>
	3,634,935

Capital assets held by the Town's internal service funds are charged to the various functions based on usage

3,276,583
Total depreciation – governmental activities \$ 6,911,518

Depreciation expense was charged to business type activities as follows:

Water fund	\$1,582,475
Transportation fund	84,385
Wastewater fund	2,528,638
Convention Center fund	738,382
Airport fund	295,367
Golf Course fund	<u>48,368</u>

Total depreciation – business-type activities \$ 5,277,615

Town of Ocean City
Notes to the Financial Statements

The Town has on-going construction projects as of June 30, 2009. The projects include building improvements, street construction, and water and wastewater improvements. At year-end, the Town's obligations with contractor's are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Public Safety building expansion	\$ 1,551,867	\$ 965
Public Works shop expansion	621,841	5,858
Northside Park restroom	538,271	14,881
Montego Bay fire station	42,191	11,770
Baltimore Ave right-of-way	100,011	42,074
St. Louis Ave improvements	500,127	101,277
Water mains	1,033,085	767
Wastewater mains	1,024,748	1,262
Wastewater influent/pumping	3,208,388	18,225
Artic Ave pumping station	698,495	45,787
Wastewater aeration basin	<u>896,728</u>	<u>50,490</u>
Total	<u>\$10,215,752</u>	<u>\$ 293,356</u>

Note 7: Interfund receivables, payables and transfers

The General Fund made an advance of \$250,000 to the Golf Course Fund, a non-major business-type activity to meet cash flows for operations at year-end. Interfund balances also exist between the General Fund and the Transportation Fund of \$85,000 and the Convention Center Fund of \$325,000, for working capital until grant funded expenditures are reimbursed and between the General Fund and internal service funds, the Service Center Fund of \$160,000 to purchase inventory and the Risk Management Fund of \$50,000 until investments mature.

Net transfers of \$5,145,366 are shown in the Statement of Activities. Transfers were made from the General Fund to subsidize operations, for capital expenditures, and to pay principle on debt as follows:

Transportation Fund	\$ 2,901,115
Convention Center Fund	1,740,022
Airport Fund	254,229
Golf Course Fund	<u>250,000</u>
Total	<u>\$ 5,145,366</u>

Note 8: Long-term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years was \$99,520,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the Town. These bonds generally are issued as 20-year serial bonds, except for refunding issues or issues less than

*Town of Ocean City
Notes to the Financial Statements*

\$5 million. All interest is paid semi-annually. General obligation bonds currently outstanding are as follows:

<u>Bond Issue</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Amount Outstanding June 30, 2009</u>
Recreation Complex Bond of 1998	4.64%	\$ 1,200,000	\$ 493,246
Municipal Purpose Bonds of 2001	4.125 – 5.00%	18,500,000	13,930,000
Municipal Refunding Bonds of 2004	2.00 – 5.00%	31,325,000	17,320,000
Municipal Purpose Bonds of 2005	3.00 – 5.00%	21,050,000	17,840,000
Airport Improvement Bond of 2005	5.43%	1,025,000	921,478
Airport Improvement Bond of 2006	3.50%	4,100,000	4,100,000
Municipal Refunding Bonds of 2007	3.50 – 5.00%	<u>22,320,000</u>	<u>21,315,000</u>
Total General Obligation Bonds		99,520,000	75,919,724
Less deferred amounts:			
For issuance premiums		103,967	92,742
On refunding		<u>(1,173,014)</u>	<u>(87,339)</u>
Total		<u>\$ 98,450,953</u>	<u>\$ 75,925,127</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 2,584,214	\$ 1,244,442	\$ 3,860,495	\$ 1,880,106
2011	2,696,151	1,131,450	4,014,658	1,710,483
2012	2,806,723	1,034,614	4,165,487	1,567,812
2013	2,422,169	931,567	3,936,757	1,415,281
2014	2,517,327	837,457	3,918,567	1,263,973
2015-2019	9,837,189	2,691,676	15,209,990	3,880,626
2020-2024	5,212,400	1,005,404	7,982,599	1,407,195
2025-2028	1,985,477	145,187	2,769,521	175,206
Deferred amounts:				
For premiums	51,834	-	40,908	-
On refunding	<u>114,907</u>	<u>-</u>	<u>(202,246)</u>	<u>-</u>
Total	<u>\$ 30,228,391</u>	<u>\$ 9,021,797</u>	<u>\$ 45,696,736</u>	<u>\$ 13,300,682</u>

B. Intergovernmental Loans

The Town has agreements with the State of Maryland Department of Natural Resources for five non-interest bearing loans that financed the construction of bulkheads along the Sinepuxent Bay and a loan from the Maryland Energy Administration for energy efficiency improvements in the Convention Center an interest rate of 2.0%.

A summary of state loans is as follows:

<u>Loan</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Amount Outstanding June 30, 2009</u>
Soil erosion control 1 st Street	2017	-	\$ 106,112	\$ 38,200
Soil erosion control 6 th Street	2016	-	71,000	22,720
Soil erosion control Jamestown Road	2010	-	22,785	1,519
Soil erosion control Bayshore Drive	2012	-	157,810	31,562
Soil erosion control South Ocean Drive	2023	-	548,115	408,399
Community energy loan program	2013	2.00%	<u>45,132</u>	<u>32,061</u>
Total intergovernmental loans			<u>\$ 950,954</u>	<u>\$ 534,461</u>

Town of Ocean City
Notes to the Financial Statements

Annual debt service requirements to maturity for state loans are as follows:

Year Ending <u>June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>		<u>Principal</u>	<u>Interest</u>
2010	\$ 33,423		\$ 8,934	\$ 597
2011	45,755		9,113	417
2012	45,755		9,297	234
2013	35,235		4,717	950
2014-2018	35,234		-	-
2019-2023	166,248		-	-
2024-2028	<u>140,750</u>		<u>-</u>	<u>-</u>
Total	<u>\$ 502,400</u>		<u>\$ 32,061</u>	<u>\$ 2,198</u>

C. Notes Payable

The Town issued a 5-year note payable in December 2005 for the purchase of land adjacent to other Town property in the amount of \$1,000,000 with an interest rate of 5.5%. Interest only is due quarterly with the principal due in full in 2010. In 2007, a grant from the State of Maryland for \$250,000 was applied to principal. In October 2007, the Town purchased an adjacent lot for \$520,000. A payment of \$270,000 was made at settlement and the Town issued a note payable for \$250,000 with an interest rate of 4.5% due in full in 2012. While the notes pledge the full faith and credit of the Town, interest and principal payments are being made from receipts from the inlet parking lot allocated to redevelopment of south Ocean City in conjunction with the Ocean City Development Corporation (OCDC). At June 30, 2009, the amount outstanding for the two notes was \$1,000,000.

D. Capitalized Lease Obligations

The Town is committed a capital lease agreement under which the related equipment will become the property of the Town when all terms of the lease agreements are met. The capital lease was a computer aided dispatch system and record management system for \$1,800,000. The future lease payments, together with the present value of the net minimum lease payments at June 30, 2009, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2010	\$ 376,624
2011	<u>94,156</u>
	470,780
Less amount representing interest	<u>(11,533)</u>
Present value of future minimum lease payments	<u>\$ 459,247</u>

E. Prior years defeasance of debt

In prior years, the Town defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. All of the remaining defeased bonds have been refunded. The refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt, which is being charged to operations through 2018 using the effective-interest method. The unamortized amount of the deferred amount at June 30, 2009, was (\$114,906) in governmental activities and (\$202,306) in business-type activities.

F. Legal Debt Margin

The Town's legal debt margin at June 30, based on 5.2% of assessable property, was \$560,669,082.

G. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the United States Treasury at least every five years. The Town has estimated excess investment earnings on the 2005 and 2007 General Obligation Bonds and has accrued \$16,775 for this liability in governmental activities and \$29,810 in business-type activities.

H. Changes in Long-Term Liabilities

During the year ended June 30, 2009, the following changes occurred in long term liabilities reported for governmental and business-type activities:

	Beginning			Ending	Due Within
<u>Governmental Activities</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
General Obligation Bonds	\$ 32,195,794	\$ -	\$ (2,134,144)	\$ 30,061,650	\$ 2,584,214
Intergovernmental loans	672,150	-	(169,750)	502,400	33,423
Note payable	1,000,000	-	-	1,000,000	-
Capital leases	1,498,372	-	(1,039,125)	459,247	365,868
Deferred amounts:					
Bond issuance premium	58,107	-	(6,273)	51,834	-
On refunding	<u>115,973</u>	<u>-</u>	<u>(1,066)</u>	<u>114,907</u>	<u>-</u>
Total long-term debt	35,540,396	-	(3,350,358)	32,190,038	2,983,505
Claims and losses	<u>1,910,781</u>	<u>2,208,363</u>	<u>(643,446)</u>	<u>3,475,698</u>	<u>868,925</u>
Governmental activities					
Long-term liabilities	<u>\$ 37,451,177</u>	<u>\$ 2,208,363</u>	<u>\$ (3,993,804)</u>	<u>\$ 35,665,736</u>	<u>\$ 3,852,430</u>
<u>Business-type activities</u>					
General Obligation Bonds	\$ 49,167,826	\$ -	\$ (3,309,752)	\$ 45,858,074	\$ 3,860,495
Intergovernmental loans	40,819	-	(8,758)	\$32,061	8,934
Deferred amounts:					
Bond issuance premium	45,860	-	(4,952)	40,908	-
On refunding	<u>(258,871)</u>	<u>-</u>	<u>56,625</u>	<u>(202,246)</u>	<u>-</u>
Total long-term debt	<u>48,995,634</u>	<u>-</u>	<u>(3,266,837)</u>	<u>45,728,797</u>	<u>3,869,429</u>
Business-type activities					
Long-term liabilities	<u>\$ 48,995,634</u>	<u>\$ -</u>	<u>\$ (3,266,837)</u>	<u>\$ 45,728,797</u>	<u>\$ 3,869,429</u>

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Internal service funds primarily serve the governmental funds, the general fund and, accordingly, their long-term liabilities are included in the above totals for governmental activities. For internal service funds, capital leases of \$459,247 are included in the above amounts at year-end. The claims and losses liability will be liquidated through the Town's Risk Management internal service fund. (See Note 9.B. below.) That fund will finance the payment of those claims by charging the other funds based on management's assessment of the relative insurance risk that should be assumed by individual funds. Currently, governmental activities assume approximately 80% of insurance cost and business-type activities 20%.

Note 9: Other Information

A. Advances to/from other funds

Interfund advances of \$250,000 are reported in the general fund. The advance to a non-major fund, the golf course fund, has been offset by a reserve of fund balance, as it is not anticipated that the amount will be repaid within one year. The advance is reported as a non-current liability in the statement of net assets of business-type activities.

B. Risk management

The Town is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, and acts of God. The Town established the Risk Management Fund (an Internal Service Fund) to account for and finance its uninsured risks of loss. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$250,000 for each general and auto liability claim, \$10,000 for each property claim, and \$600,000 for each workers compensation claim. The Town purchases commercial insurance for claims in excess of these amounts and for all other risks of loss. Settled claims from these risks have not exceeded commercial coverage for the past three fiscal years, and there has not been a reduction in insurance coverage in the past fiscal year.

All Funds of the Town participate in the program and make payments to the Risk Management Fund based on estimates of the amounts needed to pay prior and current year claims, pay premiums to insurance carriers for excess coverage and to establish a reserve for catastrophic losses. The Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Liabilities for worker's compensation losses incurred are estimated at the fixed or reasonable determinable payment expected to be incurred over a long period of time discounted at their present value using a 3.5 percent discount rate. The worker's compensation and property and casualty costs are based on separately determined actuarial valuations.

Changes in the Fund's claims liability amount since June 30, 2007 were:

Claims Liability at June 30, 2007	\$ 1,892,938
Current year claims	670,761
Changes in estimates	(26,591)
Claim Payments	<u>(626,327)</u>
Claims Liability at June 30, 2008	\$ 1,910,781
Current year claims	470,336
Changes in estimates	1,738,027
Claim Payments	<u>(643,446)</u>
Claims Liability at June 30, 2009	<u>\$ 3,475,698</u>

At June 30, 2009, the Risk Management fund had cash and investments of \$3,586,806 to pay claims.

C. Commitments and contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's attorney and management, the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

D. Intergovernmental assistance

In 1995, the Mayor and City Council entered into an agreement with the State of Maryland for the construction, operation, and contributions for the expansion and improvement of the Roland E. Powell Convention Center. Construction costs were shared 50% each by the Town and the State of Maryland. Overall project construction management was through the Maryland Stadium Authority (the Authority). The agreement provides that the Town control and operate the facility. Chapter 603 of the Laws of Maryland of 1995 authorized the Authority to pay one-half of the annual operating deficit, if any, of the Convention Center from the time of construction until the bonded debt is repaid. For the year ending June 30, 2009, the amount of the contribution was \$1,703,108.

Chapter 641 of the Laws of Maryland of 1995 authorized the County Commissioners of Worcester County to impose a tax on the sale of food and beverages in the Town for the purposes of paying the principal and interest on bonds issued by the Town for its share of the expansion and improvement cost of the Roland E. Powell Convention Center, which the County implemented for a 1% tax on the sale of food and beverages. The tax was reduced to 0.5% in 2008 when the Town was authorized to sell an additional \$5 million of bonds for future convention center improvements. Sales tax receipts of \$1,961,315 were \$704,321 in excess of debt service for year ended June 30, 2009. Cumulative receipts and interest of \$9,406,011 in excess of debt service is shown on the statement of net assets for proprietary funds as net assets, restricted for debt service.

E. Other post employment benefits (OPEB)

1. Plan description

The Town offers postretirement medical, dental, vision, and prescription coverage for employees in addition to pensions. With the exception of Wastewater Fund employees noted below, the Town provides 80% of such costs for employees who retire after January 1, 1998, with fifteen years of service, and with 25 years of service if hired after July 1, 2006. Retirees may elect coverage for their eligible dependents at 100% of cost. Wastewater Fund employees who transferred to the Town from Worcester County in 1994 receive coverage for retirees and their dependents which the Town pays 90% of costs.

In December 2008, the Town passed Ordinance 2008-22 to establish a new trust fund to provide for retiree health insurance benefits. The Other Post employment Benefits Trust (OPEB Trust) is a defined benefit healthcare plan whose assets may be expended solely to pay for post employment benefits and the costs of administering the trust fund. The operation of the OPEB is governed by a Board of Trustees whose members are the Trustees of the Town's Pension Plans. Separate financial statements are not issued for the OPEB Trust.

Plan membership at June 30, 2008 consisted of the following:

Active employees		597
Retirees and beneficiaries receiving benefits		<u>62</u>
	Total	<u>659</u>

*Town of Ocean City
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Funding policy and contributions

The City Council has the authority to establish and amend contribution requirements of the plan members and the Town. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined biannually by an actuarial valuation. For the fiscal year 2009, the Town contributed \$3,104,000 to the plan, including \$353,219 for current premiums, 83% of total premiums, and an additional \$2,750,781 to prefund benefits. Plan members receiving benefits contributed \$72,074, or 17% of total premiums through their required contribution.

2. Annual OPEB cost and net OPEB obligation

The Town’s annual OPEB cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the methodology of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liability over a period up to thirty years. The ARC for FY09 was based on an actuarial valuation for fiscal year ended June 30, 2009 dated March 31, 2009. The ARC and the net OPEB obligation as of June 30, 2009 was as follows:

Annual required contribution (ARC)		\$ 3,104,000
Contribution made	100%	<u>(3,104,000)</u>
Net OPEB obligation		<u>\$ -</u>

3. Funding Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was 9.5 percent funded. The actuarial accrued liability for benefits was \$28,958,000 and the actuarial value of assets, at market, was \$2,751,277, resulting in an unfunded actuarial liability (UAAL) of \$26,206,723. The covered payroll (annual payroll of active employees covered by the plan) was \$34,660,410, and the ratio of the UAAL to the covered payroll was 75.6 percent.

The actuarial valuation of the OPEB plan is performed using estimates of the value of reported amounts and assumptions about the probability of the occurrence of events in the future including assumptions about future employment, mortality, and healthcare costs. The actuarially determined amounts regarding the funded status of the OPEB plan and the ARC of the Town are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Town made 100% of the ARC for fiscal year 2009, the first year of the plan.

4. Actuarial Methods and Assumptions

The calculations of projected benefits are based on the terms of the OPEB plan in effect at the time of the valuation and on the historical pattern of sharing costs between the employer and retired plan members to that point. The actuarial calculations reflect a long-term perspective and the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in the actuarial accrued value of assets.

Actuarial assumptions used in the actuarial valuation were:

Valuation date	March 31, 2009
Actuarial method	Projected unit credit
Amortization method	Level percentage of projected payroll
Amortization period	30 years
Investment rate of return	7.5%
Asset valuation method	Fair value of assets at year end
Salary scale	4.0%
Mortality	1994 Group Annuity Mortality Table
Health care cost trend rates:	Initial 9.5%
	Ultimate 5.2%

Note 10: Employee Retirement Systems

The Town contributes to two single employer pension plans in which all eligible employees participate, the Employees of Ocean City, Maryland Pension Plan and Trust (PERS) and the Ocean City, Maryland Public Safety Employees Pension Plan and Trust (PSEPP) with the exception of Wastewater Fund employees who were transferred to the Town from the Worcester County Department of Water and Wastewater Services. The transfer agreement between the Town and the Worcester County Commissioners requires that the Town contribute to a multi-employer cost sharing plan to permit the 41 transferred wastewater employees to continue to participate in a mandatory contributory defined benefit plan administered by Nationwide Financial Company for County water and wastewater employees. The plan had assets in excess of the pension benefit obligation as of June 30, 2008. The investments of the plans represent primarily U.S. Government securities and commercial paper.

Summary of Significant Accounting Policies: The accounts of the plans, including benefits and refunds, are maintained using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due and the Town has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The investments are reported at fair value based on published securities data. The actuarial method for valuing the assets is 5-year smoothed market value.

Trend Information: Trend information gives an indication of progress made in accumulating sufficient assets to pay benefits when due. Trend information is presented following the information presented for the two plans. There were no changes to actuarial assumptions during the valuation year ended March 31, 2009. Beginning April 1, 2009, actuarial value of assets reflects a five-year phase-in of expected return vs. actual return. Prior to that date, the actuarial value of assets was set to market value.

The condensed financial statements of the plans are as follows:

Condensed Statement of Net Assets

	General Employees <u>Pension Fund</u>	Public Safety Employees <u>Pension Fund</u>	<u>Total</u>
Assets:			
Cash and receivables	\$ 263,180	\$ 294,347	\$ 557,527
Investments	24,646,152	23,894,111	48,540,263
Total assets	<u>24,909,332</u>	<u>24,188,458</u>	<u>49,097,790</u>
Liabilities:			
Total liabilities	<u>-</u>	<u>369,145</u>	<u>369,145</u>
Net Assets:			
Held in trust for pension benefits	<u>\$ 24,909,332</u>	<u>\$ 23,819,313</u>	<u>\$ 48,728,645</u>

Condensed Statement of Changes in Fiduciary Net Assets

	General Employees <u>Pension Fund</u>	Public Safety Employees <u>Pension Fund</u>	<u>Total</u>
Additions:			
Contributions	\$ 3,456,374	\$ 3,699,289	\$ 7,155,663
Investment loss	<u>(6,155,235)</u>	<u>(5,911,540)</u>	<u>(12,066,775)</u>
Total additions (loss)	(2,698,861)	(2,212,251)	(4,911,112)
Deductions:			
Benefits and refunds paid	759,703	1,438,506	2,198,209
Administrative expenses	<u>86,653</u>	<u>80,795</u>	<u>167,448</u>
Total deductions	<u>846,356</u>	<u>1,519,301</u>	<u>2,365,657</u>
Change in net assets	(3,545,217)	(3,731,552)	(7,276,769)
Net Assets - beginning of year	<u>28,454,549</u>	<u>27,550,865</u>	<u>56,005,414</u>
Net Assets - end of year	<u>\$ 24,909,332</u>	<u>\$ 23,819,313</u>	<u>\$ 48,728,645</u>

A. General Employees Pension Plan (PERS)

1. Plan description

Per Code Chapter §C-1006 of the Town of Ocean City, the Trustees of Employees of Ocean City, Maryland Pension Plan (PERS) function as the investment and administrative agent for the Town with respect to the single-employer defined benefit plan. The plan covers all non-public safety employees and wastewater employees hired after July 1, 1994. The pension plan provides retirement, disability, and death benefits. A member may retire at age 55 with 10 years of continuous service (early retirement), at age 55 with 30 years of continuous service (unreduced early retirement), at age 65 (normal retirement), or postpone retirement. Benefits begin to vest after 5 years of continuous employment, and participants are fully vested after 15 years of continuous employment, or at retirement age if sooner.

The plan provides retirement benefits which are a monthly income payable for life in an amount equal to 50% of final average monthly compensation reduced 1/30th for each year of service less than 30. Final benefit is based on average compensation of the three highest consecutive years in the last ten years prior to retirement. The benefit is unreduced at age 55 with 30 years of service. Full-time employees participate immediately at hire. Participants contribute 5% of pay. Any pre-April 1, 1996 participant whose retirement benefit was not increased by a benefit formula change made in October 2004 will receive an additional annuity equal in value to 130% of their accumulated employee contributions with interest. Additionally, retiring employees receive one month of additional service credit for each 176 hours of unused sick leave for the benefit amount, not retirement eligibility, with a credit assumption equal to 2% of other service.

2. Funding policy and contributions

Funding policy for the PERS provides for annual Town contributions based upon actuarial valuations. The contribution and actuarial accrued liability is determined using the projected unit credit actuarial cost method. All administrative costs are paid by the PERS. At April 1, 2009, the plan's actuarial value of assets was \$30,699,087, using a five-year phase-in smoothing of expected versus actual return. The market value of the assets was \$22,070,266. The actuarial accrued liability was \$42,734,316. The unfunded actuarial liability was \$12,035,229. The plan was 71.8% funded. The annual covered payroll was \$20,595,416 and the unfunded actuarial liability was

58.4% of covered payroll. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the actuarial accrued liability.

The contribution to the PERS for 2009 of \$2,474,479 was made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of April 1, 2008 and represented 11.2% of covered payroll. Employee contributions of 5% of pay totaled \$950,471. Significant actuarial assumptions used in the valuation included (a) a rate of return on the investment of present and future assets of 7.5% a year compounded annually, (b) projected salary increases of 3% a year compounded annually, attributable to inflation, (c) additional projected salary increases of 8% annually for the first five years and 2% annually thereafter, attributable to seniority/merit, and (d) no post-retirement benefit increases. The mortality assumption is the RP2000 Combined Healthy No-Collar Table projected to 2007, separate for males and females. The actuarial value of assets is the fair value at the fiscal year end.

The amortization of the unfunded liability is 10-year, level percent of pay, open gain/loss except for losses due to plan changes, which are amortized over 20 years. The Town has contributed 100% of the required contribution for the past three years. The contribution was \$2,474,479, \$2,348,529, and \$2,255,718 for the years ending June 30 for 2009, 2008 and 2007, respectively. The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

B. Public Safety Employees Pension Plan (PSEPP)

1. Plan description

All of the Town's full-time police officers, firefighter/emergency medical technicians, fire marshals and communication employees participate in the Public Safety Employees Pension Plan (PSEPP), a single-employer, defined benefit pension plan. The plan provides retirement, disability, and death benefits. A member may retire at age 55 with 10 years of continuous service (reduced early retirement), at age 65 (normal retirement), after completion of 25 years of service (unreduced retirement) or postpone retirement. Benefits begin to vest after 5 years of continuous employment, and participants are fully vested after 15 years of continuous employment, or at retirement age if sooner.

Normal retirement benefits are a monthly income payable for life in an amount equal to 60% of final average monthly compensation reduced 1/15th for each year of service less than 15 at normal retirement date for employees hired before April 1, 1996. For employees hired after that date benefit formula is 60% of final average compensation reduced for years of service less than 25 at exit age. Employees hired before April 1, 1996, receive the benefit under whichever formula produces the largest benefit. Final benefit is based on average compensation of the three highest consecutive years in the last ten years prior to retirement. The benefit was increased from 50% to 60% of final average compensation for firefighter/emergency medical technicians and fire marshals effective July 1, 2007. Retiring employees receive one month of additional service credit for each 176 hours of unused sick leave for the benefit amount, not retirement eligibility, with a credit assumption equal to 2% of other service. There were no changes to actuarial assumptions during the valuation year ended March 31, 2009.

2. Funding policy and contributions

Annual Town contributions are based upon the PSEPP trust agreement that requires the Town to make remaining actuarially determined periodic contributions using the projected unit credit actuarial cost method. All administrative costs are paid by the PERS. At April 1, 2009, the plan's actuarial value of assets was \$29,568,757, using a five-year phase-in smoothing of expected versus actual return. The market value of assets was \$21,224,806. The actuarial accrued liability was \$43,434,805 and the

Town of Ocean City
Notes to the Financial Statements

unfunded actuarial liability was \$13,866,048. The plan was 68.1% funded. The annual covered payroll was \$12,064,994 and the unfunded actuarial liability was 114.93% of covered payroll. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the actuarial accrued liability.

Employer contributions totaling \$2,721,333 were made in 2009 in accordance with actuarially determined requirements computed through an actuarial valuation performed as of April 1, 2008, and represented 23.9% of current covered payroll. Police officers are required to contribute 8% of pay. For all other participants, contributions are 8% of pay for up to 15 years of service and 8.5% thereafter as of July 1, 2007. Employee contributions totaled \$938,730. Significant actuarial assumptions used in the valuation included (a) a rate of return on the investment of present and future assets of 7.5% a year compounded annually, (b) projected salary increases of 3% a year compounded annually, attributable to inflation, (c) additional projected salary increases of 7% annually for the first five years, 5.5% for years 5-10 and 5% annually thereafter, attributable to seniority/merit, and (d) no post-retirement benefit increases, (e) the RP2000 Combined Healthy No-Collar Table mortality assumption projected to 2007, separate for males and females. The actuarial value of assets is the fair value at the fiscal year end.

The amortization of the unfunded liability is 10-year, level percent of pay, open gain/loss except for losses due to plan changes, which are amortized over 20 years. The Town has contributed 100% of the required contribution for the past three years. The contribution was \$2,721,333, \$2,709,034, and \$2,371,215 for the years ending June 30 for 2009, 2008 and 2007, respectively. The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

C. Cost Sharing Multiple-Employer Pension Plan

1. *Plan description*

Wastewater employees who transferred to the Town from Worcester County participate in a mandatory contributory defined benefit plan managed by the County and administered by Nationwide Financial Company. The financial information for the plan is included in the Worcester County Financial Report. The report may be obtained at the Office of the Treasurer,
1 W. Market Street, Snow Hill, Maryland, 21863.

For the plan year ended June 30, 2009, the total covered payroll was \$1,408,875. The pension plan provides pension, death, and disability benefits. Normal retirement age is 65. Early retirement, with reduced benefits, may be taken at age 55 with the completion of 10 years of service. An employee is fully vested after five years of service.

2. *Funding policy*

Plan members are required to contribute 4% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The rate for the fiscal year 2009 contribution was 8.02% of annual covered payroll. The contribution requirements of plan members and the Town is established and may be amended by the County Commissioners of Worcester County.

The actuarial accrued liability was computed as part of an actuarial valuation performed as of July 1, 2008. The County's plan does not make separate measurement of assets and actuarial accrued liability for individual employers. The actuarial accrued liability at July 1, 2008, for the plan as a whole, determined by an actuarial valuation performed on that date, was \$4,325,930. The actuarial value of assets, at fair value, as of that date was \$6,121,731 with assets in excess of the actuarial accrued liability by \$1,795,801.

3. Annual pension cost and three-year trend information

In addition to employee contributions of 4% of annual salary, the Town makes actuarially determined periodic contributions to the plan using the aggregate cost method. There were no changes in actuarial assumptions or benefit provisions that significantly affected the valuation of the actuarial accrued liability during fiscal year 2009.

Employee contributions totaled \$54,664. The Town's actuarially determined contribution as the employer was \$113,022 or 8.02% of covered payroll for the plan year beginning July 1, 2008. This contribution covers the Town's total liability for funding, as determined by Worcester County. The Town's contribution for its employees represents 52.9% of the actuarially determined contribution requirement for all employers. The Town does not have any unfunded actuarial accrued liability with respect to this plan. The Town has contributed 100% of the required contribution for the past three years. The contribution was \$113,022, \$116,304, and \$90,916 for the years ending June 30 for 2009, 2008 and 2007, respectively.



***PENSION TRUST FUNDS
REQUIRED SUPPLEMENTARY INFORMATION***

Schedules of Funding Progress

Schedules of Employer Contributions

TOWN OF OCEAN CITY
GENERAL EMPLOYEE PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
2000 - 2009

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
4/1/2009	\$ 30,699,087 *	\$ 42,734,316	\$ 12,035,229	71.8 %	\$ 20,595,416	58.4 %
4/1/2008	28,220,231	39,178,031	10,957,800	72.0	20,666,347	53.0
4/1/2007	26,243,723	35,094,768	8,851,045	74.8	19,043,583	46.5
4/1/2006	20,938,052	30,856,957	9,918,905	67.9	17,475,494	56.8
4/1/2005	16,126,315	25,982,098	9,855,783	62.1	14,427,102	68.3
4/1/2004(1)	13,571,986	23,687,917	10,115,931	57.3	13,780,405	73.4
4/1/2003	9,823,084	14,696,821	4,873,737	66.8	12,831,139	38.0
4/1/2002	10,288,830	13,303,464	3,014,634	77.3	12,216,780	24.7
4/1/2001	9,586,990	11,930,884	2,343,894	80.4	11,233,664	20.9
4/1/2000	10,070,548	10,703,654	633,106	94.1	10,241,116	6.2

Source: "The Employees of Ocean City, Maryland Pension Plan Actuarial Valuation for the Plan Year Beginning April 1, 2008", William M. Mercer, Inc..

(1) In 2004, the benefit formula was changed, see Note 10a.

*Actuarial value of assets was set equal to market value prior to April 1, 2009, actuarial value of assets reflects a five-year phase-in of expected vs. actual return.

TOWN OF OCEAN CITY
GENERAL EMPLOYEE PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
2000 - 2009

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2009	\$ 2,474,479	100%
2008	2,348,529	100%
2007	2,255,718	100%
2006	1,969,055	100%
2005	1,671,266	100%
2004	1,519,435	100%
2003	1,058,140	100%
2002	908,973	100%
2001	664,214	100%
2000	502,578	100%

TOWN OF OCEAN CITY
PUBLIC SAFETY EMPLOYEE PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
2000 - 2009

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
4/1/2009	\$ 29,568,757 *	\$ 43,434,805	\$ 13,866,048	68.1 %	\$ 12,064,994	114.9 %
4/1/2008	27,416,007	39,492,370	12,076,363	69.4	11,367,218	106.2
4/1/2007	25,595,150	35,149,787	9,554,637	72.8	10,742,790	88.9
4/1/2006	20,488,803	29,572,838	9,084,035	69.3	10,133,931	89.6
4/1/2005	16,444,865	22,320,763	5,875,898	73.7	8,236,439	71.3
4/1/2004	14,591,505	18,831,022	4,239,517	77.5	7,595,561	55.8
4/1/2003	10,457,554	17,068,738	6,611,184	61.3	7,131,592	92.7
4/1/2002	11,268,287	16,319,019	5,050,732	69.1	6,540,995	77.2
4/1/2001	10,298,987	13,658,663	3,359,676	75.4	6,702,342	50.1
4/1/2000	10,640,947	11,996,019	1,355,072	88.7	5,962,903	22.7

Source: "Ocean City, Maryland Public Safety Employees Pension Plan Actuarial Valuation Report for the Plan Year Beginning April 1, 2008", William M. Mercer, Inc.

*Actuarial value of assets was set equal to market value prior to April 1, 2009, actuarial value of assets reflects a five-year phase-in of expected vs. actual return.

TOWN OF OCEAN CITY
PUBLIC SAFETY EMPLOYEE PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
2000 - 2009

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2009	\$ 2,721,333	100%
2008	2,709,034	100%
2007	2,371,215	100%
2006	1,569,865	100%
2005	1,094,655	100%
2004	1,368,283	100%
2003	836,816	100%
2002	660,998	100%
2001	406,008	100%
2000	214,343	100%



NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUNDS

The Capital Projects Funds account for all resources used for the acquisition and/or construction of capital facilities by the Town except those financed by Enterprise Funds.

The following activities of the Town are reported in this section:

PUBLIC SAFETY

To account for the construction of a fire house and building improvements used for public safety activities financed by the sale of bonds, federal grants, and general fund contribution.

BUILDINGS AND GROUNDS

To account for the construction of a solid waste transfer station, municipal buildings funded from bond proceeds, parking lot revenue, donations and general fund contribution.

STREET IMPROVEMENTS

To account for the construction and major renovation of streets funded by state grants, bond proceeds, and general fund contribution.

RECREATION IMPROVEMENTS

To account for park improvements and shoreline stabilization projects funded by state grants, bond proceeds and general fund contribution.

TOWN OF OCEAN CITY
 COMBINING BALANCE SHEET
 NON MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

	Capital Projects				Total
	Public Safety	Buildings & Grounds	Street Improvements	Recreation Improvements	
ASSETS					
Cash and cash equivalents	\$ 3,833	\$ 6,535	\$ 20,518	\$ 3,792	\$ 34,678
Investments	53,000	1,098,072	256,500	18,644	1,426,216
Accounts receivable	-	-	1,105	-	1,105
Interest receivable	-	310	-	-	310
Total assets	\$ 56,833	\$ 1,104,917	\$ 278,123	\$ 22,436	\$ 1,462,309
LIABILITIES					
Accounts payables	\$ 19,619	\$ 147,501	\$ 1,949	\$ (281)	\$ 168,788
Total liabilities	19,619	147,501	1,949	(281)	168,788
FUND BALANCE					
Restricted for capital projects	15,919	46,010	96,303	7,836	166,068
Committed for encumbrances	12,735	5,858	85,407	14,881	118,881
Committed for capital projects	8,560	905,548	94,464	-	1,008,572
Total fund balances	37,214	957,416	276,174	22,717	1,293,521
Total liabilities and fund balances	\$ 56,833	\$ 1,104,917	\$ 278,123	\$ 22,436	\$ 1,462,309

TOWN OF OCEAN CITY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Capital Projects				Total
	Public Safety	Buildings & Grounds	Street Improvements	Recreation Improvements	
REVENUES					
Charges for current services	\$ -	\$ 289,304	\$ 3,464	\$ -	\$ 292,768
Other revenue	833	211,766	28,188	6,297	247,084
Total revenues	<u>833</u>	<u>501,070</u>	<u>31,652</u>	<u>6,297</u>	<u>539,852</u>
EXPENDITURES					
Current:					
Operating expenses	-	75,521	827,942	-	903,463
Capital outlay	108,620	1,092,400	1,476,568	662,789	3,340,377
Total expenditures	<u>108,620</u>	<u>1,167,921</u>	<u>2,304,510</u>	<u>662,789</u>	<u>4,243,840</u>
Deficiency of revenues under expenditures	<u>(107,787)</u>	<u>(666,851)</u>	<u>(2,272,858)</u>	<u>(656,492)</u>	<u>(3,703,988)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in:					
General Fund	(19,365)	139,517	753,864	-	874,016
Capital projects funds	42,000	-	-	-	42,000
Transfers out:					
Capital projects funds	-	-	-	(42,000)	(42,000)
Total other financing sources and (uses)	<u>22,635</u>	<u>139,517</u>	<u>753,864</u>	<u>(42,000)</u>	<u>874,016</u>
Net change in fund balances	(85,152)	(527,334)	(1,518,994)	(698,492)	(2,829,972)
Fund balances at beginning of year	<u>122,366</u>	<u>1,484,750</u>	<u>1,795,168</u>	<u>721,209</u>	<u>4,123,493</u>
Fund balances at end of year	<u>\$ 37,214</u>	<u>\$ 957,416</u>	<u>\$ 276,174</u>	<u>\$ 22,717</u>	<u>\$ 1,293,521</u>



NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are used to account for the acquisition, operation, and maintenance of governmental facilities and services which are entirely or predominantly self-supporting by user charges. The operation of Enterprise Funds are accounted for in such a manner as to show a profit or loss similar to comparable private enterprises.

The following activities of the Town are reported in this section:

AIRPORT FUND

To account for the activities and construction projects of the municipally-owned airport.

GOLF COURSE FUND

To account for the activities of the municipally-owned golf course, Eagle's Landing.

TOWN OF OCEAN CITY
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 JUNE 30, 2009

	Business-type Activities - Enterprise Funds		
	Airport	Golf Course	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 33,553	\$ 8,276	\$ 41,829
Receivables, net	22,743	148,841	171,584
Interest receivable	1,203	-	1,203
Intergovernmental receivable	56,513	270	56,783
Inventories	50,315	76,334	126,649
Other	-	2,500	2,500
Total current assets	<u>164,327</u>	<u>236,221</u>	<u>400,548</u>
Noncurrent assets:			
Restricted investments	2,812,118	-	2,812,118
Capital assets:			
Land	1,174,102	6,584,513	7,758,615
Buildings	3,860,729	634,151	4,494,880
Other improvements	-	627,874	627,874
Streets and infrastructure	5,900,380	-	5,900,380
Machinery and equipment	92,242	552,564	644,806
Construction in progress	51,014	-	51,014
Less accumulated depreciation	<u>(5,070,548)</u>	<u>(1,452,503)</u>	<u>(6,523,051)</u>
Total noncurrent assets	<u>8,820,037</u>	<u>6,946,599</u>	<u>15,766,636</u>
Total assets	<u>8,984,364</u>	<u>7,182,820</u>	<u>16,167,184</u>
LIABILITIES			
Current liabilities:			
Accounts payable	186,745	36,302	223,047
Accrued expenses	18,529	61,672	80,201
Compensated absences	12,004	33,931	45,935
Deferred revenue	2,813,321	44,876	2,858,197
Current portion of long-term debt	34,785	165,000	199,785
Total current liabilities	<u>3,065,384</u>	<u>341,781</u>	<u>3,407,165</u>
Noncurrent liabilities:			
Advanced from other funds	-	250,000	250,000
Bonds, notes, and loans payable	886,693	3,935,000	4,821,693
Total noncurrent liabilities	<u>886,693</u>	<u>4,185,000</u>	<u>5,071,693</u>
Total liabilities	<u>3,952,077</u>	<u>4,526,781</u>	<u>8,478,858</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,086,441	2,846,599	7,933,040
Unrestricted	<u>(54,154)</u>	<u>(190,560)</u>	<u>(244,714)</u>
Total net assets	<u>\$ 5,032,287</u>	<u>\$ 2,656,039</u>	<u>\$ 7,688,326</u>

TOWN OF OCEAN CITY
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Airport	Golf Course	Total
Operating revenues:			
Charges for sales and services	\$ 1,139,331	\$ 2,017,988	\$ 3,157,319
Total operating revenues	<u>1,139,331</u>	<u>2,017,988</u>	<u>3,157,319</u>
Operating expenses:			
Personal services	358,987	1,038,407	1,397,394
Contractual services	273,774	248,857	522,631
Utilities	47,600	59,134	106,734
Repairs and maintenance	82,854	62,650	145,504
Other supplies and expenses	519,660	412,997	932,657
Internal services	120,935	247,498	368,433
Depreciation	295,367	48,368	343,735
Total operating expenses	<u>1,699,177</u>	<u>2,117,911</u>	<u>3,817,088</u>
Operating loss	<u>(559,846)</u>	<u>(99,923)</u>	<u>(659,769)</u>
Nonoperating revenues (expenses)			
Interest and investment revenue	609	-	609
Interest expense	<u>(50,782)</u>	<u>(142,639)</u>	<u>(193,421)</u>
Total nonoperating expenses	<u>(50,173)</u>	<u>(142,639)</u>	<u>(192,812)</u>
Loss before contributions and transfers	(610,019)	(242,562)	(852,581)
Capital contributions	168,462	-	168,462
Transfers in	<u>254,229</u>	<u>250,000</u>	<u>504,229</u>
Change in net assets	<u>(187,328)</u>	<u>7,438</u>	<u>(179,890)</u>
Total net assets - beginning, as restated	<u>5,219,615</u>	<u>2,648,601</u>	<u>7,868,216</u>
Total net assets - ending	<u>\$ 5,032,287</u>	<u>\$ 2,656,039</u>	<u>\$ 7,688,326</u>

TOWN OF OCEAN CITY
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Airport	Golf Course	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 1,125,160	\$ 1,951,037	\$ 3,076,197
Payments to suppliers	(932,238)	(772,974)	(1,705,212)
Payments to employees	(356,518)	(1,024,322)	(1,380,840)
Payments for interfund services used	(120,935)	(247,498)	(368,433)
Net cash used by operating activities	(284,531)	(93,757)	(378,288)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Advances to other funds	(65,000)	(10,000)	(75,000)
Transfers from other funds	254,229	250,000	504,229
Net cash provided by noncapital financing activities	189,229	240,000	429,229
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from capital grant	53,086	-	53,086
Purchases of capital assets	(73,806)	-	(73,806)
Principal paid on capital debt	(32,959)	-	(32,959)
Interest paid on capital debt and leases	(51,155)	(143,336)	(194,491)
Net cash provided used by capital and related financing activities	(104,834)	(143,336)	(248,170)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales and maturities of investments	220,638	-	220,638
Interest and dividends received	5,268	-	5,268
Net cash provided by investing activities	225,906	-	225,906
Net increase in cash and cash equivalents	25,770	2,907	28,677
Cash and cash equivalents at beginning of the year	7,783	5,369	13,152
Cash and cash equivalents at end of the year	\$ 33,553	\$ 8,276	\$ 41,829

(Continued)

TOWN OF OCEAN CITY
 COMBINING STATEMENT OF CASH FLOWS (Continued)
 NONMAJOR ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Airport</u>	<u>Golf Course</u>	<u>Total</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATIONS			
Operating loss	\$ (559,846)	\$ (99,923)	\$ (659,769)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	295,367	48,368	343,735
EFFECT OF CHANGES IN OPERATING ASSETS & LIABILITIES:			
Accounts Receivable	(14,171)	(68,094)	(82,265)
Inventories	44,715	11,697	56,412
Compensated absences	1,083	4,495	5,578
Accounts payable	(53,065)	(1,033)	(54,098)
Accrued expenses	1,386	9,590	10,976
Deferred revenue	-	1,143	1,143
Total adjustments	<u>275,315</u>	<u>6,166</u>	<u>281,481</u>
Net cash used by operating activities	<u>\$ (284,531)</u>	<u>\$ (93,757)</u>	<u>\$ (378,288)</u>



INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department of a government to other departments on a cost-reimbursement basis. Services accounted for in Internal Service Funds are tangible, and it is possible to determine the extent to which they benefit individual departments of the government.

The following activities of the Town are reported in this section:

INFORMATION TECHNOLOGY

To account for the costs of operating computers and data processing systems used by other Town departments. Such costs are billed to other departments.

SERVICE CENTER FUND

To account for the costs of operating a fuel depot and maintenance facility for automotive equipment used by Town departments. Such costs are billed to the other departments. The fund also includes a centralized purchasing facility. The facility contracts goods used by other departments. Charges for these goods are at a cost plus a mark up to cover employee costs, depreciation costs, and the amortization of long-term debt.

VEHICLE AND EQUIPMENT TRUST FUND

To account for costs of acquiring vehicles and equipment used by other city departments. The fund owns all rolling stock in the Town and receives its operating revenue from the various departments through vehicle and equipment lease charges.

RISK MANAGEMENT FUND

To account for costs of providing workers' compensation and liability insurance coverage to other departments and to provide funds to pay claims, premiums, reserves, and administrative costs of the program.

TOWN OF OCEAN CITY
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 JUNE 30, 2009

	<u>Information Technology</u>	<u>Service Center</u>	<u>Vehicle Trust</u>	<u>Risk Mangement</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 11,397	\$ 8,286	\$ 8,276	\$ 10,026	\$ 37,985
Investments	175,000	-	475,000	3,576,780	4,226,780
Interest receivable	-	-	8,070	38,293	46,363
Inventories	-	966,936	-	-	966,936
Total current assets	<u>186,397</u>	<u>975,222</u>	<u>491,346</u>	<u>3,625,099</u>	<u>5,278,064</u>
Noncurrent assets:					
Capital assets:					
Buildings	-	1,373,223	73,860	-	1,447,083
Other improvements	-	31,545	-	-	31,545
Machinery and equipment	621,819	184,154	36,324,452	-	37,130,425
	621,819	1,588,922	36,398,312	-	38,609,053
Less accumulated depreciation	(600,191)	(1,048,951)	(24,891,130)	-	(26,540,272)
Total capital Assets	<u>21,628</u>	<u>539,971</u>	<u>11,507,182</u>	<u>-</u>	<u>12,068,781</u>
Total noncurrent assets	<u>21,628</u>	<u>539,971</u>	<u>11,507,182</u>	<u>-</u>	<u>12,068,781</u>
Total assets	<u>208,025</u>	<u>1,515,193</u>	<u>11,998,528</u>	<u>3,625,099</u>	<u>17,346,845</u>
LIABILITIES					
Current liabilities:					
Accounts payable	28,206	135,578	-	68,611	232,395
Accrued expenses	23,121	37,858	1,444	18,437	80,860
Compensated absences	26,987	75,126	-	12,353	114,466
Due to other funds	-	160,000	-	50,000	210,000
Claims and judgments	-	-	-	868,925	868,925
Current portion of long-term debt	-	-	365,869	-	365,869
Total current liabilities	<u>78,314</u>	<u>408,562</u>	<u>367,313</u>	<u>1,018,326</u>	<u>1,872,515</u>
Noncurrent liabilities:					
Claims and judgments	-	-	-	2,606,773	2,606,773
Loans payable	-	-	93,379	-	93,379
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>93,379</u>	<u>2,606,773</u>	<u>2,700,152</u>
Total liabilities	<u>78,314</u>	<u>408,562</u>	<u>460,692</u>	<u>3,625,099</u>	<u>4,572,667</u>
NET ASSETS					
Invested in capital assets, net of related debt	21,628	539,971	11,047,934	-	11,609,533
Unrestricted	108,083	566,660	489,902	-	1,164,645
Total net assets	<u>\$ 129,711</u>	<u>\$ 1,106,631</u>	<u>\$ 11,537,836</u>	<u>\$ -</u>	<u>\$ 12,774,178</u>

TOWN OF OCEAN CITY
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Information Technology	Service Center	Vehicle Trust	Risk Mangement	Total
Operating revenues:					
Charges for sales and services	\$ 2,149,155	\$ 5,137,927	\$ 3,113,255	\$ 2,201,956	\$ 12,602,293
Miscellaneous	-	-	102	-	102
Total operating revenues	<u>2,149,155</u>	<u>5,137,927</u>	<u>3,113,357</u>	<u>2,201,956</u>	<u>12,602,395</u>
Operating expenses:					
Personal services	979,814	1,776,950	-	299,855	3,056,619
Contractual services	71,992	12,372	50,000	957,952	1,092,316
Utilities	29,916	62,701	-	1,566	94,183
Repairs and maintenance	635,789	93,803	-	6,481	736,073
Other supplies and expenses	251,217	3,038,814	242,514	4,649	3,537,194
Internal services	72,592	269,561	466,703	104,907	913,763
Insurance claims and expenses	-	-	-	2,730,120	2,730,120
Depreciation	12,976	45,799	3,217,808	-	3,276,583
Total operating expenses	<u>2,054,296</u>	<u>5,300,000</u>	<u>3,977,025</u>	<u>4,105,530</u>	<u>15,436,851</u>
Operating income (loss)	<u>94,859</u>	<u>(162,073)</u>	<u>(863,668)</u>	<u>(1,903,574)</u>	<u>(2,834,456)</u>
Nonoperating revenues (expenses)					
Interest and investment revenue	-	-	-	176,289	176,289
Interest expense	-	-	(29,350)	-	(29,350)
Gain on disposal of assets	-	-	102,535	-	102,535
Total nonoperating revenues	<u>-</u>	<u>-</u>	<u>73,185</u>	<u>176,289</u>	<u>249,474</u>
Income (loss) before contributions and transfers	94,859	(162,073)	(790,483)	(1,727,285)	(2,584,982)
Change in net assets	<u>94,859</u>	<u>(162,073)</u>	<u>(790,483)</u>	<u>(1,727,285)</u>	<u>(2,584,982)</u>
Total net assets - beginning	<u>34,852</u>	<u>1,268,704</u>	<u>12,328,319</u>	<u>1,727,285</u>	<u>15,359,160</u>
Total net assets - ending	<u>\$ 129,711</u>	<u>\$ 1,106,631</u>	<u>\$ 11,537,836</u>	<u>\$ -</u>	<u>\$ 12,774,178</u>

TOWN OF OCEAN CITY
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Information Technology
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers and users	\$ 2,149,155
Payments to suppliers	(976,526)
Payments to employees	(966,444)
Payments for interfund services used	(72,592)
	133,593
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Advances from other funds	-
	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	-
Interest paid on capital debt and leases	-
Capital lease payment	-
Proceeds from sales of capital assets	-
	-
Net cash used by capital and related financing activities	-
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	-
Purchase of investments	(125,000)
Interest and dividends received	-
	(125,000)
Net cash provided (used) by investing activities	(125,000)
Net increase (decrease) in cash and cash equivalents	8,593
Cash and cash equivalents at beginning of the year	2,804
Cash and cash equivalents at end of the year	\$ 11,397

(Continued)

Service Center	Vehicle & Equipment Trust	Risk Management	Total
\$ 5,137,927	\$ 3,113,357	\$ 2,201,956	\$ 12,602,395
(3,220,377)	(292,514)	(2,082,000)	(6,571,417)
(1,763,662)	-	(299,487)	(3,029,593)
(269,561)	(466,703)	(104,907)	(913,763)
(115,673)	2,354,140	(284,438)	2,087,622
160,000	-	50,000	210,000
160,000	-	50,000	210,000
(47,731)	(1,338,816)	-	(1,386,547)
-	(33,234)	-	(33,234)
-	(1,039,124)	-	(1,039,124)
-	94,465	-	94,465
(47,731)	(2,316,709)	-	(2,364,440)
-	-	3,254,189	3,254,189
-	(35,000)	(3,207,284)	(3,367,284)
-	-	147,941	147,941
-	(35,000)	194,846	34,846
(3,404)	2,431	(39,592)	(31,972)
11,690	5,845	49,618	69,957
\$ 8,286	\$ 8,276	\$ 10,026	\$ 37,985

TOWN OF OCEAN CITY
 COMBINING STATEMENT OF CASH FLOWS (Continued)
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Information Technology
RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATIONS	
Operating income (loss)	\$ 94,859
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	12,976
EFFECT OF CHANGES IN OPERATING ASSETS & LIABILITIES:	
Inventories	-
Compensated absences	4,313
Accounts payable	12,388
Accrued expenses	9,057
Claims liability	-
Total adjustments	38,734
Net cash provided (used) by operating activities	\$ 133,593

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Increase (Decrease) in fair value of investments	\$ -
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Service Center	Vehicle & Equipment Trust	Risk Management	Total
\$ (162,073)	\$ (863,668)	\$ (1,903,574)	\$ (2,834,456)
45,799	3,217,808	-	3,276,583
(32,775)	-	-	(32,775)
1,887	-	-	6,200
20,088	-	53,851	86,327
11,401	-	368	20,826
-	-	1,564,917	1,564,917
46,400	3,217,808	1,619,136	4,922,078
<u>\$ (115,673)</u>	<u>\$ 2,354,140</u>	<u>\$ (284,438)</u>	<u>\$ 2,087,622</u>

\$ -	\$ -	\$ 38,223	\$ 38,223
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FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the Town in a trustee capacity for individual, private, organization, other government or other funds.

GENERAL EMPLOYEES PENSION PLAN

To account for the accumulation of resources to be used for retirement annuity payments at appropriate amounts and times in the future. The Town contributes resources that are determined by an annual actuarial study.

PUBLIC SAFETY EMPLOYEES PENSION PLAN

To account for the accumulation of resources for pension benefit payments to qualified public safety employees. Resources are contributed by the Town as determined by an annual actuarial study and by participating employees.

TOWN OF OCEAN CITY
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	General Employees Pension Fund	Public Safety Employees Pension Fund	Total
ASSETS			
Cash and cash equivalents	\$ 166,070	\$ 199,639	\$ 365,709
Interest and dividends receivable	97,110	94,708	191,818
Investments, at fair value:			
U.S. Government obligations	4,221,101	4,158,102	8,379,203
Certificates of deposit	101,039	151,337	252,376
Mutual bond fund	1,380,679	1,046,400	2,427,079
Domestic equities	7,449,826	7,285,560	14,735,386
Domestic fixed income	2,871,586	2,796,498	5,668,084
Real estate investment trusts	500,171	489,846	990,017
International equities	5,055,037	4,960,455	10,015,492
International fixed income	1,463,322	1,431,779	2,895,101
Private equity	236,823	236,823	473,646
Natural resources	1,366,568	1,337,311	2,703,879
Total investments	<u>24,646,152</u>	<u>23,894,111</u>	<u>48,540,263</u>
Total assets	<u>24,909,332</u>	<u>24,188,458</u>	<u>49,097,790</u>
LIABILITIES			
Accrued liabilities	-	369,145	369,145
Total liabilities	<u>-</u>	<u>369,145</u>	<u>369,145</u>
NET ASSETS			
Held in trust for pension benefits or other benefits	<u>\$ 24,909,332</u>	<u>\$ 23,819,313</u>	<u>\$ 48,728,645</u>

TOWN OF OCEAN CITY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	General Employees Pension Fund	Public Safety Employees Pension Fund	Total
Additions			
Contributions:			
Employer	\$ 2,474,479	\$ 2,721,333	\$ 5,195,812
Members	981,895	977,956	1,959,851
Total contributions	<u>3,456,374</u>	<u>3,699,289</u>	<u>7,155,663</u>
Investment earnings:			
Net depreciation			
in fair value of investments	(6,944,415)	(6,683,496)	(13,627,911)
Interest	546,306	533,138	1,079,444
Dividends	407,423	397,216	804,639
Total investment income (loss)	<u>(5,990,686)</u>	<u>(5,753,142)</u>	<u>(11,743,828)</u>
Less investment expense	<u>164,549</u>	<u>158,398</u>	<u>322,947</u>
Net investment income (loss)	<u>(6,155,235)</u>	<u>(5,911,540)</u>	<u>(12,066,775)</u>
Total additions (deductions)	<u>(2,698,861)</u>	<u>(2,212,251)</u>	<u>(4,911,112)</u>
Deductions			
Benefits and refunds paid	759,703	1,438,506	2,198,209
Administrative expenses	86,653	80,795	167,448
Total deductions	<u>846,356</u>	<u>1,519,301</u>	<u>2,365,657</u>
Changes in net assets	(3,545,217)	(3,731,552)	(7,276,769)
Total net assets - beginning	<u>28,454,549</u>	<u>27,550,865</u>	<u>56,005,414</u>
Total net assets - ending	<u>\$ 24,909,332</u>	<u>\$ 23,819,313</u>	<u>\$ 48,728,645</u>



STATISTICAL SECTION

This part of the Town of Ocean City, Maryland's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

<u>Contents</u>	<u>Page(s)</u>
Financial Trends These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	106-113
Revenue Capacity These schedules contain information to help the reader assess the Town's most significant local revenue sources, the property tax and the room tax.	114-120
Debt Capacity These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	121-124
Economic and Demographic Information These schedules offer economic and demographic indicators to help the reader understand the environment within which the Town's financial activities take place.	125-126
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	127-131

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The Town implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

Town of Ocean City, Maryland
Net Assets by Component
Last Eight Fiscal Years
(accrual basis of accounting)

	<u>2009</u>	<u>2008</u>
Governmental Activities		
Invested in Capital Assets, Net of Related Debt	\$ 44,851,930	\$ 43,313,477
Restricted	1,543,521	4,383,493
Unrestricted	<u>16,823,057</u>	<u>13,601,386</u>
<i>Total Governmental Activities Net Assets</i>	<u>63,218,508</u>	<u>61,298,356</u>
Business-Type Activities		
Invested in Capital Assets, Net of Related Debt	58,489,349	55,116,392
Restricted	9,406,011	8,199,752
Unrestricted	<u>6,860,798</u>	<u>11,832,112</u>
<i>Total Business-Type Activities Net Assets</i>	<u>74,756,158</u>	<u>75,148,256</u>
Primary government		
Invested in Capital Assets, Net of Related Debt	103,341,279	98,429,869
Restricted	10,949,532	12,583,245
Unrestricted	<u>23,683,855</u>	<u>25,433,498</u>
<i>Total Primary Government Net Assets</i>	<u>\$ 137,974,666</u>	<u>\$ 136,446,612</u>

2007	2006	2005	2004	2003	2002
\$ 44,411,771	\$ 41,652,909	\$ 35,404,193	\$ 37,237,850	\$ 37,862,154	\$ 36,231,648
1,406,804	3,690,935	7,055,810	2,359,090	1,683,025	2,191,500
14,081,801	11,491,400	10,933,461	11,015,099	8,870,904	8,294,848
59,900,376	56,835,244	53,393,464	50,612,039	48,416,083	46,717,996
52,958,492	49,172,981	43,074,509	54,280,575	52,188,549	45,823,019
7,094,064	5,852,828	5,699,656	4,039,108	3,138,088	2,535,382
10,049,458	13,255,951	16,067,294	5,038,860	8,025,419	13,404,361
70,102,014	68,281,760	64,841,459	63,358,543	63,352,056	61,762,762
97,370,263	90,825,890	78,478,702	91,518,425	90,050,703	82,054,667
8,500,868	9,543,763	12,755,466	6,398,198	4,821,113	4,726,882
24,131,259	24,747,351	27,000,755	16,053,959	16,896,323	21,699,209
<u>\$ 130,002,390</u>	<u>\$ 125,117,004</u>	<u>\$ 118,234,923</u>	<u>\$ 113,970,582</u>	<u>\$ 111,768,139</u>	<u>\$ 108,480,758</u>

Town of Ocean City, Maryland

Changes in Net Assets

Last Eight Fiscal Years

(accrual basis of accounting)

	2009	2008
Expenses		
Governmental Activities:		
General Government	\$ 1,673,926	\$ 2,299,373
Public Safety	34,517,293	32,345,385
General Public Works and Beach	6,675,942	6,090,271
Sanitation and Waste Removal	7,587,896	7,127,947
Highways and Streets	8,008,372	7,338,573
Economic Development - Tourism	5,739,043	5,600,101
Recreation and Culture	8,795,235	8,109,675
Interest on Long-Term Debt	1,397,984	1,449,018
<i>Total Governmental Activities Expenses</i>	<u>74,395,691</u>	<u>70,360,343</u>
Business-Type Activities:		
Water	7,333,521	7,193,221
Transportation	11,075,781	9,622,464
Wastewater	6,265,962	6,003,335
Convention Center	8,324,858	8,036,740
Airport	1,749,959	1,614,880
Golf	2,260,550	2,164,803
<i>Total Business-Type Activities Expenses</i>	<u>37,010,631</u>	<u>34,635,443</u>
<i>Total Primary Government Expenses</i>	<u>\$ 111,406,322</u>	<u>\$ 104,995,786</u>
Program Revenues		
Governmental Activities:		
Charges for Services:		
General government	\$ 3,699,975	\$ 3,987,939
Public safety	1,696,096	1,745,958
General public works and beach	2,888,571	3,007,666
Sanitation and waste removal	430,535	552,864
Highways and streets	715,568	823,938
Economic development - Tourism	1,675,547	1,452,035
Recreation and culture	1,606,662	1,575,344
Operating Grants and Contributions	2,932,577	2,810,084
Capital Grants and Contributions	218,551	292,244
<i>Total Governmental Activities Program Revenues</i>	<u>15,864,082</u>	<u>16,248,072</u>
Business-Type Activities:		
Charges for Services:		
Water	7,204,163	7,162,687
Transportation	3,439,218	3,605,466
Wastewater	10,274,178	9,746,366
Convention Center	1,691,850	1,638,928
Airport	1,139,331	1,038,623
Golf	2,017,988	2,055,393
Operating Grants and Contributions	4,539,925	4,606,116
Capital Grants and Contributions	756,286	3,607,552
<i>Total Business-Type Activities Program Revenues</i>	<u>31,062,939</u>	<u>33,461,131</u>
<i>Total Primary Government Program Revenues</i>	<u>\$ 46,927,021</u>	<u>\$ 49,709,203</u>

2007	2006	2005	2004	2003	2002
\$ 2,354,011	\$ 2,260,255	\$ 2,210,767	\$ 1,239,176	\$ 1,269,701	\$ 1,479,107
29,202,378	25,347,862	22,603,945	20,741,305	18,470,579	18,243,992
6,175,410	5,795,271	5,319,516	4,771,177	4,438,373	4,171,943
6,849,196	6,195,897	5,894,297	5,476,452	5,436,051	5,267,148
6,964,317	6,112,945	5,818,748	5,601,371	4,529,054	5,486,120
4,227,250	4,067,088	3,995,845	3,631,068	3,663,523	3,218,854
7,098,691	6,580,404	6,386,759	5,556,411	5,193,597	5,205,370
1,538,808	1,638,477	1,376,678	1,240,314	1,692,600	2,281,406
<u>64,410,061</u>	<u>57,998,199</u>	<u>53,606,555</u>	<u>48,257,274</u>	<u>44,693,478</u>	<u>45,353,940</u>
7,045,220	6,994,515	6,125,859	5,654,993	5,756,055	5,406,838
8,839,617	7,387,915	6,661,378	6,026,428	5,340,275	5,407,188
5,896,177	8,499,404	8,228,078	8,022,887	7,388,163	7,470,129
8,014,968	5,038,307	5,124,371	4,779,005	4,717,868	4,660,544
1,627,726	1,515,485	1,120,307	976,559	1,014,601	763,823
2,124,943	2,046,530	2,034,905	2,041,027	2,061,708	2,229,549
<u>33,548,651</u>	<u>31,482,156</u>	<u>29,294,898</u>	<u>27,500,899</u>	<u>26,278,670</u>	<u>25,938,071</u>
<u>\$ 97,958,712</u>	<u>\$ 89,480,355</u>	<u>\$ 82,901,453</u>	<u>\$ 75,758,173</u>	<u>\$ 70,972,148</u>	<u>\$ 71,292,011</u>
\$ 4,555,293	\$ 4,854,842	\$ 4,948,199	\$ 4,318,966	\$ 4,012,359	\$ 3,936,492
1,701,398	1,629,703	1,649,218	1,449,006	1,369,093	1,258,517
3,118,017	3,079,825	3,030,546	2,730,553	2,251,321	2,306,148
306,433	166,076	175,918	163,223	190,935	141,924
753,772	721,049	661,496	658,007	637,637	496,286
1,359,916	1,346,673	1,234,497	940,819	1,166,254	1,191,352
1,496,451	1,525,757	1,488,875	1,468,705	1,405,025	1,116,947
2,794,189	2,429,558	2,681,396	2,256,497	1,404,388	1,309,463
787,782	683,127	906,195	263,406	493,704	764,563
<u>16,873,251</u>	<u>16,436,610</u>	<u>16,776,340</u>	<u>14,249,182</u>	<u>12,930,716</u>	<u>12,521,692</u>
6,840,989	6,937,909	6,095,087	5,930,548	5,958,881	5,593,694
3,511,131	3,543,393	3,226,897	3,118,675	3,084,148	2,555,143
9,129,355	8,808,583	8,162,626	7,663,559	7,560,447	7,168,085
1,923,673	1,742,303	1,619,021	1,466,416	1,413,910	1,405,386
1,070,152	995,840	848,819	608,093	518,180	540,616
1,931,502	2,152,506	2,199,883	2,324,673	2,240,263	2,415,904
4,309,687	4,195,060	3,911,853	3,870,590	4,005,436	4,055,940
885,908	2,601,934	1,661,427	161,322	1,052,812	939,428
<u>29,602,397</u>	<u>30,977,528</u>	<u>27,725,613</u>	<u>25,143,876</u>	<u>25,834,077</u>	<u>24,674,196</u>
<u>\$ 46,475,648</u>	<u>\$ 47,414,138</u>	<u>\$ 44,501,953</u>	<u>\$ 39,393,058</u>	<u>\$ 38,764,793</u>	<u>\$ 37,195,888</u>

Town of Ocean City, Maryland

Changes in Net Assets (continued)

Last Eight Fiscal Years

(accrual basis of accounting)

	2009	2008
Net (Expense)/Revenue		
Governmental Activities	\$ (58,531,609)	\$ (54,112,271)
Business-Type Activities	(5,947,692)	(1,174,312)
<i>Total Primary Government Net Expense</i>	<u>\$ (64,479,301)</u>	<u>\$ (55,286,583)</u>
General Revenues and Other Changes in Net Assets		
Governmental Activities:		
Taxes:		
Property and Other Local Taxes Levied For:		
General Purposes	\$ 48,025,233	\$ 44,320,692
Sales and Income Taxes	13,757,540	13,789,976
Grants and Entitlements not Restricted to Specific Programs	2,509,917	628,833
Investment Earnings	683,113	1,175,057
Gain (loss) on Sale of Capital Assets	-	-
Other Revenue	621,324	936,421
Transfers	(5,145,366)	(5,340,728)
<i>Total Governmental Activities</i>	<u>60,451,761</u>	<u>55,510,251</u>
Business-Type Activities:		
Investment Earnings	410,228	872,247
Gain (loss) on Sale of Capital Assets	-	-
Other Revenue	-	7,579
Transfers	5,145,366	5,340,728
<i>Total Business-Type Activities</i>	<u>5,555,594</u>	<u>6,220,554</u>
<i>Total Primary Government</i>	<u>\$ 66,007,355</u>	<u>\$ 61,730,805</u>
Change in Net Assets		
Governmental Activities	\$ 1,920,152	\$ 1,397,980
Business-Type Activities	(392,098)	5,046,242
<i>Total Primary Government Change in Net Assets</i>	<u>\$ 1,528,054</u>	<u>\$ 6,444,222</u>

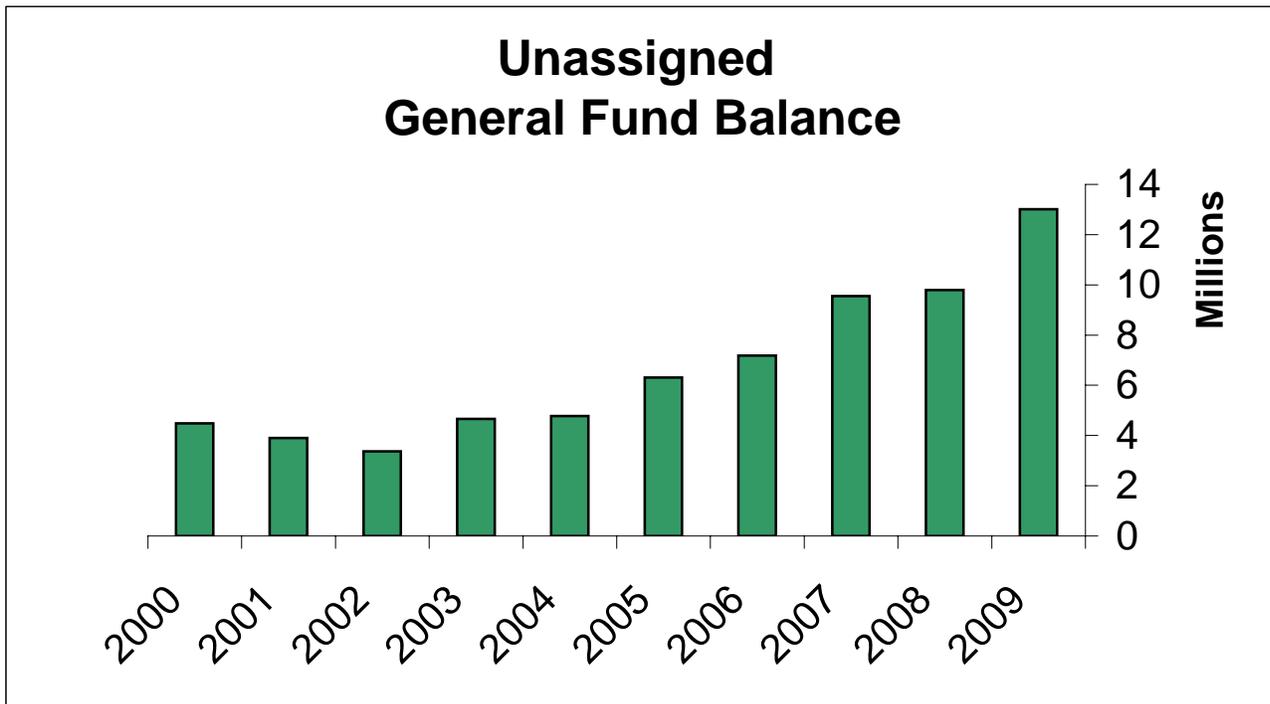
2007	2006	2005	2004	2003	2002
\$ (47,536,810)	\$ (41,561,589)	\$ (36,830,215)	\$ (34,008,092)	\$ (31,762,762)	\$ (32,832,248)
(3,946,254)	(504,628)	(1,569,285)	(2,357,023)	(444,593)	(1,263,875)
<u>\$ (51,483,064)</u>	<u>\$ (42,066,217)</u>	<u>\$ (38,399,500)</u>	<u>\$ (36,365,115)</u>	<u>\$ (32,207,355)</u>	<u>\$ (34,096,123)</u>
\$ 38,714,874	\$ 33,317,113	\$ 29,232,197	\$ 26,126,491	\$ 21,986,998	\$ 20,933,199
13,696,456	12,836,646	12,587,732	11,659,670	12,065,800	12,747,991
704,624	483,032	157,080	142,808	155,872	96,451
1,498,827	1,023,963	552,485	153,722	344,434	1,026,411
-	-	(374,265)	-	-	-
914,535	705,999	362,460	381,001	549,882	-
(4,927,374)	(3,363,384)	(2,906,049)	(2,259,644)	(1,642,137)	(1,906,702)
<u>50,601,942</u>	<u>45,003,369</u>	<u>39,611,640</u>	<u>36,204,048</u>	<u>33,460,849</u>	<u>32,897,350</u>
839,134	581,545	221,788	103,866	144,750	223,384
-	-	(75,636)	-	247,000	-
-	-	-	-	-	-
4,927,374	3,363,384	2,906,049	2,259,644	1,642,137	1,906,702
<u>5,766,508</u>	<u>3,944,929</u>	<u>3,052,201</u>	<u>2,363,510</u>	<u>2,033,887</u>	<u>2,130,086</u>
<u>\$ 56,368,450</u>	<u>\$ 48,948,298</u>	<u>\$ 42,663,841</u>	<u>\$ 38,567,558</u>	<u>\$ 35,494,736</u>	<u>\$ 35,027,436</u>
\$ 3,065,132	\$ 3,441,780	\$ 2,781,425	\$ 2,195,956	\$ 1,698,087	\$ 65,102
1,820,254	3,440,301	1,482,916	6,487	1,589,294	866,211
<u>\$ 4,885,386</u>	<u>\$ 6,882,081</u>	<u>\$ 4,264,341</u>	<u>\$ 2,202,443</u>	<u>\$ 3,287,381</u>	<u>\$ 931,313</u>

Town of Ocean City, Maryland
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2009	2008	2007	2006
General Fund				
Assigned for advances & other	\$ 250,000	\$ 260,000	\$ 270,000	\$ 715,000
Assigned for encumbrances	762,998	456,351	699,721	983,295
Unassigned	13,005,682	9,795,646	9,549,272	7,179,410
Total General Fund	\$ 14,018,680	\$ 10,511,997	\$ 10,518,993	\$ 8,877,705
All Other Governmental Funds				
Restricted for capital projects	\$ 166,068	\$ 3,138,153	\$ 450,319	\$ 2,521,307
Committed for encumbrances	118,881	785,960	166,548	474,628
Committed for capital projects	1,008,572	199,380	519,937	-
Total All Other Governmental Funds	1,293,521	4,123,493	1,136,804	2,995,935
Total Governmental Funds	\$ 15,312,201	\$ 14,635,490	\$ 11,655,797	\$ 11,873,640

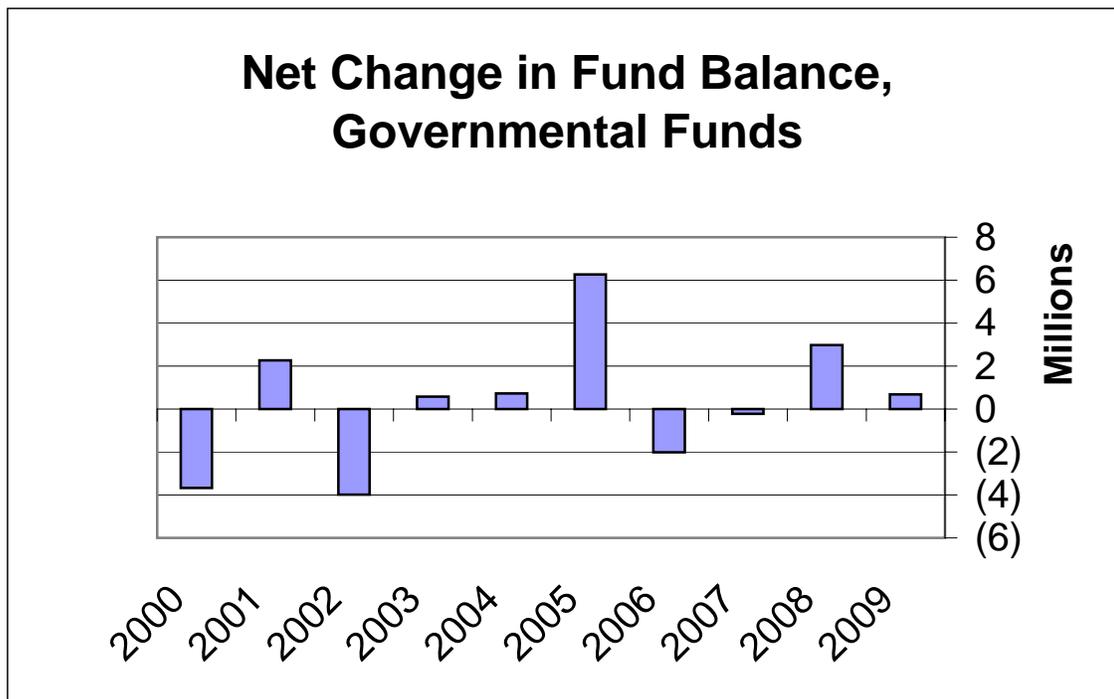
Unassigned General Fund Balance
as a Percentage of Expenditures

16.9% 12.8% 13.7% 11.6%



2005	2004	2003	2002	2001	2000
\$ 530,000	\$ 288,727	\$ 301,447	\$ 399,674	\$ 256,357	\$ 1,118,273
524,370	499,915	262,975	444,898	365,289	285,136
6,311,281	4,771,502	4,659,944	3,374,729	3,907,384	4,480,656
\$ 7,365,651	\$ 5,560,144	\$ 5,224,366	\$ 4,219,301	\$ 4,529,030	\$ 5,884,065
\$ 4,328,931	\$ 1,025,736	\$ 1,119,750	\$ 1,855,195	\$ 3,336,644	\$ 939,037
2,196,879	635,074	199,056	336,305	2,530,098	650,299
-	409,553	364,219	-	-	650,524
6,525,810	2,070,363	1,683,025	2,191,500	5,866,742	2,239,860
<u>\$ 13,891,461</u>	<u>\$ 7,630,507</u>	<u>\$ 6,907,391</u>	<u>\$ 6,410,801</u>	<u>\$10,395,772</u>	<u>\$ 8,123,925</u>

11.2% 9.2% 10.0% 7.3% 8.9% 12.3%



Town of Ocean City, Maryland
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2009	2008	2007
Revenues			
Property Taxes	\$ 47,881,933	\$ 43,744,359	\$ 38,200,651
Penalties and Interest	-	368,037	352,571
Other Taxes	13,922,143	13,831,745	13,706,607
Licenses and Permits	3,811,003	4,072,860	4,711,672
Fines and Forfeitures	612,431	632,554	570,709
Charges for Services	8,289,520	8,440,330	8,008,899
Revenue from Other Agencies	5,521,329	3,640,661	4,015,590
Other Revenue	1,128,148	1,911,742	2,488,030
<i>Total Revenues</i>	<u>81,166,507</u>	<u>76,642,288</u>	<u>72,054,729</u>
Expenditures			
Current:			
General Government	3,869,464	4,401,856	4,375,821
Public Safety	32,638,249	32,331,755	28,409,289
General Public Works and Beach	6,367,631	5,683,088	5,789,212
Sanitation and Waste Removal	6,784,236	6,659,892	6,328,058
Highways and Streets	7,796,058	8,040,678	7,066,474
Economic Development - Tourism	5,524,269	5,400,974	4,070,020
Recreation and Culture	8,798,317	8,001,610	7,120,467
Capital Outlay	-	-	-
Debt service:			
Principal Retirement	2,164,178	2,245,407	2,750,168
Interest and Fiscal Charges	1,402,028	1,361,330	1,435,689
Bond Issuance Costs	-	118,485	-
<i>Total Expenditures</i>	<u>75,344,430</u>	<u>74,245,075</u>	<u>67,345,198</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>5,822,077</u>	<u>2,397,213</u>	<u>4,709,531</u>
Other Financing Sources (Uses)			
Bonds and notes issued	-	12,642,381	-
Premium on bonds issued	-	406,051	-
Payment to refunded bond escrow agent	-	(7,125,224)	-
Transfers In	916,016	2,064,944	623,463
Transfers Out	(6,061,382)	(7,405,672)	(5,550,837)
<i>Total Other Financing Sources (Uses)</i>	<u>(5,145,366)</u>	<u>582,480</u>	<u>(4,927,374)</u>
<i>Net Change in Fund Balances</i>	<u>\$ 676,711</u>	<u>\$ 2,979,693</u>	<u>\$ (217,843)</u>
Debt Service as a Percentage of Noncapital Expenditures	4.7%	4.9%	6.2%

	2006	2005	2004	2003	2002	2001	2000
\$	33,079,077	\$ 28,893,748	\$ 25,978,629	\$ 21,942,128	\$ 20,696,935	\$ 19,737,580	\$ 18,570,742
	202,528	203,681	179,328	175,312	132,179	172,961	198,768
	12,751,463	12,561,124	11,682,536	11,998,532	12,498,382	10,255,011	8,164,682
	4,895,070	5,017,242	4,407,455	4,089,698	3,915,003	3,424,712	3,346,982
	614,863	523,136	586,518	560,924	557,494	541,977	603,168
	8,118,187	8,429,121	6,885,403	6,382,002	5,975,169	5,705,058	5,233,186
	3,291,522	2,963,921	2,512,614	2,053,964	2,170,477	6,294,469	2,492,346
	1,752,771	747,846	535,614	677,625	813,167	1,258,288	1,367,532
	<u>64,705,481</u>	<u>59,339,819</u>	<u>52,768,097</u>	<u>47,880,185</u>	<u>46,758,806</u>	<u>47,390,056</u>	<u>39,977,406</u>
	3,607,775	3,892,257	2,865,191	2,023,593	2,021,219	3,349,923	3,079,683
	24,517,032	21,756,557	19,794,752	17,626,862	16,870,305	15,794,581	13,562,695
	4,711,047	4,016,271	3,531,469	3,325,515	2,993,469	2,775,508	2,411,077
	5,873,562	5,606,629	5,207,178	5,331,082	4,978,310	4,557,518	4,642,942
	4,588,339	4,160,215	3,983,490	3,423,427	4,053,572	3,474,429	3,375,657
	3,946,216	3,861,408	3,495,989	3,495,288	3,132,924	3,227,213	2,920,977
	6,147,126	6,182,466	5,081,905	4,828,920	4,761,308	4,815,820	4,023,127
	6,408,284	6,586,267	1,976,492	900,326	5,246,199	8,863,247	5,218,689
	3,077,627	1,878,426	2,757,452	3,033,997	2,956,469	2,780,396	2,630,167
	1,502,910	1,308,420	1,243,195	1,665,365	1,823,300	1,675,576	1,840,170
	-	-	-	-	-	-	-
	<u>64,379,918</u>	<u>59,248,916</u>	<u>49,937,113</u>	<u>45,654,375</u>	<u>48,837,075</u>	<u>51,314,211</u>	<u>43,705,184</u>
	325,563	90,903	2,830,984	2,225,810	(2,078,269)	(3,924,155)	(3,727,778)
	1,020,000	9,076,100	11,891,436	-	-	6,377,632	-
	-	-	-	-	-	-	-
	-	-	(11,739,660)	-	-	-	-
	1,492,722	1,353,440	1,897,676	35,000	752,373	2,862,501	2,828,615
	(4,856,106)	(4,259,489)	(4,157,320)	(1,677,137)	(2,659,075)	(3,044,131)	(2,772,956)
	<u>(2,343,384)</u>	<u>6,170,051</u>	<u>(2,107,868)</u>	<u>(1,642,137)</u>	<u>(1,906,702)</u>	<u>6,196,002</u>	<u>55,659</u>
\$	<u>(2,017,821)</u>	<u>\$ 6,260,954</u>	<u>\$ 723,116</u>	<u>\$ 583,673</u>	<u>\$ (3,984,971)</u>	<u>\$ 2,271,847</u>	<u>\$ (3,672,119)</u>
	7.9%	6.1%	8.3%	10.5%	11.0%	10.5%	11.6%

Town of Ocean City, Maryland
 Tax Revenues by Source, Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

Year	Property Taxes	Room Occupancy Taxes *	Admission & Amusement Taxes*	Income Taxes	Other Taxes	Total
2009	\$ 47,881,933	\$ 11,016,045	\$ 1,218,793	\$ 863,318	\$ 823,988	\$ 61,804,077
2008	43,744,359	10,719,678	1,302,455	918,144	891,468	\$ 57,576,104
2007	38,200,651	10,345,545	1,238,744	1,183,634	938,684	\$ 51,907,258
2006	33,079,077	9,752,224	1,208,606	939,754	850,879	45,830,540
2005	28,893,748	9,593,436	1,252,422	953,168	762,098	41,454,872
2004	25,978,629	9,595,457	812,599	635,662	638,818	37,661,165
2003	21,942,128	9,231,935	1,286,896	703,880	775,821	33,940,660
2002	20,696,935	9,136,047	1,550,202	959,692	852,441	33,195,317
2001	19,895,825	7,301,543	1,155,310	895,660	744,253	29,992,591
2000	18,724,016	5,926,261	875,731	506,071	703,345	26,735,424
Change 2000-2009	155.7%	85.9%	39.2%	70.6%	17.2%	131.2%

* In fiscal year 2001, the room tax rate was increased from 3% to 4% and the admission and amusement tax rate was increased from 2% to 3%. In 2003, state court ruled that a portion of prior years amusement taxes for restaurants be refunded. Refunds were made in 2003 and 2004. In 2008 the room tax rate was increased from 4% to 4.5%.

Town of Ocean City, Maryland
 Assessed Valuation and Estimated Actual Values of Taxable Property
 Last Ten Fiscal Years

Year	Real Property	Personal Property	Corporate Property	Total	Total Direct Tax Rate	Estimated * Actual Values of Taxable Property	Percentage Of Change
2009	\$12,090,447,495	\$ 16,500,853	\$ 135,247,984	\$12,242,196,332	\$ 0.38	\$12,242,196,332	17.0%
2008	10,309,041,337	15,670,379	140,104,253	10,464,815,969	0.41	10,464,815,969	21.1
2007	8,491,695,814	15,500,465	135,395,271	8,642,591,550	0.43	8,642,591,550	27.3
2006	6,642,584,042	15,395,878	130,433,323	6,788,413,243	0.47	6,788,413,243	17.3
2005	5,640,578,371	14,789,786	131,293,900	5,786,662,057	0.48	5,786,662,057	19.2
2004	4,710,176,078	21,171,008	124,356,279	4,855,703,365	0.51	4,855,703,365	20.9
2003	3,861,432,196	21,336,512	131,963,798	4,014,732,506	0.52	4,014,732,506	5.2
2002	3,676,122,698	20,072,259	119,241,289	3,815,436,246	0.52	3,815,436,246	3.7
2001*	1,416,305,245	23,902,636	114,299,612	1,554,507,493	1.29	3,678,965,361	3.7
2000	1,366,041,040	24,599,680	106,581,280	1,497,222,000	1.25	3,546,283,560	2.6

Source: Uniform Financial Report of Town of Ocean City to Maryland Department of Fiscal Services, 2000-2009.

* Property in the Town is reassessed every three years. Property has been assessed at actual value since 2002. Real property was assessed at forty percent of market value for fiscal year 2001 and earlier.

Town of Ocean City, Maryland
Property Tax Levies And Collections
Last Ten Fiscal Years

Year	Total Tax Levy	Current Tax Collections	Percent of Current Tax Collections To Tax Levy	Delinquent Tax Collections	Total Tax Collections*	Percent of Total Tax Collections To Tax Levy
2009	\$47,821,733	\$ 46,401,667	97.03 %	\$ 960,231	\$ 47,361,898	99.04 %
2008	43,241,505	42,264,998	97.74	635,613	42,900,611	99.21
2007	38,309,963	37,639,139	98.25	598,678	38,237,817	99.81
2006	33,101,342	32,495,310	98.17	394,993	32,890,303	99.36
2005	28,981,665	28,582,990	98.62	362,383	28,945,373	99.87
2004	25,916,042	25,508,356	98.43	386,257	25,894,613	99.92
2003	21,927,723	21,593,909	98.48	319,667	21,913,576	99.94
2002	20,655,837	20,217,245	97.88	336,608	20,553,853	99.51
2001	20,004,812	19,643,710	98.19	414,009	20,057,719	100.26
2000	18,776,984	18,340,395	97.67	524,490	18,864,885	100.47

Source: Uniform Financial Report of Town of Ocean City to Maryland Department of Fiscal Services, 2000 - 2009.

* "Total Tax Levy" and "Current Tax Collections" represent the original tax levy, less real property tax credits for civic associations, elderly and disabled taxpayers, and other adjustments.

Town of Ocean City, Maryland
Principal Taxpayers
Current Fiscal Year and Nine Years Ago

Taxpayer	2009	
	Property Assessed Valuation (1)	Percentage of Total Assessed Valuation
Harrison Inn Stardust Inc	\$ 65,373,860	0.53
Americana Stowaway Motel, Inc.	59,781,626	0.49
91st Street Joint Venture	42,128,901	0.34
Harrison Inn Ocean View	30,336,532	0.25
Harrison HI 18 LLC	25,619,196	0.21
Harrison Inn Sixty Six Inc	25,005,700	0.20
LPBOC Hotel Limited Partnership	23,393,900	0.19
Atlantic Hotel Inc	23,364,976	0.19
Delmarva Power	21,485,520	0.18
Harrison QI 17 LLC	19,184,164	0.16
	<u>\$ 335,674,375</u>	<u>2.74%</u>
Total Assessed Valuation	\$ 12,242,196,332	
Taxpayer	2000	
	Property Assessed Valuation (1)	Percentage of Total Assessed Valuation
Connectiv	\$ 23,036,610	0.65%
Bell Atlantic - Maryland	10,438,550	0.29
LPBOC Hotel Limited Partnership	8,090,410	0.23
Harrison QI 17 LLC	5,856,840	0.17
Genesar, Inc.	4,943,830	0.14
Ocean City Plaza, LLC	4,741,680	0.13
Harrison Inn Sixty Six Inc	4,539,480	0.13
Timothy Mark Corp.	4,093,740	0.12
Atlantic Hotel Inc.	4,031,610	0.11
Harrison QI 54 LLC	4,012,360	0.11
	<u>\$ 73,785,110</u>	<u>2.08%</u>
Total Assessed Valuation	<u>\$ 3,546,283,560</u>	

(1) Assessed valuation based on the valuation of property for taxes collected in 2009 and 2000 respectively, and a review of the 10 largest taxpayers for the City.

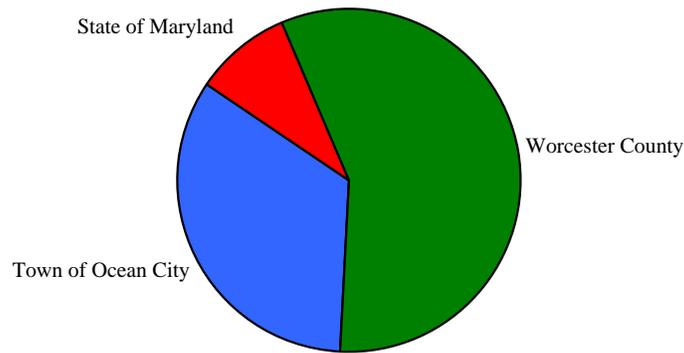
Source: Town of Ocean City Finance Department

Town of Ocean City, Maryland
Property Tax Rates - Direct and Overlapping Governments
(Per \$100 of Assessed Valuation*)
Last Ten Fiscal Years

Year	Direct Rate		Overlapping Rates		Total
	Town of Ocean City		Worcester County	State of Maryland	
2009	\$	0.380	\$	0.70	\$ 1.192
2008		0.410		0.70	1.222
2007		0.430		0.70	1.242
2006		0.470		0.73	1.332
2005		0.480		0.73	1.342
2004		0.510		0.73	1.372
2003		0.516		0.73	1.330
2002		0.516		0.73	1.330
2001		1.29		1.74	3.24
2000		1.25		1.74	3.20

Source: Town of Ocean City Finance Department

* For State, County and Town real property purposes, real property was assessed at forty percent of market value for fiscal year 2001 and earlier. In fiscal year 2002 and later, real property was assessed at market value and tax rates were adjusted proportionately.



Town of Ocean City
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Tax Year	Governmental Activities			Business-Type Activities			Total Primary Government	% of Actual Property Value	Per Capita
	General Obligation Bonds	Inter-Governmental Loans	Loans & Capital Leases	General Obligation Bonds	Inter-Governmental Loans	Capital Leases			
2009	\$ 30,228,391	\$ 502,400	\$ 1,459,247	\$ 45,696,736	\$ 32,061	\$ -	\$ 77,918,835	0.64%	\$10,304
2008	32,369,874	672,150	2,498,372	48,954,815	40,819	-	84,536,030	0.81	10,249
2007	29,496,156	173,855	3,610,632	48,532,564	45,132	-	81,858,339	0.95	10,933
2006	31,952,059	203,459	5,398,554	48,226,831	-	-	85,780,903	1.26	10,400
2005	34,730,583	468,716	3,985,354	52,149,050	-	-	91,333,703	1.58	12,443
2004	27,356,573	740,868	5,111,382	42,909,983	-	34,616	76,153,422	1.57	10,481
2003	29,613,860	1,077,666	2,657,412	45,471,198	-	66,741	78,886,877	1.96	10,964
2002	32,306,307	1,557,632	1,664,716	48,259,211	-	175,950	83,963,816	2.20	11,688
2001	34,852,054	2,016,559	312,818	50,941,025	-	356,623	88,479,079	2.40	12,330
2000	30,864,776	2,459,258	638,857	41,288,089	-	472,999	75,723,979	2.14	10,250

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

Town of Ocean City
Ratios of General Obligation Bonds Outstanding
Last Ten Fiscal Years

Tax Year	General Obligation Bonds Outstanding	% of Actual Property Value	Per Capita
2009	\$ 75,925,127	0.62%	\$ 10,040
2008	81,324,689	0.78	10,754
2007	78,028,722	0.90	10,422
2006	80,178,890	1.18	9,721
2005	86,879,633	1.50	11,836
2004	70,266,556	1.45	9,671
2003	75,085,058	1.87	10,436
2002	80,565,518	2.11	11,215
2001	85,793,079	2.33	11,956
2000	72,152,865	2.03	9,766

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

Town of Ocean City, Maryland
 Computation of Direct and Overlapping Debt
 June 30, 2009

Jurisdiction	Total Debt Outstanding	Percentage Applicable to City (1)	Amount Applicable to Town of Ocean City
Direct			
Town of Ocean City	<u>\$ 77,918,835</u>	100.0%	<u>\$ 77,918,835</u>
Overlapping			
Worcester County	<u>109,757,615</u>	60.5%	<u>65,086,266</u>
Total Direct and Overlapping Debt	<u><u>\$ 187,676,450</u></u>		<u><u>\$ 143,005,101</u></u>

Source:

(1) Percentages were determined by dividing each overlapping subdivision's assessed valuation within the Town by its total assessed valuation.
 The debt outstanding includes general obligation bonds and note debt.

Town of Ocean City, Maryland
 Computation of Legal Debt Margin
 As of June 30, 2009

Assessed Value		\$ 12,242,196,332
Maximum General Obligation Debt limited to 5.2% of assessed valuation *		\$ 636,594,209
Outstanding bonds	\$ 75,925,127	
Net Chargeable to Bond Limit		75,925,127
LEGAL DEBT MARGIN at JUNE 30, 2009		\$ 560,669,082

* Section C-719 of the Code of the Town of Ocean City.
 Source: Town of Ocean City Finance Department

Town of Ocean City, Maryland
 Schedule of Legal Debt Margin
 2000 - 2009

Fiscal Year	Assessed Value	Legal Debt Limitation	Legal Borrowing Limitation	Debt Subject to Limitation	Legal Debt Margin
2009	\$ 12,242,196,332	5.2 %	\$ 636,594,209	\$ 75,925,127	\$ 560,669,082
2008	10,464,815,969	5.2	544,170,430	81,324,689	462,845,741
2007	8,642,591,550	5.2	449,414,761	78,028,722	371,386,039
2006	6,788,413,243	5.2	352,997,489	80,178,890	272,818,599
2005	5,786,662,057	5.2	300,906,427	86,879,633	214,026,794
2004	4,855,703,365	5.2	252,496,575	70,266,556	182,230,019
2003	4,014,732,506	5.2	208,766,090	78,886,877	129,879,213
2002	3,815,436,246	5.2	198,402,685	83,963,816	114,438,869
2001	1,554,507,493	13	202,085,974	85,793,079	116,292,895
2000	1,497,222,000	13	194,638,860	72,152,865	122,485,995

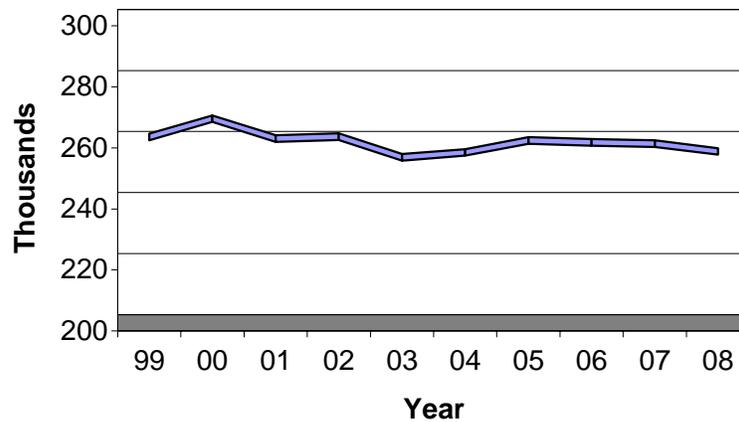
Town of Ocean City, Maryland

Demographic Statistics
Calendar Years 1999 - 2008

Year	(1) Population	(2) Median Household Income	(2) Worcester County Personal Income	(3) Median Age	(4) School Enrollment	(5) Unemployment Rate
2008	7,638	\$ 57,850	1,591,913	47.2	6,747	7.5 %
2007	7,562	55,200	1,555,842	47.2	6,745	6.6
2006	7,487	51,450	1,519,771	47.2	6,830	6.4
2005	7,413	49,350	1,483,700	47.2	6,727	6.4
2004	7,340	47,850	1,446,767	47.2	6,600	6.7
2003	7,266	44,550	1,409,834	47.2	6,539	6.5
2002	7,195	44,350	1,372,902	47.2	6,850	6.2
2001	7,184	43,850	1,335,969	47.2	6,850	6.6
2000	7,173	42,450	1,299,036	47.2	6,665	6.2
1999	6,971	40,650	1,215,402	47.1	6,820	9.0

- (1) Dept. of Planning and Community Development, Town of Ocean City(est.).
- (2) Maryland State Data Center (Figures are for Worcester County).
- (3) U.S. Census Bureau, Census 2000; MD State Data Center.
- (4) Figures are for Worcester County Public Schools which include Ocean City.
- (5) U.S. Department of Labor, Bureau of Labor Statistics (Information available for Worcester County only).

Estimated Average Summer Population



Town of Ocean City, Maryland
Principal Employers
Current Fiscal Year
Number of employees for quarter ending June 30, 2009

2009		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total County Employment</u>
Harrison Group	1,100	4.35 %
Phillips	595	2.35
OC Seacrets, Inc.	530	2.10
Bayshore Development	500	1.98
Clarion Resort Fontaine Bleau	448	1.77
KTG LLC	400	1.58
Fagers Island, Ltd.	266	1.05
Trimpers Rides, Inc.	250	0.99
91st St. Joint Venture	206	0.81
Castle in the Sand, Inc.	<u>155</u>	<u>0.61</u>
Total	<u>4,450</u>	<u>17.60 %</u>
Total Worcester County Employees (Data available for county only)	<u>25,290</u>	

Source: Town of Ocean City, Maryland, Department of Planning of Economic Development - amounts are estimates. Total County employment figures from the Maryland Department of Labor, Licensing & Regulation Career and Workforce Information. Data for 2000 is unavailable.

Town of Ocean City, Maryland
 Full-Time City Government Employees by Function/Program
 Last Ten Fiscal Years

<u>Function/program</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
General Government	39	39	40	40	39	37	36	37	36	34
Public Safety	218	223	213	196	187	187	180	182	182	176
General Public Works	55	54	53	52	50	50	48	48	46	44
Solid Waste	44	44	44	44	44	44	44	44	45	45
Highway and Streets	36	36	36	36	34	34	34	35	35	35
Tourism	9	9	9	11	11	11	11	11	11	10
Recreation	51	51	48	50	48	47	47	47	48	46
Water	24	25	25	25	25	25	25	25	25	25
Transportation	17	17	17	17	13	13	13	13	13	13
Wastewater	49	48	48	48	47	47	47	47	48	48
Convention Center	40	40	40	40	35	35	35	35	36	36
Airport	4	4	3	3	3	3	3	3	3	3
Internal Service	36	36	36	36	35	31	30	30	31	30
Full Time Employee Totals:	622	626	612	598	571	564	553	557	559	545
Seasonal Employee Totals:	799	871	841	793	808	809	863	890	892	864
Total Employees	<u>1,421</u>	<u>1,497</u>	<u>1,453</u>	<u>1,391</u>	<u>1,379</u>	<u>1,373</u>	<u>1,416</u>	<u>1,447</u>	<u>1,451</u>	<u>1,409</u>

Source: Town of Ocean City, Maryland 2000-2009 Annual Budgets

Method: Using 1.0 for each full-time employee.

Town of Ocean City, Maryland
 Operating Indicators by Function/Program
 Last Ten Fiscal Years

Function/program	2009	2008	2007	2006
General Information				
Year-round Residents	7,638	7,562	7,487	7,413
Registered Voters	5,417	6,550	5,447	6,783
Average Summer Population	258,726	258,726	259,105	259,761
General Government				
Construction Permits Issued	1,500	1,795	2,065	1,837
Estimated Value of Construction	\$ 49,851,387	\$ 69,597,628	\$ 164,614,258	\$ 184,582,285
Public Safety - Police				
Total Arrests	3,515	3,599	3,925	3,287
Parking Violations	12,871	11,749	9,284	12,728
Classified Officers	107	107	107	104
Seasonal Officers	82	110	110	94
Fire and Emergency Services				
Fire responses	1,429	1,344	1,460	1,589
Ambulance responses	5,529	5,680	5,580	5,244
Fire Safety Inspections/Re-Inspections	2,310	3,176	2,990	3,042
Fire Investigations	202	257	171	142
Classified Fire Personnel	4	3	3	3
Volunteer Officers, Firemen, Life Honor, Gold Badge	220	230	237	229
Classified Emergency Medical Technicians	42	42	42	42
Seasonal Emergency Medical Technicians	54	41	34	29
Solid Waste				
Trash Processed (tons)	28,959	31,635	33,447	33,656
Trash Recycled (tons)	3,285	3,603	3,096	3,049
Tourism and Recreation				
Seasonal Beach Patrol Personnel	194	208	190	198
Water				
Daily Average Consumption (gallons)	5,434,695	5,555,219	5,582,958	5,117,781
Plants Daily Capacity (gallons)	18,000,000	18,000,000	18,000,000	18,000,000
Transportation				
Bus Passengers	3,315,614	3,481,330	3,423,798	3,476,654
Wastewater				
Daily Average Treatment (gallons)	5,428,814	5,442,071	5,691,945	5,514,000
Summer Daily Treatment Average (gallons)	9,237,300	9,720,000	9,795,522	9,762,000
Plants Daily Treatment Capacity (gallons)	14,000,000	14,000,000	14,000,000	14,000,000
Airport				
Based Aircraft	66	68	63	48
Aircraft Fueled	3,738	3,661	7,500	6,936

Source: Town of Ocean City Finance Department

2005	2004	2003	2002	2001	2000
7,340	7,266	7,195	7,184	7,176	7,388
5,718	6,251	5,565	5,758	6,426	6,184
255,858	254,251	261,014	260,381	266,901	263,316
1,545	1,245	1,335	1,280	1,161	1,156
\$ 123,622,811	\$ 133,358,845	\$ 104,643,832	\$ 68,236,839	\$ 65,317,266	\$ 55,213,061
4,258	4,450	4,817	4,120	3,918	3,911
10,309	14,153	13,859	15,868	20,927	24,944
96	96	96	96	96	94
105	105	105	105	105	118
1,428	1,621	1,451	1,370	1,500	1,525
5,030	4,981	5,108	4,947	5,172	5,172
4,067	2,110	2,173	1,956	2,152	2,241
251	368	162	150	228	220
3	3	3	3	3	3
218	234	234	209	225	225
33	32	35	36	36	29
32	27	28	20	17	16
33,027	33,941	33,567	33,572	38,182	32,222
3,106	3,283	3,095	3,167	3,502	2,787
185	181	166	216	216	176
4,572,410	4,706,273	4,900,000	5,123,370	5,123,370	5,123,370
18,000,000	18,000,000	18,000,000	17,000,000	17,000,000	17,000,000
3,275,891	3,224,130	3,280,193	3,928,445	3,666,151	3,628,784
5,484,652	5,587,333	5,611,000	5,540,000	5,670,000	5,417,808
9,737,000	10,080,000	10,070,000	10,050,000	9,940,000	10,332,608
14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
48	45	45	45	43	36
6,960	6,913	6,975	6,850	6,700	6,068

Town of Ocean City, Maryland
 Capital Asset Statistics by Function/Program
 Last Ten Fiscal Years

Function/program	2009	2008	2007	2006
General Information				
Area in Square Miles	5	5	5	5
Public Safety - Police				
Stations	2	2	2	2
Vehicles	84	81	81	85
Public Safety - Fire and Emergency Services				
Stations	5	5	5	5
Ambulances	9	9	9	9
Highways and Streets				
Streets (miles)	69	69	69	69
Number of Streetlights	3,024	3,006	2,997	2,942
Storm Sewers (miles)	43	43	43	43
Catch Basins	2,307	2,307	2,305	2,289
Heavy Equipment	50	50	50	50
Economic Development - Tourism, Recreation, and Culture				
Number of Parks / Playgrounds	14 / 6	14 / 6	14 / 6	13 / 6
Park Acreage	77	77	79	79
Recreation Centers	1	1	1	1
Boardwalk (miles)	3	3	3	3
Beach (miles)	10	10	10	10
Tennis Courts	14	14	14	14
Museum	1	1	1	1
Golf Course	1	1	1	1
Water				
Water Mains (miles)	150	150	150	150
Treatment Plants	3	3	3	3
Service Connections	7,121	7,121	7,096	7,093
Fire Hydrants	915	915	915	912
Transportation				
Buses	56	55	56	56
Handicapped Buses	3	3	3	2
Trolleys	8	8	8	7
Boardwalk Trams	8	8	8	8
Wastewater				
Sanitary sewers (miles)	150	150	150	150
Treatment Plants	1	1	1	1
Pumping Stations	9	9	9	9
Number of Customer Accounts	28,777	28,481	28,284	27,964
Convention Center				
Convention Center (7,000 seats)	1	1	1	1
Airport				
Runway (2) (feet)	7,270	7,270	7,270	7,270
Square feet of Hangars	120,860	120,860	120,860	90,860

Source: Town of Ocean City Finance Department

2005	2004	2003	2002	2001	2000
5	5	5	5	5	5
2	2	2	2	2	2
79	78	75	74	74	70
5	5	5	5	6	6
9	9	9	9	8	8
67	67	67	67	67	64
2,906	2,884	2,884	2,849	2,849	2,344
43	42	42	42	42	42
2,286	2,284	2,284	2,280	2,280	2,271
50	50	49	49	49	48
13 / 7	13 / 7	13 / 7	13 / 8	13 / 8	13 / 8
79	79	79	79	78	78
1	1	1	1	1	1
3	3	3	3	3	3
10	10	10	10	10	10
14	14	14	14	14	14
1	1	1	1	1	1
1	1	1	1	1	1
150	150	150	150	150	150
3	3	3	3	3	3
7,069	7,073	7,030	7,003	6,975	6,921
817	699	699	695	685	680
56	54	58	53	53	54
3	3	2	2	2	2
-	-	-	-	-	-
8	8	8	8	8	8
150	150	150	150	150	150
1	1	1	1	1	1
9	10	9	9	9	9
28,708	28,720	28,717	28,713	28,708	27,587
1	1	1	1	1	1
7,270	7,270	7,270	7,270	7,270	7,270
90,860	90,860	90,860	90,860	90,860	90,860

